Supplemental Response to Interrogatories

2012 Electricity Distribution Rates

Wasaga Distribution Inc. ("WDI")

EB-2011-0103

October 11, 2012

(Note: Numbering continues from initial IR Round)

EXHIBIT 1 – OVERVIEW

VECC #48

Reference: VECC #1

WDI's response includes the following: "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."

a) Please explain this issue more fully including what is meant by "burden recovery".

b) Please provide a reference in the evidence to the above issue.

Wasaga Distribution Inc. Response

a) When WRSI completes a cable line, streetlights or a capital project (for example) it bills overheads based on labour hours, WRSI/WDI calls these burdens. These recoveries are then applied against such benefits as Life Insurance, Dental and Health which reduces the costs to WDI through the MSA.

b) See above. Also see the answer to 4-Staff-49 on page 9 of this document.

EXHBIT 2 – RATE BASE

2.0-Staff-48

Ref: 2.0-Staff-6 (a) & (b); 2.0-Staff-7 (a) & (d); 2.0-Staff-8 (a), (b) & (e)

a) In response to interrogatory 2.0-Staff-6 (a) & (b), WDI has provided a list of renewable generation projects to be connected to WDI's system. WDI also indicated that since December 2011, WDI has had 14 connections providing 128.28kW. The filed table contains connection dates up to and including June 2012, but for the upcoming connections no forecast is provided. Please update the list to reflect the forecast connection dates for all the projects in the pipeline; note that the GEA Plan horizon is until 2016.

b) In response to 2.0-Staff-7, please clarify WDI's prioritization methodology for connecting renewable generation.

c) The response to part (d) of IR 2.0-Staff-7 indicates that WDI is unable to project any future renewable generation projects that would significantly impact system requirements. Please indicate which feeders are affected by the renewable generation projects which will be connected within 5 years.

d) WDI has provided a list of projects that it has connected or plans to connect. WDI also recognized that all the works are classified as expansion, but in its response to IR 2.0-Staff-8, WDI has not indicated how this additional work will impact OM&A or the quantum of capital expenditures associated with the connection of renewable generation, and their cost split between the distributor and provincial ratepayer. Please indicate and tabulate the cost of connection works, capital and OM&A, and the portion borne by WDI ratepayers versus the provincial ratepayers for 2010, 2011, and the period of the plan 2012-2016.

Wasaga Distribution Inc. Response

a) WDI has updated list submitted as WDI IRR "Supplemental 2Staff48 Microfit Connections"

b) Renewable generation goes into the regular queue along with all the other connection requests. Connection is completed in sequence of when the request was made.

c) Since WDI is unable to forecast renewable generation projects. WDI is unable to forecast what feeders could be affected.

d) WDI is not building projects for renewable generation. All costs would be borne by WDI ratepayers as projects listed were built for capacity and reliability. Due to the increased capacity of these projects WDI is able to handle future renewable generation projects, and at this time WDI is unable to determine a solution that might attribute allocated cost to these renewable generation projects. Furthermore, WDI does not believe there would be an impact on OM&A as a result of increased reliability of replaced assets reducing OM&A being offset by increased costs borne by the increase in customers.

VECC #49

Reference: VECC #3

a) VECC could not locate the response to VECC #3 in the interrogatory responses. Please provide. VECC #3 is reproduced below for convenience.

2.0 VECC #3

***Reference**: Exhibit 2, Schedule 1, Page 1*

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

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

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

Illustrated in the table below WDI has provided a list of currents assets current useful lives (prior to 2012) and the related updated useful lives adopted January 1, 2012.

	Description	Current - Useful lives	Updated - Useful lives
1820	Distribuiton Station Equipment	30	20-50
1830	Poles, Towers and Fixtures	25	45
1835	Overhead Conductors and Devices	25	45
1840	Underground Conduit	25	50
1845	Underground Conductors and Devices	25	30
1850	Line Transformers	25	40
1855	Services	25	35
1860	Meters	25	25
1860	Meters (Smart Meters)	15	15
1908	Building and Fixtures	40	50
1920	Computer Equipment - Hardware	5	5
1925	Computer Software	10	10
1995	Contributions and Grants	25-30	20-50
2005	Propery under Capital Leases	10	10

VECC #50

Reference: VECC #11 (c)

a) Please discuss the capital projects in 2012 driven by reliability & how does this compare to previous years.

