WASAGA DISTRIBUTION INC.

P.O. Box 20, 950 River Road West, Wasaga Beach, Ontario L9Z 1A2
Tel: (705) 429-2517 Fax: (705) 429-2590 E-mail: hydro@wasagadist.ca

September 18, 2012

Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Attn: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli,

EB-2011-0103

ED-2002-0544

2012 Interrogatory Responses

Wasaga Distribution Inc. has filed Interrogatory Responses for Board Staff, Energy Probe and Vulnerable Energy Consumers Coalition on the Ontario Energy Board RESS site, today September 18, 2012.

In addition, two paper copies of the submission will be sent by courier.

Should you have any queries, do not hesitate to contact Joanne Tackaberry at 705-429-2517 or at the following email address:

j.tackaberry@wasagadist.ca

Joanne Tackaberry, CGA.

Respectfully submitted,

Joanne Tackaberry, CGA

Manager, Administrative & Financial Services

cc: Intervenors of Record

Response to Interrogatories
2012 Electricity Distribution Rates
Wasaga Distribution Inc. ("WDI")
EB-2011-0103
September 19, 2012

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1.0-Staff-1

Ref: Exhibit 1/ Tab 1/ Schedule 14/ Page 29 - Condition of Service

a) Please identify any rates and charges that are included in WDI's conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.
b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2011 and the revenue forecasted for the 2012 test years.
c) Please explain whether in WDI's view, these rates and charges should be included on WDI's tariff sheet.

Wasaga Distribution Inc. Response

a) There are no rates and charges in WDI's Conditions of Service that are not included in the Board-approved tariff sheet.

b) Not applicable.

c) Not applicable.

1.0-Staff-2

Ref: Exhibit 1/ Tab 2/ Schedule 4/ Page 38 - Revenue Requirement Work Form (RRWF)

a) Based on the responses to the interrogatories from all parties, please submit a Microsoft Excel file containing an updated RRWF (version 2.20) that represents any changes the applicant wishes to make to the amounts in the previous version of the RRWF. Column E of Sheet 3 should remain unchanged. Instead, adjustments or changed numbers should be input into cells on columns I or M, as applicable.
b) Please provide a list of all changes made to WDI's original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts.

<u>Wasaga Distribution Inc. Response</u>

a) WDI has submitted a revised RRWF as requested. (WDI_IRR__Revenue_Requirement_Model_20120919)

b) Illustrated below are the list of changes and subsequent bill impacts as a result of the changes made that impact the RRWF.

Adjustments:

Wasaga Distribution Inc.
Summary of Proposed Cumulative Changes

	Ref:	Exhibit	Regulated Return on Capital	Rate Base	Working Capital	Working Capital Allowance	PILs	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
Original Submission			$803,687	$12,961,018	$15,939,236	$2,390,885	$71,974	$4,264,037	$3,710,036	$176,110
EP#12 SSS Admin	(1)	3	$803,687	$12,961,018	$15,939,236	$2,390,885	$71,974	$4,264,037	$3,707,381	$173,455
Change			$0	$0	$0	$0	$0	$0	-$2,655	-$2,655
EP#21 CCA Adjustments	(2)	4	$803,687	$12,961,018	$15,939,236	$2,390,885	$65,732	$4,257,796	$3,701,139	$167,214
Change			$0	$0	$0	$0	-$6,242	-$6,241	-$6,242	-$6,241
Staff #23 RTSR Change	(3)	8	$803,571	$12,959,157	$15,926,836	$2,389,025	$65,720	$4,257,668	$3,701,012	$167,086
Change			-$116	-$1,861	-$12,400	-$1,860	-$12	-$128	-$127	-$128
Change - Proposed vs. Original			0%	0%	0%	0%	-9%	0%	0%	-5%
			-$116	-$1,861	-$12,400	-$1,860	-$6,254	-$6,369	-$9,024	-$9,024

(1) SSA Admin charge resulted from a understatement of forecasted revenue in 2012.
(2) CCA Adjustments were a result of 2011 original CCA schedule submission difference between 2011 tax returns. WDI adjusted total and removed disposals originally reported. WDI also updated SRED for 2012 estimated in the amount of $20,000.
(3) WDI updated RTSR model in accordance with Staff IR#23 request.

Rate Riders

Deferral and Variance Accounts (1)		Original	Per IR # 9.0-Staff-29
Exhibit 9		$	$
Residential	kWh	-0.0114	-0.0113
GS < 50 kW	kWh	-0.0115	-0.0115
GS>50 kW	kW	-4.7439	-4.7419
Streetlight	kW	-4.0445	-4.0427
Unmetered Scattered Load	kWh	-0.0116	-0.0116
PILS	(2)	Original	Per IR # 9.0-Staff -37-39
Exhibit 10		$	$
Residential	kWh	-0.0013	-0.0038
GS < 50 kW	kWh	-0.0008	-0.0024
GS>50 kW	kW	-0.1856	-0.5449
Streetlight	kW	-0.4134	-1.2137
Unmetered Scattered Load	kWh	-0.0007	-0.0021
SMDR	(3)	Original	Per IR # 9.0-Staff -43
Exhibit 11		$	$
Residential	Fixed	0.76	0.65
GS < 50 kW	Fixed	3.29	3.09
Stranded Meters	(4)	Original	Per IR # 2.0 EP #7
Exhibit 11		$	$
Residential	Fixed	2.31	1.86
GS < 50 kW	Fixed	2.31	8.91

(1) Adjustment to D&VA as a result of HST account 1592 being removed until 2012 balances audited.

(2) Adjustment to PILS related to Board Staff

(3) Change in Approved Long-Term Debt Rate from 7.25% to 6.35%

(4) Change in Cost Allocation based on original capital cost reported in 2006 EDR

Bill Impacts:

			Original		Per Staff IR # 2	
	kWh	kW	$	%	$	%
Residential	800	-	-10.58	-9.69%	- 13.30	-12.17%
GS < 50 kW	2,000	-	-23.05	-9.38%	- 19.97	-8.13%
GS>50 kW	166,000	290	910.33	4.33%	777.63	3.70%
Streetlight	140,981	398	5,247.01	31.99%	4,814.23	29.36%
Unmetered Scattered Load	548	-	-10.81	-14.30%	- 10.94	-14.47%

1.0-Staff-3

Ref: Exhibit 1/ Tab 3/ Schedule 1/ Page 40
Exhibit 1/ Tab 1/ Schedule 2/ Page 8 – Regulatory Return

In reference to Exhibit 1/ Tab 1/ Schedule 2/ Page 8, WDI states: "WDI complied with Procedural Order No.1 and the Board's Interim Rate Order of May 15, 2012 reducing rates effective May 1, 2012; however, WDI does not agree that a reduction in its rates was necessary or appropriate, and respectfully requests that any revenue foregone as a result of this rate application during the period between May 1, 2012 the implementation date of WDI's 2012 distribution rates that are subject to this Application be restored to WDI and recovered through an appropriated rider to form part of WDI's final rate order."

a) Please explain why WDI does not agree that the reduction in its rates was necessary or appropriate.

b) In reference to Exhibit 1/ Tab 1/ Schedule 2/ Page 7, WDI states: "By a Notice of Proceeding and Order Respecting Interim Rates dated July 18, 2011, the Board made WDI's rates interim effective the same date." Please explain how the interim rate period should be treated and explain why.

The Board's Filing Guide for Electricity Reporting and Record Keeping Requirement ("RRR") at page 63 notes that:

> "It is required to send an annual regulatory return by email to the Board. This requires a spreadsheet showing the calculations for the regulatory return earned since the effective date of the last rate change, or in case this calculation is not readily available, the regulatory return for the past financial year."

The Filing Guide further states that:

> "The Board reminds distributors that the Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (the "IR Report"), issued on July 15, 2008, established a trigger mechanism with an annual ROE dead band of ±300 basis points. When a distributor performs outside of this earnings dead band, a regulatory review may be initiated. The Board intends to use the information filed by distributors under section 2.1.5.6 to assess if further action is warranted."

c) Based on data provided on the 2010 & 2011 Audited Financial Statements filed in Exhibit 1/ Tab 1/ Schedule 2/ Appendix 1E & 1F, staff has prepared spreadsheets which show the calculations for the regulatory return earned under RRR section 2.1.5.6 for 2010 and 2011. Please confirm whether the data provided are correct. If not, please provide the correct information.

Wasaga Distribution Inc. Response

a) The Board's decisions to reduce rates were based on 2010 reported actuals, and as such WDI is basing its recommendation using 2010 as the base year used by The Board for making this decision. In reference to Chapter 2 Appendices, Appendix 2-C. It should be noted that Pole Rental Revenue for 2010 should have been $115,654 and is overstated by $121,096. Furthermore, $69,198 of Miscellaneous Revenue (4235) in 2010 includes OPA CDM Revenue, which should not be included in rate calculations. Illustrated below is the ROE calculation provided by staff, adjusted, taking into consideration these adjustments, and using the Utility Tax rate provided by Board staff. The recalculated ROE provided is 10.57%, well within the required deadband. Thus, WDI strongly disagrees with that decision.

Wasaga Distribution Inc.			
Fiscal 2010			
Regulated net income, as per OEB Trial Balance		$ 783,288	A
Overstatement of Pole Rental Revenue - 2010	(121,096)		
Misc. Revenue - OPA CDM Incentive Revenue	(69,198)		
Tax Impact - 31%	58,991	(131,303)	
Deferred income taxes		(56,543)	
Adjustment to interest expense - for deemed debt		(135,239)	B
Adjusted regulated net income		$ 460,203	C
Rate Base:			
Cost of Power		$ 10,198,569	
Operating Expenses		$ 2,203,042	
Total		$ 12,401,611	
Working Capital Allowance %		15%	
Total Working Capital Allowance		$ 1,860,242	
Fixed Assets			
Opening Balance	$ 9,281,147		
Closing Balance	$ 8,776,528		
Average	$ 9,028,838	$ 9,028,838	
Total Rate Base - 2010		$ 10,889,079	D
Regulated Deemed Equity (40%)		$ 4,355,632	E
Regulated Deemed Debt (60%)		$ 6,533,447	F
Regulated Rate of Return on Deemed Equity		**10.57%**	G = C/E
ROE% from most recent Cost of Service application	**2006 EDR**	**9.00%**	
Difference - maximum deadband 3%		**1.57%**	

b) Based on the above calculation in part a). WDI rates approved in EB-2010-0143 should have been in effect until it rebased and any subsequent decisions based on this information was not necessary.

c) WDI has provided updated spreadsheets for 2010 and 2011 ROE calculations illustrated below provided by Board Staff to reflect correct deemed regulated return on equity.

WDI would also like to note that the last time WDI rebased the effective tax rate incurred in 2006 was 36.1% and the decrease in tax rate also has had an impact on reported income after taxes.

2010

Wasaga Distribution Inc.			
Fiscal 2010			
Regulated net income, as per OEB Trial Balance		$ 783,288	A
Overstatement of Pole Rental Revenue - 2010	(121,096)		
Misc. Revenue - OPA CDM Incentive Revenue	(69,198)		
Tax Impact - 31%	58,991	(131,303)	
Deferred income taxes		(56,543)	
Adjustment to interest expense - for deemed debt		(135,239)	B
Adjusted regulated net income		$ 460,203	C
Rate Base:			
Cost of Power		$ 10,198,569	
Operating Expenses		$ 2,203,042	
Total		$ 12,401,611	
Working Capital Allowance %		15%	
Total Working Capital Allowance		$ 1,860,242	
Fixed Assets			
Opening Balance	$ 9,281,147		
Closing Balance	$ 8,776,528		
Average	$ 9,028,838	$ 9,028,838	
Total Rate Base - 2010		$ 10,889,079	D
Regulated Deemed Equity (40%)		$ 4,355,632	E
Regulated Deemed Debt (60%)		$ 6,533,447	F
Regulated Rate of Return on Deemed Equity		**10.57%**	G = C/E
ROE% from most recent Cost of Service application	**2006 EDR**	**9.00%**	
Difference - maximum deadband 3%		**1.57%**	

- Pole Revenue was overstated in 2010 – Ref: Chapter 2 Appendices - Appendix 2-c
- OPA CDM Incentive revenue was reflected in Miscellaneous Revenue

2011

Wasaga Distribution Inc.			
Fiscal 2011			
Regulated net income, as per OEB Trial Balance		$ 981,598	A
SRED - 2010 & 2011	(117,042)		
Amended T2 - EP#21	(11,827)	(128,869)	
LRAM Recovery	(82,000)		
SRED - Consultant Fees	(23,408)		
Tax Impact - 28.25%	29,778	(75,630)	
Deferred income taxes		(29,052)	
Adjustment to interest expense - for deemed debt		(143,372)	B
Adjusted regulated net income		$ 604,675	C
Rate Base:			
Cost of Power		$ 11,132,421	
Operating Expenses		$ 2,264,029	
Total		$ 13,396,450	
Working Capital Allowance %		15%	
Total Working Capital Allowance		$ 2,009,468	
Fixed Assets			
Opening Balance	$ 8,760,397		
Closing Balance	$ 8,923,680		
Average	$ 8,842,039	$ 8,842,039	
Total Rate Base - 2011		$ 10,851,506	D
Regulated Deemed Equity (40%)		$ 4,340,602	E
Regulated Deemed Debt (60%)		$ 6,510,904	F
Regulated Rate of Return on Deemed Equity		**13.93%**	G = C/E
ROE% from most recent Cost of Service application	**2006 EDR**	**9.00%**	
Difference - maximum deadband 3%		**4.93%**	

- WDI 2011 corporate tax return had a payable of $117,042 (which included an investment tax credit deduction of $50,007 for SRED). Additionally, the 2010 corporate return was amended to recover $55,000 in SRED. This recovery went through the 2011 income tax provision.
- LRAM recovery (2009 and prior) was included in Distribution Revenue
- WDI had not accrued SRED Consultant Fees

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.

<u>Wasaga Distribution Inc. Response</u>

The forecast revenue and revenue deficiency in the initial application was calculated using the approved rates prior to the interim rate order dated May 15, 2012. WDI has recalculated the revised revenue deficiency of $327,928 resulting in the Test Year Revenues at existing rates of $3,382,107 and unchanged forecasted Base Revenues for the 2012 Test Year of $3,710,036 using the May 15^{th} 2012 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.

Wasaga Distribution Inc. Response

a) The employees shown in the Utility Organizational Chart are employees of WRSI. Through the Master Service Agreement (MSA) the costs of the employees to provide management and other services is "resourced" through WRSI.

b) The only Board of Director costs included in the WDI Revenue Requirement are those of the Wasaga Distribution Board. The allocation of these costs is only in Account 5605 – Executive Salaries and Expenses with an amount of $51,216.

c) WDI failed to mention on page 24 the dividend transactions between WDI and Geosands Inc. that occurred in 2009 to 2011 and the forecast amount for 2012. There were no other transactions in 2008.

2009 Dividend Payment: $20,000 WDI to Geosands Inc. to Town of Wasaga Beach
2010 Dividend Payment: $250,000 WDI to Geosands Inc. to Town of Wasaga Beach
2011 Dividend Payment: $400,000 WDI to Geosands Inc. to Town of Wasaga Beach
2012 Forecast Dividend Payment: $250,000 WDI to Geosands Inc. to Town of Wasaga Beach

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 has changes in capitalization, etc.?

Wasaga Distribution Inc. Response

a) WDI has submitted this application and the resulting revenue requirement based on CGAAP.

b) WDI has decided to adopt a change in depreciation rates as at January 1, 2012 based on the asset depreciation study prepared by Kinectrics Inc. on July 8th, 2010 under CGAAP.

c) WDI plans to convert to MIFRS in conjunction with IFRS as at January 1, 2013.

d) WDI does not expect any changes related to the conversion to MIFRS.

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.

Wasaga Distribution Inc. Response

a) WDI receives in excess of $144,000 a year in rental revenue of the administration building from WRSI; furthermore WDI receives additional $48,750 interest revenue from WRSI. These Revenues have been reflected as revenue offsets in WDI's application.

   WDI also uses WRSI's computer software, computer hardware, equipment, and vehicles that as at December 31, 2011 have a NBV of approximately $1,120,000. These are assets that WDI would require regardless. These assets are currently not reflected in WDI's rate base and therefore reflect a lower Regulated Return on Capital of approximately $70,000 and the related Amortization of these assets is also not reflected in WDI's amortization expense.

   Additionally, WRSI received in 2009 - $420,208, 2010 - $448,653, and 2011 - $414,521 of burden recovery with a 2012 forecast of $270,000 (as a result of increased recovery from the MSA) – of a reduction of costs that WDI does not incur.

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.

Wasaga Distribution Inc. Response

a) There were no cost implications – major delays resulted from RFP process and WDI Board of Directors level approval.

b) 50% Complete – Expected to be completed in November 2012.

EXHIBIT 2 – RATE BASE

2.0-Staff-4

Ref: Exhibit 2/ Schedule 6/ Page 52 – 2012 Capital Expenditures (Service Centre Building Renovations)

a) Please provide more details of the condition of the service centre building, such as year built, size, condition, annual maintenance and repair costs, etc.
b) Please advise whether WDI has performed any condition assessment of the service centre building by internal or external party. If so, please file any report from the assessment.

<u>Wasaga Distribution Inc. Response</u>

a) The current age of the Service Centre is approximately 42 years old and was not designed at that time for the growth of the Town of Wasaga Beach or the needs of the operations personal.

- Current facilities were not up to code i.e. no woman's' washrooms.
- The outside wall was originally of block construction – with the mortar deteriorating.
- The original size of the shop was 40' * 100' – The renovation increased by 40' fee (additional 40'*40') for additional storage bays
- Updated Office Space.
- Maintenance and Repair costs for the year 2009 to 2011 were as follows: $28,026, $33,922, and $33,233 respectively.

b) No assessment was completed. See part a) for additional disclosure.

2.0-Staff-5

Ref: Exhibit 2/ Schedule 6/ Page 45 - 51 – Capital Expenditures

In the above reference, WDI provides tables to show that the capital expenditures for 2010, 2011 and 2012 are $664,750, $356,398, and $2,065,172, respectively. However in its Asset Management Plan (Exhibit 2/ Appendix 2A/ Page 24), WDI summaries that the capital expenditures for 2010, 2011, and 2012 are $962,000, $1,041,750, $688,500, respectively.

a) Please explain the difference between the actual expenditures in 2010 & 2011 and the numbers in the Asset Management Plan.
b) Please also provide the reason(s) for the deviation of the proposed expenditure in 2012 as compared to the Asset Management Plan.

<u>Wasaga Distribution Inc. Response</u>

Illustrated below, WDI has provided a reconciliation that provides additional information regarding the differences from the asset management plan and from actual assets capitalized between the years 2010-2012

a) Significant discrepancies that occurred between the asset management plan and the assets that were capitalized include the delay in capitalizing projects under construction and Contributed Capital not shown as a reduction of assets expenditures (Appendix 2A/ Page 24).

b) Major Deviations resulted from the capitalization of projects that were included in the WIP account, and reflected in the asset management plan in 2010 and 2011. Furthermore, the Service Centre Building renovation was not reflected in the Asset Management Plan.

		2010	2011	2012
Actual capitalization in year		644,750	356,398	2,065,172
Asset Management Plan		962,000	1,041,750	688,500
Differences		**- 317,250**	**- 685,352**	**1,376,672**
Contributed Capital	(1)	161,000	171,125	150,000
Hwy 26 - (Including 44kv Line)	(2)	85,000	345,000	65,000
Hwy 26 - Capitalization - Budget	(3)			- 124,272
Station Metering	(4)	35,000	55,000	50,000
River Road East - Reconstruction	(5)	175,000	175,000	
River Road East - Reconstruction	(6)			- 457,068
Service Centre Building	(7)			- 449,981
Topobase Software	(8)	- 48,625		
Development Driven - Overspending	(9)	- 54,898		
Smart Meters	(10)		- 67,641	- 120,000
New PME	(11)			- 100,000
SCADA	(12)			- 134,500
Service Centre Land	(13)			- 120,000
Communication VLAN/Towers	(14)			- 126,794
Miscellaneous Project Over/Under Spending	(15)	- 35,227	6,868	- 9,057
Reconciled Totals		**317,250**	**685,352**	**- 1,376,672**

Notes:

(1) Ref: Section 9.0 Capital Forecast Plan Pg. 24 - Appendix B - Totals reported are gross asset expenditures - contributed capital was not included in the total - adjusted for total reported in asset management plan
(2) Hwy 26 - Construction did not begin until 2011 - Partial project costs included in WIP balance in 2011
(3) Budgeted project costs expected to be capitalized in 2012. Timing difference
(4) WDI originally expected to install station metering - SCADA installed instead
(5) River Road East Reconstruction - Project began in 2010, included in WIP
(6) Project costs expected to be capitalized in 2012. Timing difference
(7) Not included in Asset Management Plan
(8) Not included in Asset Management Plan
(9) Overspending as a result of development driven projects not with WDI's control
(10) Smart Meter expenditures were not included in the asset management plan
(11) Installation of a New PME for HWY 26
(12) SCADA equipment purchased and installed, replacing station metering
(13) Not included in Asset Management Plan
(14) Not included in Asset Management Plan - part of SCADA
(15) Miscellaneous projects that resulted in over/under spending

2.0-Staff-6

Ref: Exhibit 2/ Schedule 9/ Appendix 2B/ OPA Letter ;
Exhibit 2/ Schedule 9/ Appendix 2B/ Green Energy Act Plan;
Filing Requirements: Distribution System Plans – Filing under Deemed Condition of Licence, issued March 25, 2010 [EB-2009-0397], Page 23-24

WDI's cost of service application was submitted on June 2012, the GEA plan and the OPA letter were submitted on August 2011 and September 2012 respectively.

