

**Board Staff Supplemental Interrogatories
2013 Electricity Distribution Rates
Westario Power Inc. ("WPI")
EB-2012-0176**

EXHIBIT 1- General

1.0-Staff-58s

Ref: 1.0-Energy Probe # 1

In the table shown in response to 1.0-Energy Probe # 1, WPI documents an entry of (\$9,185) for Capital taxes in 2011. The Ontario Capital Tax was eliminated on July 1, 2010. Please explain the 2011 entry.

EXHIBIT 2 – RATE BASE

2.0-Staff-59s

Ref: 2.0 Energy Probe #3

In response to 2.0 Energy Probe #3 WPI is showing a significant decline in the capital contribution in accounts 1830, 1845 and 1855 for the 2012 bridge and the 2013 test year over 2011 actual.

Please provide further explanation for the decline in capital contributions.

2.0-Staff-60s

**Ref: 2.0 Energy Probe #6
2.0 Energy Probe #7 Fixed Asset Continuity Schedule 2012 -
Appendix 2-B, filed January 21, 2013
2.0-VECC-11**

In response to 2.0 Energy Probe #6 and 2.0-VECC-11, WPI stated that the year-to-date spending for Tools, Shop & Garage as of December 31, 2012 was \$15,563. WPI's updated continuity schedule shows a capital addition of \$72,000 in account 1940.

Please explain the addition of \$72,000 in its 2012 rate base.

2.0-Staff-61s

**Ref: 2.0 Energy Probe #6
2.0-VECC-11**

- a. Please explain why WPI did not reach its forecasted expenditure for Tools, Shop and Garage equipment and provide further explanation as to why WPI feels a forecasted amount of \$72,000 is still appropriate for the 2013 test year.
- b. Please provide a detailed breakdown between costs budgeted for the replacement of existing equipment and new equipment for the 2012 bridge year and the 2013 test year.

2.0-Staff-62s

**Ref: 2.0 Energy Probe #7, Appendix 2-A Capital Project Table, updated January 21, 2013
Fixed Asset Continuity Schedule 2012 - Appendix 2-B, filed January 21, 2013**

In response to 2.0 Energy Probe #7, WPI shows net total capital expenditures of \$3,680,669 for the 2012 bridge year. Appendix 2-B, updated as part of 2.0 Energy Probe #7 shows capital additions of \$3,951,756 (excluding smart meter assets) for the same period. Please explain and update Appendix 2-B to reflect WPI's actual capital additions for the 2012 bridge year.

2.0-Staff-63s

Ref: 2.0 Energy Probe #7, Appendix 2-A Capital Project Table, updated January 21, 2013

In response to Energy Probe IR#7 WPI provided a table showing the decrease in capital projects in 2012 due to deferrals of several capital projects, and a subsequent increase in capital projects in the 2013 test year from a capital budget of \$5,148,418 as originally filed to \$5,835,257 filed in the updated Appendix 2-A.

- a. Please provide the reasons for the deferral of 2012 capital projects, in particular the Harriston T2 Upgrade, Hanover MS1 Reactor Installation, Station Grid Code Upgrades.
- b. Does WPI have the capacity to complete a capital program of \$5,835,257 in the 2013 test year, given WPI's historical capital project budget was \$2,741,805 and \$3,527,102 in the 2012 and 2011 rate years respectively? If yes, please explain how the increase in capital projects will be completed with the previously budgeted resources.

2.0-Staff-64s

**Ref: 2.0 Energy Probe #7. Appendix 2-A Capital Project Table, updated
January 21, 2013
2-SEC-5**

In the updated Appendix 2-A WPI shows a year-to-date capital expenditure of \$393,169 for Transportation Equipment. In response to 2-SEC-5 WPI stated that the forecasted capital expenditure for Vehicle Replacement in the amount of \$450,000 was 100% completed by year end. Please explain the discrepancy between the two interrogatory responses and confirm how much WPI spent on its vehicle replacement program in 2012.

2.0-Staff-65s

**Ref: 2-SEC-5
2-SEC-2**

Please explain why WPI only completed 42% of its Capital Poles project. Please state how WPI intends to complete the deferred portion of the 2012 Capital Poles project in addition to the replacement of 100 poles in 2013.

2.0-Staff-66s

Ref: 2.0-VECC-11 c)

Please explain why WPI did not reach its forecasted expenditure for Miscellaneous Equipment and provide further explanation as to why WPI feels a forecasted amount of \$45,000 is still appropriate for the 2013 test year.