Wasaga Distribution Inc. Response

a) WDI's major projects during the years 2006-2011 that were driven by reliability included expenditures for the River Road East Rebuild (Currently in WIP – December 2011), and the Replacement of PoleTran and aged cable in Hometown. WDI reviews aged assets annually when looking at capital projects for the year and assesses the health indices of the assets and budgets accordingly for major projects and miscellaneous individualized assets. (I.e. transformers) WDI also monitors outages geographically for trending that indicates potential reliability issues.

WDI has continued this trend for the 2012 capital budget. WDI has budgeted for replacement of existing feeders on Hwy 26 (project carried forward from 2011) and miscellaneous capital projects that need to be replaced in 2012.

EXHBIT 3 – OPERATING REVENUE

3.0 Energy Probe # 29

Ref: **3.0 Energy Probe #11 &**

Exhibit 3, Schedule 2, Tables 3-11 and 3-12

a) Please explain the 611,210 figure provided in the response to part (d) of the interrogatory relative the 2012 forecast of 613,607 shown in Table 3-12.

b) Please explain the difference between the residential average use for 2012 of 7,340 and the product of the 2011 figure of 7,389 and the geomean of 0.9892 shown in Table 3-11 (being 7,309).

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

The numbers in Table 3-12 referring to 2012 for Residential, General Service <50 kW, and General Service > 50 kW are incorrect and should read 7,410, 22,065, and 611,210 respectively. It should be noted the incorrect figures were not used in the calculation of the Load Forecast but were picked up in error in Table 3-12.

VECC #44

Reference: OEB STAFF #12 b)

a) The response to part (b) indicates that one of the reasons for GS>50 annual use dropping in 2011 was the conversion of <50 GS to >50 GS classification. Wouldn't the reclassification of customers into the GS>50 class increase (not decrease) the class' load. Please reconcile.

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

a) WDI's response was in relation to OEB STAFF Question #12b "Usage per Customer/Connection." The reclassification of customers from GS<50 kW customer class whose usage was below the average current usage of current customers under the GS>50 kW class results in a decrease in average total usage per customer/connection.

VECC #45

Reference: Energy Probe #10

a) Did WDI test a similar equation with just GDP (but not Peak Hours)? If yes, what were the results? (Note: WDI is not expected to any create any new models just provide the results if they are already available).

Wasaga Distribution Inc. Response

WDI did not test a similar equation with GDP but not Peak Hours.

EXHIBIT 4 – OPERATING COSTS

4.0-Staff-49

Ref: 4.0-Staff-18; Exhibit 4/ Schedule 2/ Page 7, 10 – Cost Drivers

In its response to this interrogatory, WDI explained that the increase of $120,000 is an ongoing cost and stated that “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.”

a) Please explain how the payroll costs for benefits mentioned above had been recovered prior 2012.
b) Please explain how the amount of $120,000 is determined.

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

a) Prior to 2012 to the costs were recovered in the same way as was explained on page 77 of 4.0 – Staff – 18b) answer and is reproduced as follows: “WRSI recovers overheads on 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.”

b) The amount of $120,000 was determined by taking the forecast burden recoveries for jobs completed by WRSI in 2012 that were not related to capital developed for WDI.

EXHIBIT 5 – COST OF CAPITAL AND RATE OF RETURN

5.0-Staff-50

Ref: 5.0-Staff-21; Exhibit 5/ Schedule 1/ Table 5.3 – Long-term Debt

a) In its response to this interrogatory, WDI provided a copy of the "Certificate of Passing of Resolution". Please provide a copy of the executed "Promissory Note" and any amendment, if any.
b) Please provide the annual actual rates that have been paid for the debt with the Town of Wasaga Beach from 2000 to 2011.
c) In the "Certificate of Passing of Resolution", the Annual Interest Payable is stated as "December 31, Gov't of Canada 10 year bond rate". Please reconcile the description of the Note payable to the Town of Wasaga Beach as stated in page 8 of the 2011 audited financial statements.

Wasaga Distribution Inc. Response

a) WDI does not have a copy of the executed Promissory Note and there have been no written amendments.

b) The annual actual rates that have been paid for the debt with the Town of Wasaga Beach from 2000 to 2011 are as follows:

2000: 5.35%	2006: 7.25%
2001: 3.00%	2007: 6.25%
2002: 4.88%	2008: 6.10%
2003: 4.66%	2009: 6.10%
2004: 7.25%	2010: 5.87%
2005: 7.25%	2011: 5.32%

c) The Government of Canada 10 year Bond Rate for 2011 was an average of 2.78%. WDI paid 5.32% on the Promissory Note. WDI has paid an interest rate; that is agreed to in the budget by the WDI Board of Directors, from the OEB letter stating the Cost of Capital parameters for May 01, 2011 of 5.32% for the Deemed Long- Term Debt rate.

