**BOARD STAFF INTERROGATORIES**
**WESTARIO POWER INC. ("WPI")**
**2013 ELECTRICITY DISTRIBUTION COST OF SERVICE RATES**

**December 11, 2012**

# General

### 1.0-Staff-1 – Responses to Letters of Comment

Following publication of the Notice of Application, the Board received one letter of comment. Please confirm whether a reply was sent from the applicant to the author of the letter. If confirmed, please file that reply with the Board. Please ensure that the author's contact information except for the name is redacted. If not confirmed, please explain why a response was not sent and confirm if the applicant intends to respond.

### 1.0-Staff-2 – Updated RRWF

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that the applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

### 1.0-Staff-3 – Updated Appendix 2-W, Bill Impacts

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (i.e. 800 kWh for residential, 2,000 kWh for GS<50).

# Exhibit 2 – Rate Base

### 2.0-Staff-4 – Smart Meters<50kWh

**Ref. Exhibit 2/Tab 3/Schedule 3, Attachment 1;**
**Exhibit 10/Tab 2/Schedule 3, page 2;**
**Exhibit 9/Tab 3/Schedule 5, p. 9**

Appendix 2-B (Exhibit 2/Tab 3/Schedule 3, Attachment 1) is showing $105,634 of additions for smart meters (account 1860) in 2011, $38,652 (CGAAP) in the 2012 bridge year and $168,851(MIFRS) in the 2013 test year. In addition, WPI transferred smart meter assets from account 1555 in the 2013 test year.

In Exhibit 9/Tab 3/Schedule 2, p. 9 WPI notes that "approx. one-third of the GS>50kW meters are scheduled to be replaced in 2012 with costs forecasted under the smart meter capital expenditures.

a. Please confirm that the addition of $38,652 in account 1860 Smart Meter for the 2012 bridge year is incremental to smart meters for the GS>50 kWh customer classes included in the transfer from account 1555;
b. If so, please state how many Smart meters for the GS>50kW customer class were installed in 2011, 2012 and 2013 and provide the average cost per meter;
c. If not, please explain the capital additions under Account 1860 – Meters (Smart Meters) documented for each of 2011 and 2012 in Appendix 2-B (Exhibit 2/Tab 3/Schedule 3/Attachment 1).

**2.0-Staff-5 – Metering Capital Costs**

**Ref: Exhibit 2/Tab 3/Schedule 3/Attachment 1**
**Exhibit 2/Tab 4/Schedule 3**

On pages 27-28 of Exhibit 2/Tab 4/Schedule 3, WPI documents $280,648 as capital expenditures to be undertaken in 2013 to upgrade metering for GS > 50 kW customers to meet Measurement Canada requirements. WPI states that it expects that this will be a two year project and that, upon completion, all of WPI's customers, including GS > 50 kW, will be "on the Smart Meter network". This would also avoid the need to switch meters when customers may switch from GS < 50 kW to GS > 50 kW, or vice versa, as a result of a persistent change in a customer's level of demand and consumption.

a) Please explain what is meant by all of customers being "on the Smart Meter network". Does this mean that all of WPI's customers with have automated and remote meter reading? Does this also involve improved SCADA-type functionality of the AMI network and related infrastructure?

b) WPI states that this meter upgrading is expected to be a two-year project. Please provide WPI's estimate of the expected capital expenditures for 2014 for this project.
c) In Appendix 2-B (Exhibit 2/Tab 3/Schedule 3/Attachment 1), WPI documents $105,634 as additions in 2011 for Account 1860 – Meters (Smart Meters). For 2012, WPI documents $38,652(CGAAP) of additions to Account 1860 – Meters (Smart Meters). WPI forecasts an additional capital addition of $316,432(under CGAAP $168,851under MIFRS) for 2013 for Account 1860 – Meters (Smart Meters). These amounts are separate from the smart meter capital costs previously recorded in Account 1555.
    a. Please reconcile the $280,648 capital expenditures documented in Exhibit 2/Tab 4/Schedule 3 against the $316,432 documented for Account 1860 additions for 2013 in Appendix 2-B.
    b. Please explain the changes in capitalization policy that lead to the difference in this smart meter capital additions between CGAAP and MIFRS.

**2.0-Staff-6 – Capital Expenditure Forecast**

**Ref. Exhibit 2/Tab 3/Schedule 1, p. 3**

WPI noted on page 3 that it is aware that the Board has requested a three year capital forecast as per the filing requirements, but that at the time the application was prepared this information was not available. Please provide a three year forecast of all expected capital expenditures for the 2014, 2015 and 2016 rate years in a summary table format.

**2.0-Staff-7**

**Ref. Exhibit 2/Tab 4/Schedule 1**

Please provide a table listing the up-to-date capital expenditures for the 2012 bridge year including all capital contributions and provide the 2011 capital expenditures for the corresponding time period.

**2.0-Staff-8**

**Ref. Exhibit 2/Tab 4/Schedule 3, Appendix 2-A**

Note 2 in Appendix 2-A states that "amounts should be reported on a MIFRS basis for the adoption year and any subsequent years only". WPI filed Appendix 2-A showing CGAAP only. Please update Appendix 2-A by adding a column showing the 2013 test year capital project under MIFRS.

**2.0-Staff-9**

**Ref. Exhibit 2/Tab 4/Schedule 3, pp.1- 2 - #6 Copper Replacement Program**

WPI forecasted $1,404,459 in the 2013 test year for the #6 copper replacement programs. This is an increase of 59% over 2011 actual and 173.8% over 2010 actual. WPI noted that from 2012 onward this project will be to be completed by third party contractors as chosen utilizing the Purchasing Policy.

a. WPI noted that an incident occurred in 2008 when a live wire fell on a pedestrian. WPI also noted that the net variances year-over-year are due to the prioritization of capital projects. Please explain why this project was not given greater priority in the intervening years since last rebasing. Elaborate on why WPI feels that this project has gain greater priority in the bridge and test year.
b. Please provide the projected capital budget for this project for the 2014, 2015 and 2016 rate years and elaborate on why this project is forecasted to continue for another 8-10 years. Provide a forecast for the total project cost upon completion.
c. Please provide further explanation as to why this ongoing capital project will be completed by a third party and highlight any benefits of outsourcing this project versus completing this project in-house.

