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Overview of Cost Trends

Ex.4/Tab 1/Sch.1 - Overview of Operating Expenses

Operations, Maintenance and Administration (OM&A) expenses included in the calculation of Wellington North Power Inc.'s (WNP) revenue requirement are those determined to be reasonable in amount and necessary for and related to the provision of utility service or in some way a benefit to customers.

In this Exhibit, the operating costs consist of the required expenditures necessary to maintain and operate WNP's distribution system assets, the costs associated with metering, billing, collecting from its customers, the costs associated with ensuring all stakeholders safety (public and employees) and costs to maintain the distribution business service quality and reliability standards set by the regulating bodies.

In WNP's last approved Cost of Service rate application requesting approval for 2012 distribution rates (EB-2011-0249), prior to the settlement conference, the Applicant was seeking approval for $1,704,469 for OM&A expenses. Through the settlement process, this was reduced to $1,500,000 and approved by the Board. However, even though current rates include $1,500,000, WNP's actual operating costs for 2013 and 2014 were $1,744,085 and $1,726,946 respectively and the utility is projecting OM&A to be $1,750,000 in 2015. In WNP's opinion, the operating cost proposed in the utility's 2012 application are more in-line with the actual costs rather than the amount that was settled and approved.

Furthermore, by way of this 2016 Cost of Service rate application, WNP is proposing an OM&A amount of $1,797,368 for the 2016 Test Year which, in the opinion of the Applicant, is a very reasonable request considering this represents a 5.5% increase over the amount requested in the 2012 application. Over the four year period from 2012 to 2016, the annual simple average increase is 1.4% which is less than the Board's annual inflation rate over the same period (i.e. the percentage change in GDP-IPI)

As shown in Table 4.1 below, WNP's increase in OM&A spending from its 2012 Cost of Service to the 2016 Test Year is $297,368 or 19.8% over the last 4 years.

Table 4.1: 2012 Board Approved vs. 2016 Test Year

	2012 Board Approved	2016 Test Year	Varriance from Board Approved
Operations	$271,063	$411,500	$140,437
Maintenance	$230,223	$239,500	$9,277
Billing & Collecting	$327,863	$395,000	$67,137
Community Relations	$6,304	$7,000	$696
Administrative and General	$664,547	$744,368	$79,821
Total OM&A Expenses	$1,500,000	$1,797,368	$297,368
Percent change (2012 Board Approved to 2016 Test Year)			19.8%

The majority of the increase can be attributed to the Operations costs (approx. $140,437). Operations costs include activities such as repairs, inspection, testing, cleaning and verification activities.

Billing and Collecting shows an increase of $67,137 which is caused by the increase in labour and associated benefits costs as well as an increase in Bad Debt write-off amounts (approx. $8,000 more in 2014 compared to the balance included in the 2012 Board Approved).

Administrative costs show an increase of $79,821. Administration costs are mainly driven by the increases in regulatory time and increased labour and associated benefit costs.

The cost of living is based on an inflation rate of circa 2% per year, as published by the Bank of Canada - a well-known, reliable and widely used source in establishing inflation rates. WNP is a non-union organization and salaries are adjusted in accordance with the Employee Working Agreement which can be found at Appendix 4G. WNP's Employee Working Agreement is reviewed and updated every three years.

WNP's employee count has remained fairly consistent; however the wage and benefit increases have been a contributing factor to increased costs. WNP recognizes that their staff needs to be fairly compensated for the safe, reliable and efficient work that is preformed, along with the dedication and expertise. WNP completed a third party independent review in Quarter 2 of

2015 and, based upon the findings, the staff salary increases are within the industry norm. OMERS contribution costs have increased from $82,800 in 2012 to $101,500 in 2015 Bridge Year.

The tables below summarize the year-over-year changes in expenditures.

Table 4.2: 2012 Board Approved vs. 2012 Actual

	Board Approved	2012 Spend	Varriance from Board Approved
Operations	$271,063	$316,211	$45,147
Maintenance	$230,223	$272,443	$42,221
Billing & Collecting	$327,863	$354,125	$26,261
Community Relations	$6,304	$5,462	-$842
Administrative and General	$664,547	$661,506	-$3,042
Total OM&A Expenses	$1,500,000	$1,609,746	$109,746
Percent change (year over year)		7.3%	

As an outcome of WNP's 2012 Cost of Service rate application, WNP was instructed to move the smart meter costs from 1556 account to the Billing and Collecting account. The 1556 Smart Meter account included the incurred expenses (e.g. labour) for the installation of Smart Meters. In WNP's 2012 Cost of Service rate application (EB-2011-0249), the Applicant included the OEB's Smart Meter model ("Smart Meter model v2.17") which showed a balance of $105,542 as April 30th 2012. This entry accounts for $105,542 of the variance between 2012 Board Approved OM&A and 2012 Spend.

