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August 29, 2012

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2011-0103 Wasaga Distribution Inc.

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

Encl.
cc. Wasaga Distribution Inc.
Attn: Ms. Joanne Tackaberry

REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND	**# 1**
TO:	**Wasaga Distribution Inc. (WDI)**
DATE:	**August 29, 2012**
CASE NO:	**EB-2011-0103**
APPLICATION NAME	**2012 Cost of Service Electricity Distribution Rate Application**

EXHIBIT 1.0 ADMINISTRATION

1.0 VECC #1

Reference: Exhibit 1, Tab 1, Schedule 12, Page 26

Preamble: The evidence states " With this corporate structure in place WDI and WRSI put in place an incentive based fixed cost services arrangement that provided and continues to provide significant savings and benefits to WDI customers."

a) Please summarize the significant savings and benefits to WDI customers.

1.0 VECC #2

Reference: Exhibit 1, Tab 2, Schedule 12, Page 34

Preamble: The application indicates "The renovation of the building was originally budgeted in 2010. Due to delays, construction has begun in May 2012.

a) Please explain the nature of the delays and any cost implications.

b) Please provide a status of the renovation.

EXHIBIT 2.0 RATE BASE

2.0 VECC #3

Reference: Exhibit 2, Schedule 1, Page 1

Preamble: WDI has reflected a change in useful lives in 2012 as per the Kinectrics' Asset Amortization Study that will result in a higher Net Book Value being reported in 2012, with a related decrease in amortization expense.

a) Please summarize the assets affected by a change in useful lives.

2.0 VECC #4

Reference: Exhibit 2, Schedule 3, Page 14

a) Please explain the land addition of $120,000 in 2012 (1905).

2.0 VECC #5

Reference: Exhibit 2, Schedule 3, Page 7

Preamble: The evidence indicates that "The Continuity statements are reflected under CGAAP. An eventual transition to IFRS will not have an impact on WDI's continuity statements. These statements are consistent with the continuity statements in Appendix 2-B of the Chapter 2 Appendices which agree to the reported RRR reporting and audited financial statements reported in that year, with the exception of account 1840 conduit being reclassified.

a) Please explain the reclassification of account 1840 conduit.

2.0 VECC #6

Reference: Exhibit 2, Schedule 4, Page 15

Preamble: The evidence states "Furthermore, in 2010, WDI changed its accounting policy regarding the correct recognition of assets for expansion at cost and the contributions received calculated using the economic evaluation model. This resulted in Gross Assets being reflected more accurately and provides more reliable information going forward. Prior to 2010 Contributed Capital was reduced when developers were paid as lots were energized."

a) Please provide more details to explain the statement "Prior to 2010 Contributed Capital was reduced when developers were paid as lots were energized."

2.0 VECC #7

Reference: Exhibit 2, Schedule 5, Page 22

Preamble: The evidence indicates WDI's costs drivers of capital include obligations to connect a customer. "This results in the non-discretionary investment in capital by WDI. This non-discretionary expenditure accounts for more than 60% of WDI's total expenditure on capital."

a) Please provide this calculation.

2.0 VECC #8

Reference: Exhibit 2, Schedule 5, Page 22

b) Please confirm the % of distribution assets related to WDI's own capital investment.

c) Please provide the calculation to arrive at the figure 20% of distribution assets during 2006-2012 are related to two new distribution stations that were being constructed during 2007 to 2009.

2.0 VECC #9

Reference: Exhibit 2, Schedule 7, Page 60

Preamble: The evidence indicates "Stranded Assets are the analog meters that were discarded as a result of the Smart Meter Project. The NBV of $344,185 was allocated between Residential and GS<50kW metered customers based on an equal weighting.

a) Please explain what WDI means by equal weighting.

Preamble: "Table 2.25 below, shows the allocation of the Stranded Assets, using a fixed weighting, and calculated monthly rate rider by customer class, required for WDI to recover these costs over a twelve month period, beginning May 1, 2012."

b) Please provide the rationale for a uniform rate rider.

c) Please confirm the average capital cost of meters for the residential and GS<50 kW customer classes.

d) Please recalculate the rate riders by customer class using average capital costs by customer class as the allocator.