**2.0-Staff-10**

**Ref. Exhibit 2/Tab 4/Schedule 3, p. 4-5 – Pole Replacement**

On page 5 WPI notes that a forecast of 50 pole replacements per year is estimated for the 2012 bridge year and the 2013 test year for a capital cost of $472,558 and $476,954 respectively. WPI also shows capital investments in

poles, priority level 5, at a capital expense of $573,418 in 2012 and $567,155 in 2013.

a. Please confirm that these 50 poles are incremental to the proposed 50 pole replacement under the Priority level 5 pole replacement project.
b. Please provide the criteria for differentiation between WPI two pole replacement projects and explain the impact if this capital project was delayed.

**2.0-Staff-11**

**Ref. Exhibit 2/Tab 4/Schedule 5 – Stranded Meters**

In Exhibit 2/Tab 4/Schedule 5. WPI states:

> "WPI reallocated the gross cost and accumulated amortization of stranded assets to the appropriate smart meter deferral account. This exercise was repeated in each year of 2009-2011. WPI ceased to calculate any further depreciation on stranded meters once the meters were no longer in service."

Table 1 of that exhibit shows that the accumulated depreciation for the stranded meters increases. In particular, while the Gross Book Value of stranded meters is $1,221,695 for each of 2011 and 2012, the accumulated depreciation increases from $511,911 in 2011 to $649,731. Thus Table 1 appears to contradict the statement quoted above.

a) Please confirm whether or not WPI continued to record depreciation expense of stranded meters.
b) WPI noted that it did not continue to accumulate depreciation expense of stranded meters. These meters continued to be included in WPI's rate base in its 2009 Cost of Service application, and hence the distribution rates approved in that case and any subsequent rates based on IRM applications, thus continue to recover depreciation expense as well as a return on the capital investments. Why would depreciation expense not be applicable to determine the net book value of stranded meters to be recovered through the Stranded Meter Rate Rider.

**2.0-Staff-12**

**Ref. Exhibit 2/Tab 6/Schedule 1, p.1 – Service Quality Indicators ("SQI")**

In 2011 WPI shows the following SQIs, SAIDI 11.77, SAIFI 1.93 and CAIDI 6.09. Please explain these results and describe the incidents that caused SAIDI to be substantially higher in 2011 versus the previous two years.

## Exhibit 3 – Load Forecast and Operating Revenue

**3.0-Staff-13**

**Ref. Exhibit 3/Tab 1/Schedule 2, Attachment 1- Load forecast methodology**

WPI provided a multi-regression analysis that includes HDD, CDD, month of the days and Ontario Employment data.

a. Please describe what alternative modelling efforts, such as alternative econometric model forms or additional variables, were examined by WPI to improve the system load regression model.
b. In many load forecasting multivariate regression models filed in cost of service applications in recent years, distributors often include binary seasonal variables (i.e. spring/fall flag) to account for seasonal variability (beyond that of HDD and CDD). Was the inclusion of a spring/fall flag attempted? If so, please explain the reason for excluding it in the final model.
c. Why is the measure of population and/or economic activity used in the documented model Ontario Employment? Please explain why WPI believes that this variable is representative?
d. What alternative measures of population and/or economic activity were tried? Please summarize why these were not used in the proposed load forecasting equation.
e. The load forecasting model documented by WPI in its Application does not include any variable for CDM activity/impacts during the regression period.
    i. Was any CDM activity variable tried?
    ii. If not, why not?

iii. If a CDM variable was tried, please define the CDM variable attempted, the regression results, and the reasons that the variable was rejected in the final model.

**3.0-Staff-14**

**Ref: Exhibit 3/Tab 1/Schedule 2/Attachment 1 – Load Forecasting**

In the multivariate regression model prepared by Elenchus to prepare WPI's load forecast, Heating Degree Days (HDDs) and Cooling Degree Days (CDDs) are taken from Environment Canada meteorological data from Wiarton Airport.

Wiarton Airport is outside of WPI's service territory, and is in fact distant (around 95 km) from portions of WPI's service territory around Harriston, Mildmay, Neustadt, and Hanover. Other common meteorological data are available from weather reporting stations in places like Goderich and Mount Forest.

While all of these weather reporting stations are outside of WPI's service territory, these localities would form a triangle that would effectively enclose and cover all of WPI's service territory.

Please provide WPI's views as to using an average of HDD and CDD from the combination of Goderich, Mount Forest and Wiarton Airport as a more suitable proxy for HDD and CDD generally in WPI's service territory.

**3.0-Staff-15**

**Ref: Exhibit 3/Tab 1/Schedule 2/Attachment 1 – Load Forecasting**

On page 4 of the attachment, WPI's consultant Elenchus states: "The mean absolute percentage error (MAPE) for annual estimates for the period 2004 to 2011 is 0.9%. This combined with the Adjusted $R^2$ of 0.94 and Theil's U of 0.35 should provide confidence in the predictive power of the model."

The regression model is estimated using monthly data. Calculating the mean absolute percentage error for annual results will lower the estimate, as forecasting errors in monthly results will be smoothed through monthly aggregation. Please provide the mean average absolute error based on the monthly forecasts.

## 3.0-Staff-16

**Ref: Exhibit 3/Tab 1/Schedule 3**
**Exhibit 3/Tab 1/Schedule 3/Attachment 1 – Load Forecasting and CDM**

On page 2 of the attachment, WPI's consultant states:

> With respect to the energy forecast adjustment, WPI proceeded first by grossing up the weather normalized forecast prepared by Elenchus by the average results of the 2006-2010 CDM programs of the previous five years (2006 to 2011). The grossed up forecast was then netted down with the expected persistence in CDM reductions from those same programs in 2013. This provides a revised load forecast from which the 30% CDM target is subtracted. The CDM target reduction is allocated by class based on their respective revised energy volume.