Table 4.3: 2012 Actual vs. 2013 Actual

	2012 Spend	2013 Spend	Variance
Operations	$316,211	$348,432	$32,221
Maintenance	$272,443	$239,542	-$32,901
Billing & Collecting	$354,125	$333,323	-$20,801
Community Relations	$5,462	$9,897	$4,436
Administrative and General	$661,506	$812,890	$151,384
Total OM&A Expenses	$1,609,746	$1,744,085	$134,339
Percent change (year over year)		8.3%	

There was a major ice storm in April 2013 that caused substantial damage and resulted in an 18-hour power outage in the LDC's service territory. Consequently, WNP incurred an unplanned

cost of over $11,000 for both outside and inside overtime labour costs and vehicle time to restore power, tidy-up tree debris, clear fallen tree limbs from power lines and extended office opening time to manage customer telephone calls from concerned customers.

It was recognized in 2013 that there had been a reporting issue in regards to the burden in 2012, this was corrected in 2013 causing there to be an increase in the Administrative and General accounts.

Table 4.4: 2013 Actual vs. 2014 Actual

	2013 Spend	2014 Spend	Variance
Operations	$348,432	$341,075	-$7,357
Maintenance	$239,542	$226,874	-$12,668
Billing & Collecting	$333,323	$339,063	$5,740
Community Relations	$9,897	$15,833	$5,936
Administrative and General	$812,890	$803,100	-$9,790
Total OM&A Expenses	$1,744,085	$1,725,946	-$18,139
Percent change (year over year)		-1.0%	

Between 2013 and 2014 there are no significant material variances.

Table 4.5: 2014 Actual vs. 2015 Bridge Year

	2014 Spend	2015 Bridge Year	Variance
Operations	$341,075	$403,400	$62,325
Maintenance	$226,874	$233,118	$6,244
Billing & Collecting	$339,063	$385,125	$46,062
Community Relations	$15,833	$7,100	-$8,733
Administrative and General	$803,100	$721,257	-$81,843
Total OM&A Expenses	$1,725,946	$1,750,000	$24,054
Percent change (year over year)		1.4%	

In 2015, WNP started communication by social media rather than printing articles or adverts in the newspaper (including but not limited promoting electrical safety awareness). Consequently, it is anticipated that there will be a reduction in the expenses attributed to the Community Relations account compared to previous years.

In 2015, one staff member was re-allocated from Administrative to Operations. This will cause a movement in labour expenses from Administration to Operations.

Table 4.6: 2015 Bridge Year vs. 2016 Test Year

	2015 Bridge Year	2016 Test Year	Variance
Operations	$403,400	$411,500	$8,100
Maintenance	$233,118	$239,500	$6,382
Billing & Collecting	$385,125	$395,000	$9,875
Community Relations	$7,100	$7,000	-$100
Administrative and General	$721,257	$744,368	$23,111
Total OM&A Expenses	$1,750,000	$1,797,368	$47,368
Percent change (year over year)		2.7%	

Between the 2015 Bridge Year and the 2016 Test Year there are no significant material variances.

Summary and Cost Driver Tables

Ex.4/Tab 2/Sch.1 - Cost Driver Tables

OEB Appendix 2-JA below provides a summary of WNP's Operations, Maintenance and Administrative ("OM&A") costs as required by the OEB's filing guidelines.