2.0 VECC #10

Reference: Exhibit 2, Schedule 9, Page 62

Preamble: The evidence indicates "The OPA concluded noted in WDI's GEA Plan, discussed a discrepancy between the GEA plan submitted and OPA's information regarding additional microFIT and FIT applications received by the OPA."

a) Please provide a summary of the discrepancy referenced above.

2.0 VECC #11

Reference: Exhibit 2, Schedule 11, Page 64, Table 2.26

Preamble: Table 2.26 provides service quality and reliability performance indicators.

a) Please comment on WDI's 2011 reliability performance compared to the historical years 2008 to 2010.

b) Please provide an explanation for the high values for SAIDI and SAIFI in the years 2006 and 2008.

c) Please comment on how WDI's reliability results are reflected in the 2012 capital plan.

d) Please provide WDI's 2012 reliability targets.

Exhibit 3.0 LOAD FORECAST AND REVENUE OFFSETS

3.0 VECC #12

Reference: Exhibit 3, page 4 (Schedule 2)

a) Did WDI attempt any regression analyses on an individual class basis? If yes, please provide the results (i.e., the best resulting equation for each customer class where one was estimated).

3.0 VECC #13

Reference: Exhibit 3, page 2 (Schedule 2)

a) Are the values for Number of Customers/Connections year-end or average annual values?

3.0 VECC #14

Reference: Exhibit 3, page 9 (Schedule 2)

a) Did WDI attempt to perform any regression analyses that included economic indicators (e.g., local employment, GDP, etc.) as an explanatory variable? If yes, please provide the results.

3.0 VECC #15

Reference: Exhibit 3, page 10 (Schedule 2)

a) Provide a table that sets out for 2010 and 2011 the following:
   - The actual purchases for each year.
   - The actual HDD and CDD values for each year

- The “weather normal” HDD and CDD values for each year (as defined by WDI)
- The HDD and CDD coefficients per WDI’s regression model
- The weather normal adjustment for each year based on the product of a) the HDD and CDD coefficients and b) the differences between the actual and “weather normal” values for HDD and CDD respectively.
- The estimated “weather normal purchases” calculated by adjusting actual purchases by the values calculated in the preceding bullet.

3.0 VECC #16

Reference: Exhibit 3, page 11 (Schedule 2)

a) Please provide WDI’s average Total Loss Factor for the years 2003-2011.

3.0 VECC #17

Reference: Exhibit 3, page 12 (Schedule 2)

a) Please provide WDI’s actual number of Customers/Connections by class for the most recent month available.

b) Please provide the actual number of Customers/Connections by class for the same month in 2011.

3.0 VECC #18

Reference: Exhibit 3, page 15, (Schedule 2)

Preamble: The Board’s CDM Guidelines (EB-2012-0003) require LDCs to track actual CDM savings against the savings incorporated the approved load forecast by customer class.

a) Please provide the most recent progress report from the OPA regarding WDI’s 2011 CDM achievements.

b) Please confirm that the 802,000 kWh adjustment for CDM consists of savings in 2012 from programs implemented in 2011 and 2012.

   i) If not, what does it represent?

   ii) If yes, what is the break down of the 802,000 as between assumed savings from 2011 versus 2012 programs?

c) Please provide a breakdown of the 125,637,505 kWh of CDM savings by rate class. For those classes that are demand billed, please provide the 2012 billing demand reduction due to CDM.

3.0 VECC #19

Reference: Exhibit 3, page 28 (Schedule 2)

a) Please explain the decrease in Rent from Electric Property in 2011 and (forecast) 2012 relative to 2009 and 2010.

b) Please provide a schedule similar to Table 3.24 setting out the 2012 Other Distribution Revenue received to date and note the period covered. In the same schedule please show the actual 2011 Other Distribution Revenue for the same period.

3.0 VECC #20

Reference: Exhibit 3, page 28 (Schedule 2)

a) Does WDI have any microFit customers? If so, how many as of the end of 2011 and where is the revenue from the monthly customer charge reported?

b) Is WDI expecting any (new) microFit customers for 2012? If so, how many additional customers does it expect?