It appears that the CDM data used are provided in Exhibit 3/Tab 1/Schedule 3/Attachment 1.

a. The top of Exhibit 3/Tab 1/Schedule 3/Attachment 1 states that the results are "Province-Wide". If these are the data used, please explain why Ontario province-wide data is used as opposed to CDM results for WPI's service area.
b. Please provide a definition of, and identify the source of, the CDM data used for this analysis.
c. Exhibit 3/Tab 1/Schedule 3/Attachment 1 shows CDM impacts that are both "gross" and "net". Are the CDM data used for the adjustment gross (i.e. inclusive of) or net (i.e. excluding) "free drivers" or "free riders"?
d. Are the CDM data used for the savings on CDM programs in each year from 2006 to 2011 estimates of the actual or totalized annual CDM savings of current and prior year CDM programs? "Actual" would refer to the estimated or measured savings taking into account when CDM programs were implemented, and seasonal or cyclical patterns (i.e. PeakSaver having more impact on summer consumption, while lighting or fuel conversion programs having a greater impact on winter season consumption). In contrast, "totalized" would refer to annual savings assuming that all programs in that year were in effect for the full calendar year.

e. What is the rationale for using the average of 2006 to 2011 CDM savings to gross-up the base 2013 forecast arising from the model? In particular, estimated savings in 2006 would be smaller that year because only one year's worth of CDM would be involved. CDM savings would generally increase, with some drop off in the persistence of prior year CDM programs with the passage of time, so it would be expected, all other thing being equal, that the 2006-2011 CDM program average impact would understate the cumulative persistence even to 2013.

f. WPI has included 2011 actual data in the regression analysis, and the 2011 actual consumption would be impacted by 2011 CDM programs. However, the 2011 CDM program impact is excluded from the adjustment. Please explain how WPI or its consultant Elenchus have taken into account the presence and influence of 2011 CDM programs on the load forecast before the 2013 CDM adjustment.

**3.0-Staff-17**

**Ref: Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003), Section 13**

The Board's CDM Guidelines established a Lost Revenue Adjustment Mechanism Variance Account 1568 ("LRAMVA") to account for the difference between the net results of actual, verified impacts of authorized CDM activities undertaken by distributors between 2011-2014 for both Board-Approved CDM programs and OPA-Contracted Province-Wide CDM programs and the level of CDM program savings included in the distributor's load forecast. In order for a distributor to dispose of its LRAMVA, it is necessary to identify the specific net CDM component that the distributor's load forecast has been adjusted.

a) Please confirm that the CDM adjustments listed below are the amounts that WPI will use to help calculate its LRAMVA beginning in 2013. If WPI is proposing other amounts for LRAMVA purposes, please provide the amounts and discuss the appropriateness of their use.

| Class | 2013 CDM Component for LRAMVA Purposes | |
|---|---|---|
| | Energy (kWh) | Demand (kW) |
| Residential | 2,887,511 | |
| GS < 50 (kWh) | 912,901 | |

| | | |
|---|---|---|
| GS > 50 (kWh) | 2,404,195 | 6,786 |
| Street Lights (kWh) | 76,286 | 212 |
| Sentinel Lights (kWh) | 255 | |
| USL (kWh) | 3,852 | |
| Total (kWh) | 6,285,000 | 6,999 |

**3.0-Staff-18**

**Ref. Exhibit 3/Tab 2/Schedule 1, Attachment 1, Appendix 2-F**

Please provide a table in the same level of detail as Appendix 2-F that shows the most recent year-to-date revenues available for 2012 and the amount for the corresponding period in 2011.

**3.0-Staff-19**

**Ref. Exhibit 3/Tab 2/Schedule 1, Attachment 1, Appendix 2-F– Other Revenue – Account 4330**

Under Other Income and Expenses WPI shows an expense of $167,000 in account 4330 – Costs and Expenses of Merchandising for the 2012 bridge year as well as the 2013 test year. This is an increase of 1409% from $11,061 in 2011 actual.

a. Please explain this increase in greater detail.
b. Please provide a breakdown of the item recorded in this account and identify the cause for this increase in expenses.
c. Please provide the up-to-date balance in Account 4330.

**3.0-Staff-20**

**Ref. Exhibit 3/Tab 2/Schedule 1, Attachment 1, Appendix 2-F– Other Revenue – Interest and Dividends Account 4405**

In Appendix 2-F WPI shows a decline in interest and dividend income of 75% from 2009 actual to 2013 test year. Please provide the up-to-date balance in this account and provide further explanation as to the absence of revenues for these sub-accounts in the 2012 bridge and 2013 test years.

# Exhibit 4 - Operating Costs

## 4.0-Staff-21

**Ref: Assumptions for Increases to OM&A**

Please identify the inflation rate used for the 2013 OM&A forecast and the source document for the inflation assumptions.

## 4.0-Staff-22

**Ref: Exhibit 4/Tab1/Schedule 1, p. 2 Table 1 – OM&A Expenses**

Please provide the actual year-to-date expenditures for the most recent period available in 2012 in the same level of detail as shown in Table 1. Please also provide the figures for the corresponding period in 2011.

## 4.0-Staff-23

**Ref. Exhibit 4/Tab 3/Schedule 1, p. 3 – Account 5160 Maintenance of Line Transformers**

On page 3 WPI shows an expense of $124,000 in Account 5160 – Maintenance of Line Transformers in the 2013 test year, which is an increase of 15.9% over the 2012 bridge year and a 21.3% over 2011 Actual. On page 3 WPI noted that account 5160 is used for transformer inspections and PCB oil disposals. WPI further noted that disposing of PCB transformers has been completed.

a. Please provide further explanation for this increase given that WPI has completed the disposal of PCB transformers.
b. Please provide a forecast for this account for the 2014, 2015 and 2016 rate years.
c. Please elaborate on the impact should this expense be reduced.