Appendix 2-JA - Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Reporting Basis						
Operations	$ 271,063	$ 316,211	$ 348,432	$ 341,075	$ 403,400	$ 411,500
Maintenance	$ 230,223	$ 272,443	$ 239,542	$ 226,874	$ 233,118	$ 239,500
SubTotal	**$ 501,286**	**$ 588,654**	**$ 587,974**	**$ 567,949**	**$ 636,518**	**$ 651,000**
%Change (year over year)			-0.1%	-3.4%	12.1%	2.3%
%Change (Test Year vs Last Rebasing Year - Actual)						10.6%
Billing and Collecting	$ 327,863	$ 354,125	$ 333,323	$ 339,063	$ 385,125	$ 395,000
Community Relations	$ 6,304	$ 5,462	$ 9,897	$ 15,833	$ 7,100	$ 7,000
Administrative and General	$ 664,547	$ 661,506	$ 812,890	$ 803,100	$ 721,257	$ 744,368
SubTotal	**$ 998,714**	**$ 1,021,092**	**$ 1,156,111**	**$ 1,157,997**	**$ 1,113,482**	**$ 1,146,368**
%Change (year over year)			13.2%	0.2%	-3.8%	3.0%
%Change (Test Year vs Last Rebasing Year - Actual)						12.3%
Total	**$ 1,500,000**	**$ 1,609,746**	**$ 1,744,085**	**$ 1,725,946**	**$ 1,750,000**	**$ 1,797,368**
%Change (year over year)			8.3%	-1.0%	1.4%	2.7%

	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Operations	$ 271,063	$ 316,211	$ 348,432	$ 341,075	$ 403,400	$ 411,500
Maintenance	$ 230,223	$ 272,443	$ 239,542	$ 226,874	$ 233,118	$ 239,500
Billing and Collecting	$ 327,863	$ 354,125	$ 333,323	$ 339,063	$ 385,125	$ 395,000
Community Relations	$ 6,304	$ 5,462	$ 9,897	$ 15,833	$ 7,100	$ 7,000
Administrative and General	$ 664,547	$ 661,506	$ 812,890	$ 803,100	$ 721,257	$ 744,368
Total	**$ 1,500,000**	**$ 1,609,746**	**$ 1,744,085**	**$ 1,725,946**	**$ 1,750,000**	**$ 1,797,368**
%Change (year over year)			8.3%	-1.0%	1.4%	2.7%

Appendix 2-JA: Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	Variance 2012 BA – 2012 Actuals	2013 Actuals	Variance 2013 Actuals vs. 2012 Actuals	2014 Actuals	Variance 2014 Actuals vs. 2013 Actuals	2015 Bridge Year	Variance 2015 Bridge vs. 2014 Actuals	2016 Test Year	Variance 2016 Test vs. 2015 Bridge
Operations	$ 271,063	$ 316,211	-$ 45,147	$ 348,432	$ 32,221	$ 341,075	-$ 7,357	$ 403,400	$ 62,325	$ 411,500	$ 8,100
Maintenance	$ 230,223	$ 272,443	-$ 42,221	$ 239,542	-$ 32,901	$ 226,874	-$ 12,668	$ 233,118	$ 6,244	$ 239,500	$ 6,382
Billing and Collecting	$ 327,863	$ 354,125	-$ 26,261	$ 333,323	-$ 20,801	$ 339,063	$ 5,740	$ 385,125	$ 46,062	$ 395,000	$ 9,875
Community Relations	$ 6,304	$ 5,462	$ 842	$ 9,897	$ 4,436	$ 15,833	$ 5,936	$ 7,100	-$ 8,733	$ 7,000	-$ 100
Administrative and General	$ 664,547	$ 661,506	$ 3,042	$ 812,890	$ 151,384	$ 803,100	-$ 9,790	$ 721,257	-$ 81,843	$ 744,368	$ 23,111
Total OM&A Expenses	$ 1,500,000	$ 1,609,746	-$ 109,745	$ 1,744,085	$ 134,339	$ 1,725,946	-$ 18,139	$ 1,750,000	$ 24,054	$ 1,797,368	$ 47,368
Adjustments for Total non-recoverable items (from Appendices 2-JA and 2-JB)											
Total Recoverable OM&A Expenses	$ 1,500,000	$ 1,609,746	-$ 109,745	$ 1,744,085	$ 134,339	$ 1,725,946	-$ 18,139	$ 1,750,000	$ 24,054	$ 1,797,368	$ 47,368
Variance from previous year				$ 134,339		-$ 18,139		$ 24,054		$ 47,368	
Percent change (year over year)				8%		-1%		1%		3%	
Percent Change: Test year vs. Most Current Actual						4.14%					
Simple average of % variance for all years						11.66%					3%
Compound Annual Growth Rate for all years											2.8%
Compound Growth Rate (2014 Actuals vs. 2012 Actuals)						2.35%					

In accordance with the OEB's minimum filing requirements, OEB Appendix 2-JB, below, outlines the key drivers of OM&A costs over the 2012 to 2016 period.