EXHIBIT 4.0 OPERATING COSTS

4.0 VECC #21

Reference: Exhibit 4, Schedule 1, Page 1

Preamble: The evidence indicates that in this cost of service application there will be a shift of increasing costs in the areas of Management, Billing, and Collecting.

a) Please explain fully.

4.0 VECC #22

Reference: Exhibit 4, Schedule 1, Page 2, Table 4.1

a) Please provide the inflation rate at the bottom of Table 4.1 regarding 2009 actuals compared to 2010 actuals.

b) Please confirm the timing of WDI's last cost of service application.

4.0 VECC #23

Reference: Exhibit 4, Schedule 1, Page 3, Table 4.2

a) Please provide the calculation for the "simple average of % variance for all years" and "compound annual growth rate for all years".

4.0 VECC #24

Reference: Exhibit 4, Schedule 2, Page 5, Table 4.3

a) Please explain the significant increase in 2008 related to Operations.

b) Please explain the decrease in Billing and Collecting in 2011.

c) Please explain the increase in 2009 related to Community Relations.

4.0 VECC #25

Reference: Exhibit 4, Schedule 2, Cost Drivers

a) 2009 cost drivers - Please explain why the 2009 cost driver related to the Master Service Agreement had an increase of $27,600 based on an additional 176 customers but had a $661,500 decrease in Distribution Revenue.

b) 2011 cost drivers - Please provide the change in the education venue that all Board members attend and explain the 30% increase.

c) 2012 cost drivers - Please provide the increase to the MSA approved by the Board in 2011.

d) 2012 cost drivers – Please discuss the process followed, scope of the work, and unit costs for the outside contractor to assist in the delivery of notices.

e) 2012 cost drivers – Please provide the 2012 auditing fees, confirm the third party WDI used to verify the numbers, and provide the cost to verify the numbers.

f) 2012 cost drivers – Please provide the outside cost of preparing the cost of service application.

g) 2012 cost drivers – Please discuss if WDI has compared its regulatory costs within its peer group or to other LDCs and provide the results of any analysis.

4.0 VECC #26

Reference: Exhibit 4, Schedule 2, Page 12, Table 4.5

a) Please explain why the OM&A cost per FTEE is consistent between 2010 and 2011 considering 2011 includes OM&A from the smart meter project.

b) Please reproduce Table 4.5 excluding smart meter costs.

4.0 VECC #27

Reference: Exhibit 4, Schedule 4

a) Account 5175, Maintenance of Meters – Please identify the position(s) related to the labour costs shifted away from smart meter OM&A to maintenance of meters and confirm when the positions(s) were filled.

b) Account 5310 – Meter Reading Expenses – Please provide the offset of expenses from the reduction in labour from manual meter reads.

c) Account 5315 – Customer Billing: Please provide a breakdown of the increased labour dollars of $80,750 including benefits.

d) Account 5315 – Customer Billing: Please discuss when the Resource Specialist was retained and whether the position was temporary or permanents, part-time or full-time and provide the work activities for the position.

e) Account 5315 – Customer Billing – Please explain the drivers for the increase in benefits of 37.5% from 2006 to 2012.

f) Account 5320 – Collecting – Please provide staffing details regarding the increase of 500 hours of labour.

g) Account 5610 – Management Salaries and Expenses – Please provide the results of the pay equity review that resulted in a salary increase of 62% from 2006 to 2012.

h) Please explain why the Incentive Pay program will not continue in 2012.

i) Please explain the 3.0% plus $0.25 increase in 2011.

EXHIBIT 7.0 COST ALLOCATION

7.0 VECC # 28

Reference: Exhibit 7, page 5 (Schedule 2)

a) Please provide a schedule that contrasts the weighting factors used for Services and for Billing & Collecting in WDI's current Cost Allocation versus the default values previously used.

7.0 VECC # 29

Reference: Exhibit 7, page 7 (Schedule 2)

a) Please provide the resulting revenue to cost ratios for Residential and USL assuming both class ratios were reduced to the same value in order to offset the revenue surplus from the proposed changes to Street Lighting.

EXHIBIT 8.0 RATE DESIGN

8.0 VECC #30

Reference: Exhibit 8, pages 5-6 (Schedule 2)

a) Is the fixed-variable split for the GS > 50 class based on variable revenues net of (i.e. less) the transformer ownership allowance? If not, please recalculate the split and the resulting rates using the net variable revenues.

b) Please provide a schedule that sets out the current and proposed monthly service charge for each class and compares them with the range of customer unit costs set out in Sheet O2 from the Cost Allocation run for 2012.