In the first reference, the OPA highlights that it "has received a number of additional FIT applications that are currently under review".

On page 5 of the second reference WDI states that "there are presently no FIT applications within the Wasaga Distribution service territory".

On pages 6 & 7 of the second reference, WDI recognizes that it "has developed a five year system investment plan, which has identified a number of capital projects that will require attention to bring improvements and/or implementation of smart grid technology and system reliability." WDI however also states that it "does not intend to prepare any reports to specifically address the smart grid".

a) Please provide an updated list of microFIT and FIT applications in the pipeline that will need to be connected to WDI's system.
b) Please provide an update on the state and progress since August 2011 of renewable generation connections in WDI's service territory.
c) Please provide an update on the cited five year investment plan aimed at bringing improvements and/or implementation of smart grid technology and system reliability.
d) Notwithstanding the statement at pages 6 & 7 of the second reference regarding the absence of a specific report(s) on smart grid, has there been any planning in connection with the Smart Grid? Please indicate in which report(s) would this information be accessible, cross referencing when necessary.
e) If expenditures associated with planning for the smart grid exist, please indicate whether any of those expenditures will be booked to the accounts cited at the third reference, accounts 1534, 1535, or 1536.

Wasaga Distribution Inc. Response

a) A list has been prepared and provided as part of this submission. WDI_IRR_2Staff6MicrofitLisa_20120630

b) Since December 2011, WDI has had 14 Connections providing 128.28 kW

c) WDI has not put forth any investment in Smart Grid in this application this is mainly because WDI's main distribution system is reasonably new, has large capacity rating, and fairly reliable as a result of recent completion of major system upgrades (including River Road West and East projects)

   Projects that will assist (assisted) in enhancing system reliability include:

   - SCADA Equipment
   - River Road East Line Rebuild
   - Hwy 26 Reconstruction
   - Replacement of aged mechanical breakers for MS#3
   - River Road West Line Rebuild
   - Sunnidale Road Line construction

d) There are none.

e) No.

2.0-Staff-7

Ref: *Filing Requirements: Distribution System Plans – Filing under Deemed Condition of Licence, issued March 25, 2010 [EB-2009-0397], Part V, Section 2;*
Exhibit 2/ Schedule 9/ Appendix 2B – Green Energy Act Plan

a) In the first reference, bullet point 4 states: "the method and criteria that will be used to prioritize expenditures in accordance with the planned development of the system". Please provide WDI's general strategy and prioritization methodology for connecting renewable generation.

b) On the page 6 of the second reference, WDI tabulates 8 projects indicating that they relate to "work necessary for improvement of system reliability as well as aiding in the accommodation of renewable generation." Please clarify whether the works identified at second reference are part of the WDI's asset management plan and/or GEA Plan. If so, please provide the cross reference when applicable.

c) If the projects listed on page 6 of the second reference relate to both asset management and GEA plans, please allocate weights, based on a percentage of projected works that are driven by system reliability versus the connection of renewable generation.

d) Please specify which renewable generation projects will be connected within 5 years. Using the table below as a guide, please indicate the work WDI will be undertaking, and the feeder associated with it.

PROJECT X	FEEDER	EXPECTED ONLINE DATE	ACTIVITY	COST ESTIMATE
			SYSTEM EXPANSION ACTIVITIES	
			Building a new line to serve the connecting customer	
			Rebuilding a single-phase line to three-phase to serve the connecting customer	
			Rebuilding an existing line with a larger size conductor to serve the connecting customer	
			Rebuilding or overbuilding an existing line to provide an additional circuit to serve the connecting customer	
			Converting a lower voltage line to operate at higher voltage	
			Replacing a transformer to a large MVA size	
			Upgrading a voltage regulating transformer or station to a larger MVA size	
			Adding or upgrading capacitor banks to accommodate the connection of the connecting customer	

			RENEWABLE ENABLING IMPROVEMENTS ACTIVITIES	
			Modifications to, or the addition of, electrical protection equipment	
			Modifications to, or the addition of, voltage regulating transformer controls or station controls	
			The provision of protection against islanding (transfer trip or equivalent)	
			Bidirectional reclosers	
			Tap-changer controls or relays	
			Replacing breaker protection relays	
			SCADA system design, construction and connection	
			Any other modifications or additions to allow for and accommodate 2-way electrical flows or reverse flows	
			Communication systems to facilitate the connection of renewable energy generation facilities	

Wasaga Distribution Inc. Response

a) WDI has developed a strong backbone throughout its distribution system, but may require offshoots when and where required meeting future needs.

b) The projects listed in the GEA plan include projects listed related to the asset management plan that were delayed from 2010. Including projects expected to be completed in 2012. These projects include Hwy 26 and River Road East that are listed below.

Project Name	Feeder Affected	Approx. Yr
Replace existing feeders along Hwy 26 south of Baysands	1F2	2011/12
Replace existing feeders along Hwy 26 north of Baysands	1F2	2011/12
Replace existing feeders along River Road East	4F3	2011/12

It should be noted that on Page 7, Appendix 2C – GEA plan, WDI noted that all activities mentioned would have been undertaken anyways.

c) The capital projects were built for system capacity and system reliability, a benefit is for renewable generation, but not an overriding factor.

d) At the present time, WDI is unable to project any future renewable generation projects that would significantly impact system requirements.

2.0-Staff-8

Ref: Exhibit 4/ Schedule 8/ Green Energy Act Plan OM&A Costs;
Exhibit 2/ Schedule 9/Green Energy Act (GEA) Plan Summary;
Exhibit 2/ Schedule 9/ Appendix 2B – Green Energy Act Plan;
Filing Requirements: Distribution System Plans – Filing under Deemed Condition of Licence, issued March 25, 2010 [EB-2009-0397], Page 22-24;
Exhibit 2/ Tab 3/ Schedule 1/ Page 1;
Report of the Board – Framework for Determining the Direct Benefit Accruing to Consumers of a Distributor under Ontario Regulation 330/09, issued June 10, 2010

In the first reference, WDI states that it "has not included any OM&A costs for Renewable Generation connection or Smart Grid development in its 2012 COS Rate Application".

WDI's GEA plan does not indicate how the distributor will recover costs associated with the implementation of GEA plan. In the second reference, WDI states that "is not seeking a rate rider to recover renewable generation costs."

On page 6 of the third reference, WDI identifies 8 projects driven by system reliability and the accommodation of renewable generation.

In the fourth reference at pages 22 and 24, six Accounts are described in relation to Renewable Generation Connection and Smart Grid Development Deferral Accounts.

In the fifth reference, the Board recognizes two distinct types of work related to the connection of renewable generation, namely Expansion and Renewable Enabling Improvements (REI) that give rise to specific cost recovery treatment from the distributor's ratepayers under the *Framework*.

a) Please confirm that no additional human resources will be required to implement the GEA Plan.
b) Please indicate what OM&A expenditures, if any, will be associated with the GEA plan capital expenditures.
c) Please indicate what work allocated to the connection of renewable generation tabulated at the third reference is expansion versus REI.
d) In keeping with the fourth reference, and notwithstanding the second reference, please outline WDI's proposal for recovery of capital and initial OM&A costs associated with the implementation of the GEA plan.

e) In accordance with the *Framework* at the fifth reference, please provide an estimate of the direct benefits accruing to WDI's ratepayers.

Wasaga Distribution Inc. Response

a) WDI is unable to provide a reliable estimate for any additional human resources at this time.

b) WDI is unable to provide a reliable estimate on additional expenditures at this time.

c) All projects are for expansion.

d) None of these projects were associated with the Green Energy Plan.

e) WDI is unable to reliably estimate the future benefits to customers at this time

2.0-Staff-9

Ref: Exhibit 2/ Schedule 9/ Appendix 2B – Green Energy Act Plan;
Filing Requirements: Distribution System Plans – Filing under Deemed Condition of Licence, issued March 25, 2010 [EB-2009-0397], Page 8-9

In the first reference, WDI recognizes that its sub-transmission system is fully embedded within the HONI system, and that it is "cognizant that all renewable generation projects must be approved by Hydro One, on an individual basis".

a) In accordance with the *Filing requirements*, please indicate whether WDI provided HONI with a forecast of renewable generation and forecast planned system investments to accommodate the forecast connections.
b) In accordance with the *Filing requirements,* please indicate how relevant feedback from HONI has been incorporated into WDI's GEA plan.

<u>Wasaga Distribution Inc. Response</u>

a) Yes.

b) WDI did not receive any feedback – no capacity issues.

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%.

Wasaga Distribution Inc. Response

a) Table 2.1 is actual data. 2011 Rate Base includes Smart Meter costs and disposition of Stranded Meters.

b) An average age of 5 years has been assigned for assets that need to be replaced.

c) WDI has filed the COS application as a 2012 filer. The OEB issued a letter (BY E-MAIL) dated April 12, 2012 and stated:

"The Board informs distributors that 2012 will be the final year for which the 15% Allowance Approach will be allowed as a default value"

Consequently, WDI feels the 15% working capital allowance is appropriate.

2.0 Energy Probe # 5

Ref: Exhibit 2, Schedule 3

a) Please confirm that Table 2.8 reflects actual 2011 data.

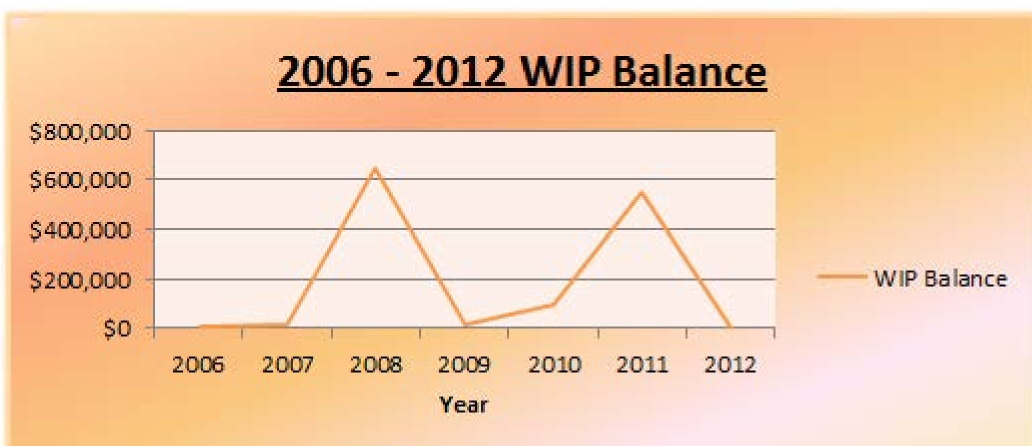
b) Please explain why the forecast for 2012 shown in Table 2.9 assumes no additions to WIP in the test year despite additions in past years.

c) Please provide a description of the property under capital lease being added in 2012.

Wasaga Distribution Inc. Response

a) Table 2.8 reflects actual 2011 data.

b) WDI is unable to reasonably provide a reliable estimate at this time. Historically and illustrated in the chart below, WDI has experienced significant fluctuations in the balance of its WIP account, and as a result in major projects that span multiple years. At this time, WDI does not expect a major project to be carried forward into 2013; as such the WIP account balance expected at the end of 2012 is deemed to be nominal.



c) WDI leased communication equipment from Point-to-Point Communications to be used for SCADA system.

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?

<u>Wasaga Distribution Inc. Response</u>

a) Accumulated amortization had been adjusted for and corrected to reflect prior period amortization on prior period errors. As such, there is no net impact related to timing since all corrections have been correctly adjusted for as at December 31, 2011.

b) WDI did not include January 1, 2012 WIP balance of $551,295 in Rate Base. Illustrated below is Table 2.15 adjusted to include WIP.

USoA	Description	2002-2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test Year
1805	Land	0	0	0	1,050	0	0	0	0
1820	Distribution Station Equipment	0	1,050	0	402,498	1,690,565	60,815	0	145,000
1830	Poles, Towers, and Fixtures	0	38,885	193,055	93,090	92,961	199,484	84,152	300,978
1835	Overhead Conductors and Devices	0	68,437	209,749	40,114	141,443	201,201	11,606	369,413
1840	Underground Conduit	7,605	540	77,150	8,432	174,874	0	0	190,500
1845	Underground Conductors & Devices	222,189	360,229	165,517	359,844	483,130	247,319	130,495	446,073
1850	Transformers	143,489	275,429	103,448	166,718	189,747	277,536	154,420	435,117
1855	Services	0	172,809	150,549	150,542	103,015	143,161	195,885	252,063
1860	Smart Meters	0	0	0	0	0	0	1,646,261	120,000
1860	Meters	0	100,008	17,141	84,639	-20,143	0	-1,053,169	33,000
Total Additions to Plant		373,283	1,017,387	916,608	1,306,928	2,855,592	1,129,516	1,169,650	2,292,144
1905	Land	0	0	0	0	0	0	0	120,000
1908	Building and Fixtures	0	0	0	2,650	816	3,835	24,968	449,981
1920	Computer Hardware	0	0	0	0	0	0	0	10,500
1925	Computer Software	0	0	0	0	0	48,625	2,750	87,500
1930	Transportation Equipment	0	0	0	0	0	0	0	0
1940	Tools and Shop Equipment	0	0	0	0	0	0	0	0
2005	Property under Capital lease	0	0	0	0	0	0	0	126,796
Total Additions to Other Assets		0	0	0	2,650	816	52,460	27,718	794,777
Total Capital Addiitons Before Capital Contributions		373,283	1,017,387	916,608	1,309,578	2,856,408	1,181,976	1,197,368	3,086,921
1995	Contributions and Grants - Credit	-730,248	-605,713	-343,927	-434,962	-1,180,860	-517,226	-319,856	-1,021,750
Total Net Capital Additions WIP			5,656	13,046	628,875	- 630,654	75,357	459,015	- 551,295
Gross Asset Total		-356,965	417,330	585,727	1,503,491	1,044,894	740,107	1,336,527	1,513,876
Total Net Additions 2006 - 2012 Test Year (including Prior Year)									6,784,988

c) WDI agrees with this statement.

d) WDI has averaged approximately $750,000 net capital expenditures during the years 2006-2011 which excludes Smart Meter additions and the removal of stranded meters in this calculation.

e) Approximately $750,000.

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.

<u>Wasaga Distribution Inc. Response</u>

a) WDI has disposed of Stranded Assets (Meters) and removed them from account 1860 as at December 31, 2011 and has reflected this in calculation of the Rate Base.

b) Yes.

c) WDI can understand why it might be interpreted that way.

d) WDI has recalculated the rider as originally reported in table 2.25 using the last Cost Allocation Model approved by the OEB. Illustrated below.

Stranded Meters Calculation:

Capital Cost	$	1,057,506
Accumulated Depreciation (to 31-Dec-2010)	$	680,754
2011 Depreciation	$	32,567
Net Book Value:	**$**	**344,185**

	Residential	GS <50 kW	Total
2006 Cost Allocation Model - Capital Costs	$ 457,100	$ 149,080	**606,180**
Net Book Value Segregated by Rate Class:	$ 259,538	$ 84,647	**$ 344,185**
Allocated Weighting Based on Cost Allocation	75.407%	24.593%	**100%**
Number of Metered Customers:	11,614	791	**12,406**
Rate Rider to Recover Stranded Meter Costs:	**1.86**	**8.91**	
Recovery period (years):	**1**	**1**	

e) WDI has no objection to that rationale.

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.

Wasaga Distribution Inc. Response

A response to this question has been provided in response to Board Staff Question *2.0-Staff-5*.

For convenience this chart has been reproduced and illustrated below:

		2010	2011	2012
Actual capitalization in year		644,750	356,398	2,065,172
Asset Management Plan		962,000	1,041,750	688,500
Differences		**- 317,250**	**- 685,352**	**1,376,672**
Contributed Capital	(1)	161,000	171,125	150,000
Hwy 26 - (Including 44kv Line)	(2)	85,000	345,000	65,000
Hwy 26 - Capitalization - Budget	(3)			- 124,272
Station Metering	(4)	35,000	55,000	50,000
River Road East - Reconstruction	(5)	175,000	175,000	
River Road East - Reconstruction	(6)			- 457,068
Service Centre Building	(7)			- 449,981
Topobase Software	(8)	- 48,625		
Development Driven - Overspending	(9)	- 54,898		
Smart Meters	(10)		- 67,641	- 120,000
New PME	(11)			- 100,000
SCADA	(12)			- 134,500
Service Centre Land	(13)			- 120,000
Communication VLAN/Towers	(14)			- 126,794
Miscellaneous Project Over/Under Spending	(15)	- 35,227	6,868	- 9,057
Reconciled Totals		**317,250**	**685,352**	**- 1,376,672**

Notes:

(1) Ref: Section 9.0 Capital Forecast Plan Pg. 24 - Appendix B - Totals reported are gross asset expenditures - contributed capital was not included in the total - adjusted for total reported in asset management plan
(2) Hwy 26 - Construction did not begin until 2011 - Partial project costs included in WIP balance in 2011
(3) Budgeted project costs expected to be capitalized in 2012. Timing difference
(4) WDI originally expected to install station metering - SCADA installed instead
(5) River Road East Reconstruction - Project began in 2010, included in WIP
(6) Project costs expected to be capitalized in 2012. Timing difference
(7) Not included in Asset Management Plan
(8) Not included in Asset Management Plan
(9) Overspending as a result of development driven projects not with WDI's control
(10) Smart Meter expenditures were not included in the asset management plan
(11) Installation of a New PME for HWY 26
(12) SCADA equipment purchased and installed, replacing station metering
(13) Not included in Asset Management Plan
(14) Not included in Asset Management Plan - part of SCADA
(15) Miscellaneous projects that resulted in over/under spending

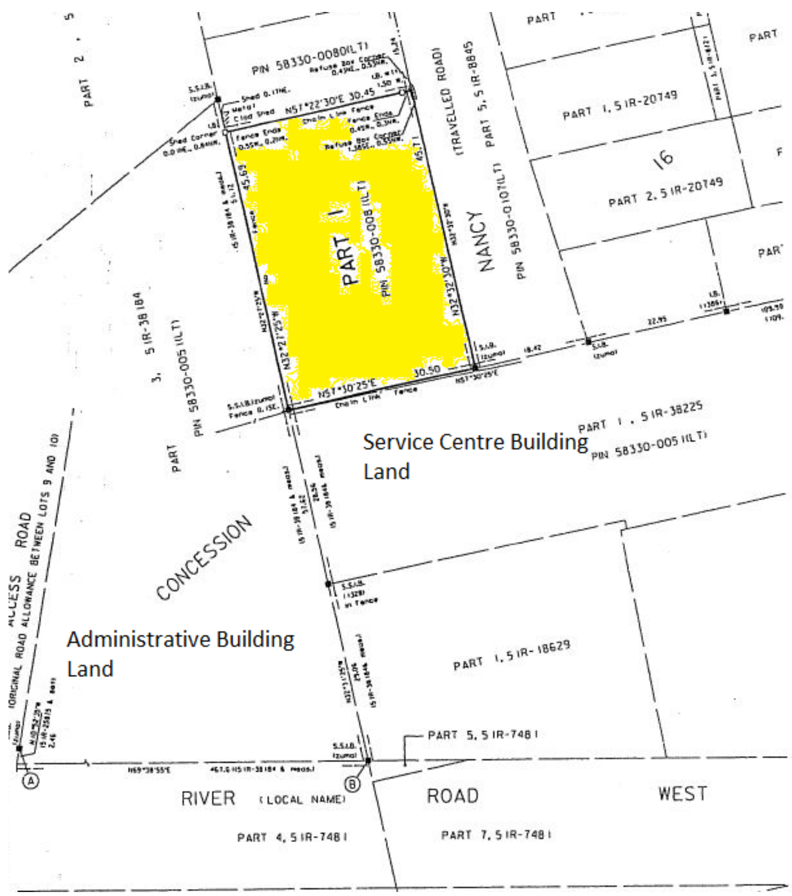
2.0 VECC #4

Reference: Exhibit 2, Schedule 3, Page 14

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

<u>Wasaga Distribution Inc. Response</u>

An adjacent section of land to both the Service Centre Building Land and the Administration Building Land became available for purchase (Illustrated below). This property is to be used for expansion of outside storage. WDI had always had an interest in this property and it became available for purchase in 2012.