OEB Appendix 2-JB - Recoverable OM&A Cost Driver Table

OM&A	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Reporting Basis					
Opening Balance	$ 1,500,000	$ 1,609,746	$ 1,744,085	$ 1,725,946	$ 1,750,000
Movement of Smart Meter Expenses from 1556 to Billing & Collecting	$ 105,542	$ -	$ -	$ -	$ -
Working Agreement Contractual adjustments	$ -	$ 27,906	$ 26,959	$ 22,900	$ 25,000
2015 Organizational Restructure	$ -	$ -	$ -	$ 37,500	$ -
CEO Retirement	$ -	$ -	$ -	-$ 86,500	$ -
Change in Regulatory Costs	$ -	$ 27,628	$ 31,291	$ 70,665	$ 10,900
Removal of Elster AMI Operator	$ -	$ -	-$ 8,682	$ -	$ -
Insurance - Vehicke, building & liability	$ -	$ 4,700	$ 4,400	$ 4,008	$ 4,000
2013 Ice Storm	$ -	$ 11,000	$ -	$ -	$ -
Interim Financial Audit	$ -	$ 6,500	$ -	$ -	$ -
MAS Invoice posted incorrectly	$ -	$ 11,500	-$ 11,500	$ -	$ -
Finance/CIS Conferences for employees	$ -	$ -	$ 11,500	$ -	$ -
IT costs	$ -	$ 5,100	$ -	$ -	$ -
Board Member Confereance (additional member attended)	$ -	$ 4,300	$ -	$ -	$ -
Safety Advertising	$ -	$ 2,400	$ 4,000	-$ 5,000	$ -
Replacement of safety clothes and small tools	$ -	$ 7,500	$ -	$ -	$ -
Decrease on inside labour for asset management	$ -	$ -	-$ 21,000	$ -	$ -
Decrease in labour and truck time in supervison while hiring	$ -	$ -	-$ 15,000	$ -	$ -
Decrease in third party work for Preventative Maintenance	$ -	$ -	$ -	-$ 13,610	$ -
Decrease in thrid party work for substation Maintenance (Costello)	$ -	$ -	$ -	-$ 6,100	$ -
Finance Manager hired at lower rate	$ -	$ -	-$ 11,100	$ -	$ -
Burden rate correction	$ -	$ 24,000	-$ 24,000	$ -	$ -
Miscellaneous Remaining Balance	$ 4,204	$ 1,805	-$ 5,007	$ 192	$ 7,468
Closing Balance	$ 1,609,746	$ 1,744,085	$ 1,725,946	$ 1,750,000	$ 1,797,368

Cost Drivers over the Material Variance

Working Agreement - One of the main cost drivers is the increase in labour costs per year incurred as part of WNP's Employee Working Agreement. WNP's Employee Working Agreement is reviewed every three years. The current agreement is effective from January 1st 2014 to 31st December 2016 and includes a 2.5% increase in salary costs due to inflation.

2015 Organizational Restructure and CEO Retirement - In 2015, WNP had an organizational restructure due to the imminent retiring of the CEO / President. WNP Board of Directors believed that this was an opportunity to promote from within the company and restructure rather than hiring an external person to replace the CEO / President. This restructure resulted in changes in employees' responsibilities and a review of pay grades. Job descriptions were revised to reflect accountabilities and responsibilities of each position within the restructure.

Change in Regulatory Costs - WNP has experienced an increase in regulatory costs, particularly when preparing and submitting complex and detailed rate applications (i.e. in 2011 & 2012 for a Cost of Service submission (EB-2011-0249); in 2013 & 2014 for an Incentive Rate Mechanism application with an Incremental Capital Module (EB-2013-0178); and in 2015 & 2016 Cost of Service application – EB-2015-0110)).

Ex.4/Tab 2/Sch.2 - OM&A Variance Analysis

The variance used to determine the OM&A accounts requiring analysis as described by the Board's Filing Requirements is $50,000 for a distributor with a revenue less than or equal to $10 million. Although the materiality threshold is $50,000, WNP has provided explanations for variances that are greater than $25,000 because this will provide further clarity of the Applicants accounts. Because annual wage increases are over $25,000 these are broken out by their effect on the different OM&A groupings.