EXHIBIT 3 - Load Forecast and Operating Revenue

3.0-Staff-68

Ref: 3.0-Staff-16 – Load Forecasting and CDM Adjustment

In its response to part f) (and also applicable to part e)) of 3.0-Staff-16, WPI states:

At the time of calculation the final 2011 OPA results had not been released. It was universally expected that the 2011 results would be reduced from previous years. It was determined by WPI that in using the 2006 to 2011 average as a reasonable and available proxy at the time, that it would compensate for the 2006 shortfall questioned in e) above. WPI also reasoned that ultimately the LRAMVA would be trued up and any

significant change in the calculation would not be materially harmful to any affected party.

Board staff observes that, while the LRAMVA is trued up, the load forecast for the 2013 test year is not. Therefore, any underage or overage in the test year load forecast due to an adjustment for the persistence of previous year CDM programs, and for the persistence of 2012 programs and the impact of 2013 programs on the 2013 load forecast is not. An under-forecasting (over-forecasting) of the 2013 CDM will result in an over-forecasting (under-forecasting) of the test year consumption and demand. In turn, as the class-specific consumption or demand, as applicable, also serves as the denominator (i.e. billing determinant) for volumetric distribution rates and also for other rate riders and adders, this would result in overstated (understated) volumetric rates and other rate riders and rate adders.

- a. Please explain how the use of the 2006 to 2011 average compensates for the first year impact, due to the fact that the first year of a CDM program is not in place during the full year, that was pointed out in the preamble of 3.0-Staff-16 part e);
- b. Please confirm that while the LRAMVA amount is subject to true up, the test year load forecast is not. In the alternative, please provide WPI's explanation as to how the load forecast is "trued up" for any overage or underage of the CDM adjustment.

3.0-Staff-69s

Ref: Exhibit 3/Tab 2/Schedule 1, 3.0-VECC-15.0, 3.0-Staff-17 – Load Forecast and CDM Adjustment

WPI has proposed to use a CDM target of 30% as the CDM adjustment for the 2013 load forecast amount to take into account the persistence of 2011 and 2012 CDM programs, and the impact of 2013 CDM programs on 2013 demand (consumption, measured in kWh).

An alternative approach is to take into account the 2011 results and their persistence, as measured and reported by the OPA for WPI, and then to assume an equal increment for each of 2012, 2013, and 2014 so as to achieve WPI's CDM target of 6,330,903 kWh. Board staff views that this approach is preferable as there are results on what the utility has achieved to date, and hence what more will be needed to achieve the cumulative four-year target. In using the measured and reported results from the 2011 programs, including the persistence into 2013, Board staff views that an improved estimate of the CDM impact of 2011-2013 programs on the LRAMVA threshold for 2013 (and 2014) would result, along with the corresponding adjustment to the 2013 test year load forecast.

Based on the final 2011 OPA results provided in response to 3.0-VECC-15.0 part c, Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

Load Forecast CDM Adjustment Work Form (2013)

4 Year (2011-2014) kWh Target:					
20,950,000					
	2011	2012	2013	2014	Total
%					
2011 CDM Programs	7.67%	7.67%	7.65%	7.23%	30.22%
2012 CDM Programs		11.63%	11.63%	11.63%	34.89%
2013 CDM Programs			11.63%	11.63%	23.26%
2014 CDM Programs				11.63%	11.63%
Total in Year	7.67%	19.30%	30.91%	42.12%	100.00%
kWh					
2011 CDM Programs	1,606,180	1,606,180	1,603,142	1,515,401	6,330,903
2012 CDM Programs		2,436,516	2,436,516	2,436,516	7,309,549
2013 CDM Programs			2,436,516	2,436,516	4,873,032
2014 CDM Programs				2,436,516	2,436,516
Total in Year	1,606,180	4,042,696	6,476,174	8,824,950	20,950,000

Check 20,950,000

Net-to-Gross Conversion		Difference	"Net-to-Gross" Conversion Factor ('g')
"Gross"	"Net"		
2006 to 2011 OPA CDM programs: Persistence to 2013	1	1	0.00%

	2011	2012	2013	2014	Total for 2013
Amount used for CDM threshold for	1,603,142	2,436,516	2,436,516		6,476,174

LRAMVA				
Manual Adjustment for 2013 Load Forecast				
	1,603,142	2,436,516	1,218,258	5,257,916
<i>Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g))</i>			<i>Only 50% of 2013 CDM impact is used based on a half year rule</i>	

The methodology for this is as follows:

For the top table

- The 2011-2014 CDM target is input into cell B4;
- Measured results for 2011 CDM programs for each of the years 2011 and persistence into 2012, 2013 and 2014 are input into cells C13 to F13;
- Based on these inputs, the residual kWh to achieve the 4 year CDM target is allocated so that there is an equal incremental increase in each of the years 2012, 2013 and 2014.