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.

Wasaga Distribution Inc. Response

In preparation of IFRS, WDI did a complete review of all asset accounts. It was determined that the Conduit Account was significantly overstated and the balance did not accurately reflect WDI’s Distribution System.

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.”

<u>Wasaga Distribution Inc. Response</u>

Prior to 2010: WDI would capitalize the full value of the asset upon completion. Then as lots were energized the amount of capital would be reduced. The depreciation taken every year would be on the reduced value as of that year.

As of 2010: WDI would capitalize the full value of the asset upon completion and then immediately reduce the value by the total number of lots energized. The depreciation taken every year would then be consistent.

WDI has provided an illustrated example below.

WDI Contributed Capital Illustration

	Prior to 2010		As of 2010
Contributed Capital Value of Asset:	$ 70,000.00		$ 70,000.00
Payout Upon Energization: (1)	2,000.00	(2)	10,000.00
	68,000.00		60,000.00
Depreciation Year 1 (1/2 year rule)	1,360.00		1,200.00
Payout Year 2	2,000.00		0.00
Depreciation Year 2	2,640.00		2,400.00
Payout Year 3	2,000.00		0.00
Depreciaton Year 3	2,560.00		2,400.00
Payout Year 4	2,000.00		0.00
Depreciaton Year 4	2,480.00		2,400.00
Payout Year 5	2,000.00		0.00
Depreciaton Year 5	2,400.00		2,400.00
NBV at the END of Year 5	$ 49,920.00		$ 49,200.00

(1) Assume 20 lots in total **prior to 2010** paid out evenly over 5 years.
(2) Assume all 20 lots 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.

Wasaga Distribution Inc. Response

a) WDI has provided a detailed calculation of assets classified, illustrated below. WDI meant to state that this calculation included Distribution System, Metering, Services, and Subdivision capital projects. "Non-discretionary expenditure" was an inappropriate term used and should not have been stated.

Net Gross Additions WDI 2006-2012 %	
Capital Projects - Distribution System	25.72
Capital Projects - Subdivisions	12.02
Capital Projects - Services	5.47
Capital Projects - Metering	23.76
	66.97

Furthermore, WDI has provided a more detailed table listed below showing how these calculations were determined based a summary of all capital expenditures between the years 2006-2012.

Wasaga Distribution 2006 - 2012

Net Gross Additions	INSTALL COST TOTAL	% CAPITAL ADDITON BY CATEGORY	CONTRIBUTED COSTS	GROSS ASSET TOTAL	% CAPITAL ADDITON BY CATEGORY	
Capital Projects : Distribution System Improvements						
Total Feeders - General	$447,456	3.50%	-$224,693	$222,763	2.67%	
Total Feeders - Distribution Station upgrades	$2,448,534	19.15%	-$671,342	$1,777,192	21.28%	
Total Feeders - Line Relocation	$440,317	3.44%	-$288,099	$152,217	1.82%	
Total Distribution System Improvements	$3,336,307	26.09%	-$1,184,134	$2,152,173	25.77%	[A]
Capital Projects - Rehabilitation						
Total Rehabilitation - Replacement	$501,760	3.92%	-$22,731	$479,029	5.74%	
Total Replacement - Transformers	$132,284	1.03%	$0	$132,284	1.58%	
Total Replacement - Poleline	$1,289,533	10.08%	-$70,258	$1,219,275	14.60%	
Total Rehabilitation	$1,923,577	15.04%	-$92,989	$1,830,587	21.92%	[B]
Capital Projects: Subdivision						
Total Subdivision - Residential	$2,852,214	22.31%	-$1,994,911	$857,303	10.26%	
Total Subdivision - Commercial	$732,453	5.73%	-$586,125	$146,328	1.75%	
Total Subdivision Work	$3,584,667	28.03%	-$2,581,036	$1,003,631	12.02%	[C]
Capital Projects Services	$1,033,605	8.08%	-$576,470	$457,134	5.47%	[D]
Capital Projects - Metering	$1,984,606	15.52%	$0	$1,984,606	23.76%	[E]
Captial Projects - Misc.	$924,461	7.23%	$0	$924,461	11.07%	[F]
SUMATION OF ABOVE ([A] + [B] + [C] + [D] + [E] + [F])	$12,787,222	100.00%	-$4,434,630	$8,352,593	100.00%	

Note:
1. Excludes disposal of Assets that include Stranded Meters, and a Distribution Station Transformer
2. Excludes adjustments that related to Capital Additions prior to 2006

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.

Wasaga Distribution Inc. Response

b) Illustrated in WDI's response to question 2.0 VECC #7. This chart has been reproduced for convenience below.

Wasaga Distribution 2006 - 2012

Net Gross Additions	INSTALL COST TOTAL	% CAPITAL ADDITON BY CATEGORY	CONTRIBUTED COSTS	GROSS ASSET TOTAL	% CAPITAL ADDITON BY CATEGORY	
Capital Projects : Distribution System Improvements						
Total Feeders - General	$447,456	3.50%	-$224,693	$222,763	2.67%	
Total Feeders - Distribution Station upgrades	$2,448,534	19.15%	-$671,342	$1,777,192	21.28%	
Total Feeders - Line Relocation	$440,317	3.44%	-$288,099	$152,217	1.82%	
Total Distribution System Improvements	$3,336,307	26.09%	-$1,184,134	$2,152,173	25.77%	[A]
Capital Projects - Rehabilitation						
Total Rehabilitation - Replacement	$501,760	3.92%	-$22,731	$479,029	5.74%	
Total Replacement - Transformers	$132,284	1.03%	$0	$132,284	1.58%	
Total Replacement - Poleline	$1,289,533	10.08%	-$70,258	$1,219,275	14.60%	
Total Rehabilitation	$1,923,577	15.04%	-$92,989	$1,830,587	21.92%	[B]
Capital Projects: Subdivision						
Total Subdivision - Residential	$2,852,214	22.31%	-$1,994,911	$857,303	10.26%	
Total Subdivision - Commercial	$732,453	5.73%	-$586,125	$146,328	1.75%	
Total Subdivision Work	$3,584,667	28.03%	-$2,581,036	$1,003,631	12.02%	[C]
Capital Projects Services	$1,033,605	8.08%	-$576,470	$457,134	5.47%	[D]
Capital Projects - Metering	$1,984,606	15.52%	$0	$1,984,606	23.76%	[E]
Captial Projects - Misc.	$924,461	7.23%	$0	$924,461	11.07%	[F]
SUMATION OF ABOVE ([A] + [B] + [C] + [D] + [E] + [F])	$12,787,222	100.00%	-$4,434,630	$8,352,593	100.00%	

Note:
1. Excludes disposal of Assets that include Stranded Meters, and a Distribution Station Transformer
2. Excludes adjustments that related to Capital Additions prior to 2006

WDI total capital expenditures expected between 2006 and the end of 2012 is expected to be $12,787,222 with contributions expected of $4,434,620 for 65.32% capital investment by WDI.

		Expenditures	Capital %
Total Expenditure	$	12,787,222	
Less: Contributions and Grants	-$	4,434,630	34.68%
Wasaga Capital Investment	$	8,352,592	65.32%

c) Illustrated in part b), WDI Distribution Station Upgrades accounted for 21.28% of capital additions ($2,448,534 with contributions received of $671,342)

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.

Wasaga Distribution Inc. Response

a) A uniform rate rider.

b) On having our COS application reviewed it was suggested by one of our consultants that the rate rider be the same for both rate classes, and it provides uniformity.

c) Illustrated below is a breakdown of capital cost per meter according to residential and GS < 50 kW customer class.

Average Capital Cost of Meters		
	2006 Cost Allocation (analog)	2012 Cost Allocation (digital)
Residential	457,100	1,470,045
GS < 50 kW	149,080	176,215

d) Illustrated below is the recalculated rate riders that have been prepared using the current Cost Allocation Model, and the last OEB approved Cost Allocation Model.

Average Capital Cost of Meters						
Customer Class	2006 Cost Allocation (analog)	Average Weighting	Allocated NBV	2012 Cost Allocation (digital)	Average Weighting	Allocated NBV
Residential	457,100	75%	259,538.26	1,470,045	89%	307,343.45
GS < 50 kW	149,080	25%	84,646.61	176,215	11%	36,841.42
	606,180.00		344,184.87	1,646,260		344,184.87
Net Book Values - December 31, 2011			344,185.00			

	Residential	GS < 50 kW
Number of Metered Customers:	11,614	791
Rate Rider - 1 year - 2006 Cost Allocation	1.86	8.91
Rate Rider - 1 year - 2012 Cost Allocation	2.21	3.88

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.

Wasaga Distribution Inc. Response

a) As of September 7, 2012 WDI has not received any FIT applications and this is confirmed on the OPA site, although in 2011 WDI had received a couple of inquiries.

   WDI has provided an updated list of microFit applications in response to question 2.0-Saff-6.

   WDI_IRR_2Staff6MicrofitList_20120919

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.

Wasaga Distribution Inc. Response

a) 2011 numbers were on par with previous years excluding 2008

b) Major Storms – OEB industry standards also indicate higher the normal SAIDI and SAFI. If major storms within those years were excluded from the indicators. WDI would have been on par with averages over the last 5 years.

c) For the capital projects that began in 2012 and related to the distribution system, were mainly focused on capacity, albeit right of way clearing is included as part of capital projects which forms system reliability.

d) WDI goal is to maintain and/or improve over 2011 indices and perform higher than average industry standards as posted by the OEB.

EXHIBIT 3 – OPERATING REVENUE

3.0-Staff-10

Ref: Exhibit 3/ Schedule 2/ Page 5 – Load Forecast - kWhs

In Table 3.2, WDI provides a summary of Load and Customer/Connection Forecast. Please provide Table 3.2 again but exclude any CDM adjustments from the Billed (kWh) column for 2012 and recalculate the Growth (kWh) and Percent Change for 2012.

<u>Wasaga Distribution Inc. Response</u>

WDI has removed the 802,000 kWh CDM adjustment and provided the results in revised Table 3.2 below.

Table 3.2 Summary of Load and						
Year	Billed (kWh)	Growth (kwh)	Percentage Change %	Customer / Connection Count	Growth	Percentage Change %
2003	97,719,571			11,648		
2004	96,153,972	-1,565,599	-1.60%	12,008	360	3.09%
2005	104,361,984	8,208,012	8.54%	12,461	453	3.77%
2006	106,422,351	2,060,367	1.97%	12,954	493	3.96%
2007	109,546,147	3,123,796	2.94%	13,447	493	3.81%
2008	117,173,372	7,627,224	6.96%	13,910	463	3.44%
2009	121,083,046	3,909,675	3.34%	14,213	303	2.18%
2010	125,814,571	4,731,525	3.91%	14,449	236	1.66%
2011	124,253,328	-1,561,243	-1.24%	14,727	278	1.92%
2012	126,379,389	2,126,061	1.71%	15,010	283	1.92%

3.0-Staff-11

Ref: Exhibit 3/ Schedule 2/ Page 7 – 13 – Customer/Connections Number

On page 7 of the above reference, WDI states that the forecast of customers by rate class is determined using a geometric mean analysis.

Please provide any material (e.g. number of building permits requested, Town population forecast) supporting that the proposed 2012 customer/connection forecasts are reasonable.

Wasaga Distribution Inc. Response

Building Permits issued by the Town of Wasaga Beach for New Construction as at August 31, 2012 were 146. Similarly, the Town Issued 242 building permits as at August 31, 2011 and 180 building permits as of August 31, 2010.

3.0-Staff-12

Ref: Exhibit 3/ Schedule 2/ Page 14 – Annual kWh Usage per Customer/Connection

In Table 3-12, WDI provides a summary of annual kWh usage per customer/connection by rate class.

a) For the GS<50 kW class, the annual usage in 2010 increased by 11.1%. Please explain the reason for this increase.
b) For the GS>50 kW class, the annual usage in 2011 dropped by 8.5%. Please explain the reason for this decrease.
c) For the USL class, the annual usage in 2011 dropped by 24%. Please explain the reason for this decrease.

<u>Wasaga Distribution Inc. Response</u>

a) Weather Dependent

b) Weather Dependent, CDM project completed late in 2010, and conversion of GS<50 kW to GS>50 kW classification.

c) The drop is a result of a billing conversion error in 2009 that understated the number of USL customers. This resulted in a higher average usage per customer in 2010 based on a calculation using the average customer from year-end 2009 and year-end 2010.

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?

Wasaga Distribution Inc. Response

a) WDI confirms the HDD and CDD are based on a degree day difference from 18 degrees Celsius.

b) The term adjusted in this case refers to an adjustment for the Supply Facilities Loss Factor.

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.

Wasaga Distribution Inc. Response

a) WDI tried 2 additional variables in the regression analysis. They are Ontario Real GDP and the Number of Peak Hours. Although the results found in revised Table 3.5 appeared to be reasonable, the T-stat for those additional variables were less than two and were therefore deemed to be statistically insignificant. Table 3.5 has been reproduced below with the updated regression analysis results. The 2012 kWh Forecast based on the revised regression analysis increased by 167,105 kWh or 0.1% to 136,787,272. This represents the forecast prior to the CDM reduction of 802,000kWh for 2012.

Statistical Results	
	Value
R Square	96%
Adjusted R Square	95%
T-Stats by Coefficient	
Intercept	-8.68
Heating Degree Days	27.56
Cooling Degree Days	16.74
Number of Customers	9.25
Number of Days in Month	9.97
Spring Fall Flag	-10.38
Ontario Real GDP Monthly %	1.61
Number of Peak Hours	-1.49

b) Only the first five variables included in Appendix 3A of the submission were used to produce the 2012 forecast. As mentioned in part a) above two additional variables were tried and are now included in the live Excel model as requested. WDI_IRR_3EB10b_Regression_20120919

c) Illustrated below:

		2003	2004	2005	2006	2007	2008	2009	2010	2011	
"Wholesale" kWh (IESO) **Qty at the Meter**		103,374,882	105,068,137	112,556,579	111,044,839	120,031,574	123,980,408	123,800,273	125,298,778	127,408,125	
"Wholesale" kWh (GEN) Micro Fit											
Net "Wholesale" kWh (A)-(B)		103,374,882	105,068,137	112,556,579	111,044,839	120,031,574	123,980,408	123,800,273	125,298,778	127,408,125	
Retail kWh (Distributor) **Qty at the Meter**		97,719,571	96,153,972	104,361,984	106,422,351	109,546,147	117,173,372	121,083,046	125,814,571	124,253,328	
				-	-	-	-	-	-	-	
Net "Retail" kWh (D)-(E)		97,719,571	96,153,972	104,361,984	106,422,351	109,546,147	117,173,372	121,083,046	125,814,571	124,253,328	
											9 Year Average
Distribution Loss Factor [(C)/(F)]		1.0579	1.0927	1.0785	1.0434	1.0957	1.0581	1.0224	0.9959	1.0254	1.0522
Supply Facility Loss Factor		1.0272	1.0298	1.0340	1.0340	1.0340	1.0340	1.0337	1.0336	1.0336	1.0327
Total Utility Loss Adjustment Factor	LAF	1.0867	1.1253	1.1152	1.0789	1.1330	1.0941	1.0569	1.0293	1.0598	1.0866
Supply Facility Loss Factor	1.0327										
Total Loss Factor											
Secondary Metered Customer											
Total Loss Factor - Secondary Metered Customer < 5,000kW	1.0866										
Total Loss Factor - Secondary Metered Customer > 5,000kW	n/a										
Primary Metered Customer											
Total Loss Factor - Primary Metered Customer < 5,000kW	1.0757										
Total Loss Factor - Primary Metered Customer > 5,000kW	n/a										

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.

Wasaga Distribution Inc. Response

a) The 2.14% customer growth rate is the geomean of the growth in 2009 and 2010. To calculate the growth in 2009 the 2008 customer numbers of 10,659 were compared to the 2009 number of 10,919. The 2010 growth compared the 2010 customer numbers of 11,120 to the 2009 numbers of 10,919.

b) WDI confirms the average growth rate from 2003 to 2011 is 3.42%. This average includes a high of 4.46% in 2005 and a low of 1.84% in 2010.

c) Illustrated below:

		As Submitted		Revised		
Revenue Deficiency as submitted						**$ 176,110**
Change in Cost of Power (WC)		$ 13,112,406		$ 13,113,176	$ 770	
Effect on Rate Base @ 15%		$ 12,961,018		$ 12,961,133	$ 115	
Effect on Rate of Return at 6.2%		$ 803,687		$ 803,694		$ 7
Test Year at Existing Rates		$ 3,533,925		$ 3,555,219		$ (21,294)
Revenue Deficiency Revised						**$ 154,823**

d) The Geomean in Table 3.11 takes into consideration all of the years except for the General Service 50-4,999 kW customer class. Due to the small number of customers in this class a small change can result in a material change in Annual Usage per customer. Using the geomean for all years for the GS 50-4,999kW Customer Class would result in a geomean of 1.1154 with a resulting 697,942 kWh per customer for 2012 versus a 2011 actual of 625,736. WDI has used a geomean using only years 2009, 2010, and 2011 which produced a forecast of 611,210 kWh for 2012. This appears as a more realistic forecast based on the trend from 2009 as well as taking into consideration the effect of the CDM programs.

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.

Wasaga Distribution Inc. Response

a) WDI's Final CDM kWh savings achieved in 2011 are illustrated as follows:

Incremental Savings - 2011	
Gross	394,917 kWh
Net	293,578 kWh

b) The following kWh reductions were made to the rate classes to reflect the CDM adjustment for 2012:

Residential	517,364
GS < 50 kW	106,394
GS 50-4,999 kW	118,126

c) The savings on the power purchased is 802,000 kWh representing 20% of the Ministry Target. This amount was reduced by WDI's Total Loss Factor to arrive at Distribution savings of 741,884 kWh.

d)

	GS 50-4,999kW	Street Lights
2011	34,285.4	3,342.6
2012	35,580.3	3,099.2

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?

Wasaga Distribution Inc. Response

a) There is a decrease in late payment charges shown in Table 3.24 in light of the increase forecast for bad debt because there is not a 1:1 relationship between the two items. Bad debt is assessed on final bills and late payments charges are not applied. Late payment charges are applied on current outstanding bills. With the new Low Income Rules when a customer is on the Alternative Minimum Payment Program late charges are waived until payments under this contract have been completed. Hence the decrease in late payment charges forecast.

b) The Note Receivable from WRSI is still in effect in the 2012 test year. There is not a copy of the Note Receivable it is a verbal agreement between WDI and WRSI.

The rate currently in effect is OEB Approved prescribed interest rate for deferral and variance accounts published quarterly. The rate currently in effect is 1.47% as of September 2012.

c) Table provided below similar to Table 3.24.

	Other Distribution Revenue		
USoA #	USoA Description	To August 2011	To August 2012
4080	SSS Admin	$23,180	$24,025
4082	Retail Services Revenues	$6,404	$6,350
4084	STR Revenues - EBT's	$218	$328
4210	Rent from Electric Property	$218,636	$213,045
4225	Late Payment Charges	$24,679	$20,644
4235	Specific Service Charges	$62,625	$75,692
4325	Revenue from Merchandise	$0	$0
4355	Gain on Disposal	$2,825	$6,008
4360	Loss on Disposal	$0	$0
4375	Revenue from non-utility operations	$0	$0
4390	Miscellaneous Non-Operating Income	$2,537	$1,649
4405	Interest & Dividend Income	$46,192	$45,499
4090	Electric Service Incidental to Energy Sales	$0	$0
	Total	$387,297	$393,238
Specific Service Charges		$62,625	$75,692
Late Payment Charges		$24,679	$20,644
Other Operating Revenues		$248,438	$243,746
Other Income or Deductions		$51,554	$53,156
Total		$387,297	$393,238
Note:	Most recent data to end of August for each year.		

d) WDI has found on answering part c) above that the Collection Charges for 2012 have not decreased but have actually increased by $8,000 as of the end of August. When WDI forecast Specific Service Charges the same level of detail was not used. Although the Specific Service Charges have increased over last year, partially due to the recovery of the Late Payment Penalty of $3,759.76 for 2011 and $6,393.28 for 2012, overall the Other Distribution Revenue has seen relatively no increase.

e) Upon further review the SSS Admin charge revenue should have been $37,455 based on 12,485 customers. WDI proposes to update the Base Revenue Requirement based on this change.

f) The Pole Rentals for 2011 are not a forecast but actual numbers. As stated in Exhibit 3, Schedule 4, page 29 “Pole rental charges decreased by $100,000 in 2011; this was due to the two years of recovery of pole rentals in 2010, resulting in 2010 being overstated. WDI recognized the need to keep this account more consistent from year to year.”