## 4.0-Staff-24

**Ref. Exhibit 4/Tab 3/Schedule 1, p. 6 – Account 5065 – Meter Expense**

On page 6 WPI shows an operating expense of $113,000 in the 2013 test year in Account 5065 – Meter Expense. This represents an increase of 39.5% over the bridge year and 57.0% over the 2011 Actual. On page 6 WPI notes that these

costs include regularly scheduled maintenance as well as emergency call. In addition there are six wholesale meters that expire in 2012 and eighteen that expire in 2013. WPI further mentions that an increase in failure rates contributes to the increase in this expense.

a. Please elaborate on the failure rates for newly installed smart meters.
b. Please provide a breakdown of these costs and state how much of this increase is due to meter failure vs. the installation of new meters. Please confirm that the expense for six wholesale meters in the 2012 bridge year are incremental to the smart meter costs included in the disposition of smart meter costs.

**4.0-Staff-25**

**Ref. Exhibit 4/Tab 3/Schedule 1, p. 10 – Account 5130 – Maintenance of OH Services**

On page 10 WPI shows a forecasted budget of $111,000 in the 2012 bridge year, which is an increase of 35.5% over 2011 Actual and $134,000 in the 2013 test year, which is an increase of 63.6% over 2011 Actual. Please provide further explanation for this increase and the up-to-date balance for this account.

**4.0-Staff-26**

**Ref. Exhibit 4/Tab 3/Schedule 1, pp. 11-12**
**Exhibit 1/Tab 2/Schedule 1, p. 4 – Account 5135 – OH Dist Lines and Feeders – Vegetation Management**

On page 11, WPI shows an increase in its Tree Trimming and Line Clearing Operations of 224.1% or $298,029 in 2012 over the 2011 Actual for a total of $431,000 and 236.1% $314,029 in the 2013 test year over 2011 Actual for a total of $447,000.

WPI noted that in mid-2011 a vegetation study was undertaken.

a. Please provide a copy of the vegetation study.
b. Staff noted that WPI tree trimming expense declined in 2010 by 10.3% or $31,838 over the previous year. This expense further declined in 2011 by 52.3% or $145,782 over the previous year. In Exhibit 1/Tab 2/Schedule 1, p. 4 WPI notes that Tree Trimming in all communities is carried out on a

rotating five year schedule and trees are trimmed sufficiently to provide the required clearance for the time frame. Please explain the decline in Tree Trimming expenditures in the 2010 and 2011rate years and explain the protocol for vegetation management prior to the 2011 study.

c. Please provide a forecast of this expense for the 2014, 2015 and 2016 rate years.
d. Please provide the up-to-date expenditures for this expense.

**4.0-Staff-27**

**Ref. Exhibit 4/Tab 3/Schedule 1, p. 13 – Account 5145 – Maintenance of UG Conduit**

WPI noted that this account represent miscellaneous duct and foundation repairs and states that the 69% or $29,000 increase is due to fiber glass foundations that need to be replaced.

a. Please provide further explanation, i.e. how long has WPI used fiber glass foundations, and whether this has been an increasing trend given the 18% decrease in 2011.
b. Please provide a three year budget forecast for this expenditure.

**4.0-Staff-28**

**Ref. Exhibit 4/Tab 3/Schedule 1, p. 14 – Account 5310 – Meter Reading**

WPI noted that costs in this account are fairly static with a slight increase due to additional requests for final meter reads. WPI further noted that it no longer requires manual meter reading due to smart meters.

a. Please explain why the costs in this account are increasing, albeit slightly, given the implementation of smart meters program and the subsequent reduction in manual meter readings.
b. Please provide a breakdown of costs included in this account.
c. Please provide a three year budget forecast for this expense.

**4.0-Staff-29**

**Ref. Exhibit 4/Tab 3/Schedule 1, pp. 17-18 – Account 5410 – Community Relations**

WPI is showing a cost of $25,000 in the bridge year as well as the 2013 test year from $0 in 2009-2011. Last Board-approved expense in this account was $20,500. WPI noted that sundry Community Relation expenditures were recorded in Account 5665 from 2009-2011.

Board staff notes that expenditures forecasted for Account 5665 have also increased by $ 3,188 in the bridge year over 2011 Actual.

a. Please provide further explanation for the increase in Account 5410 given that Account 5665 did not show any significant decrease based on WPI proposed transfer of community events expenses into account 5410.
b. Please provide WPI up-to-date balance of this account and provide the spending for the 2011 for the equivalent period.

**4.0-Staff-30**

**Ref: Exhibit 4/Tab 4/Schedule 1, p. 8 - Ontario Municipal Employees Retirement System (OMERS) Pension Costs**

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013. Please state whether or not the applicant's proposed pension costs include this increase. If so, please provide the forecasted increase by years and the documentation to support the increases. If not, please state how the applicant proposes to deal with this increase.

## Exhibit 5 – Capital Structure and Cost of Capital

**5.0-Staff-31**

**Ref: Exhibit 5/Tab 1/Schedule 1 p.2 – Long-term Affiliated Debt**

WPI stated that it utilizes affiliated debt in the form of promissory notes in the amount of $5.25 million at a rate of 5.47%. This interest rates is based on the previously approved rates and have not been modified since WPI's 2009 CoS application.

a. Please provide the debt instruments between WPI and its shareholder municipalities for this affiliated loan.

b. Please confirm that this debt is callable on demand.
c. Please provide WPI reasons for using the 5.47% debt rate previously approved.
d. Please confirm that WPI will be updating the long-term cost of capital parameter in accordance with the Board's most recent published cost of capital parameters.