The second table is to calculate the conversion from “net” to “gross” results. While the LRAMVA is based on the “net” OPA-reported results, the load forecast is impacted also by CDM savings of “free riders” and “free drivers”. While Board staff has input values of “1” in each of cells D24 and E24, in the absence of information, these should be populated with the measured “gross” and “net” CDM savings for the persistence of all CDM programs from 2006 to 2011 on 2013, as reported in the final OPA reports.

For the last table, two numbers are calculated:

- The “Amount used for CDM threshold for LRAMVA” is the sum of the persistence of 2011 and 2012 CDM programs and the annualized impact of 2013 CDM programs on 2013; and
- “Manual Adjustment for 2013 Load Forecast” represents the amount to be reflected in the 2013 load forecast. This amount uses the “gross” impact, which is calculated by multiplying each year’s CDM program impact or persistence by $(1 + g)$ from the second table. In addition, the impact of the 2013 CDM programs on 2013 “actual” consumption is divided by 2 to reflect a “half year” rule. Since the 2013 CDM programs are not in effect at midnight on January 1, 2013, the “annualized” results reported in the OPA report will overstate the “actual” impact. In the absence of information on the timing and uptake of CDM programs in their initial year, a “half-year” rule may proxy the impact.

- a. Please input the “gross” and “net” cumulative kWh CDM savings from all CDM programs from 2006 to 2011 on 2013 as measured in the final OPA reports into, respectively, cells D24 and E24.
- b. Please verify the inputs and results of the model.
- c. Please update the response to 3.0-Staff-17 based on the results of a) and b). In other words, please derive the class CDM kWh and kW savings that would correspond with the “net” CDM savings above.
- d. Please provide WPI’s comments on the methodology above to develop the CDM savings that will underlie the 2013 CDM amount for the LRAMVA and the corresponding CDM adjustment for the 2013 test year load forecast. What refinements to this approach should be considered?

3.0-Staff-70s

Ref: 3.0-Staff-18

WPI noted that Other Income and Expenses, Accounts 4325 – 4390 are often subject to year-end entries that are currently not complete. Please update Appendix 2-F to complete these accounts for 2012 actuals.

3.0-Staff-71s

**Ref: 3.0-Staff-18
3.0 Energy Probe #17**

In response to 3.0-Staff-18 WPI showed Late Payment Charges (4225) of \$89,982 on Nov. 30, 2011 and \$ 80,666 as of Nov.30, 2012. In response to 3.0 Energy Probe #17 WPI shows the November 30 result of 2011 at \$65,104 and 2012 at \$69,315. Please reconcile and provide the 2012 actual revenues from late payment charges.

EXHIBIT 4 – Operations, Maintenance and Administration

4.0-Staff-72s

Ref: 4.0-Staff-21- OM&A Inflation

In its response, WPI states: “The inflation rate [for unknown OM&A expenses] was based on the Bank of Canada’s Inflation-Control Target rate of 2%.”

What is the rationale for using the Bank of Canada’s Inflation-Control Target as opposed to actual recent historical data or short-term forecasts from other agencies (e.g. The Conference Board of Canada) of measures such as CPI or GDP-IPI as the basis for other unknown non-labour OM&A test year inflationary increases?

4.0-Staff-73

Ref: 4.0-Staff-26

4-SEC-18

Exhibit 2/Tab 4/Schedule 4, Appendix A1, Distribution Asset Management Plan (DAMP)

In response to 4.0-Staff-26 a) WPI provided a table identifying number of trees, density, number of customers and priority rates upon which WPI has established its forestry cycle maintenance. WPI stated that the vegetation study was conducted by an independent third party contractor.

- a. Please provide all reports and recommendations received from the third party contractor .
- b. Please provide the credentials of the third contractor conducting the study.
- c. In its DAMP, WPI noted that since the merger, tree trimming in all communities is carried out on a rotating five year schedule. WPI further stated that trees are trimmed sufficient to provide the required clearance for the five year timeframe. Please highlight the changes in the new tree trimming regime, i.e. number of trees, frequency of cycles to explain the increased costs.
- d. Please provide a cost benefit analysis and/or results of the tender process for this service including the provider chosen. Please state if the service provider is independent of the third party that conducted the vegetation study.
- e. In response to 4-SEC-18 WPI updated it's table listing purchases from suppliers. It shows a cost of \$66,884.80 for David Hawkings Line Service Inc. and \$152,671.05 for Davey Tree Expert Co. under tree trimming expenses for a total of \$219,555.85. Did WPI incur any other tree trimming expenses in 2012?
- f. Please provide a breakdown and further explanation regarding WPI's proposed tree trimming expenses of \$580,000 (MIFRS) for the 2013 test year.