The actual amount was $121,096 of over recovery as stated in response to 1.0 - Board Staff – 3.

g) The building revenues have not increase since 2010 because the contract has not been renegotiated with WRSI.

h) LAND LEASE DETAILS:

- The Town of Wasaga Beach needed property for the new Fire Hall

- A study was done and the unused land adjacent to our Administration Building meet the specifications of the amount of property required

- The Town is the shareholder of WDI its parent and subsidiaries so the Wasaga Distribution Board of Directors approved a Lease Agreement between WDI and the Town of Wasaga Beach

- The land was evaluated by HG Appraisers Inc. and a market value of $115,000 per acre. The valuation method used by HG Appraiser is below:

  Estimated Market Value Overall Property $707,250

  Estimated Market Value Portion Retained $320,050

  Estimated Market Value Land for Fire Hall **$387,200**

- A capitalization rate for land of 6% was used which resulted in an annualized rent of $23,232 per year.

- The property tax associated with this parcel of land is being paid by the Town of Wasaga Beach and is not included in WDI’s Revenue Requirement.

i) For the determination of the $23,232 for the land lease please refer to part h) above.

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).

Wasaga Distribution Inc. Response

a) WDI did not attempt the regression analysis on an individual customer class basis.

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?

Wasaga Distribution Inc. Response

a) The number of Customers/connections is based on 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.\

Wasaga Distribution Inc. Response

a) As explained in 3.0 Energy Probe #10 other variables were used but did not provide a reliable T-Stat, therefore, were excluded from the forecast. The results are reproduced here for convenience.

Statistical Results	
	Value
R Square	96%
Adjusted R Square	95%
T-Stats by Coefficient	
Intercept	-8.68
Heating Degree Days	27.56
Cooling Degree Days	16.74
Number of Customers	9.25
Number of Days in Month	9.97
Spring Fall Flag	-10.38
Ontario Real GDP Monthly %	1.61
Number of Peak Hours	-1.49

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.

Wasaga Distribution Inc. Response

a) WDI recommends VECC requests of the Board to add this question to the Chapter 2 Appendices as part of the filing requirements since it is asked of most COS applicants.

		A	B	C	D	E	F	G	H	I	J		
									F*(D-B)	G*(E-C)	A+H+I		J-A
			Actual		Weather Normal		Coefficients		Weather Normal Adjustment				
		Actual Purchases	HDD	CDD	HDD	CDD	HDD	CDD	HDD	CDD	Weather Normal Purchases		Variance
2010	Jan	12,974,016	726	0	737	-	5,557	26,769	63,661	-	13,037,677		63,661
	Feb	11,255,506	625	0	663	-			206,791	-	11,462,297		206,791
	Mar	10,543,146	485	0	576	-			503,300	-	11,046,446		503,300
	Apr	8,706,001	265	3	346	1			450,259	(48,483)	9,107,777		401,776
	May	9,621,863	139	21	200	9			340,658	(316,772)	9,645,749		23,886
	Jun	9,378,111	52	22	54	42			14,511	525,277	9,917,898		539,787
	Jul	12,682,926	8	136	8	97			3,643	(1,042,225)	11,644,344		-1,038,582
	Aug	12,322,091	6	130	12	84			33,467	(1,238,237)	11,117,321		-1,204,770
	Sep	9,496,039	93	27	67	29			(148,069)	46,995	9,394,965		-101,074
	Oct	9,470,083	239	0	241	6			12,782	150,504	9,633,369		163,286
	Nov	10,196,091	410	0	394	-			(86,446)	-	10,109,645		-86,446
	Dec	12,858,198	669	0	619	-			(274,589)	-	12,583,609		-274,589
2011	Jan	13,147,420	778	0	737	-			(223,648)	-	12,923,773		-223,648
	Feb	11,441,074	645	0	663	-			95,646	-	11,536,720		95,646
	Mar	11,489,559	611	0	576	-			(195,800)	-	11,293,760		-195,800
	Apr	9,665,080	335	0	346	1			62,920	31,826	9,759,826		94,746
	May	9,490,857	176	14	200	9			137,264	(140,094)	9,488,027		-2,830
	Jun	9,581,971	58	21	54	42			(22,723)	557,400	10,116,648		534,677
	Jul	13,572,193	1	140	8	97			42,544	(1,146,626)	12,468,111		-1,104,082
	Aug	11,921,214	3	88	12	84			51,806	(124,627)	11,848,392		-72,821
	Sep	9,672,771	72	21	67	29			(31,923)	196,904	9,837,752		164,981
	Oct	9,746,408	223	3	241	6			100,586	75,549	9,922,543		176,135
	Nov	9,838,068	336	0	394	-			323,678	-	10,161,745		323,678
	Dec	12,118,289	555	0	619	-			355,601	-	12,473,890		355,601

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.

Wasaga Distribution Inc. Response

a) This information was provided in response to IR 3.0 Energy Probe # 10 c. The table has been reproduced below for convenience.

		2003	2004	2005	2006	2007	2008	2009	2010	2011	
"Wholesale" kWh (IESO) **Qty at the Meter**		103,374,882	105,068,137	112,556,579	111,044,839	120,031,574	123,980,408	123,800,273	125,298,778	127,408,125	
"Wholesale" kWh (GEN) Micro Fit											
Net "Wholesale" kWh (A)-(B)		103,374,882	105,068,137	112,556,579	111,044,839	120,031,574	123,980,408	123,800,273	125,298,778	127,408,125	
Retail kWh (Distributor) **Qty at the Meter**		97,719,571	96,153,972	104,361,984	106,422,351	109,546,147	117,173,372	121,083,046	125,814,571	124,253,328	
				-	-	-	-	-	-	-	
Net "Retail" kWh (D)-(E)		97,719,571	96,153,972	104,361,984	106,422,351	109,546,147	117,173,372	121,083,046	125,814,571	124,253,328	
											9 Year Average
Distribution Loss Factor [(C)/(F)]		1.0579	1.0927	1.0785	1.0434	1.0957	1.0581	1.0224	0.9959	1.0254	1.0522
Supply Facility Loss Factor		1.0272	1.0298	1.0340	1.0340	1.0340	1.0340	1.0337	1.0336	1.0336	1.0327
Total Utility Loss Adjustment Factor	LAF	1.0867	1.1253	1.1152	1.0789	1.1330	1.0941	1.0569	1.0293	1.0598	1.0866
Supply Facility Loss Factor	1.0327										
Total Loss Factor											
Secondary Metered Customer											
Total Loss Factor - Secondary Metered Customer < 5,000kW	1.0866										
Total Loss Factor - Secondary Metered Customer > 5,000kW	n/a										
Primary Metered Customer											
Total Loss Factor - Primary Metered Customer < 5,000kW	1.0757										
Total Loss Factor - Primary Metered Customer > 5,000kW	n/a										

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.

Wasaga Distribution Inc. Response

a) As of August 31, 2012:

- Residential - 11,665 customers
- General Service <50 - 782 customers
- General Service >50 – 36 customers
- Unmetered Scattered Load – 44 customers
- Streetlights – 2,680 connections

b) As of August 31, 2011:

- Residential - 11,435 customers
- General Service <50 – 782 customers
- General Service >50 – 35 customers
- Unmetered Scattered Load – 46 customers
- Streetlight – 2,493 connections

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 adjustments for CDM consist of savings in 2012 from programs implemented in 2011 and 2012.

  a. If not, what does it represent?

  b. If yes, what is the breakdown 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.

Wasaga Distribution Inc. Response

a) The response to 3.0 Energy Probe #12 a) has been reproduced below for convenience. WDI has provided the most recent progress report from the OPA WDI_IRR_2011 OPA Final Annual Report Data_20120919

Incremental Savings - 2011	
Gross	394,917 kWh
Net	293,578 kWh

b) 802,000 kWh represents 20% of the 4 year Ministry of Energy CDM Target for WDI. It is assumed for forecast purposes 401,000 of the 2012 forecast represents persistence from 2011 programs and the remaining 401,000 represents 2012 programs.

c) The following reductions were made to the rate classes to reflect the CDM adjustment for 2012:

Residential	517,364 kWh
GS < 50 kW	106,394 kWh
GS 50-4,999 kW	118,126 kWh
GS 50-4,999 kW	291 kW

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.

<u>Wasaga Distribution Inc. Response</u>

a) The decrease in Rent from Electric Property in 2009 and 2010 in comparison to 2011 and 2012 is related to errors in reporting in 2009 and 2010. WDI has illustrated this below.

Description	Actual 2009	Actual 2010	Actual 2011	Test Year
Pole Rental	$ 11,081	$ 236,751	$ 130,162	$ 125,000
Building Rental	$ 432,487	$ 144,162	$ 144,162	$ 144,162
Land Rental	$ -	$ -	$ -	$ 23,232
	$ 443,568	$ 380,913	$ 274,324	$ 292,394
Pole Rental Error	$ 121,096	-$ 121,096	$ -	$ -
Building Rental Revenue (2007 & 2008)	-$ 288,325	$ -	$ -	$ -
Adjusted Totals	276,339.31	259,817.03	274,324.00	292,394.48

It should be noted that WDI overstated Pole Rental Revenue in the year 2010 and understated 2009 in the amount of $121,096. Furthermore WDI 2009 Building Rental Revenue is overstated by $288,325 and 2007 and 2008 Revenue was understated by $144,162 in each of the years.

b) WDI has completed this response to 3.0 Energy Probe – 13c) and has reproduced this response below.

Other Distribution Revenue

USoA #	USoA Description	To August 2011	To August 2012
4080	SSS Admin	$23,180	$24,025
4082	Retail Services Revenues	$6,404	$6,350
4084	STR Revenues - EBT's	$218	$328
4210	Rent from Electric Property	$218,636	$213,045
4225	Late Payment Charges	$24,679	$20,644
4235	Specific Service Charges	$62,625	$75,692
4325	Revenue from Merchandise	$0	$0
4355	Gain on Disposal	$2,825	$6,008
4360	Loss on Disposal	$0	$0
4375	Revenue from non-utility operations	$0	$0
4390	Miscellaneous Non-Operating Income	$2,537	$1,649
4405	Interest & Dividend Income	$46,192	$45,499
4090	Electric Service Incidental to Energy Sales	$0	$0
	Total	$387,297	$393,238
Specific Service Charges		$62,625	$75,692
Late Payment Charges		$24,679	$20,644
Other Operating Revenues		$248,438	$243,746
Other Income or Deductions		$51,554	$53,156
Total		$387,297	$393,238

Note: Most recent data to end of August for each year.

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?

<u>Wasaga Distribution Inc. Response</u>

a) WDI has microFIT customers. There were 15 microFIT customers at the end of 2011 and the revenue is recorded in Account 4235 – Miscellaneous Service Revenue.

b) WDI continues to receive applications for new microFIT customers at an average of one customer per month. As of the end of August 2012 WDI has 22 microFIT customers.

EXHIBIT 4 – OPERATING COSTS

4.0-Staff-13

Ref: Exhibit 4 / Schedule 1/ Page 1 - 3 – Inflation rate assumption

WDI identifies the inflation rate for 2012 Operating, Maintenance and Administrative ("OM&A") forecast as 2.95%. Please provide the source document for this inflation assumption.

Wasaga Distribution Inc. Response

WDI incorrectly interpreted this sheet. Inflation was not forecasted for 2012.

4.0-Staff-14

Ref: Exhibit 4 / Schedule 1/ Page 1 – Master Service Agreement

In the above reference, WDI states that "WDI's affiliate Wasaga Resource Service Inc. (WRSI) is a service company that provides all the manpower required by WDI to operate its distribution system. The costs for these services are passed through to WDI at cost set out in the Master Service Agreement that is included in Exhibit 4/ Appendix 4A. This cost is based on an initial amount agreed on in November 2001 of $1,056,322.00 when the agreement was signed and has a calculation increase based on customer growth and increased Distribution Revenue. These costs are then allocated to WDI on an actual cost basis plus a return to WRSI."

a) What was WDI's rationale for pursuing the Master Service Agreement with WRSI?

b) Were costs savings predicted? Did these cost savings materialize? If not, please explain why not.

c) Please confirm whether the Master Service Agreement filed in Exhibit 4/ Appendix 4A is the official agreement.

d) What is the end date of the current Master Service Agreement with WRSI?

<u>Wasaga Distribution Inc. Response</u>

a) At the time the Master Service Agreement was crafted the Manager, Administrative & Financial Services was not on staff. However, in speaking to the current Board of Directors it was felt that this was the best way to deal with the uncertainty of the industry at that time. The MSA is simply a contract between two corporations that clearly defines the responsibility of both parties to that contract and limits financial liability to one or other of the parties.

b) There were no costs savings predicted.

a) The document filed in Exhibit 4, Appendix 4A is the official agreement.

There is no end date to the current Master Service Agreement. It is renewed every year by understanding unless the WRSI and WDI Board of Directors terminate the Agreement.

4.0-Staff-15

Ref: Exhibit 4 / Schedule 2/ Page 7-10; 26 - 27 – Master Service Agreement

Based on the above reference, staff has compiled the data related to the Master Service Agreement for 2006 to 2012.

	2006	2007	2008	2009	2010	2011	2012
Costs for Service offered by WRSI ($)	1,465,117	1,542,744	1,611,284	1,638,880	1,696,088	1,752,963	1,840,713
Year to year change ($)	74,500	77,627	68,540	27,596	57,208	56,875	87,750
Additional Customers	357	409	349	176	260	289	
Additional Distribution Revenue	245,700	149,750	230,450	661,500	350,000	252,000	

On page 8 of the above reference, WDI states that "The Master Service Agreement (on page 15 and 16) provided in this Exhibit as Appendix A stipulates the amount WRSI can recover from WDI. Essentially it is the base financial consideration from 1999 of $1,056,322 pus 80% of the increase/decrease in customer count and distribution revenue from the base year." Please illustrate how the costs for the service provided by WRSI were calculated based on the additional customers and additional distribution revenue as stated in the above table.

<u>Wasaga Distribution Inc. Response</u>

The formula used to calculate the MSA is as follows:

= (Residential Revenue/Residential Customer Count) x Increase in Residential Customers x 0.8 **PLUS** (GS Revenue/GS Customer Count) x Increase in GS Customers x 0.8 **PLUS** MSA Total from Previous Year.

WDI has reproduced the table used year over year to calculate the MSA and provided it below.

WRSI Calculation of MSA

Year	Customer Count Residential	Customer Count Gen. Serv.	Calculated Difference Residential	Calculated Difference G.S.	Revenue Residential	Revenue Gen. Serv.
2005	9,727	818	451	-24	2,123,017.01	592,669.85
2006	10,067	835	340	17	2,447,473.78	513,877.63
2007	10,481	830	414	-5	2,543,151.83	567,945.53
2008	10,833	827	352	-3	2,707,400.82	634,161.68
2009	11,010	826	177	-1	2,183,113.20	496,883.96
2010	11,237	859	227	33	2,464,603.09	565,426.61
2011	11,518	867	281	8	2,690,299.94	591,728.13

Year	Calculation of Increase Residential	Calculation of Increase Gen. Serv.	Increase TOTAL	NEW MSA Grand Total
2005	78,748.28	-13,911.08	64,837.04	1,390,619.54
2006	66,128.23	8,369.74	74,497.97	1,465,117.31
2007	80,363.69	-2,737.09	77,626.61	1,542,743.92
2008	70,377.93	-1,840.37	68,537.55	1,611,284.37
2009	28,077.10	-481.24	27,595.85	1,638,880.22
2010	39,830.20	17,377.49	57,207.69	1,696,087.91
2011	52,507.33	4,368.00	56,875.33	1,752,963.24

4.0-Staff-16

Ref: Exhibit 4 / Schedule 4/ Page 19 – Master Service Agreement

In the above reference, WDI states:

> “There has been an increased shift in this department towards dealing with Regulatory issues. The Master Service Agreement between WDI and WRSI allows WRSI to directly bill any labour and expense that was not experienced when the Agreement was signed in November of 2001. WDI must directly bear the burden of these costs.
>
> The labour hours based on increased Regulatory understanding and reporting have shifted from Finance and Administrative to Regulatory. A new staff was hired in June 2010 to assist the Manager with increased demands within that position. As a result, there has been a shift in hours to Regulatory and those costs are paid directly by WDI. As well, when the Master Service Agreement was reviewed by Board and Management staff in 2009 it was discovered that WRSI should be recovering these Regulatory Costs that it had not been done in the past. There has been an increase in 350 hours from 2011 to 2012 due to the facts stated above. The rest of the increase is related to increased benefits of 19%.”

a) Please provide the total amount of the regulatory related costs that WDI would have to directly bear in 2010, 2011, and 2012.
b) Please provide more details about why the Board and Management staff believed that that WRSI should recover the regulatory costs that it had not been done in the past.
c) For the period between 2006 and 2012, please identify all the items and costs that the Master Service Agreement did not cover or WDI would have to directly bear the burden.

<u>Wasaga Distribution Inc. Response</u>

a) WDI costs directly borne by in 2010, 2011 and forecasted for 2012 are $70,752.21, $84,710.56 and $157,394.29 respectively.

b) Board and Management staff during 2009 were educated on the intent of the MSA that was crafted by a consultant and WDI/WRSI previous to some of the current Board Members and Management arrival to WDI and WRSI. Discussion that resulted after this education session made it clear that any costs that were not apparent when the MSA was developed should be directly borne by WDI and not WRSI.

c) Based on the preamble given to this question WDI's interpretation is that this question relates to Regulatory Costs only for the periods between 2006 and 2012. Based on current knowledge of the Regulatory Industry WDI believes these are the costs WDI should have paid directly to WRSI and not included in the MSA.

2006 - $57,022.62 – Not paid by WDI

2007 - $76,579.95 – Not paid by WDI

2008 - $79,302.08 – Not paid by WDI

2009 - $50,842.16 – Not paid by WDI
2009 - $44,239.78 – Paid by WDI
(Note: The previous Manager of Finance left in 2008 was not replaced in 2009)

2010 - $70,752.21 – Paid by WDI

2011 - $84,710.56 – Paid by WDI

2012 - $157,394.29 – Forecast to be paid by WDI

4.0-Staff-17

Ref: Exhibit 4/ Schedule 2/ Page 13 – Employee Compensation

In the above reference, WDI states that "In 2012, WDI is looking to move the Finance Manager to a full regulatory role, hire two part time employees to assist with increased customer billing demands and documentation retention of customer and finance files to a new Documentary Software. "

a) Please confirm whether WDI is going to hire a new Finance Manager to replace the existing Finance Manager who is going to take on a full time regulatory role.
b) If the answer to (a) is negative, please explain what position is the one incremental FTE in 2012 for.

<u>Wasaga Distribution Inc. Response</u>

a) WDI does not have the luxury of having a Regulatory Department as well as a Finance Department. The Finance Manager will be assuming more of a Regulatory Role in 2012 as the new finance staff hired in 2010 will take on more of the financial responsibilities.

b) The position that is an incremental FTE in 2012 is a ½ billing/collecting and ½ finance administration for documentation retention. This was the explanation given in the fourth paragraph on Exhibit 4, Schedule 2 page 13.

4.0-Staff-18

Ref: Exhibit 4/ Schedule 2/ Page 7, 10 – Cost Drivers

On page 10 of the above reference, WDI states that "In 2011, the WDI Board of Directors agreed on an increase to the MSA to partially offset subsidization by Wasaga Resource Services Inc. In past years WRSI has offset WDI burdens in amounts in excess of $350,000. In order to minimize bill impact the increase for 2012 that has been approved by the Board of Directors is $120,000."

a) Please confirm whether the increase of $120,000 is a one time cost or an ongoing cost.
b) Please provide more details about the subsidization by Wasaga Resource Services Inc.

Wasaga Distribution Inc. Response

a) The $120,000 is an ongoing cost.

b) WRSI recovers overheads for jobs performed. The money recovered goes directly against payroll costs for benefits such as Health, Dental, Life Insurance before it is billed through the MSA to WDI. The recovery of burdens that WRSI is recovering and subsidizing WDI on through the MSA are as follows:

2006 – Burden Recovery $159,000

2007 – Burden Recovery $93,413

2008 – Burden Recovery $143,836

2009 – Burden Recovery $420,208

2010 – Burden Recovery $448,653

2011 – Burden Recovery $414,521

2012 – Burden Recovery FORECAST $390,000 - $120,000 = $270,000

Total Burden Recovery prior to 2012 is $1,679,632.