## Exhibit 7 – Cost Allocation

### 7.0-Staff-32

**Ref: Cost Allocation Model – sheet I6.2**

On sheet I6.2 of the cost allocation model, WPI shows 60 customers for the USL customer class as well as 60 connections.

a. Please confirm that WPI has one connection per customer in this rate class.
b. Please confirm that that each customer/connection is billed separately.
c. Please state why a weighting factor of 0.57 is appropriate for this rate class.

### 7.0-Staff-33

**Ref: Exhibit 7/Tab 1/Schedule 1, Attachment 3**
**Cost Allocation Model – sheet I6.2**
**Exhibit 3/Tab 1/Schedule 2, Attachment 1, p. 7-8**

Sheet I6.1 of the Cost Allocation model requires inputs based on Exhibit 3 Load Forecast and the RRWF. Please reconcile the load data and revenue deficiency provided in Sheet I6.1 with Exhibit 3/Tab1/Schedule 2 and the RRWF.

### 7.0-Staff-34

**Ref: Cost Allocation Model – sheet I7.2**

WPI shows a weighting factor of 9.75 for meter reading the GS>50 customer class. Please provide further explanation in how this weighting factor was derived.

**7.0-Staff-35**

**Ref: Exhibit 7/Tab 2/Schedule 1 – Revenue-to-Cost Ratio Streetlight**

WPI is proposing to move the streetlighting revenue-to-cost ("R/C") ratio from 0.52 to 0.80, while leaving the unmetered scattered load R/C ratio at 0.72. Please explain WPI's rationale for not moving the unmetered scattered load ratio to at least 0.80, consistent with the proposed streetlighting R/C ratio.

## Exhibit 8 – Rate Design

**8.0-Staff-36**

**Ref: RTSR Workform Version 2.2**
**Exhibit 8/Tab 3/Schedule 1, pp. 1-3**

WPI filed an excel version of the RTSR Workform Version 2.2. On June 28, 2012 the Board released version 3.0 of the RTSR Workform. Please re-file WPI RTSR rates using version 3.0 of the Workform and update the relevant tables 1 through 5.

**8.0-Staff-37**

**Ref: Exhibit 8/Tab 3/Schedule 2 – Service Charges**

a. Please identify the drivers for the balances in Account 1518 and Account 1548.

b. Staff notes that there are large balances in the account(s) noted in part a). Please explain whether or not the applicant has considered a change to the appropriate retail service charges.

c. Please provide a schedule identifying all revenues and expenses, listed by Uniform System of Account (USoA) number, that are incorporated into the variances recorded in Account 1518 and Account 1548 for 2011, the actual/forecast for 2012 and a forecast for 2013.

d. Please confirm whether or not the applicant has followed Article 490, Retail Services and Settlement Variances of the Accounting Procedures Handbook for Account 1518 and Account 1548. Please explain if the applicant has not followed Article 490. In other words, please confirm that the higher of, the relevant revenues (i.e. account 4082, Retail Services Revenue and/or account 4084, STR Revenue) and the incremental expenses in the associated expense accounts (i.e. account 5315, Customer Billing, and possibly 5305, Supervision and 5340, Miscellaneous Customer Accounts Expenses) is reduced (i.e. revenues debited or expenses credited) at the end of each period, with an offsetting entry to the variance account.

e. Please confirm that all costs incorporated into the variances reported in Account 1518 and Account 1548 are incremental costs of providing retail services.

**8.0-Staff-38**

**Ref: Exhibit 3/Tab 1/Schedule 4, Attachment 1**
**Exhibit 8/Tab 3/Schedule 3 pp. 1-2**

In Exhibit 3/Tab 1/Schedule 4 WPI shows Cost of Power projections of Account 4075 'Billed – LV of $511,801 for 2012 and $719,273 for 2013 respectively. Exhibit 8/Tab 3/Schedule 3 p.2 shows proposed LV charges of $715,784 for the 2013 test year.

a. Please confirm the proposed LV charges for the 2013 test year.
b. Please provide information on the actual amount of cost of LV service in 2011, showing the kW billed amounts and the applicable rates of the host distributor, a list of the delivery points from the host distributor and the services received at each in 2011. Please include any significant changes expected in 2013 compared to the two previous years.
c. Please confirm that the projected cost for 2013 is based on the Sub-Transmission rates applied for by Hydro One in EB-2009-0096. Alternatively, if the projected cost is not based on these rates, please provide a projected cost based on these rates.

d. Please provide any additional explanation that might be helpful in understanding the increase of 40.54% in the 2013 test year over the 2012 bridge year.

## Exhibit 9 – Deferral and Variance Accounts

### 9.0-Staff-39

**Ref: Exhibit 9/Tab 1/Schedule 1, p. 9, Account 1508 – IFRS Transition Costs**

WPI is requesting the continuation of account 1508 to continue to record amounts related to IFRS transition costs in this account. Please indicate whether or not WPI has any IFRS transition costs built into its OM&A in the current application. If so, please confirm that the difference between what is included in rates and the actual costs would be recorded in this account.

### 9.0-Staff-40

**Ref : Exhibit 9/Tab 1/Schedule 1, p. 12, lines 18-22**
**EDDVAR Report (EB-2008-0046), p. 14**

In its application, WPI stated that the following:

> The 2013_EDDVAR_Continuity_Schedule_CoS_v2_20120706 detailing each account is being filed in conjunction with this application.
>
> All other deferral and variance accounts in Group 2 are not sought for disposition as they require a prudence review and lend themselves to a disposition threshold.

According to Board policy per EB-2008-0046, Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR), page 14:

> "Given the Board's legislative requirement, the Board agrees with stakeholders that all Account balances will be reviewed at the time of rebasing."

a. Please provide the reason and the list all deferral and variance accounts and corresponding balances as at December 31, 2011 for which WPI is not seeking disposition in this proceeding.
b. Please provide an alternative rate rider calculation including the account balances that are not currently included in the rate rider calculations.