8.0 VECC #31

Reference: Exhibit 8, page 7 (Schedule 2)

a) Please indicate how the cost of the transformer allowance is "recovered through the distribution rates"

8.0 VECC #32

Reference: Exhibit 8, Schedule 4

a) Please provide WDI's actual 2011 LV costs.

b) Please show WDI's calculation of the increase in LV rates as between 2011 and 2012.

8.0 VECC #33

Reference: Exhibit 8, Schedule 5

a) Please explain why WDI used a 7-year average as opposed to a 5-year average as preferred in Chapter 2 (page 43) of the Board's Filing Guidelines.

EXHIBIT 9.0 DEFERRAL AND VARIANCE ACCOUNTS

9.0 VECC #34

Reference: Exhibit 9, Schedule 1

a) Please confirm the deferral and variance account rate riders included in this application, the recovery period and the resulting impacts by customer class.

EXHIBIT 10.0 PILs

10.0 VECC #35

Reference: Exhibit 10, Schedule 1

a) Please confirm the PILs rate riders included in this application, the recovery period and the resulting impacts by customer class.

EXHIBIT 11.0 SMART METERS

11.0 VECC #36

Reference: Exhibit 11, Schedule 2, Page 5

Preamble: The evidence indicates WDI has installed a total of 12,263 Meters as of December 31, 2011, which represents 100% of Residential and GS < 50 kW meters.

a) Please calculate the total average smart meter costs per meter (capital & OM&A) included in this application, including and excluding costs beyond minimum functionality.

b) Please provide a summary of WDI's incremental internal labour costs included in this application regarding smart meter implementation in terms of positions, contract type (permanent vs. temporary, part-time vs. full-time), length of employment and work activities.

11.0 VECC #37

Reference: Smart Meter Model, Sheet 2

a) Please provide a breakdown and description of the costs under 1.5.6 Other AMI Capital.

b) Please provide a breakdown of and description of the costs under 2.6.3.

c) Please discuss why all OM&A costs are in 2011.

11.0 VECC #38

Preamble: The Board's Guideline (G-2011-0001) indicates that a distributor may incur costs that are beyond the minimum functionality as defined in O. Reg. 425/06. Specifically, the Guideline indicates "These costs may be recoverable provided a distributor shows how these costs are required for its smart meter program and how these costs are incremental."

a) Please discuss how WDI's costs beyond minimum functionality are incremental and required for the smart meter program.

11.0 VECC #39

Reference 1: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Page 19

Preamble: The Guidelines state, "The Board also expects that a distributor will provide evidence on any operational efficiencies and cost savings that result from smart meter implementation."

a) Please summarize the operational efficiencies and cost savings that WDI has experienced or anticipates will result from smart meter implementation.

11.0 VECC #40

Reference: Exhibit 11, Schedule 5, Page 28, Table 11.8

a) Please summarize the cost allocation methodology used in Table 11.8 including the treatment of smart meter revenues for customer classes other than residential and GS<50 kW.

11.0 VECC #41

Reference: Exhibit 11, Schedule 14, Page 23, 11.4

a) Please explain the variance between budget OM&A and Costs at December 31, 2011 related to line 2.6.2 costs for deployment of smart meters to customers other than residential and GS<50 kW.

11.0 VECC #42

Reference: Exhibit 11, Schedule 15

Preamble: WDI provides the net increase in dollars to each customer class.

a) Please provide the percentage increase resulting from the SMDR.

11.0 VECC #43

Reference: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Page 19

Preamble: The Guideline states, “The Board views that, where practical and where data is available, class specific SMDRs should be calculated on full cost causality.”

a) Please complete a separate smart meter revenue requirement model by rate class.

b) Please re-calculate the SMDR & SMIRR rate riders based on full cost causality by rate class.

c) Please provide a table that summarizes the total Smart Meter Rate Adder Revenue and associated interest collected by customer class.

a) If WDI is unable to provide separate smart meter revenue requirement models by rate class, please provide a detailed explanation.