4.0-Staff-19

Ref: Exhibit 4/ Schedule 2/ Page 7, 11 – Cost Drivers

On page 11 of the above reference, WDI states that "In 2012 results in an increase in cost of $100,000. This resulted in the assignment of a staff member to deal with regulatory requirements and issue due to increased incremental staff involvement for the Cost of Service Application. This cost is outside the services of the MSA. Additionally, 25% of the outside cost of the preparing the Cost of Service application is included here to ensure full recovery over the four year COS period."

Please provide a breakdown of the increase of $100,000 in the following categories for each items.

	2012	
	One time	Ongoing
Staff Resource		
Cost of Service Application		
Others		

<u>Wasaga Distribution Inc. Response</u>

The $100,000 is an ongoing cost.

The 25%, referred to in the above preamble, points out that the outside cost to prepare the Cost of Service Application ONLY and accounts for the increase in Account 5655 – Regulatory Expense for 2012. It will be ongoing for the next four years.

4.0-Staff-20

Ref: Exhibit 4/ Schedule 2/ Page 14 - Low Income Energy Assistance Program (LEAP)

Please state whether or not WDI has included an amount in its 2012 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

Wasaga Distribution Inc. Response

WDI has included $4,500 of LEAP funding in Revenue Requirement.

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%?

<u>Wasaga Distribution Inc. Response</u>

a) WDI agrees with this statement.

b) WDI agrees with this statement

c)

Summary of OM&A Expenses

	To June 2011 Actuals	To June 2012 Actuals
Operations	$ 15,369	$ 22,101
Maintenance	$ 178,066	$ 255,299
Billing and Collecting	$ 305,693	$ 362,832
Community Relations	$ 284	$ 5,946
Administrative and General	$ 471,421	$ 489,375
Total OM&A Expenses	$ 970,832	$ 1,135,553

d) The source of the “Inflation Rate” referred to in the Percentage Change column for 2011 and 2012 in Exhibit 4.1 (Appendix 2-E) is Statistics Canada. The link to their website is http://www.statcan.gc.ca/pub/62-001-x/2012004/t040-eng.htm . WDI would like to confirm the use of the inflation rate was not used to develop the 2012 forecast. Each account within OM&A was looked at on an individual basis and any projected change from 2011 actual costs was applied to arrive at the 2012 forecast. None of the WDI OM&A accounts were arbitrarily increased by the inflation rate. The cell which includes the “Inflation Rate” is an input cell in Table 4.1 (Appendix 2-E) but is not necessarily used in any calculation.

e) Since WDI did not arbitrarily increase its OM&A accounts by the Inflation Rate as inferred by this question, WDI cannot reduce the inflation rate to 2% to determine an impact on the forecast.

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.

Wasaga Distribution Inc. Response

a) The significant increases for each line item in billing and collecting were explained by WDI in Exhibit 4, Schedule 4 page 18 and 19. The responses have been reproduced below.

Account 5310 – Meter Reading Expenses

Test Year vs. 2011 Actuals:

The $52,697 increase is due to a $65,000 increase related to the shift from OM&A Smart Meters (Account 1556) to this account for ODS reads and TGB fees. As a result of the increase there has been a subsequent offset of expenses from the reduction in labour from manual meter reads.
ODS = Operational Data Store
TGB = Tower Gateway Based Station

Account 5315 – Customer Billing

Test Year vs. 2011 Actuals:

The $144,840 increase is due to an increase in bill print outsourcing costs of $15,000, using a Resource specialist that was previously in our Smart Meter OM&A costs of $16,000, increase of 0.5 FTE to allow for increased demands on our billing staff due to exception reports from Smart Meters which is not related to the Master Service Agreement, an increase in Utility Collaborative Service fees due to WDI's increased customer count of $5,000 and an increase in UCS fee and using an external documentation system for storing customer data for $10,000. The increased staff plus a summer student to assist with the external documentation of customer has increased labour dollars amounts by $80,750 (including benefits).

Account 5320 – Collecting

Test Year vs. 2011 Actuals:

The $60,852 increase is due to an increase of 500 hours of labour. Due to the recent OEB changes regarding Low Income customers, more time is needed in this area to ensure compliance with the Regulations. More time is being spent on customer contact by staff which can also be reinforced by the decrease in our Collection Charges from Miscellaneous Revenue (Account 4235). A small increase of $5,000 results from using contract staff to deliver notices and complete disconnects. The minimum call out charge used to be split between Smart Meter installs and Collections but WDI's Smart Meters are complete so the collecting account bears the burden of this charge.

Account 5335 – Bad Debt Expense

Test Year vs. 2011 Actuals:

WDI is experiencing from the Regulations for Low Income customers an increased trend in bad debt. Due to the fact that we now have to give back deposits for Low Income qualifying customers, and the customers on our AMP program are defaulting on payments WDI sees an increase in this account. WDI writes off any account that has been with our Collections Agency more than two years and any bankrupts that have been received over the year. WDI is also going to be writing off a GS<50 account for one customer that has declared bankruptcy in 2012.

b) WDI bills all of its customers monthly.

c) WDI confirms 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.

Wasaga Distribution Inc. Response

a) WDI disagrees with the statement “virtually identical” when there is a forecast increase of 250 Residential Customers from 2011 to 2012. As WDI explained in the response to 4.0 – Staff – 15 the MSA fee billed to WDI includes not only increased Distribution Revenue but an increase in customer counts as well. The formula for the MSA calculation has been reproduced below.

The formula used to calculate the MSA is as follows:

= (Residential Revenue/Residential Customer Count) x Increase in Residential Customers x 0.8 **PLUS** (GS Revenue/GS Customer Count) x Increase in GS Customers x 0.8 **PLUS** MSA Total from Previous Year.

b) WDI confirms this statement.

c) See answer to part a).

d) WDI finds Energy Probes statement to be very profound but cannot agree with the overall statement. From the answer to part a) above it can be seen that there is not a 1:1 relationship between the increase in Distribution Revenue for WDI to the calculation for the MSA charged by WRSI. In fact, if there was no increase in customer growth but an increase in Distribution Revenue only, then the MSA would remain unchanged in 2012.

e) This question was answered in 4 – Staff – 18b) and has been copied below.

WRSI recovers overheads for jobs performed. The money recovered goes directly against payroll costs for benefits such as Health, Dental, Life Insurance before it is billed through the MSA to WDI. The recovery of burdens that WRSI is recovering and subsidizing WDI on through the MSA are as follows:

2006 – Burden Recovery $159,000

2007 – Burden Recovery $93,413

2008 – Burden Recovery $143,836

2009 – Burden Recovery $420,208

2010 – Burden Recovery $448,653

2011 – Burden Recovery $414,521

2012 – Burden Recovery FORECAST $390,000 - $120,000 = $270,000

Total Burden Recovery prior to 2012 is $1,679,632.

f) The actual year-to-date costs, to the end of June 2012, associated with the low income regulations shown in Table 4.4 is $18,275.

g) WDI believes that it did not incur any one-time costs in 2011.

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.

Wasaga Distribution Inc. Response

a) WDI agrees with this calculation. It should be noted that 2011 OM&A does not include Smart Meter Expenses.

b) Illustrated below:

CPI

CPI Increase 2006-2011 %		
2006	109.1	2
2007	111.5	2.2
2008	114.1	2.3
2009	114.4	0.3
2010	116.5	1.8
2011	119.9	2.9
Average CPI %		1.92

http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ46a-eng.htm

GDPIPIFDD

Implicit chain price indexes, gross domestic product							
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Final domestic demand	105.50	108.0	110.4	113.0	114.6	116.0	118.4
		2.37	2.22	2.36	1.42	1.22	2.07
Average Implicit chain price indexes, gross domestic product							**1.94**

http://www5.statcan.gc.ca/cansim/a26

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.

Wasaga Distribution Inc. Response

a) The costs incurred to the end of June 2012 when WDI's Cost of Service Application was filed is $54,575.

b) The costs WDI have forecast for an Oral Hearing is $50,000.

c) Costs that are included in Other Costs include publication costs, printing costs and miscellaneous supplies and shipping costs of $2,000. Incremental staff costs have been forecast as $4,000.

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.

<u>Wasaga Distribution Inc. Response</u>

a) and b)

	Wage and Salary Changes					
	Union %	Union FTE %	Union $	NonUnion %	NonUnion FTE %	NonUnion $
2009	14.1	0	78,925	**-11.20**	**-10.00**	**-71,859**
2010	3.3	0	21,161	11.5	5.6	65,368
2011	3.3	0	21,742	4.9	5.3	30,927
Forecast 2012	5.0	0	33,656	10.5	10.0	69,763

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 markup 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.

Wasaga Distribution Inc. Response

a) MSA Cost 2012: $1,840,713
MSA Cost 2011: 1,752.963
Increase in MSA **$ 87,750** >>> This equals the MSA increase in Table 4.4.

b) It is difficult for WDI to comment on this statement as it pertains to any one year. If WRSI has spent all of the money calculated for the MSA for that year then there is a provision in the MSA for WRSI to ask WDI for more money because WRSI should make some sort of rate of return for providing such a service. However, that provision has never been requested (even though in 2007 WRSI suffered a loss from the MSA).

WDI does expect WRSI to make some sort of return on the MSA fee but there is no “set” percentage of recovery that WRSI makes.

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 Table 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.

<u>Wasaga Distribution Inc. Response</u>

a) WDI contacted our External Auditors and unfortunately there has been an error identified in the additions of CCA $1,248,482. Illustrated below was the spreadsheet provided by WDI's External Auditors. WDI will be amending the T2 to reflect these new changes. The amended additions will be $201,684 for the year 2011. The significant differences between these changes over the original reported $423,083 and the amended T2 Schedule 8 of $201,684 include a disposal of a distribution transformer of $142,500 included in Table 4.20 under dispositions and the additions of 2011 Smart Meter Capital of $67,641 originally included in the CCA calculation.

Additions from Contributed Capital Restatement	690,795.71			
Total Additions	1,719,498.23			
Less WIP additions	(471,258.00)			
Original T2 Additions	1,248,240.23			
Less CC from restatement	(690,795.71)			
Less current year CC additions	(356,001.31)		(1,046,797.02)	reduction to class 47
Amended T2 Additions	201,443.21			

Original T2		*S8 Class*		
24,968.17	*1*			
1,220,763.73	*47*			
2,750.00	*12*			
1,248,481.90			Refund	114,165
Amended T2		*S8 Class*		
24,968.17	*1*			
173,966.71	*47*			
2,750.00	*12*			
201,684.88			Refund	102,338
			Amount to remit to CRA	11,827

b) WDI has provided an update to the CCA schedules illustrated below in reference to tables 4.2 and 4.21. WDI has made changes to the RRWF in response to Question 1.0-Staff-2.

CCA Continuity Schedule (2011)

Class	Class Description	UCC Prior Year Ending Balance	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	7,235,473	7,235,473	24,968	0	7,260,441	12,484	7,247,957	4%	289,918	6,970,523
2	Distribution System - pre 1988		0	0	0	0	0	0	6%	0	0
6	Buildings (No footings below ground)		0	0	0	0	0	0	10%	0	0
8	General Office/Stores Equip		0	0	0	0	0	0	20%	0	0
10	Computer Hardware/ Vehicles		0	0	0	0	0	0	30%	0	0
10.1	Certain Automobiles		0	0	0	0	0	0	30%	0	0
12	Computer Software		0	2,750	0	2,750	1,375	1,375	100%	1,375	1,375
3			0	0	0	0	0	0	5%	0	0
			0	0	0	0	0	0		0	0
13 3	Lease # 3		0	0	0	0	0	0		0	0
13 4	Lease # 4		0	0	0	0	0	0		0	0
14	Franchise		0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs		0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment		0	0	0	0	0	0	30%	0	0
45	Computers & Systems Hardware acq'd post Mar 22/04		0	0	0	0	0	0	45%	0	0
50	Computers & Systems Hardware acq'd post Mar 19/07		0	0	0	0	0	0	55%	0	0
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)		0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	3,571,376	3,571,376	319,216	142,500	3,748,092	88,358	3,659,734	8%	292,779	3,455,313
	SUB-TOTAL - UCC	**10,806,849**	**10,806,849**	**346,934**	**142,500**	**11,011,283**	**102,217**	**10,909,066**		**584,072**	**10,427,211**

CCA Continuity Schedule (2012)

Class	Class Description	UCC Prior Year Ending Balance	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	6,970,523	6,970,523	0	0	6,970,523	0	6,970,523	4%	278,821	6,691,702
2	Distribution System - pre 1988	0	0	0	0	0	0	0	6%	0	0
6	Buildings (No footings below ground)	0	0	0	0	0	0	0	10%	0	0
8	General Office/Stores Equip	0	0	0	0	0	0	0	20%	0	0
10	Computer Hardware/ Vehicles	0	0	0	0	0	0	0	30%	0	0
10.1	Certain Automobiles	0	0	0	0	0	0	0	30%	0	0
12	Computer Software	1,375	1,375	87,500	0	88,875	43,750	45,125	100%	45,125	43,750
3		0	0	0	0	0	0	0	5%	0	0
		0	0	0	0	0	0	0	0%	0	0
13 3	Lease # 3	0	0	0	0	0	0	0		0	0
13 4	Lease # 4	0	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Hardware acq'd post Mar 22/04	0	0	0	0	0	0	0	45%	0	0
50	Computers & Systems Hardware acq'd post Mar 19/07	0	0	10,500	0	10,500	5,250	5,250	55%	2,888	7,613
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	3,455,313	3,455,313	1,720,375	0	5,175,688	860,187	4,315,501	8%	345,240	4,830,448
	SUB-TOTAL - UCC	**10,427,211**	**10,427,211**	**1,818,375**	**0**	**12,245,586**	**909,187**	**11,336,398**		**672,073**	**11,573,512**

c) The additions reported by WDI include $10,500 for Computer Hardware and in error WDI included $126,794 in the 2012 CCA schedules under Class 10 that was in relation to the Capital Lease of communication equipment. WDI should not have included in the CCA schedule. WDI has made changes in relation to these errors in response to question 1.0-Staff-2.

Ref: WDI_APPL_Test_year_Income_Tax_PILS worksheet – "S.Taxable Income Tax Year – Line 391" for Capital Lease inclusion in original PILs calculation.

d) Computer Hardware of $10,500 should be reclassified to CCA Class 52(50), with a rate of 55%. The Capital Lease error has been removed from the CCA schedule

e) WDI claimed SRED of $50,007 in 2011. WDI feels that due to the decrease in capital projects that would qualify. WDI has revised the original estimate and included a $20,000 estimate for SRED for the year 2012.

WDI has submitted a revised PILs work form as a result of the above responses.

(WDI_IRR_Test_year_Income_Tax_PILS_Workform_20120919)

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.

Wasaga Distribution Inc. Response

a) Smart meters are installed for Residential and General Service <50 Customers. The General Service >50 Customers still need the meters to be read by an individual. The cost of being able to read these meters remotely has decreased by approximately $15,000 and has been reflected in the MSA.

b) None of the costs of WRSI Board of Directors are recovered through the MSA.

c) WRSI includes a 10% markup (handling fee) on the construction projects completed for WDI.

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.

Wasaga Distribution Inc. Response

Illustrated in chart below:

Costs and Expenses	2012 Forecast			
Revenue Requirement			$	4,264,037
Administrative & General, Billing & Collecting	$	2,039,670		
Operation & Maintenance	$	757,661		
Depreciation & Amortization	$	561,546		
Property Taxes	$	25,000		
Other - LEAP program	$	4,500		
Deemed Interest	$	330,869		
Total Costs and Expenses			-$	3,719,245
Utility Income Before Income Taxes			$	544,792
PILS Calculation			$	71,973
Utility Income After Taxes			$	472,819

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.

Wasaga Distribution Inc. Response

WDI provided these responses in Exhibit 4, Schedule 4, pages 18-20 and has reproduced them below.

Account 5315 – Customer Billing

Test Year vs. 2011 Actuals:

The $144,840 increase is due to an increase in bill print outsourcing costs of $15,000, using a Resource specialist that was previously in our Smart Meter OM&A costs of $16,000, increase of 0.5 FTE to allow for increased demands on our billing staff due to exception reports from Smart Meters which is not related to the Master Service Agreement, an increase in Utility Collaborative Service fees due to WDI's increased customer count of $5,000 and an increase in UCS fee and using an external documentation system for storing customer data for $10,000. The increased staff plus a summer student to assist with the external documentation of customer has increased labour dollars amounts by $80,750 (including benefits).

Account 5320 – Collecting

Test Year vs. 2011 Actuals:

The $60,852 increase is due to an increase of 500 hours of labour. Due to the recent OEB changes regarding Low Income customers, more time is needed in this area to ensure compliance with the Regulations. More time is being spent on customer contact by staff which can also be reinforced by the decrease in our Collection Charges from Miscellaneous Revenue (Account 4235). A small increase of $5,000 results from using contract staff to deliver notices and complete disconnects. The minimum call out charge used to be split between Smart Meter installs and Collections but WDI's Smart Meters are complete so the collecting account bears the burden of this charge.

Account 5610 – Management Salaries and Expenses

Test Year vs. 2011 Actuals:

There has been an increased shift in this department towards dealing with Regulatory issues. The Master Service Agreement between WDI and WRSI allows WRSI to directly bill any labour and expense that was not experienced when the Agreement was signed in November of 2001. WDI must directly bear the burden of these costs.

The labour hours based on increased Regulatory understanding and reporting have shifted from Finance and Administrative to Regulatory. A new staff was hired in June 2010 to assist the Manager with increased demands within that position. As a result, there has been a shift in hours to Regulatory and those costs are paid directly by WDI. As well, when the Master Service Agreement was reviewed by Board and Management staff in 2009 it was discovered that WRSI should be recovering these Regulatory Costs that it had not been done in the past. There has been an increase in 350 hours from 2011 to 2012 due to the facts stated above. The rest of the increase is related to increased benefits of 19%.

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.

Wasaga Distribution Inc. Response

a) WDI used the CPI increase provided by Stat Canada illustrated in table below:

CPI Increase 2006-2011 %				
2006			109.1	2
2007			111.5	2.2
2008			114.1	2.3
2009			114.4	0.3
2010			116.5	1.8
2011			119.9	2.9
Average CPI %				1.92

http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ46a-eng.htm

b) WDI last filed a Cost of Service application as part of the 2006 EDR.

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".

Wasaga Distribution Inc. Response

a) WDI has provided the calculations in the tables illustrated below.

Simple Average Calculation:

Simple Average %Increase from Previous Year	
2007	4.34
2008	6.39
2009	6.18
2010	8.66
2011	2.11
2012	25.93
Average	8.94

[(4.34+6.39+6.18+8.66+2.11+25.93)/6]

Compound Average Calculation:

Compound annual growth rate calculation		
2012 Test Year	$	2,801,831
LRY Board Approved	$	1,654,952
(2012 Test Year/LRY Board Approved)^(1/6)-1 = 9.17%		

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.

Wasaga Distribution Inc. Response

a) The significant increase in 2008 related to one of the Distribution Stations replacement of 3 individual single- phase reclosures for one 3 phase reclosure. This work should have been capitalized and billed directly to WDI but was expensed through the MSA.

b) The decrease in Billing and Collecting was mainly due to the decrease in Bad Debt Expense between 2010 and 2011. In 2010 there was a large write off of one GS<50 customer for $33,200. There was also bad debt related to a customer who went into receivership and left several properties with bad debt. Some of which was claimed as bad debt expense in 2011 the rest was in 2012. Collecting also went up in 2011 due to using an outside service to deliver disconnection notices to customer properties.

c) The increase in 2009 related to Community Relations is for Elementary School Safety Education. Once every three years WRSI/WDI hires a company to come in and educate elementary school children on Electricity and Electrical Safety.

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.

Wasaga Distribution Inc. Response

a) The MSA formula is shown below and it is demonstrated that the MSA is not only dependant on Distribution Revenue but the Customer Counts as well.

The formula used to calculate the MSA is as follows:

= (Residential Revenue/Residential Customer Count) x Increase in Residential Customers x 0.8 **PLUS** (GS Revenue/GS Customer Count) x Increase in GS Customers x 0.8 **PLUS** MSA Total from Previous Year.