EXHBIT 7 – COST ALLOCATION

7.0 Energy Probe # 30

Ref: 7.0 Energy Probe # 26

The response to part (c) references a table that is provided below. Please provide the referenced table.

Wasaga Distribution Inc. Response

The table has been provided below:

2012 Revenue to Cost Ratios (%)				
			Board Target Range	
	Updated OEB Cost Allocation Model	Proposed Revenue to Cost Ratios	Low	High
Residential	103.58	102.33	85%	115%
GS < 50 kW	93.22	93.22	80%	120%
GS > 50 kW	96.91	96.91	80%	180%
Street Lighting	31.78	70.00	70%	120%
USL	164.28	102.33	80%	120%

VECC #46

Reference: OEB #22 b)

a) Are there any Service's costs associated with Street Lighting and USL customers? If so, which USOA account are they assigned?

Wasaga Distribution Inc. Response

WDI confirms that there is no cost associated in relation to Service's costs.

EXHIBIT 8 - RATE DESIGN

VECC #47

Reference: VECC #32

a) Please confirm the following rates for Hydro One's Common ST Lines (including rate riders):
   - Effective January 1, 2011 - $0.485 / kW
   - Effective January 1, 2012 - $0.473 / kW
   - Effective May 1, 2012 - $0.668 / kW

b) Confirm that a simple weighting by number of months would yield an average 2012 rate of $0.603, an increase of 24.33%.

Wasaga Distribution Inc. Response

a) WDI does not agree with the rates stated in the question. As per WDI's Billing Statements from Hydro One for the Common ST Lines the rates are as follows:

- Effective January 1, 2011 - $0.485/kW
- **Effective May 01, 2011 - $0.68/kW**
- **Effective January 01, 2012 - $0.668/kW**
- Effective May 01, 2012 - $0.688/kW

b) WDI does not agree with this statement as WDI does not agree with the rates in part a) of this question.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

9.0-Staff-51

Ref: 9.0-Staff-29; Exhibit 9/ Schedule 2 & 3, Account 1592 sub-account HST/OVAT ITCs; Account Procedures Handbook ("APH") Frequently Asked Questions ("FAQ") December 2010

a) In the response to this interrogatory, the applicant stated that the balance included was only 50% of the HST savings as at Dec 31, 2011. In Question 5 of the December 2010 FAQs, the Board requested that the Applicant includes 100% of the HST savings in the sub-account.

   Please provide the balance for the HST savings in Account 1592 sub-account HST/OVAT ITCs on a 100% basis up to the period ended April 30, 2012 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) To support the HST savings balance answered in part (a), please provide a detailed schedule, similar to Table 1 and Table 2 of Question 4 of the December 2010 APH-FAQs, to indicate the period HST savings on OM&A costs and capital expenditures for the period of:
   i. July 1, 2010 to December 31, 2010;
   ii. January 1, 2011 to December 31, 2011; and
   iii. January 1, 2012 to April 30, 2012.

c) Since the calculation of the HST savings in Question 4 of the December 2010 APH-FAQs for OM&A costs and capital expenditures is based on a proxy using 2009 spending, has the distributor experienced actual spending where materially different for the above-noted periods in part (b)? If so, please explain the basis for the differences and provide detailed schedules for the HST savings for each period.

d) Please confirm that WDI has followed Question 1 to 5 of the December 2010 FAQs accounting guidance regarding Account 1592 sub-account HST/OVAT ITCs.

Wasaga Distribution Inc. Response

a) As of the end of April 30, 2012 The HST savings sub-account balance is $4,135.98 and charges totaled $47. WDI has submitted Appendix 2-T "WDI IRR Supplemental 9Staff51 Appendix 2-T"

b) Illustrated below is the schedule of capital and operating expense savings at 100% and up until April 30th, 2012:

		Total 8% ITC(PST) Savings	2010 8% ITC(PST) Savings	2011 8% ITC(PST) Savings	2012 8% ITC(PST) Savings
Operating Expense - 8% ITC (PST Savings)		1,033.53	221.15	721.44	90.94
2010 Capital Purchases - 8% ITC(PST Savings)	1	13,646.41	1,081.77	1,081.77	175.20
2011 Capital Purchases - 8% ITC(PST Savings)		15,285.35	-	611.41	125.41
2012 Capital Purchases - 8% ITC(PST Savings)		3,226.59	-	-	26.89
		33,191.88	1,302.92	2,414.62	418.44
				2010 - 2012 PST Savings	4,135.98

1. Savings that resulted from capital purchases amortized over the assets useful life.

c) Not materially different.

d) WDI has followed questions 1 to 5 of the December 2010 FAQs.