2012 Board Approved vs. 2012 Actual:

Table 4.2: 2012 Board Approved vs. 2012 Actual

	Board Approved	2012 Actual	Varriance from Board Approved
Operations	$271,063	$316,211	$45,147
Maintenance	$230,223	$272,443	$42,221
Billing & Collecting	$327,863	$354,125	$26,261
Community Relations	$6,304	$5,462	-$842
Administrative and General	$664,547	$661,506	-$3,042
Total OM&A Expenses	$1,500,000	$1,609,746	$109,746
Percent change (year over year)		7.3%	

*Note the above table, Administrative and General includes LEAP payment of $2,310 to WNP's social agency LEAP Partners.

As an outcome of WNP's 2012 Cost of Service rate application, the utility was instructed to move the smart meter costs from 1556 account to the Billing and Collecting account. The 1556 Smart Meter account included the incurred expenses (e.g. labour) for the installation of Smart Meters. In WNP's 2012 Cost of Service rate application (EB-2011-0249), the Applicant included the OEB's Smart Meter model ("Smart Meter model v2.17") which showed a balance of $105,542 as April 30th 2012. WNP initially transferred a balance of $105,542 to Billing & Collecting causing a significant variance to this account when compared to previous years. Consequently, this amount was reallocated equally across the Operations, Maintenance and Billing & Collecting accounts at year-end.

2012 Actual vs. 2013 Actual:

Table 4.3: 2012 Actual vs. 2013 Actual

	2012 Actual	2013 Actual	Variance
Operations	$316,211	$348,432	$32,221
Maintenance	$272,443	$239,542	-$32,901
Billing & Collecting	$354,125	$333,323	-$20,801
Community Relations	$5,462	$9,897	$4,436
Administrative and General	$661,506	$812,890	$151,384
Total OM&A Expenses	$1,609,746	$1,744,085	$134,339
Percent change (year over year)		8.3%	

The material variances from the 2012 Actual to the 2013 Actual include:

- **Operations Increase of $32,221**
  - WNP Working Agreement 2013 annual increase was 3%; approx. $4,000 was attributed to Operations.
  - In 2013 WNP hired a Powerline Apprentice increasing labour costs when compared to the previous year. This fourth lineman was included in the 2012 Operations and Maintenance balances that were reviewed in WNP's Cost of Service rate application (EB-2011-0249) with hiring to have occurred in Quarter 4 of 2012. The new lineman was hired in May 2013 following a recruitment and selection process.
  - There was an ice storm in April 2013 that caused power outages and extensive tree damage throughout WNP's service area. The cost of this storm, in terms of labour and overtime was over $11,000 with approximately $5,000 attributable to Operations. This was an uncontrollable cost.
  - In 2013 a new Operations Technician was hired by WNP. (The previous Technician left the company in December 2012.) The "new" Operations Technician's labour rate was lower than that of his predecessor and his main focus was Operations. Therefore, there was a decrease in Maintenance and an increase in Operations.
  - 2013 WNP replaced some of its safety clothing and small safety tools at a cost of $7,500.

- **Maintenance Decrease of $32,901**
  - As mentioned above, in 2013 WNP hired a Powerline Apprentice increasing labour costs when compared to the previous year.

- A new Operations Technician was hired by WNP. (The previous Technician left the company in December 2012.) The "new" Operations Technician's main focus was Operations. Therefore, creating a decrease in Maintenance and an increase in Operations
- WNP's service area was affected by a major ice storm in April. The cost of this storm was over $11,000 with approximately $4,200 attributed to Maintenance. WNP encountered extra costs ensuring that all of its customers were safely connected to the system and patrolling powerlines to mitigate future issues. This was an uncontrollable cost.
- An invoice for 2014 services was incorrectly posted to 2013 (rather than being posted to 2014) which caused an overstatement of $11,500 in this account in this year. (this invoice is the annual fee for the Metering Automation Server.)

- **Billing & Collecting**
  - No material variance.

- **Community Relations**
  - No material variance.

- **Administrative & General – Increase of $151,384**
  - WNP Working Agreement 2013 annual increase was 3%; approx. $12,000 was attributed to Administrative & General.
  - Insurance costs have increased by $4,700 and this necessity is an uncontrollable item.
  - Consulting/Outside Services costs increased in 2013 by approximately $16,500. This was largely attributable to WNP switching to another vendor to support the utility's financial software system. This change resulted in an increase in consulting/outside services costs to have the financial software system reviewed and updated to the latest standard. Approximately $9,000 was spent transferring to a new vendor. This was a one-time cost to move to a vendor that is reliable, knowledgeable, available, and that WNP trusts.
  - In April 2013 there was a major ice storm that passed through WNP's territory causing substantial damage and an 18-hour power outage. The cost of this storm

was over $11,000 with approximately $2,300 attributed to the Administrative & General account, mainly as overtime to keep the office open and telephones manned to handle calls from concerned customers. This was an uncontrollable cost for the utility.