For 2009 this calculation would be (NOT INCLUDING THE PREVIOUS YEAR MSA):

=(($2,183,113.20/11,010)*177*0.8)+(($496,893.96/826)*(1.0)*0.80)

= $28,077.10 + $(481.24)

= $27,595.85

b) The change in the education venue for the Annual Georgian Bay EDA Conference was Cleveland's House in 2010 and is now Marriot Red Leaves. This change accounts for the 30% increase.

c) The MSA increase approved by WDI's Board of Directors in 2011 is $56,900.

d) WRSI had a contract with an individual to do our meter reads prior to Smart Meters. When WDI needed to have Smart Meters installed WRSI contracted with OIameter to keep this same individual plus have this individual complete the delivery of notices and disconnects.

e) The 2012 forecast auditing fees are $75,000 due to the increased amount of work required for IFRS. The numbers were verified by our external auditor and carried no extra cost to do so.

f) Our forecast budget for the outside cost for preparing the Cost of Service Application is $200,000.

g) In preparing our Cost of Service Application WDI did speak to other utilities and get their opinion on the extent of these costs. It was these estimates we used to help to forecast WDI's application.

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.

Wasaga Distribution Inc. Response

a) 2011 does not include OM&A from the Smart Meter project in the calculation of cost per FTEE.

b) Table 4.5 was provided excluding Smart Meter capital 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.

Wasaga Distribution Inc. Response

a) The position(s) related to time being spent by WRSI staff plus one Outside Contractor mentioned in 4.0-VECC-25d). No new positions have been filled just a re-allocation of labour hours.

b) This question was answered in 4.0 - Energy Probe – 22 and is repeated here. Although the General Service >50 Customers still need the meters to be read by an individual. The cost of being able to read these meters remotely for Residential and General Service <50 customers has decreased by approximately $15,000 and has been reflected in the MSA.

c) Customer Billing
- Staff for Exception Reports $41,475
- Staff for External Documentation $27,700
- Summer Student $11,575

d) As of August 2012, WDI had not yet retained this new staff based on the timing of our Cost of Service Application and its subsequent approval.

e) The drivers for the increase in benefits of 37.5% are increase in wages which affects an increase in Life Insurance, LTD and OMERS. The rest of the benefit increase is outside the control of WRSI and WRSI has seen an increasing trend in Dental benefits due to being in a pooled benefit program with MEARIE.

f) The Administrative Assistant is now having more time being allocated to assisting in Collection activities.

g) The pay equity review did not result in the total salary increase of 62%. It was a contributing factor in reviewing the salaries of the Management Team as a whole. The pay equity review was completed by an outside consultant and those findings were presented to the Board of Directors and at that time the Management Salaries increased by 11.0%. However, as stated in Exhibit 4, page 20, the Board of Directors also brought Management Salaries up to par with other utilities over the same period of time which resulted in the remaining increase.

h) The Incentive Pay program will not continue in 2012 because the Board of Directors feels staff are being compensated properly and no other incentives should be in place.

i) The 3.0% increase plus $0.25 was a Collective Agreement negotiated increase.

EXHIBIT 5 – COST OF CAPITAL AND RATE OF RETURN

5.0-Staff-21

Ref: Exhibit 5/ Schedule 1/ Table 5.3 – Long-term Debt

In the above reference, WDI indicates that it currently has a $3,593,269 Note payable to its shareholder with the issuance date of October 1, 2000.

WDI has not provided a copy of the Note payable to its shareholder, Town of Wasaga Beach. Please provide an executed copy of Note between WDI and the Township of Wasaga Beach.

Wasaga Distribution Inc. Response

WDI has provided a copy of this Note Payable as:
WDI_IRR_Appendix 1 Note Payable Shareholder_20120919.

EXHIBIT 6 – CALULATION 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.

<u>Wasaga Distribution Inc. Response</u>

a) 2011 Figures shown are actual totals except for interest expense (deemed) and income taxes expense reported which was used to develop the forecast.

b) The last time WDI rebased was the 2006 EDR and WDI was not approved for a short-term debt rate.

c) Illustrated below WDI has provided an adjusted ROE calculation originally provided by board staff and adjusted for a response to board staff 1.0-staff-3 part c). A sufficiency has been recalculated between the adjusted ROE and the maximum deadband required.

d) Based on part c) WDI has provided the deemed Return on Equity. The answer to part c) includes this calculation.

Wasaga Distribution Inc.

Fiscal 2011

Regulated net income, as per OEB Trial Balance		$	981,598	A
SRED - 2010 & 2011	(117,042)			
Amended T2 - EP#21	(11,827)		(128,869)	
LRAM Recovery	(82,000)			
SRED - Consultant Fees	(23,408)			
Tax Impact - 28.25%	29,778		(75,630)	
Deferred income taxes			(29,052)	
Adjustment to interest expense - for deemed debt			(86,379)	B
Adjusted regulated net income		$	661,668	C
Rate Base:				
Cost of Power		$	11,132,421	
Operating Expenses		$	2,264,029	
Total		$	13,396,450	
Working Capital Allowance %			15%	
Total Working Capital Allowance		$	2,009,468	
Fixed Assets				
Opening Balance	$ 8,760,397			
Closing Balance	$ 8,923,680			
Average	$ 8,842,039	$	8,842,039	
Total Rate Base - 2011		$	10,851,506	D
Regulated Deemed Equity (40%)		$	4,340,602	E
Regulated Deemed Debt (60%)		$	6,510,904	F
Regulated Rate of Return on Deemed Equity			**15.24%**	G = C/E
ROE% from most recent Cost of Service application	**2006 EDR**		**9.58%**	
Difference - maximum deadband 3%			**5.66%**	
% Above Deadband			**2.66%**	H
2011 Adjusted Sufficiency		**$**	**115,620**	I = E*H

Interest adjustment on deemed debt:

Regulated Deemed Debt - as above	$ 6,510,904	
Weighted Average Interest Rate	5.13%	
	$ 334,009	
Interest expense as per the OEB trial balance	213,621	
	$ 120,388	
Utility Tax rate	28.25%	
Tax effect on interest expense	(34,010)	
	$ 86,379	B

Please input based on your utility in the grey cells.

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?

Wasaga Distribution Inc. Response

a) WDI confirms that the Board declared WDI’s rates and charges interim as of July 18, 2011.

b) WDI confirms 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. However, in response to 1.0 – Staff – 3 WDI noted that the Boards’ decision was based off 2010 actuals and as a result WDI was able to provide data that WDI was in the appropriate dead band for that year and subsequently WDI feels that there should be no appropriate remedy for overearnings.

c) WDI does not agree that the sufficiency noted in Interrogatory #24 is the appropriate method. WDI has provided a re-calculated ROE taking into consideration adjustments that were provided in response to Board Staff question 1.0 – Staff – 3 part c). WDI recalculated the sufficiency to be $83,802 using Cost of Capital Parameters last approved in WDI’s 2006 EDR. The re-calculated ROE is provided below.

Wasaga Distribution Inc.

Fiscal 2011

Regulated net income, as per OEB Trial Balance		$ 981,598	A
SRED - 2010 & 2011	(117,042)		
Amended T2 - EP#21	(11,827)	(128,869)	
LRAM Recovery	(82,000)		
SRED - Consultant Fees	(23,408)		
Tax Impact - 28.25%	29,778	(75,630)	
Deferred income taxes		(29,052)	
Adjustment to interest expense - for deemed debt		(143,372)	B
Adjusted regulated net income		$ 604,675	C
Rate Base:			
Cost of Power		$ 11,132,421	
Operating Expenses		$ 2,264,029	
Total		$ 13,396,450	
Working Capital Allowance %		15%	
Total Working Capital Allowance		$ 2,009,468	
Fixed Assets			
Opening Balance	$ 8,760,397		
Closing Balance	$ 8,923,680		
Average	$ 8,842,039	$ 8,842,039	
Total Rate Base - 2011		$ 10,851,506	D
Regulated Deemed Equity (40%)		$ 4,340,602	E
Regulated Deemed Debt (60%)		$ 6,510,904	F
Regulated Rate of Return on Deemed Equity		**13.93%**	G = C/E
ROE% from most recent Cost of Service application	**2006 EDR**	**9.00%**	
Difference - maximum deadband 3%		**4.93%**	
% Above Deadband		**1.93%**	H
2011 Adjusted Sufficiency		**$ 83,802**	I = E*H

Interest adjustment on deemed debt:

Regulated Deemed Debt - as above	$ 6,510,904	
Weighted Average Interest Rate	6.35%	
	$ 413,442	
Interest expense as per the OEB trial balance	213,621	
	$ 199,821	
Utility Tax rate	28.25%	
Tax effect on interest expense	(56,450)	
	$ 143,372	B

Please input based on your utility in the grey cells.

EXHIBIT 7 – COST ALLOCATION

7.0-Staff-22

Ref: Exhibit 7/ Schedule 2/ Page 5 - 6 – Cost Allocation Model

WDI is following the Board's requirement as stated in the Board Report, *Review of Electricity Distribution Cost Allocation Policy* (EB-2010-0219) dated March 31, 2011 and provides its own weighting factors for Services and for Billing and Collecting in worksheet I5.2.

a) Please describe the basis for the weighting factors used by WDI in worksheet I5.2.

b) Please explain why the weighting factors for Services for Street Light and Unmetered Scattered Load are zero.

Wasaga Distribution Inc. Response

a) WDI determined the Services weighting by looking at the relative cost of connecting new customers in the Residential and General Service customer classes. Setting Residential at a base weighting of 1.0, the other 2 classes were set relative to the Residential weighting. The Billing and Collecting ratios were developed with discussions with utility knowledgeable staff and the weightings were based on the amount of effort required to perform the billing function for each of the customer classes. Similar to the Services weighting factor, Residential was given a fact or 1.0 and the other classes were then assigned a weighting relative to the Residential weighting.

b) Costs related to Street Lighting and Unmetered Scattered Load customer classes have never been allocated to account 1855 Services, therefore, WDI has assigned those classes a factor of zero.

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?

Wasaga Distribution Inc. Response

a) WDI confirms the Board has updated some of the Revenue to Cost ranges in conjunction with the 2011 updated Cost Allocation model.

b) The new ranges would not impact WDI proposed Revenue to Cost ratios.

c) WDI has updated Table 7.3 by initially adjusting the Residential and USL Revenue to Cost ratios to 103.58 with the Street Light Revenue to Cost ratio moved to 70.00. The Residential and USL classes were then moved down in equal increments until the revenue requirement was balanced. The updated table is provided below.

d) The Bill Impact for the Street Light customer class is proposed to be 31.99% in the initial application. Since other LDCs have been moving their Street Light class customers to the bottom of the range since 2008 WDI proposes to move that customer to the bottom of the range with the approval of this rate application.

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.

Wasaga Distribution Inc. Response

a) Illustrated below:

2012 Cost of Service	1	2	3	7	9
	Residential	GS <50	GS>50-Regular	Street Light	Unmetered Scattered Load
Insert Weighting Factor for Services	1.00	1.50	3.00	0	0
Insert Weighting Factor for Billing and Collecting	1.00	1.00	1.50	0.50	0.50
Cost Allocation Informational Filing					
Insert Weighting Factor for Services	1.00	2.00	10.00	1.00	1.00
Insert Weighting Factor for Billing and Collecting	1.00	2.00	7.00	1.00	5.00

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.

Wasaga Distribution Inc. Response

See Response to 7- Energy Probe # 26.

EXHIBIT 8 – RATE DESIGN

8.0-Staff-23

Ref: Exhibit 8/ Schedule 3 – Retail Transmission Service Rates (RTSR)

In the above reference, it appears that Hydro One Sub-Transmission Rate Rider 6A was included in the RTSR calculation. Board staff notes that in accordance with the Rate Order issued for Hydro One Networks Inc. (EB-2009-0096) on December 17, 2010, these rate riders expired as of December 31, 2011. Please update the proposed RTSR by excluding these expired rate riders.

Wasaga Distribution Inc. Response

WDI has updated the RTSR model using the updated model released by the OEB on June 28, 2012 which has actual Hydro One rates for 2012. The previous model WDI used that was given to WDI did not have the Rate Rider 6A removed.

WDI is proposing to change those. Illustrated below is the change in rates.

Rate Class	Unit	Proposed RTSR Network		Proposed RTSR Connection	
Residential	kWh	$	0.0054	$	0.0032
General Service Less Than 50 kW	kWh	$	0.0049	$	0.0027
General Service 50 to 4,999 kW	kW	$	2.0057	$	1.0975
Unmetered Scattered Load	kWh	$	0.0049	$	0.0027
Street Lighting	kW	$	1.5127	$	0.8484

8.0-Staff-24

Ref: Exhibit 8/ Schedule 5 – Loss Factors

Table 8.13 shows a historical distribution loss factor (DLF) of 0.9959 for 2010, based on 125,298,778 kWh delivered to WDI and 125,814,571 delivered by WDI, i.e. the kWh delivered by WDI exceeds the kWh delivered to WDI. Please explain this apparent anomaly and provide a correction if necessary.

Wasaga Distribution Inc. Response

The timing of bi-monthly billing was the main reason for the kWh sales exceeding the purchases.

8.0-Staff-25

Ref: Exhibit 8/ Schedule 6 – Bill Impact
Exhibit 7/ Schedule 2/ Page 7

WDI states that "the Street Lighting class is experiencing a total bill impact of 31.99% as a result of moving this class to the lower end of the Board approved revenue to cost ratio band of 70%."

a) Please explain why WDI did not propose a phase-in approach to mitigate the bill impacts for the Street Lighting class.

b) Please provide a calculation of the revenue to cost ratio for the GS > 50 kW class that would result if the ratio for the Street Lighting class is lower than proposed, such that the revenue to cost ratio for the Street Lighting class is 45%, and the ratio for the GS > 50 kW class is higher than proposed so that it compensates for the lower revenue from the Street Lighting class.

c) Please provide a calculation of the bill impacts for the Street Lighting class and a representative customer in the GS > 50 kW class resulting from the hypothetical rates in part b.

Wasaga Distribution Inc. Response

a) The Bill Impact for the Street Light customer class is proposed to be 31.99% in the initial application. Since other LDCs have been moving their street light class customers to the bottom of the range since 2008 WDI proposes to move that customer to the bottom of the range with the approval of this rate application.

b) WDI has provided a revised Table 7.3 showing the impact on the GS 50-4,999 kW class when increasing the Street Light class revenue to cost ratio to 45%.

	Updated OEB Cost Allocation Model	Proposed Revenue to Cost Ratios	Board Target Range Low	Board Target Range High
Residential	103.58	102.30	85%	115%
GS < 50 kW	93.22	93.22	80%	120%
GS > 50 kW	96.91	106.43	80%	180%
Street Lighting	31.78	45.00	70%	120%
USL	164.28	120.00	80%	120%

c) This results in moving the GS class from below unity to above unity. The Bill impacts for these two classes is provided below based on the hypothetical rates:

GENERAL SERVICE > 50 kW

Consumption
166,000 kWh
290 kW

	2011 BILL			2012 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			31.29			36.60	5.31	16.97%	0.17%
Distribution (kW)	290	4.7472	1,376.69	290	5.5166	1,599.81	223.13	16.21%	7.24%
Low Voltage Rider (kW)	290	0.5507	159.70	290	0.6424	186.30	26.59	16.65%	0.84%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kW)	290		0.00	290	0.0000	0.00	0.00	#DIV/0!	0.00%
Smart Meter Entity ($/Month)			0.00			0.00	0.00	#DIV/0!	0.00%
Late Payment		3.0800	3.08	0	0.0000	0.00	(3.08)	(100.00%)	0.00%
Deferrral & Variance Acct (kW)	290	(0.0715)	(20.74)	290	3.2925	954.83	975.57	(4,704.93%)	4.32%
Distribution Sub-Total			**1,551.03**			**2,778.54**	**1,227.52**	**79.14%**	**12.57%**
Retail Transmisssion (kW)	290	4.2489	1,232.18	290	3.138755956	910.24	(321.94)	(26.13%)	4.12%
Delivery Sub-Total			**2,783.21**			**3,688.78**	**905.57**	**32.54%**	**16.69%**
Other Charges (kWh)	178,267	0.0130	2,320.74	179,450	0.0128	2,292.54	(28.20)	(1.22%)	10.37%
Cost of Power Commodity (kWh)	178,267	0.0757	13,491.28	179,450	0.0757	13,580.81	89.53	0.66%	61.44%
SSS		0.2500	0.25		0.2500	0.25			
SPC (kWh)	178,267	0.0000	0.00	178,267	0.0000	0.00	0.00		0.00%
Total Bill Before Taxes			**18,595.47**			**19,562.38**	**966.91**	**5.20%**	**88.50%**
GST		13.00%	2,417.41		13.00%	2,543.11	125.70	5.20%	11.50%
OCB			0.00			0.00			
Total Bill			**21,012.88**			**22,105.49**	**1,092.60**	**5.20%**	**100.00%**

Street Lighting

Billing Determinants
2,525 Connections
140,981 kWh
398 kW

	2011 BILL			2012 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge	2,525	0.2400	606.05	2,525	0.7200	1,818.15	1,212.10	200.00%	9.64%
Distribution (kW)	398	0.1436	57.10	398	0.4319	171.73	114.63	200.77%	0.91%
Low Voltage Rider (kW)	398	0.4131	164.25	398	0.4966	197.45	33.20	20.21%	1.05%
LRAM & SSM Rider (kW)	398		0.00	398	0.0000	0.00	0.00	0.00%	0.00%
Late Payment		0.0000	0.00	0	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Acct (kW)	398	(2.7301)	(1,085.51)	398	0.0581	23.09	1,108.60	(102.13%)	0.12%
Distribution Sub-Total			**(258.11)**			**2,210.42**	**2,468.53**	**(956.38%)**	**11.72%**
Retail Transmisssion (kW)	398	3.2331	1,285.51	398	2.387916782	949.46	(336.05)	(26.14%)	5.03%
Delivery Sub-Total			**1,027.40**			**3,159.88**	**2,132.48**	**207.56%**	**16.75%**
Other Charges (kWh)	151,399	0.0130	1,970.96	152,404	0.0128	1,947.01	(23.95)	(1.22%)	10.32%
Cost of Power Commodity (kWh)	151,399	0.0757	11,457.90	152,404	0.0757	11,533.94	76.04	0.66%	61.13%
SSS		0.2500	0.25		0.2500	0.25			
SPC (kWh)	151,399	0.0004	56.40	151,399	0.0004	56.40	0.00	0.00%	0.30%
Total Bill Before Taxes			**14,512.90**			**16,697.47**	**2,184.57**	**15.05%**	**88.50%**
GST		13.00%	1,886.68		13.00%	2,170.67	283.99	15.05%	11.50%
OCB			0.00			0.00			
Total Bill			**16,399.58**			**18,868.14**	**2,468.56**	**15.05%**	**100.00%**

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?

Wasaga Distribution Inc. Response

a) Illustrated below:

	Total Base Revenue Requirement $	Fixed Revenue Proportion	2012 Test Year Customers	Proposed Fixed Charge $	Floor	Ceiling
Residential	3,002,563	56.79%	11,614	12.24	7.52	15.96
GS < 50 kW	390,065	34.88%	791	14.33	8.67	19.25
GS > 50 kW	258,268	5.19%	34	32.85	60.7	194.74
Street Lighting	53,392	91.39%	2,525	1.61	0.09	3.96
USL	5,747	47.47%	45	5.03	2.72	6.63
	3,710,035					

b) The GS > 50 kW Monthly Service Charge is below the floor calculated in the Cost Allocation model. WDI is not proposing to adjust the MSC for the GS > 50 kW customer class in this Rate Application.

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.

Wasaga Distribution Inc. Response

a) The timing of bi-monthly billing was the main reason for the kWh sales exceeding the purchases.

b) WDI chose to use a 7 year average since there appeared to be 7 years of reasonable data available. WDI agrees the filing requirements indicate a minimum of three years is required and five years is preferred which would indicate more years are better than less.

c)

	2006	2007	2008	2009	2010	2011	
"Wholesale" kWh (IESO) **Qty at the Meter**	111,044,839	120,031,574	123,980,408	123,800,273	125,298,778	127,408,125	
"Wholesale" kWh (GEN) Micro Fit							
Net "Wholesale" kWh (A)-(B)	111,044,839	120,031,574	123,980,408	123,800,273	125,298,778	127,408,125	
Retail kWh (Distributor) **Qty at the Meter**	106,422,351	109,546,147	117,173,372	121,083,046	125,814,571	124,253,328	
	-	-	-	-	-	-	
Net "Retail" kWh (D)-(E)	106,422,351	109,546,147	117,173,372	121,083,046	125,814,571	124,253,328	
							5 Year Average
Distribution Loss Factor [(C)/(F)]	1.0434	1.0957	1.0581	1.0224	0.9959	1.0254	1.0395
Supply Facility Loss Factor	1.0340	1.0340	1.0340	1.0337	1.0336	1.0336	1.0338
Total Utility Loss Adjustment Factor	1.0789	1.1330	1.0941	1.0569	1.0293	1.0598	1.0746

Total Utility Loss Adjustment Factor	**LAF**
Supply Facility Loss Factor	1.0338
Total Loss Factor	
Secondary Metered Customer	
Total Loss Factor - Secondary Metered Customer < 5,000kW	1.0746
Total Loss Factor - Secondary Metered Customer > 5,000kW	n/a
Primary Metered Customer	
Total Loss Factor - Primary Metered Customer < 5,000kW	1.0639
Total Loss Factor - Primary Metered Customer > 5,000kW	n/a

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.