**9.0-Staff-41**

**Ref: Exhibit 9/Tab 1/Schedule 1, pp. 9-12**
**Exhibit 9/Tab 2/Schedule 1, Attachment 1 - Continuity Schedule**

Board staff reviewed the balances for the deferral and variance accounts that are sought for disposition in WPI's application. Board staff noted that there are some discrepancies between the various schedules within the application for some of the account balances as documented in the following table. Although the account balances are not material in some cases, Board staff is asking WPI to clarify the discrepancies to ensure accuracy of the record for this proceeding. Please provide an explanation and confirm the amounts that are requested for disposition.

| Account | Account Balance Sought for Disposition in WPI'S Application | |
|---|---|---|
| 1518 | $82,171 refund to customers per Ex9/T1/Sch1/page 9 | $83,740 refund to customers per Ex9/T2/Sch1/ Continuity Schedule |
| 1531 | $679 recovery from customers per Ex9/T1/Sch1/page 10 | $0 recovery or refund per Ex9/T2/Sch1/ Continuity Schedule |
| 1532 | No information available per Ex9/T1/Sch1 | $679 recovery from customers per Ex9/T2/Sch1/ Continuity Schedule |
| 1580 | $325,379 recovery from customers per Ex9/T1/Sch1/ page2 | $325,379 refund to customers per Ex9/T2/Sch1/ Continuity Schedule |
| 1582 | $8,767 recovery from customers per Ex9/T1/Sch1/page 12 | $8,767 refund to customers per Ex9/T2/Sch1/ Continuity Schedule |

**9.0-Staff-42**

**Ref: Exhibit 9/Tab 2/Schedule 1, Continuity Schedule – Account 1595**

The continuity schedule shows a variance of $(11,467) for Account 1595 – Disposition and Recovery of Regulatory Balances.

The evidence states "As the Board issued FAQs dated July 2012, WPI reallocated variance costs related to the Late Payment Penalty Charge and the Tax Sharing Rate Rider."

a. It is unclear from the evidence what WPI initially did and how it corrected it. Please provide details.
b. Please reconcile the amount requested for disposition to the amount reported under RRR (e.g. the amount pertaining to the rate rider that is still in effect).

**9.0-Staff-43**

**Ref: Exhibit 9/Tab 2/Schedule 1, Attachment 1**
**Exhibit 9/Tab 2/Schedule 3 – HST Deferral Account**

WPI has not included any balance for PILs and Tax Variances, Sub-account HST / OVAT Input Tax Credits (ITCs) under deferral account 1592 in Deferral/Variance Account Workform for 2013 Filers. In addition, WPI is not requesting disposition of account 1592 in this proceeding.

On page 7 of the Board Decision and Order EB-2009-0256 for WPI, the Board stated:

> "The Board therefore directs that, beginning July 1, 2010, Westario shall record in deferral account 1592 (PILs and Tax Variances, Sub-account HST / OVAT Input Tax Credits (ITCs)), the incremental ITC it receives on distribution revenue requirement items that were previously subject to PST and become subject to HST. Tracking of these amounts will continue in the deferral account until the effective date of Westario's next cost of service rate order. Fifty percent (50%) of the confirmed balances in the account shall be returnable to the ratepayers."

In December 2010, as part of its Frequently Asked Questions on the Accounting Procedures Handbook for electricity distributors, the Board provided accounting

guidance on this matter and provided a simplified approach designed to facilitate administrative cost-saving opportunities. No additional amounts should be recorded in Account 1592 (PILs and Tax Variances, Sub-account HST/OVAT ITCs for the Test Year and going forward, as the impact of the HST and associated ITCs on capital and operating costs in the Test Year should be reflected in the applied-for revenue requirement. For the 2013 Test Year, entries to record variances in the sub-account of Account 1592 would cover the period from July 1, 2010 to April 30, 2013.

In addition, according to the EDDVAR report,

"The Board agrees that at the time of rebasing, all Account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline."

a. Please confirm that WPI has followed the December 2010 FAQs accounting guidance regarding Account 1592 sub-account HST/OVAT ITCs. If this is not the case, please explain.
b. What will be the account balance in in deferral account 1592 (PILs and Tax Variances, Sub-account HST / OVAT Input Tax Credits (ITCs)) as at April 30, 2013? Please provide an analysis in accordance with December 2010 APH-FAQs, Question #4 and update your evidence including the disposition of Account 1592.
c. In accordance with the Board Decision and Order EB-2009-0256, please recalculate the rate riders including 50% of the updated balance (as calculated in part b) above) for account 1592, sub-account HST/OVAT ITCs.

## Smart Meters

### 9.0-Staff-44

### Ref: Exhibit 9/Tab 3/Schedule 2 – Smart Meter Pilot Project

WPI notes on pages 3-4 of this Exhibit that it conducted a pilot project of GE smart meters in the Town of Mildmay. This project was authorized as part of its third tranche MARR CDM allowance in its 2005 EDR rates application. WPI states that "these meters were subsequently written off to stranded meters upon the full implementation of the smart meter program."

a. Please confirm whether this means that WPI is seeking recovery for the residual net book value of these pilot project smart meters as part of the proposed Stranded Meter Rate Rider.
b. Please provide the estimated net book value of these pilot project smart meters as of December 31, 2012.
c. What customer classes were the subjects of the pilot smart meter project?
d. How has WPI ensured that the net book value of these are these costs allocated appropriately to the participant customer classes identified in c)?

**9.0-Staff-45**

**Ref: Exhibit 9/Tab 3/Schedule 2 – Smart Meter Capital Costs**

On page 16 of this exhibit, WPI states:

> Poor meter data in the applicant's CIS system resulted in inconsistent information between what was in the CIS vs. the type of meter installed at the customer premise. In some cases, this inconsistency resulted in multiple visits by the installation contractor to ensure the correct meter would be installed.

Please provide further explanation of the cause, resolution and estimated impact on costs of this issue.