- The 2013 External Audit expense increased by $6,500 compared to 2012 because WNP conducted an interim financial audit as part of a transition to a new audit firm.
- WNP sent its Board of Directors to two conferences in 2013 - the EDA Annual Meeting in March and the Georgian Bay District AGM Meeting in September. More Board Directors attended these meetings in 2013 compared to 2012 resulting in an increase of $4,300 above the prior year. WNP understands this is a controllable cost and because of this, has limited the number of Board Directors attending these meetings.
- In 2013, WNP incurred costs from WNP's 2012 Cost of Service (EB-2011-0249) application in the amount of $26,296. $19,169 is associated with the amortized expenses incurred during the Cost of Service application (professional fees); and $7,126 was a corrected invoice from the OEB for the settlement conference held in August 2012.
- The allocation of burden costs was set at an unrealistically low rate in 2013. This resulted in large overhead costs that needed to be expensed at the end of the year. This resulting allotment of this expenditure disproportionally affected the Administrative & General accounts by about $24,000. Because of this problem, WNP has now implemented a procedure, where the burden rate is reviewed quarterly to ensure it is reasonable. This results in a commensurate drop in the expense in the following year.

2013 Actual vs. 2014 Actual:

Table 4.4: 2013 Actual vs. 2014 Actual

	2013 Actual	2014 Actual	Variance
Operations	$348,432	$341,075	-$7,357
Maintenance	$239,542	$226,874	-$12,668
Billing & Collecting	$333,323	$339,063	$5,740
Community Relations	$9,897	$15,833	$5,936
Administrative and General	$812,890	$803,100	-$9,790
Total OM&A Expenses	$1,744,085	$1,725,946	-$18,139
Percent change (year over year)		-1.0%	

There are no material variances from the 2013 Actual to the 2014 Actual.

2014 Actual vs. 2015 Bridge Year:

Table 4.5: 2014 Actual vs. 2015 Bridge Year

	2014 Actual	2015 Bridge Year	Variance
Operations	$341,075	$403,400	$62,325
Maintenance	$226,874	$233,118	$6,244
Billing & Collecting	$339,063	$385,125	$46,062
Community Relations	$15,833	$7,100	-$8,733
Administrative and General	$803,100	$721,257	-$81,843
Total OM&A Expenses	$1,725,946	$1,750,000	$24,054
Percent change (year over year)		1.4%	

In 2015, WNP had an organizational restructure due to the imminent retiring of the CEO / President. WNP Board of Directors believed that this was an opportunity to promote from within the company and restructure rather than hiring an external person to replace the CEO / President. This restructure resulted in changes in employees' responsibilities and a review of pay grades. Job descriptions were revised to reflect accountabilities and responsibilities of each position within the restructure. WNP hired a 3rd party consultant to assist WNP's Board of Directors to review and benchmark the revised Job Descriptions as well as complete an equity review assessing all job positions within the company. This report is included in Appendix 4G.

A new organizational structure was implemented on January 1st 2015 and new pay grades reflecting additional duties or responsibilities were also applied from January 1st 2015. Below is the breakout of the restructure in terms of approx. costs by department.

- Operations = $8,300
- Maintenance = $2,700
- Billing & Collecting = $10,500
- Admin & General = $16,000

However, it should be noted that even with these changes in the wages and associated benefits as a result of the restructure, there was a net decrease of $76,000 in the Administrative and General accounts. This is because the CEO/President retired and the associated wages/benefits with this position were higher than the actual change in the employee costs from the organizational restructure.

Exhibit 4 / Tab 3 / Schedule 3 provides further details regarding WNP's organizational restructure in 2015

The material variances from the 2014 Actual to the 2015 Bridge Year include:

- **Operations – Increase of $62,325**
  - WNP Working Agreement 2015 annual increase was 2.5%; approx. $5,000 was attributed to Operations.
  - WNP's Working Agreement 2015 annual increase was 2.5%; approximately $5,000 was attributed to Operations.
  - As a consequence of WNP organizational restructure in 2015, the utility moved half of one its employees to Operations causing an increase in annual labour by approx. $25,000. This "additional" resource will support Operations with administrative duties including contacting a sample of customers who have received a service from WNP to measure their satisfaction.