4.0-Staff-74

Ref: 4.0-Staff-28 – Meter Reading Costs

With reference to the breakdown of meter reading expenses that will be charged to Account 5310 upon disposition of smart meter costs:

- a. Please explain why WPI estimates ongoing annual training and department integration expenses on an annual basis and increasing from \$36,000 to \$39,000 from 2013 to 2016. Please also explain how these expenses are assigned to this account;
- b. Please explain why WPI is estimating ongoing annual TOU marketing material ranging from \$26,000 to \$27,000 from 2013 to 2016. Please explain how these expenses are assigned to this account.

4.0-Staff-75

**Ref: 4.0-Staff-29
4.0-VECC-19**

In response to 4.0-Staff-29 b) WPI noted that expenditures related to holiday celebrations are not recorded in the December period and are therefore not reflected in the amounts provided. In response to 4.0-VECC-19 WPI noted that approximately \$425 per employee or \$15,000 is spent on staff relations events (i.e. Christmas party, family events).

- a. Please provide the year-end expenditure for account 5410

4.0-Staff-76

Ref: 4.0 Energy Probe #19 b)

WPI stated that the 'Other' category should have been stated as \$54,425 opposed to \$(105,575) for the 2012 bridge year. Appendix 2-J shows \$229,000 for the 2013 test year, which is an increase of \$174,575.

- a. Please provide a breakdown of costs captured under 'Other' in Appendix 2-J.
- b. Please provide reasons for the increase in the 2013 test year.

EXHIBIT 5 – Cost of Capital

5.0-Staff-77

Ref: 5.0-Staff-31c)

WPI noted that it updated its affiliated debt rate to 4.08%. On November 15, 2012 the Board issued Cost of Capital Parameter Updates for 2013 Cost of Service Applications for Rates Effective January 1, 2013 which determined a deemed long-term debt rate of 4.03%. Please confirm that the updated long-term debt rate on affiliated debt should have read 4.03%. If not, please explain how WPI derived a debt rate of 4.08%. Does WPI agree that its long-term debt rate will be updated based on new cost of capital parameters

EXHIBIT 7 – Cost Allocation

7.0-Staff-78

Ref: 7.0-Staff-34, 7.0-Staff-35, 7.0-VECC-24.0 – Cost Allocation

- a. Taking into account all updates to costs, revenues, customer and connection counts and consumption and demand, and any corrections to parameters and data inputs for the Cost Allocation model as a result of the initial and supplementary rounds of interrogatories, please provide an updated Cost Allocation model. In addition to a summary of the results, please file the updated model in working Microsoft Excel format if there are material charges.
- b. Please provide a summary table in similar format to that provided in the response to 7.0-Staff-35, with the addition of a second-right most column showing the results from the updated Cost Allocation model from a) above.

EXHIBIT 8 – Rate Design

8.0-Staff-79

Ref: 8.0-Staff-38 c)

In response to 8.0-Staff-38 c) WPI noted that it's projected 2013 LV costs are based upon the Sub-Transmission rates applied for by Hydro One in EB-2009-0096. On December 20, 2013 the Board issued a rate order (EB-2012-0136) on Hydro One charges for Sub Transmission ST effective January 1, 2013.

- a. Please update WPI's estimated LV 2013 costs using the latest sub transmission rates as per EB-2012-0136.
- b. Please provide a table showing LV cost using 2012 actual load data and updated sub transmission charges effective Jan. 1, 2013 for comparison.

EXHIBIT 9 – Deferral and Variance Accounts

9.0-Staff-80

Ref: Deferral and Variance Account Workform for 2013 Filers (Tab 5. Allocation of Balances and Tab 6. Rate Rider Calculations, within the EDDVAR model):

On Tab 5 of the EDDVAR model, the amount shown under the column "Amounts from Sheet 2" for account 1568 is \$16,316, but the amount allocated to the various rate classes totals \$31,538. Why is the amount proposed for collection different from the total balance in the account? Please explain and adjust the allocations and the rate riders as necessary.

9.0-Staff-81

Ref: 9.0-Staff-49 – Stranded Meters

The table provided in response to part c) of this interrogatory documents a Net Book Value of \$336,379 for GS > 50 kW meters.

- a. Please confirm whether the closing balance is as of December 31, 2012 or December 31, 2013.
- b. Other distributors have undertaken a more phased approach whereby meters for GS > 50 kW customers are only replaced upon failure or meter resealing. Please explain why WPI has not chosen this approach.

EXHIBIT 10 – MIFRS

10.0-Staff-82

Ref: 10.0 Energy Probe IR #34

In response to the above-referenced IR, WPI confirmed that the net book value of fixed assets at the end of 2012 under CGAAP was \$31,525,161. However, this number does not match Appendix 2-EB filed in response to 10.0-Staff-56 (closing PP&E for 2012 under CGAAP is shown as \$31,026,719). Please indicate which number should the Board rely on for the purpose of this proceeding and why.