**9.0-Staff-46**

**Ref: Exhibit 9/Tab 3/Schedule 2 – Costs Per Meter**

Please provide a variation of Table 5 from page 15 of this exhibit which shows the costs per meter separately for each of Residential, GS < 50 kW and GS > 50 kW. Also, show the cost per installed smart meter as: i) capex only; and capex and OM&A (i.e. total costs), in total and disaggregated by customer class.

**9.0-Staff-47**

**Ref: Exhibit 9/Tab 3/Schedule 2 – Web Presentment**

On pages 18-19 of this exhibit, WPI notes that it has $15,000 budgeted for programming and implementation of a web presentment tool.

What is the status of this project? Has WPI completed and implemented this project as planned?

**9.0-Staff-48**

**Ref: Exhibit 9/Tab 3/Schedule 3 – Stranded Meter Rate Riders**

On page 1 of this exhibit, WPI states:

> In this Application, WPI is requesting to recover its stranded meter costs, in the form of rate riders calculated by rate class, over a two year period, from May 1, 2013 to April 30, 2014.
>
> WPI is specifically requesting the following:
>
> - A rate rider of $0.6744 per metered Residential customer per month and a rate rider of $4.1574 per metered GS<50 customer per month

a. The SMRR is a monthly charge. Please confirm the number of digits to be employed in the SMRR. Is WPI proposing that the Residential SMRR be $0.67 or $0.6744 per month, and that the GS < 50 kW SMRR should be $4.16 or $4.1574 per month.
b. WPI states that the SMRR is to be in effect for 2 years, but the stated period from May 1, 2013 to April 30, 2014 is only 1 year in duration. Please confirm the recovery period for the SMRRs.

**9.0-Staff-49**

**Ref: Exhibit 9/Tab 3/Schedule 3 – Stranded Meters – GS > 50 kW**
**Exhibit 2/Tab 4/Schedule 3 – GS > 50 kW Metering**

On page 2 of Exhibit 9/Tab 3/Schedue 3, WPI states:

> WPI plans to install smart meters for its General Service > 50kW Class in 2012 and as such, seeks approval to record its stranded meters for the class General Service > 50kW in Sub-account Stranded Meter Costs of Account 1555 for disposition in a future proceeding as the net book value of these conventional meters is yet to be determined.

On pages 27-28 of Exhibit 2/Tab 4/Schedule 3, WPI documents a project for replacement of existing GS > 50 kW meters with "smart meters" that will take advantage of the deployed infrastructure and also avoid meter switching when customers may be reclassified to the smart metered GS < 50 kW class. The forecasted 2013 capex for that project is $280,648, and the project is expected to continue in 2014.

In Appendix '2-B_Fixed Asset Cont 2013', WPI documents $1,579,564 as the gross book value in Account 1860 – Meters, and also shows Account 1860 – Meters (Smart Meters) with an opening gross book balance of $144,286 and 2013 capital additions of $316,432. No disposals are shown.

a. Please confirm that Account 1860 – Meters with a gross book value of $1,579,564 consists of existing wholesale meters and existing GS > 50 kW meters. In the alternative, please explain.
b. Please provide a segregation of the amount shown in Account 1860 – Meters referenced in a) between wholesale meters and conventional GS > 50 kW meters. Please provide this in terms of the opening and closing gross book value, accumulated depreciation expense and net book value of these meter assets.
c. Please confirm that the amounts shown for Account 1860 – Meters (Smart Meters) correspond to smart meter-enabled GS > 50 kW meters. Specifically, confirm that the opening gross book balance of $144,286 corresponds to GS > 50 kW meter conversions completed in 2012, and that the $316,432 shown as 2013 capital additions corresponds to meter conversions scheduled for 2013 plus customer growth. In the alternative, please explain.
d. With no disposals, WPI will be earning the full return on capital, associated PILs and depreciation expense on the GS > 50 kW meters replaced in 2013, at the same time that the replacement meters are also factored into rate base, subject to the half-year rule. Please explain the rationale for continuing to retain in rate base the conventional GS > 50 kW meters replaced in 2013 at the same time that the replacement meters are included in rate base.
e. With respect to the statement in Exhibit 9/Tab 3/Schedule 3 quoted above, please explain why WPI cannot calculate the net book value of the GS > 50 kW meters being replaced as of December 31 of any given year, given the gross book value, accumulated depreciation rate and depreciation rate for this asset class.

**9.0-Staff-50**

**Ref: Smart Meter Model, Version 3.00 – Sheet 2 ("2. Smart_Meter_Costs")**

Please explain the capital costs of $16,539 for 2007 and $17,043 for 2008 shown for 1.1.1 Smart Meters on row 42 of sheet 2.

**9.0-Staff-51**

**Ref: Smart Meter Model, Version 3.00 – Sheet 3 ("3. Cost_of_Service_Parameters") – Cost of Capital Parameters**

a. WPI has entered a long-term debt rate of 5.80% for 2006 and 2007. A review of the decision model from WPI's 2006 EDR application (RP-2005-0020/EB-2005-0434) shows that the approved debt rate for WPI in that application was 5.11%. Please explain the input provided. If necessary, please update the smart meter model.

b. WPI has shown a capital structure of 100% equity for 2006, which then carries into 2007. In addition the starting 2006 capital structure also impacts the migration to the current deemed capital structure, as implemented in rates applications from 2008 to 2010 via the k-factor. In WPI's 2006 EDR application, referenced above, its rates were set using a deemed capital structure of 50% equity and 50% debt, based on its rate base size at that time. Please explain the input provided. If necessary, please update the smart meter model.

c. WPI rebased its rates for 2009 in a cost of service application; the application was considered under File No. EB-2008-0238. In its Decision and Order issued April 24, 2009, the Board approved the following cost of capital for WPI:

**Board-approved 2009 Capital Structure and Cost of Capital**

| Captial Component | % of Total Capital Structure | Cost Rate (%) |
|---|---|---|
| Long-Term Debt | 52.7 | 5.82 |
| Short-Term Debt | 4 | 1.33 |
| Equity | 43.3 | 8.01 |
| **Weighted Average Cost of Capital** | | **6.59** |

WPI has input these cost of capital parameters for the years 2008 to 2012 inclusive. 2008 is prior to WPI's 2009 cost of service rebasing. Please explain why WPI has used the 2009 cost of capital parameters in a prior year. If necessary, please update the smart meter model.