- **Maintenance**
  - No material variance.

- **Billing & Collecting – Increase of $46,062**
  - WNP Working Agreement 2015 annual increase was 2.5%; approx. $5,000 was attributed to Billing & Collecting.
  - The 2015 forecast includes an increase of $2,000 for annual Bad Debt write-off.
  - A movement in labour cost from General to Collecting was required due to an increase in chasing overdue accounts. This continual collection activity contributes towards WNP minimizing its annual bad debt write-off amounts.

- **Community Relations**
  - No material variance.

- **Administrative and General – Decrease of $81,843**
  - When the CEO/President retired at the end of March 2015, there was an organizational restructure. As described above, WNP Board of Directors believed that this was an opportunity to promote from within the company and restructure rather than hiring an external person to replace the CEO / President. This restructure resulted in changes in employees' responsibilities and a review of pay grades. Job descriptions were revised to reflect accountabilities and responsibilities of each position within the restructure. WNP hired a 3rd party consultant to assist WNP's Board of Directors to review and benchmark the revised Job Descriptions as well as complete an equity review assessing all job positions within the company. (This report is included in Appendix 4G.) However, it should be noted that even with these changes in the wages and associated benefits as a result of the restructure, there was a net decrease of $76,000 in the Administrative and General accounts. This is because the CEO/President retired and the associated wages/benefits with this position were higher than the actual change in the employee costs from the organizational restructure.
  - Due to the costs incurred in 2014 for training employees WNP will be limiting the number of training courses and conferences that will be attended this year. As a result, there is a reduction of $11,500 in 2015 when compared to 2014. WNP carefully considers the value and benefit of attending courses / conferences versus the costs incurred.
  - WNP is scrutinizing controllable costs in the consulting/professional services to ensure that 2015 spending is lower.

- WNP is expecting higher than normal costs in the regulatory accounts because of preparing and filing its 2016 Cost of Service rate application.
- Insurance costs for property, buildings and vehicles have increased by $4,008 compared to 2014.

2015 Bridge Year vs. 2016 Test Year:

Table 4.6: 2015 Bridge Year vs. 2016 Test Year

	2015 Bridge Year	2016 Test Year	Variance
Operations	$403,400	$411,500	$8,100
Maintenance	$233,118	$239,500	$6,382
Billing & Collecting	$385,125	$395,000	$9,875
Community Relations	$7,100	$7,000	-$100
Administrative and General	$721,257	$744,368	$23,111
Total OM&A Expenses	$1,750,000	$1,797,368	$47,368
Percent change (year over year)		2.7%	

There are no material variances from the 2015 Bridge Year to the 2016 Test Year.

The OEB's Appendix 2-L Recoverable OM&A Cost per Customer and per FTE calculates the cost per customer per full time employee. This information is shown in the table below and covers the 2012 to 2016 period:

OEB Appendix 2-L – Recoverable OM&A Cost per Customer and per FTE

	Last Rebasing Year - 2012- Board Approved	Last Rebasing Year - 2012- Actual	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Reporting Basis						
Number of Customers [2,4]	3,694	3,647	3,678	3,707	3,738	3,769
Total Recoverable OM&A from Appendix 2-JB	$ 1,500,000	1,609,746	1,744,085	1,725,946	1,750,000	1,797,368
OM&A cost per customer	$ 406.11	$ 441.42	$ 474.16	$ 465.61	$ 468.17	$ 476.83
Number of FTEs [3,4]	13	12	13	13	13	13
Customers/FTEs	284.12	303.90	282.94	285.14	287.54	289.96
OM&A Cost per FTE	115,384.62	134,145.48	134,160.35	132,765.07	134,615.41	138,259.10

As shown in the OEB appendix above, the OM&A costs per customer in the Test Year has increased since the 2012 Board Approved costs. The problem which the utility is faced with is that despite that fact that the number of customers in WNP is growing at steady rate of approximately less than 1% per year, investments in its customer service and investments in its infrastructure (repairs and maintenance) are still required.

According to the OEB's published 2014 Yearbook (Issued July 31st 2015), the total cost per customer provincial average was $339. WNP's total cost per customer average was $466.