<u>Wasaga Distribution Inc. Response</u>

a) The fixed variable split for the GS > 50 class is based on variable revenues net of the transformer ownership allowance.

b) Illustrated below:

Summary	**Residential**	**GS <50**	**GS>50-Regular**	**Street Light**	**Unmetered Scattered Load**
Customer Unit Cost per month - Avoided	$7.52	$8.67	$60.70	$0.09	$2.72
Customer Unit Cost per month - Directly	$11.68	$13.17	$96.94	$0.16	$4.44
Customer Unit Cost per month - Minimum System with PLCC Adjustment	$15.96	$19.25	$194.74	$3.96	$6.36
Proposed Monthly Service Charge	$12.24	$14.33	$32.85	$1.61	$5.03

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”

<u>Wasaga Distribution Inc. Response</u>

The transformer ownership allowance is recovered through a variable distribution rate by being added to the volumetric revenue for the GS > 50 kW class with the total divided by the kW forecast for that class.

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.

Wasaga Distribution Inc. Response

a) WDI's LV costs for 2011 were $197,395.

b) Hydro One's LV charges increased in 2012 to $0.668 per kW from $0.485 in 2011 representing an increase of 137.73%. WDI has increased their LV billing rates for 2012 for each customer class by that same percentage and applied those revised rates to the 2012 Load Forecast. The following table provides the methodology for the 2012 LV forecast;

Hydro One Low Voltage Charges per kW					
		2011 H1 LV Rate / kW	2012 H1 LV Rate / kW	%Increase	
		$0.485	$0.668	137.73%	
	Volume Metric	2011 Approved LV charges	2012 Forecasted LV charges	2012 Forecast Billing Determinents	2012 Proposed LV Costs/Revenue
Residential	kWh	$ 0.0014	$ 0.0019	85,253,972	$ 164,391
General Service < 50 kW	kWh	$ 0.0013	$ 0.0018	17,532,074	$ 31,391
General Service > 50 kW	kW	$ 0.5507	$ 0.7585	51,408	$ 38,992
Street Lighting	kW	$ 0.4131	$ 0.5690	4,771	$ 2,715
Unmetered Scattered Load	kWh	$ 0.0013	$ 0.0018	297,067	$ 532
TOTAL					**$ 238,021**

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.

Wasaga Distribution Inc. Response

a) WDI chose to use a 7 year average since there appeared to be 7 years of reasonable data available. WDI agrees the filing requirements indicate a minimum of three years is required and five years is preferred which would indicate more years are better than less.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

9.0-Staff-26

Ref: Exhibit 9/ Schedule 1 - 9

Has WDI made any adjustments to deferral and variance account balances that were previously approved by the Board, subsequent to the balance sheet date that was cleared in the most recent rates proceeding? If yes, please provide explanations for the nature and amounts of the adjustments and include supporting documentation.

Wasaga Distribution Inc. Response

WDI has not made any adjustments to deferral and variance account balances that were previously approved by the Board.

9.0-Staff-27

Ref: Exhibit 9/ Schedule 1, Table 9.1 & 9.2

Please confirm the signs (debit or credit) for the Principal, Interest and Total Claim for the Group I accounts approved for disposition presented in Table 9.1 and Table 9.2. These should match with the signs (debit or credit) of the balances approved in the Board Decisions EB-2010-0143 and EB-2009-0209.

Wasaga Distribution Inc. Response

The tables provided by WDI in the application provides the opposite sign to the Board Decisions because WDI is showing the closing entry to dispose of those accounts including the entry to account 1595 where the amounts were transferred to.

9.0-Staff-28

Ref: Exhibit 9/ Schedule 2 & 3, Table 9.3, Account 1508

In the Board Decision RP-2005-0020/EB-2005-0427, the Board stated that:

> "Given that the final 2005 OEB dues are not available because of the difference in fiscal years for the Board and the distributors, and given that the model used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time."

Article 220 of Accounting Procedures Handbook, pages 16 and 17, Note A states:

> Effective May 1, 2006, OEB cost assessments were incorporated in the distribution rates of distributors that filed rate applications for the 2006-07 rate year.
>
> Effective May 1, 2006, pension cost contributions to OMERS were incorporated in the distribution rates of distributors that filed rate applications for the 2006-07 rate year.

Please explain why WDI still has a 2005 principal balance in Account 1508 sub-account OMERS, 2006 principal balances in Account 1508 sub- account OEB Cost Assessment and sub-account OMERS when the costs have already been incorporated in the distribution rates effective May 1, 2006.

<u>Wasaga Distribution Inc. Response</u>

The amounts which were to be recorded in OEB – Cost Assessments and OEB – OMERS prior to the 2006 EDR were not calculated at the time those amounts were to be disposed of. Those amounts were later calculated and recorded in subaccounts of 1508 for disposal with Group 2 Deferral and Variance accounts. They have been subsequently reported in the required quarterly RRR filings. Since this is the first time the Group 2 balances are being brought before the Board for disposition, WDI requests the Board approve the amounts in these two sub accounts for disposition in this Cost of Service rate application along with the other Group 2 accounts.

9.0-Staff-29

Ref: Exhibit 9/ Schedule 2 & 3, Account 1592 sub-account HST/OVAT ITCs; Account Procedures Handbook ("APH") Frequently Asked Questions ("FAQ") December 2010

WDI requests leave to discontinue tracking HST/OVAT/ITC as at December 31, 2011.

WDI stated in the application that it entered 50% of the HST savings in Account 1592. However, the Board disallowed this practice in Question 5 of the December 2010 FAQs.

a) Please confirm the balance for the total HST savings in Account 1592 sub-account HST/OVAT ITCs and file Appendix 2-T from Chapter 2 of the Filing Requirements for the total HST savings as per Question 5 of the December 2010 FAQs.

b) Please explain why the applicant requests leave to discontinue tracking HST/OVAT/ITC as at December 31, 2011, while the December 2010 FAQs direct applicants to record variances until the last month before the new rates take effective.

c) Please confirm that WDI has followed Question 1 to 4 of the December 2010 FAQs accounting guidance regarding Account 1592 sub-account HST/OVAT ITCs. If this is not the case, please explain.

<u>Wasaga Distribution Inc. Response</u>

a) The balance included was only 50% of HST savings to WDI as at December 31, 2011.

b) WDI has removed HST savings from the D&VA as WDI does not have audited 2012 totals.

c) WDI has removed HST savings from the D&VA as WDI does not have audited 2012 totals.

9.0-Staff-30

Ref: Exhibit 9/ Schedule 5, Table 9.5

Please explain why the projected interests to April 30, 2012 are not included in the DVA total claim for disposition. If this is an oversight, please update the evidence for the projected interests as at April 30, 2012.

Wasaga Distribution Inc. Response

This was not an oversight, however, WDI feels it is not in the best interest to give back the interest to April 30, 2012 at this time and will include it in its next IRM application.

9.0-Staff-31

Ref: Exhibit 9/ Schedule 4 & 5, Table 9.5, Account 1508, Sub-account IFRS Transition Costs

WDI included $50,518 IFRS Transition Costs in the Account 1508 balance request for disposition in Table 9.5.

WDI stated that "WDI has chosen to defer the implementation of IFRS until January 1, 2013. WDI requests recovery of these costs in its next COS application and to continue this account until that time."

a) Please confirm if the applicant is requesting to defer the disposition of the $50,518 IFRS Transition Costs to a future rate proceeding.. If not, please describe the nature of the costs and what specific actions the applicant has undertaken regarding the IFRS transition for the costs incurred.

<u>Wasaga Distribution Inc. Response</u>

WDI is not requesting deferral of the disposition of this account. The costs incurred to date are auditor consultant costs for assistance with assessing the remaining asset lives within PP&E as well as the preparation of position papers addressing the various transition issues relating to the adoption of IFRS.

9.0-Staff-32

Ref: Exhibit 9/ Schedule 6, Account 1521

a) Please provide the timing of the completion of the recovery period.

b) Please confirm the actual or most recent balance in account 1521, "Sub-account 2010 SPC Variance" at the completion date of the program.

c) Please provide the forecasted carrying charges in "Sub-account 2010 SPC Assessment Carrying Charges" as at April 30, 2012.

<u>Wasaga Distribution Inc. Response</u>

a) April 30, 2012

b) The balance in Account 1521 at the completion of the program is a credit of $2,445.29.

c) A Debit of $255.38 at April 30, 2012 represents the cumulative carrying charges.

9.0-Staff-33

Ref: Exhibit 9/ Schedule 7, Table 9.7

In the EDDVAR Report EB-2008-0046, the Board stated that,

> "The Board is also of the view that the default disposition period used to clear the Account balances through a rate rider should be one year. However, a distributor could propose a different disposition period to mitigate rate impacts or address any other applicable considerations, where appropriate."

a) Please explain why the DVA balance recovery is proposed to be over 3 years and please provide the detailed calculation for the 3 year DVA rate riders, including the information of the allocators to each class of customers.

b) Please provide the detailed calculation for the DVA balance recovery over 1 and 2 years..

Wasaga Distribution Inc. Response

a) By disposing of Group 1 Accounts over three years the cash flow impacts to Wasaga Distribution Inc. would be reduced. In addition, a three year disposition would help mitigate customer bill impacts subsequent to the disposition period. Disposing of the accounts over a one year period would cause a large impact in the year subsequent to customers once the disposition ended. A three year disposition period would allow for more rate stability with less rate volatility and customer rate shock.

The table on the following page illustrates the allocators to each class of customers.

2012 Forecast Data By Class	**kW**	**kWhs**	**kWh's Non-RPP**
RESIDENTIAL CLASS		85,253,972	4,598,184
GENERAL SERVICE <50 KW CLASS		17,532,074	1,219,429
GENERAL SERVICE 50 - 4,999 KW	51,408	20,862,622	20,249,015
STREET LIGHTING	4,771	1,691,769	1,691,769
UNMETERED SCATTERED LOADS		297,067	
Totals	56,179	125,637,505	27,758,398

2012 Forecast Data By Class	**kW's Non-RPP**	**Cust. Num.'s**	**Dx Revenue**
RESIDENTIAL CLASS		11,614	$ 3,002,563
GENERAL SERVICE <50 KW CLASS		791	$ 390,065
GENERAL SERVICE 50 - 4,999 KW	49,896	34	$ 269,068
STREET LIGHTING	4,771	1	$ 53,392
UNMETERED SCATTERED LOADS		45	$ 5,747
Totals	54,667	12,486	$ 3,720,835

b) WDI is submitting the bottom part of Table 9.7 from the original submission showing the DVA balance recovery over 1 and 2 years only because the top of Table 9.7 remains the same.

<u>Balance Recovery over 1 Year:</u>

Balance to be collected or refunded (Excluding Global Adjust	$ (4,310,439)		$ (2,903,219)	$ (607,372)	$ (731,624)	$ (57,893)	$ (10,331)
Number of years for Variable	1						
Balance to be collected or refunded per year, Variable	$ (4,310,439)		$ (2,903,219)	$ (607,372)	$ (731,624)	$ (57,893)	$ (10,331)

Class		Residential	GS < 50 KW	GS 50 - 4,999 kW	Street Lighting	Unmetered Scattered Load
Deferral and Variance Account Rate Riders, Variable (Excluding Global Adjustment)		$ (0.0341)	$ (0.0346)	$ (14.2318)	$ (12.1335)	$ (0.0348)
Billing Determinants		kWh	kWh	kW	kW	kWh

Global Adjustment Balance to be collected or refunded	$ 1,701,832		$ 281,909	$ 74,762	$ 1,241,441	$ 103,720	$ -
Number of years for Variable	1						
Balance to be collected or refunded per year, Variable	$ 1,701,832		$ 281,908.79	$ 74,762	$ 1,241,441	$ 103,720	$ -

Global Adjustment Rate Rider		$ 0.0613	$ 0.0613	$ 24.8807	$ 21.7383	$ -
Billing Determinants		kWh	kWh	kW	kW	kWh

Balance Recovery over 2 Years:

	Total	Residential	GS < 50 KW	GS 50 - 4,999 kW	Street Lighting	Unmetered Scattered Load
Balance to be collected or refunded (Excluding Global Adjust	$ (4,310,439)	$ (2,903,219)	$ (607,372)	$ (731,624)	$ (57,893)	$ (10,331)
Number of years for Variable	2					
Balance to be collected or refunded per year, Variable	$ (2,155,220)	$ (1,451,610)	$ (303,686)	$ (365,812)	$ (28,946)	$ (5,165)

Class	Residential	GS < 50 KW	GS 50 - 4,999 kW	Street Lighting	Unmetered Scattered Load
Deferral and Variance Account Rate Riders, Variable (Excluding Global Adjustment)	$ (0.0170)	$ (0.0173)	$ (7.1159)	$ (6.0667)	$ (0.0174)
Billing Determinants	kWh	kWh	kW	kW	kWh

	Total	Residential	GS < 50 KW	GS 50 - 4,999 kW	Street Lighting	Unmetered Scattered Load
Global Adjustment Balance to be collected or refunded	$ 1,701,832	$ 281,909	$ 74,762	$ 1,241,441	$ 103,720	$ -
Number of years for Variable	2					
Balance to be collected or refunded per year, Variable	$ 850,916	$ 140,954.40	$ 37,381	$ 620,721	$ 51,860	$ -

	Residential	GS < 50 KW	GS 50 - 4,999 kW	Street Lighting	Unmetered Scattered Load
Global Adjustment Rate Rider	$ 0.0307	$ 0.0307	$ 12.4404	$ 10.8692	$ -
Billing Determinants	kWh	kWh	kW	kW	kWh

9.0-Staff-34

Ref: Exhibit 9/ Appendix 9A, EDDVAR Continuity Schedule

Please explain why the transaction amounts in 2010 for Account 1588 Power (a credit balance of $2,684,142) and Account 1588 Sub-account GA (a credit balance of $1,144,162) were materially larger than other years and provide any supporting documents that may be available supporting the adjustments..

<u>Wasaga Distribution Inc. Response</u>

A shift form the cash basis to the accrual basis resulted in the larger than usual transactions for 2010 in the 1588 accounts.

9.0-Staff-35

Ref: Exhibit 3/ Schedule 2/ Page 15 – CDM

The Board's Conservation and Demand Management ("CDM") Guidelines for Electricity Distributors (EB-2012-0003) at page 3 notes that: "At a minimum, distributors must apply for disposition of the balance in the LRAMVA at the time of their Cost of Service rate applications. Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their Incentive Regulation Mechanism rate application, if the balance is deemed significant by the applicant." Board staff acknowledges that the final, verified results for WDI 2011 OPA-Contracted Province-Wide CDM programs are not currently available.

a) Does WDI plan to update its evidence to identify and/or seek disposition of variances between the final results of its 2011 CDM programs and the CDM savings reflected in WDI's 2011 rates in this proceeding after it has received the final results from the OPA?
b) What is WDI's plan for disposing of its LRAMVA in future applications?

<u>Wasaga Distribution Inc. Response</u>

a) WDI does not plan to seek disposition of variances that resulted from its 2011 CDM activities.

b) WDI plans to dispose of its LRAMVA in either IRM applications or its next Cost of Service application.

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.

Wasaga Distribution Inc. Response

WDI confirms that these numbers were correct prior to any interrogatories in its Cost of Service Application.

Payment in Lieu of Taxes (PILs) – Account 1562

9.0-Staff-36

Ref: Exhibit 10 / Schedule 5/ Appendix 1 PILs Continuity Schedule – 2002 PILs Recoveries

WDI made the following statement, "WDI has no data for the March 01 to December 31, 2002 period." WDI entered PILs recovered from customers of $113,530 in the continuity schedule for this period. WDI's 2002 rates were effective March 1, 2002. The 2001 PILs proxy was $44,204 and the 2002 proxy was $244,571 both of which amounts were incorporated into the rates that took effect on March 1, 2002.

Board staff notes that, in the absence of 2002 evidence, the only reasonable approach for estimating the recovery amount for the ten months of 2002 is to pro-rate the PILs proxies. The total of the PILs proxies that became effective on March 1, 2002 are $288,775. Pro-rate the proxy amounts by 10/12. $288,775 x 10/12 = $240,646

Please confirm whether WDI would agree with the use of the above estimate of PILs recoveries for 2002 in the absence of specific evidence. If not, please explain why.

Wasaga Distribution Inc. Response

WDI disagrees with the use of the Board Staff estimate for 2002.

The revenue of $113,530 for 2002 has been used by WDI in the annual SIMPIL models since 2002. That information would have initially been provided to the Board by the former Manager, Administrative & Financial Services who left in 2008. WDI proposes the $113,530 be used as PILs revenues for 2002.

9.0-Staff-37

Ref: Exhibit 10 / Schedule 5/ Appendix 1 PILs Continuity Schedule – 2002 and 2003 Fixed Charge Recoveries

It appears that WDI may have followed a bi-monthly billing cycle for the residential and GS<50kWh classes. The number of bills issued is approximately one-half (50%) of the number of customers in the residential and GS<50kW classes. The fixed charge on each bill would have been twice the monthly amount in the rate order and in the recovery worksheets. WDI appears to have understated the PILs fixed charge recoveries by 50% in 2003 and in 2004.

Board staff has compiled the data related to the historical actual customer numbers in Exh.3/Sch.2 pages 13 to find the historical actual numbers and the average number of bills charged on the Appendix 1 PILs Continuity Schedule.

WDI	**2003**	**2004**
PILs - Fixed Charge recovery		
Residential		
Average number of bills charged (PILs Cont. Sch.)	4,411	4,508
Number of customers (Exh.3/Sch.2/page 13)	8,689	9,037
GS<50kW		
Average number of bills charged (PILs Cont. Sch.)	343	363
Number of customers (Exh.3/Sch.2/page 13)	749	749

Please correct the recovery calculations and submit revised worksheets in active Excel format. If WDI does not agree with the above table, please explain why.

Wasaga Distribution Inc. Response

WDI agrees with this statement and has provided an updated Excel Spreadsheet in response to 9.0 – Staff – 37 to 39 Questions.

The file name is:
WDI_IRR_PILS 1562 Calculation Worksheet Question 9 Staff 37-39_20120919
AND
WDI_IRR_PILS Continuity Schedule with Interest Improvement Question 9 Staff 37-39_20120919.

9.0-Staff-38

Ref: Exhibit 10 / Schedule 5/ Appendix 1 PILs Continuity Schedule –2003 Volumetric Recoveries

In reference to Exh.3/Sch.2/page 6, the 2003 residential consumption was 70,014,315 kWh. In the PILs recovery worksheets WDI used 62,436,678 kWh.

From the same exhibit, GS<50kW consumption was 14,233,406 kW and WDI used 13,010,509 kW in the PILs recovery worksheets.

Please correct the recovery calculations as necessary and submit revised worksheets in active Excel format.

<u>Wasaga Distribution Inc. Response</u>

WDI has corrected the residential and GS<50 consumption and has submitted an updated Excel Spreadsheet in response to 9.0 – Staff – 37 to 39 Questions.

The file name is:
WDI_IRR_PILS 1562 Calculation Worksheet Question 9 Staff 37-39_20120919
AND
WDI_IRR_PILS Continuity Schedule with Interest Improvement Question 9 Staff 37-39_20120919.

9.0-Staff-39

Ref: Exhibit 10 / Schedule 5/ Appendix 1 PILs Continuity Schedule –Unbilled Revenue Accrual

a) Please explain how WDI determined the PILs amount associated with unbilled revenue accrual as at April 30, 2006 and how this was included in the various Excel worksheet. Please note that unbilled consumption prior to May 1, 2006 would have been billed in May and June 2006.

b) April 2006 PILs recoveries do not seem reasonable when compared with April 2005. Both months' consumption were billed at the same distribution rates. Yet April 2006 ($2,104) is extremely low when compared to April 2005 ($21,398).

   Please provide a table that shows the gross customer billings by rate class in dollars and volumes in April, May and June 2006. Please provide the calculation of PILs that would have been billed in these invoices.