**9.0-Staff-52**

**Ref: Smart Meter Model, Version 3.00, Sheet 3 ("3. Cost_of_Service_Parameters") – Taxes/PILs Rates**

WPI has used the maximum taxes/PILs rates input on sheet 3, row 40, for the years 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013. These are summarized in the following table:

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| Aggregate Federal and provincial income tax rate | 36.12% | 36.12% | 33.50% | 33.00% | 31.00% | 28.25% | 26.25% | 25.50% |

Please confirm that these are the tax rates underpinning distribution rates approved by the Board or proposed to be approved In the alternative, please explain the tax rates input and their derivation.

**9.0-Staff-53**

**Ref: Smart Meter Model, Version 3.00, Sheet 8 ("8. Funding_Adder_Revs")**
On Sheet 8 of the Smart Meter Model, WPI has input the prescribed interest rate of 1.47% to 2013 Q2. This will calculate interest on the principal balance of SMFA revenues to June 30, 2014 and, similarly, calculate interest on OM&A and depreciation expenses to the same period. WPI has proposed an effective date of May 1, 2013 for rates arising from this Application, so that interest should only be calculated to April 30, 2013.

This may be accomplished by entering 0% into cell C53 (i.e. 0% for 2013 Q2) on sheet 8 and the prescribed interest rate of 1.47% into cell L99 (i.e. 1.47% for April 2013).

Please explain WPI's inputs. In the alternative, please update the smart meter model.

# LRAMVA

## 9.0-Staff-54

**Ref: Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003), Section 13: LRAM**
**Chapter 2 of the Filing Requirements for Electricity Transmission and Distribution Applications, Last Revised on June 28, 2012, Section 2.7.10: CDM Costs**

WPI has not included a request to dispose of its LRAMVA – Account 1568 balance as of December 31, 2011.

As stated in Section 13.4 of the Board's Guidelines for Electricity Distributor Conservation and Demand Management, April 26, 2012 (EB-2012-0003) and section 2.7.10 – CDM Costs, LRAMVA, Pages 36-37 of the Filing Requirements, at a minimum, distributors must apply for the disposition of the balance in the LRAMVA as part of their COS applications.

a. Please provide the evidence supporting the disposition of your LRAMVA – Account 1568 balance as of December 31, 2011. Please ensure that the evidence comprises the elements listed below.

    i) Full LRAMVA calculations that are based on the final evaluation results for 2011 OPA-Contracted Province-Wide CDM Programs ("OPA Programs"). The LRAMVA calculations are determined by calculating the energy savings by customer class and valuing those energy savings using the distributor's Board-approved variable distribution charge appropriate to the class;

    ii) Separate tables for each rate class that shows the LRAMVA amounts requested in association with the final evaluation results for 2011 OPA Programs;

    iii) A statement that indicates the amount, if any, that WPI's last approved load forecast was adjusted to reflect forecasted CDM impacts in association with WPI's 2011-2014 CDM Targets;

    iv) Calculations showing the variance, if any, between the CDM component related to the 2011-2014 CDM Targets included in

WPI's last approved load forecast and the final evaluation results for WPI's 2011 OPA Programs;

v) A statement indicating that the distributor has relied on the most recent final evaluation report from the OPA in support of its LRAMVA calculation;

vi) A statement indicating that the distributor has used the most recent input assumptions available at the time of the program evaluation when calculating its LRAMVA amount;

vii) Applicable LRAMVA rate riders for all affected rate classes;

viii) A statement, and if applicable a table, that indicates if carrying charges are being requested on the LRAMVA amount; and,

ix) Documentation of the distributor's final evaluation results for its 2011 OPA Programs.

## Exhibit 10 – Modified International Financial Reporting Standards (MIFRS)

**10.0-Staff-55**

**Ref: Appendix 2-B – Fixed Asset Continuity Schedules MIFRS 2012 and 2013**

Board staff notes that MIFRS based opening balances for 2013 for Gross Cost and Accumulated Depreciation are different from the respective closing balances from 2012 due to Smart Meter related accounts.

a. Please adjust the appropriate Appendix 2-B for the year when Smart Meters and related assets were put into service.

**10.0-Staff-56**

**Ref: Appendix 2-EB IFRS-CGAAP Transitional PP&E Amounts, Appendix 2-B Fixed Asset Continuity Schedule for 2011**

The opening net PP&E values for 2012 under both CGAAP and MIFRS on Appendix 2-EB are different from the closing 2011 values per the Appendix 2-B Fixed Asset Continuity Schedule for 2011.

| | |
|---|---|
| Appendix 2-EB: Opening Net PP&E Value for 2012: | $29,827,327 |
| Appendix 2-B: Closing Net Book Value of Fixed Assets for 2011: | $29,276,362 |
| Difference: | $ 550,965 |

a. Please explain the discrepancy and update the Appendices as necessary.

**10.0-Staff-57**

**Ref : Exhibit 10/Tab 1/Schedule 1, page 2, Table 1**
**Exhibit 10/Tab 1/Schedule 1, page 11, Table 3**

In the first referenced evidence above, the MIFRS impact on PP&E is shown as: Increase 1.1 M, Decrease 606K, and Decrease 131K. The MIFRS impact on PP&E will be a total amount of $363,000. This figure is different from the MIFRS impact that is shown on page 11 as an increase of $417,000 in PP&E.

Please explain the difference and confirm the impact figure on PP&E.