9.0-Staff-52

Ref: 9.0-Staff-30; Exhibit 9/ Schedule 5, Table 9.5, EDDVAR Continuity Schedule

WDI's rate year starts on May 1, 2012. Please provide the projected interest to April 30, 2012 in the DVA total claim for disposition and update the EDDVAR Continuity Schedule accordingly.

Wasaga Distribution Inc. Response

Table 9.5 - REVISED

Deferral and Variance Account Balances requested for Disposition

Account Description	Account Number	Principal Amounts as of Dec-31 2011	Interest to Dec 31-11	Interest Jan 1-12 to Apr 30-12	Total Claim
RSVA - Wholesale Market Service Charge	1580	$ (419,539)	$ (5,673)	$ (1,672)	$ (426,884)
RSVA - One Time	1582	$ 6,671	$ 1,337	$ 33	$ 8,041
RSVA - Retail Transmission Network Charge	1584	$ (305,093)	$ (2,900)	$ (1,085)	$ (309,078)
RSVA - Retail Transmission Connection Charge	1586	$ (562,830)	$ (10,077)	$ (2,515)	$ (575,422)
RSVA - Power - (excluding GA)	1588	$ (3,138,210)	$ (38,614)	$ (11,575)	$ (3,188,399)
RSVA - Power - Global Adjustment	1588	$ 1,675,232	$ 26,600	$ 8,793	$ 1,710,625
Sub-Totals		$ (2,743,769)	$ (29,327)	$ (8,021)	$ (2,781,117)
Other Regulatory Assets	1508	$ 150,967	$ 18,207	$ 765	$ 169,939
Retail Cost Variance Account - Retail	1518				$ -
Retail Cost Variance Account - STR	1548				$ -
Smart Meters Revenue and Capital	1555				$ -
Smart Meter Expenses	1556				$ -
Low Voltage	1550	$ (376)	$ (257)	$ 73	$ (560)
Special Purpose Variance	1521	$ (2,445)	$ 267	$ -	$ (2,178)
PILS - Sub Account - HST/OVAT	1592	$ (4,136)	$ (31)	$ (15)	$ (4,182)
Sub-Totals		$ 144,010	$ 18,186	$ 823	$ 163,019
Totals per column		$ (2,599,759)	$ (11,141)	$ (7,198)	$ (2,618,098)

This table has been revised to include the PILs Sub Account – HST/OVAT from Question 9-Staff-51 in the Supplementary Interrogatory on the previous page.

As stated in its' response to 9.0 Staff 30 in the first round of Interrogatories, WDI does not feel it is in its best interest to give back the interest to April 30, 2012 and would include it in its next IRM Application. However, WDI has provided the information requested in the Table above.

The revised continuity schedule will be submitted as: WDI IRR Supplemental 9Staff52 Deferral and Variance Account Riders – 2012 AND WDI IRR Supplemental 9Staff52 Appendix 9A EDDVAR Continuity Schedule.

9.0-Staff-53

Ref: 9.0-Staff-34; Exhibit 9/ Appendix 9A, EDDVAR Continuity Schedule

WDI stated that the larger than usual transactions for 2010 was a result of a change from the cash basis to accrual basis. Please provide a schedule summarizing the dollar impact and describing the nature of the changes for all the RSVA accounts requested for disposition from the cash basis to accrual basis.

Wasaga Distribution Inc. Response

The schedule has been provided below:

Account	Description	Unbilled Revenue
1580	RSVA - Wholesal Market Services	-96,201.23
1584	RSVA - Transmission Network	-84,572.23
1586	RSVA - Transmission Connection	-75,191.62
1588	RSVA - Power	-995,634.36
1595	RSVA - RSVA Recovery 2009	101,261.07
1550	Low Voltage Variance Account	-18,699.26
		Adjustment
1589	RSVA - Global Adjustment	1,876,614.83