<u>Wasaga Distribution Inc. Response</u>

a) and b) WDI has corrected these errors and has submitted an updated Excel Spreadsheet in response to 9.0 – Staff – 37 to 39 Questions.

The file name is:
WDI_IRR_PILS 1562 Calculation Worksheet Question 9 Staff 37-39_20120919
AND
WDI_IRR_PILS Continuity Schedule with Interest Improvement Question 9 Staff 37-39_20120919.

9.0-Staff-40

Ref: Exhibit 10 / Schedule 5/ Appendix 1 PILs Continuity Schedule –Interest Expense True-up Calculations

When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in the TAXCALC worksheet as an extra deduction in the true-up calculations.

a) Please provide a table for the years 2001 to 2005 that shows all of the components of interest expense and the amount associated with each type of interest. For each year, please balance the numbers in the table to the financial statements, to the tax returns and to the amounts used in SIMPIL sheet TAXCALC for the interest true-up calculations.

b) Did WDI have interest expense related to other than debt that is disclosed as interest expense in its financial statements?

c) Did WDI net interest income against interest expense in deriving the amount it shows as actual interest expense in the SIMPIL models? If yes, please provide details to what the interest income relates and explain why interest income and expense should be netted to reduce the interest expense used in the true-up calculations.

d) The Board decided interest expense used to calculate the interest claw-back variance should not include interest on customer deposits.[1] Please deduct interest expense on customer security deposits for purposes of the interest true-up calculations after balancing to the financial statements.

e) Did WDI include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?

f) Did WDI incur interest expense or standby fees or charges on IESO or other Prudentials? Please provide a table that lists all of the prudential costs by year for 2001-2005 with the amounts by type of charge for letters or lines of credit whether shown as interest expense or as OM&A. The Board has decided that prudential costs are interest expense and should be included in the interest claw-back variance calculations.[2]

[1] Hydro One Brampton, EB-2011-0174, December 22, 2011. Kingston Hydro, EB-2011-0178, April 19, 2012. Innisfil Hydro, EB-2011-0176, April 19, 2012.
[2] Burlington Hydro, EB-2011-015, March 20, 2012. Kitchener-Wilmot Hydro, EB-2011-0179, April 4, 2012. Thunder Bay Hydro Electricity Distribution Inc., EB-2011-0197, April 4, 2012.

g) Did WDI include interest carrying charges on regulatory assets or liabilities in interest expense?

h) Did WDI include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?

i) Did WDI deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did WDI add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.

j) If a revision has been made to the SIMPIL interest claw-back calculations, please file the revised SIMPIL models and update the PILs continuity schedule and final balance for disposition in active Excel format.

Wasaga Distribution Inc. Response

a) Interest Expense Comparison

	Financal Statements	Tax Returns	SIMPIL Models	Difference	
			(G37 TAX CALC)		
2001	195,474	195,474	187,893	7,581	**Interest Income**
2002	182,581	182,581	182,581	0	
2003	172,303	172,303	172,303	0	
2004	260,347	260,347	260,347	0	
2005	266,408	266,408	266,408	0	

b) No

c) No

d) WDI deducted interest expense on customer deposits for the interest true-up calculations and this change had no effect on the SIMPIL models WDI submitted in its original Cost of Service Application.
WDI has provided a table below that shows the interest expense from customer deposits.

		2001	2002	2003	2004	2005
		$ 195,474.00	$ 175,351.52	$ 167,446.31	$ 260,347.00	$ 266,408.00
IESO Prudential			$ 4,122.97	$ 4,590.48		
IESO Fin Charge			$ 125.34			
IESO Fees & Penalties			$ 215.60			
			$ 2,500.37			
Cust Deposit Int			$ 229.39	$ 265.95		
		$ 195,474.00	$ 182,545.19	$ 172,302.74	$ 260,347.00	$ 266,408.00
Cust Deposit int not included above		$ 187.80			$ 571.21	$ 312.54

e) No

f) WDI did incur interest expense, standby fees and other charges on IESO. A table has been provided below. These amounts have no effect on the SIMPIL models WDI submitted in its original Cost of Service Application.

	9- Staff 40 f)					
		2001	2002	2003	2004	2005
IESO Prudential			$ 4,122.97	$ 4,318.70		
IESO Fin Charge			$ 125.34	$ 271.78		
IESO Fees & Penalties			$ 2,500.37			
Inluded in OM&A		$ -	$ 6,748.68	$ 4,590.48	$ -	$ -

g) No

h) No

i) No

j) The changes have had no effect on WDI's SIMPIL models and therefore have not been resubmitted.

9.0-Staff-41

Ref: Exhibit 10/ 2001 to 2005 Tax Returns Tax Years – Statute-barred

Please confirm that all tax years from 2001 to 2005 are now statute-barred.

<u>Wasaga Distribution Inc. Response</u>

WDI confirms that tax years 2001 to 2005 are now statute-barred.

9.0-Staff-42

Ref: Exhibit 10 – 2004 Notice Assessment

Board staff cannot locate the 2004 Notice of Assessment. Please provide the reference in the evidence or submit the document.

Wasaga Distribution Inc. Response

WDI has provided the 2004 NOA below

Detach and return this REMITTANCE FORM with your payment.

APPENDIX 31

Ontario

Ministry of Finan
Corporations Tax ... Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Remittance Advice - Payment-in-Lieu (PIL

Electricity Act, ...8
Corporations T... Act, R.S.O. 1990

Taxation Year End (YYYYMMDD)

Payment Amount: $

Account No.
1800288

35

WASAGA DISTRIBUTION INC.
MIKE LALONDE
950 RIVER RD W
PO BOX 20
WASAGA BEACH ON
L9Z 1A2

Taxation Year End (YYYYMMDD) 2 0 0 4 1 2 3 1

Payment Amount: $

Total Payment Enclosed $

Ontario

Ministry of Finance
Corporations Tax Branch - Hydro PIL
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Assessment

Electricity Act, 1998 + Corporations Tax Act, R.S.O. 1990
from 2004/01/01 to 2004/12/31

	Account No.	Assessment Date (year, month, day)	Page
WASAGA DISTRIBUTION INC.	1800288	2005/09/28	1 of 1

ASSESSMENT NO. 100

Tax: Federal and Provincial PIL		249,296.00
Assessment Interest		402.83
Total Assessment Liability		249,698.83

SUMMARY OF 2004/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers	333,240.00CR	
Sub-Total		333,240.00CR
CREDIT BALANCE AVAILABLE IN THIS TAXATION YEAR		83,541.17CR

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable by s.85 of the Electricity Act, 1998, notice is hereby given of the amount of tax, penalty and interest for which you are assessed.

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.

<u>Wasaga Distribution Inc. Response</u>

Exhibit 10, Schedule 4, page 7, Item 4.0 includes a table providing the Rate Riders, recovery period and the resulting impact on each of the customer classes.
That table is provided below for your convenience.

Rate Class	Allocation of 1562	Recovery Period (Years)	Annual Recovery Amount	2012 Proposed Billing Determinant (kWh / kW)	Proposed Rate Rider	
Residential	$ (110,935.77)	1	$ (110,935.77)	85,253,972.19	$ (0.0013)	per kWh
GS<50kW	$ (14,411.71)	1	$ (14,411.71)	17,532,074.39	$ (0.0008)	per kWh
GS>50kW	$ (9,542.22)	1	$ (9,542.22)	51,407.67	$ (0.1856)	per kW
Street Lights	$ (1,972.67)	1	$ (1,972.67)	4,771.31	$ (0.4134)	per kW
USL	$ (212.02)	1	$ (212.02)	297,067.44	$ (0.0007)	per kWh
Total	$ (137,074.38)	1	$ (137,074.38)			

Smart Meters

9.0-Staff-43

Ref: Exhibit 11 / Schedule 15 – Smart Meter Model

On Sheet 3 of the Smart Meter Model, WDI has provided its cost of capital parameters for the years 2006 through 2012.

a) On sheet 3, in cell O23, WDI has input a debt capitalization of 56% for 2010. In its 2010 EDR application (EB-2009-0209), WDI had rates approved on a deemed debt capitalization of 60%. Please explain the reason for using a different debt capitalization than that approved. Otherwise, please update the model.

b) On sheet 3, in cell G30, WDI shows a long-term debt rate of 7.25%. A review of the 2006 EDR model used for final rate setting shows that WDI was approved a debt rate of 6.35%. Please explain WDI's inputs. Otherwise, please update the model. Note that these inputs would also be carried forward to 2007.

WDI has used the maximum taxes/PILs rates input on sheet 3, row 40, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012 and beyond**
Aggregate Federal and provincial income tax rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%

c) Please confirm that these are the tax rates corresponding to the taxes or PILs actually paid by WDI in each of the historical years, and that WDI forecasts it will pay for 2012. For historical years to 2011, these would be the aggregate rate derived for calculating the taxes/PILs included in the revenue requirement in cost of service applications, or as calculated in taxes/PILs calculations as part of IRM applications. Otherwise, please explain the tax rates entered and their derivation.

Wasaga Distribution Inc. Response

a) WDI has provided an updated model. WDI_IRR_Smart_Meter_Model_20120918

b) WDI has provided an updated model. WDI_IRR_Smart_Meter_Model_20120918

c) Illustrated below WDI has provided actual effective rates on the corporate returns which was actually paid.

Year	2006	2007	2008	2009	2010	2011	2012 and beyond
Effective Rates	36.10%	34.00%	31.80%	32.00%	21.00%	15.40%	(20.5% - 26.5%)

Notes:
2010 and 2011 effective rates have been adjusted for SRED
2012 rates exclude SRED

9.0-Staff-44

Ref: Exhibit 11/ Schedule 15 – Smart Meter Model

In the Smart Meter Model Version 2.17 filed by WDI, the utility has relied upon sheet 8B to calculate the interest on OM&A and depreciation/amortization expenses. Sheet 8B calculates the interest based on the average annual balance of deferred OM&A and depreciation/amortization expenses based on the annual amounts input elsewhere in the model.

The more accurate method for calculating the interest on OM&A and depreciation/amortization expense is to input the monthly amounts from the sub-account details of Account 1556, using sheet 8A of the model. This approach is analogous to the calculation of interest on SMFA revenues on sheet 8 of the model.

Please re-file the smart meter model using the monthly OM&A and depreciation/amortization expense data from Account 1556 records. If this is not possible, please explain.

<u>Wasaga Distribution Inc. Response</u>

WDI did not track asset additions on a monthly basis and currently does not have that data readily available and does not believe that the cost associated with providing this data would be materially beneficial.

9.0-Staff-45

Ref: Exhibit 11/ Schedule 15 – Smart Meter Disposition Rider (SMDR)

On page 28, WDI has provided a table showing the calculation of class-specific SMDRs.

Please confirm the allocator used to allocate costs to each class in WDI's SMDR calculations for the following:

i. Total Return (deemed interest plus return on equity);
ii. Amortization;
iii. OM&A;
iv. PILs; and
v. Smart Meter Rate Adder revenues.

<u>Wasaga Distribution Inc. Response</u>

i. Capital Cost of Smart Meters per class
ii. Capital Cost of Smart Meters per class
iii. # Meters installed per class
iv. Summation of Total Return, Amortization, and OM&A
v. Revenue Received from customer class

9.0-Staff-46

Ref: Exhibit 11/ Schedule 5 - 12 – Smart Meter Program

In the above reference, WDI provides the detailed descriptions of initiatives within the smart meter program. The initiatives include:

- Operational Data Store (ODS);
- Business Process Redesign;
- System Changes;
- Integration with MDM/R;
- Transition to TOU pricing;
- Consumer Education Plan;
- Web Presentment; and
- Security Audit.

a) Please provide a breakdown of the costs in the following categories for each initiative.

	2011			2012		
	Capital Expenditures	OM&A		Capital Expenditures	OM&A	
		One-time	Ongoing		One-time	Ongoing
ODS						
Business Process Redesign						
System Changes						
Integration with MDM/R						
Transition to TOU pricing						
Consumer Education Plan						
Web Presentment						
Security Audit						

b) Please confirm how much of the above costs are included in the Smart Meter model in terms of calculating the SMDR. For the amounts that are not included in the SMDR calculation, please explain how the costs are proposed to be recovered.

Wasaga Distribution Inc. Response

a) Illustrated in chart below is the breakdown of costs listed according to the provided categories:

	2011			2012		
	Capital Expenditures	OM&A		Capital Expenditures	OM&A	
		One-time	Ongoing		One-time	Ongoing
ODS	1808		16735			22,495
Business Process Redesign		854				
System Changes	7741		33121			33121
Integration with MDM/R		5172	2130			2130
Transition to TOU pricing		15306				
Consumer Education Plan		6011				
Web Presentment						
Security Audit		9281			2991	

b) WDI SMDR includes costs up until December 31, 2011. WDI is not proposing additional recovery.

9.0-Staff-47

Ref: Exhibit 11/ Schedule 15 – Smart Meter Model

If WDI has changed its data inputs to the Smart Meter Model, version 2.17 as a result of interrogatories by Board staff and/or the intervenor, please update and re-file the smart meter model in working Microsoft Excel format.

Wasaga Distribution Inc. Response

WDI has provided an updated model submitted with these interrogatories.

WDI_IRR_Smart_Meter_Model_20120918

11.0 VECC #36

Reference: Exhibit 11, Schedule 2, Page 5

<u>Preamble:</u> 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.

<u>Wasaga Distribution Inc. Response</u>

a) Illustrated below is the calculation of Smart Meter costs:

Total Smart Meter Capital Costs	1,646,260	
Total Smart Meter OM&A Costs	151,393	
Smart Meters Installed	12,263	
Total Costs Beyond Minimum Functionality	32,529	OM&A

	Total Cost	**Excluding Beyond Min. Functionality**
Average Smart Meter Cost	$ 134.25	$ 134.25
Average Smart Meter OM&A Cost	$ 12.35	$ 9.69

b) Illustrated below is a summary of all incremental internal labour costs:

Wasaga Resource Services Employees	
Manager, Energy Services (Permanent) - Project Management	55,290
Billing Clerk (Permanent)	8,813
Linesman - Maintenance/Installations	10,267

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.

Wasaga Distribution Inc. Response

a) Illustrated below is a breakdown and description of costs under 1.5.6. Other AMI Capital.

Description	Expense	
Miscellaneous Meeting Expenses	$	489
RFP Evaluation Costs	$	571
Disposal Bins	$	1,000
Total	**$**	**2,060**

b) Illustrated below is the breakdown of costs and descriptions of costs under 2.6.3.

Description	Expense
MDM/R - Labour	5,172
TOU - Labour	25,227
MDM/R - AS2	2,130
Total	**32,529**

c) All costs prior to 2011 were deemed to be part of the cost of the Smart Meter project and determined to be capital in nature.

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.

Wasaga Distribution Inc. Response

a) Additional costs incurred by WRSI – TOU implementation and MDM/R. Costs that otherwise would not have been incurred by WDI if it was not for the Smart Meter Project.

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.

Wasaga Distribution Inc. Response

a) Overall, WDI does not expect any cost savings or operational efficiencies as a result of 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.

Wasaga Distribution Inc. Response

a) The funding received from GS>50 kW customers were split evenly to customers based on the number of Residential and GS<50 kW customers in the year the funding was received.

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.

Wasaga Distribution Inc. Response

a) GS>50 kW customers were not part of the Smart Meter Project and were incorrectly included in the initial stages of the budgeting process.

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.

Wasaga Distribution Inc. Response

a) Residential net increase based on a percentage of total bill impact specific to the SMDR has an impact of 0.72%. Small Commercial net increase based on a percentage of total bill impact specific to the SMDR has an impact of 0.86%.

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.

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

Wasaga Distribution Inc. Response

a) Please see part d)

b) WDI is unable to provide this data, please see part d)

c) WDI has provided the breakdown as accurately as possible illustrated below:

Year	Residential	GS<50	GS>50	Total
2006	16,333.04	1,237.65	69.59	17,640.28
2007	35,623.68	2,614.39	128.29	38,366.36
2008	38,641.02	2,744.28	116.01	41,501.30
2009	82,629.52	5,804.27	234.59	88,668.38
2010	148,473.89	10,374.48	427.26	159,275.63
2011	157,736.97	10,833.93	471.64	169,042.54
2012	52,964.04	3,608.29	155.05	56,727.38
	532,402.15	37,217.29	1,602.43	571,221.87

d) WDI has not tracked OM&A costs to that level of detail and is unable to provide that data according to rate class accurately. Therefore WDI does not believe the information would be reliable enough to propose this change. Furthermore, the costs that would have been associated with this level of tracking would have outweighed the benefits for WDI customers.

END OF INTERROGATORY RESPONSES

APPENDIX 1

CERTIFICATE OF PASSING OF RESOLUTION UNDER SECTION 159.1 OF THE *ELECTRICITY ACT, 1998*

Name of Municipality: **The Corporation of the Town of Wasaga Beach**

Name of Local Distribution Company: **Wasaga Distribution Inc.**

Direct and Indirect Beneficial Ownership of and Voting Rights in Local Distribution Company.
Specify shareholders and % of ownership at each level of the corporation structure (see subsection 159.1 (3) of Act). If there is insufficient space on this form, attach additional page(s).
Geosands Inc. hold 100 common shares of Wasaga Distribution Inc. being all of the issued common shares of Wasaga Distribution Inc. The Corporation of the Town of Wasaga Beach is the sole beneficial owner of all of the issued common shares of Geosands Inc. As a result, the Corporation of the Town of Wasaga Beach has direct beneficial ownership of all of the voting shares of a corporation that owns all of the voting shares of Wasaga Distribution Ins.

Attached is a copy of the resolution passed by the municipality affirming that the local distribution company should continue to operate on a for-profit basis.

The municipality affirms that the projected return on common equity to be earned by the local distribution company, on which the rates approved by the Ontario Energy Board are based, is 9.88%

Provide details of all financial arrangements involving the municipality and the local distribution company. If there is insufficient space on this form, attach additional page(s).

Date of Arrangement	Description of Arrangement	Term	Principal Amount	Annual Interest Payable
October 20, 2000	Promissory Note	Demand	$3,593,269.00	December 31, Gov't of Canada 10 year bond rate

Walter J. Borthwick
Mayor

Signature: [signature] Date: Feb 18/03

Eric E. Collingwood
Clerk

Signature: Eric E. Collingwood Date: Feb 18/03

APPENDIX 1

The Corporation of the
Town of Wasaga Beach

MOVED BY ________________ **February 11th, 2003**

SECONDED BY ________________ **RESOLUTION #2003-03-** 04

RESOLVED THAT:

WHEREAS Section 142 of *The Electricity Act 1998,* required municipalities to convert their existing electricity businesses into corporations incorporated under the Business Corporations Act within two years of its enactment, and

WHEREAS in 2000, Wasaga Distribution Inc. (Wasaga Hydro) was formed, being a *Business Corporations Act* corporation established under Section 142 of *The Electricity Act, 1998*, for the purpose of converting the Town's existing electricity business in accordance with *The Electricity Act, 1998,* and

AND WHEREAS Wasaga Distribution Inc. (Wasaga Hydro) has continued as a business and continues to operate as a highly efficient utility for the benefit of the taxpayers of the Town of Wasaga Beach; and

WHEREAS on December 9th, 2002, Bill 210, the Electricity, Pricing, Conservation and Supply Act, 2002, received third reading and Royal Assent; and

WHEREAS Bill 210 amends The Electricity Act, 1998, by adding Section 159.1, to require a municipality that beneficially owns voting securities in a corporation incorporated under Section 142 of *The Electricity Act, 1998,* to pass a resolution affirming that the corporation should continue to be incorporated as a *Business Corporation Act* corporation within 90 days of Bill 210 receiving Royal Assent; and

WHEREAS Bill 210 also provides several consequences of failure to pass the required resolution and submit the necessary certificate certifying the passing of the resolution, which consequences include a prohibition against declaring or paying dividends for the benefit of any person ; a prohibition against any kind of disposal of the assets or liabilities of the electricity company; prohibitions against entering into certain contractual arrangements; and an application being deemed to have been made to the Ontario Energy Board for a rate order that incorporates a 0% return on Common equity which effectively converts the corporation into a Not-For-Profit business; and

NOW THEREFORE BE IT RESOLVED THAT

1. The Corporation of the Town of Wasaga Beach hereby affirms that Wasaga Distribution Inc. (Wasaga Hydro) should continue to be incorporated as a *Business Corporations Act* company as provided in Subsection 142(1) of *the Electricity Act, 1998.*

2. The Town Clerk be required to prepare and file with the Minister of Energy the necessary certificate required under the new Section 159.1 as provided for in Bill 210.

CARRIED ________________