Total cost per customer is calculated as:

$$= \frac{\text{Operating Expenses}}{\text{Total Number of Customers serviced by WNP}}$$

Although, WNP's OM&A Cost per customer was above the provincial average for 2014, WNP's cost reduced by 2% compared to the prior year of 2013, as illustrated in the table below.

Table 4.7 – WNP's 2014 OM&A and Customer Summary

Wellington North Power Inc.		2010	2011	2012	2013	2014	Average
OM&A Cost Per Customer		$349	$432	$445	$476	$466	$433
	% change per year		24%	3%	7%	-2%	8%
Number of Customers		3,613	3,626	3,649	3,695	3,731	3,663
	% change per year		0.4%	0.6%	1.3%	1.0%	0.8%
Average Cost of Power & Related Costs							
Per Customer Annually		$2,246	$2,471	$2,574	$3,080	$2,737	$2,622
Per Total kWh Purchased		$0.079	$0.085	$0.087	$0.103	$0.091	$0.089
Avg Monthly kWh Consumed per Customer		2,367	2,428	2,476	2,488	2,511	2,454
Avg Peak (kW) per Customer		4.47	4.52	4.47	4.34	4.37	4.43
OM&A Per Customer		$349	$432	$445	$476	$466	$433
Net Income Per Customer		$56	($25)	$6	$54	$53	$29
Net Fixed Assets per Customer		$1,326	$1,348	$1,518	$1,575	$1,598	$1,473

Source: Ontario Energy Board's 2014 Yearbook of Electricity Distributors - issued July 31st 2015

WNP has experienced increases in its OM&A costs required to deliver quality and reliable services to customers. Contributors to rising OM&A costs include:

- Implementation of province-wide programs (i.e. Time of Use pricing and adoption of International Financial Reporting Standards);
- Employee training and development to keep abreast of changes in the fields of regulatory, financial and operations;
- Changes in wage and benefits costs for employees; and
- Professional services to assist with complex rate applications submitted by WNP as well as conducting an independent review of account balances prior to a Cost of Service rate application submission.

Unlike some LDCs in the province, WNP has not seen significant customer growth to share or absorb these costs. Consequently, such events over a short-period of time have resulted in operating costs rising at a faster rate than customer growth. However, in WNP's opinion over the last two years (2013 and 2014), initiatives and activities are planned and prioritized better than previously, with the objective of reducing the need to outsource to a 3rd party or incur over-time costs to complete. Part of this better planning process has contributed to the 2% OM&A cost per customer reduction seen in 2014.

The above table also illustrates WNPs customer base over the five year period of 2010 to 2014 showing an average annual growth rate of 0.8%. WNP has experienced and continues to see a steady growth in its residential customer numbers. As per the Applicant's Distribution System Plan (filed with this rate application), section 5.2.4.4 "Consultations with Municipal Planning Office" a report from Wellington County projects population growth up to the year 2031 to the area of Wellington North including the urban service areas managed by WNP. With this in mind, WNP aims to plateau its OM&A costs and with steady customer growth, it is envisaged that future OM&A costs will continue to stabilize or decline.

The table below summarizes WNP's Projection for OM&A Cost per Customer for the Bridge Year (2015) and Test Year (2016):

Table 4.8: WNP's 2 OM&A Cost per Customer Projections

	2014 Actual	2015 Bridge Year	2016 Test Year
Customer Number Forecast	3,707	3,738	3,769
change year-over-year		0.8%	0.8%
OM&A Forecast	$1,725,946	$1,750,000	$1,797,368
change year-over-year		1.4%	2.7%
OM&A per Customer	$466	$468	$477
change year-over-year		0.5%	1.9%

The above table assumes the customer numbers as derived from the Load Forecast methodology as described in Exhibit 3, showing a continued growth of 0.8% yearly. On this basis, and also assuming approval of the OM&A forecasted budget for 2016 Test Year, WNP is projecting an OM&A cost per customer of $477 in the 2016 Test Year. This increase equates to approx. 1.9% change compared to the 2015 Bridge Year and is below an assumed 2.0% inflation rate.

Program Delivery Costs with Variance Analysis

Ex.4/Tab 3/Sch.1 - Program Description

The following section describes programs which WNP is in the process of adopting. The categorization of USoA account/functions has been based on the RRFE categories, Customer Focus, Operational Effectiveness, Public Responsiveness and Miscellaneous.

Program Overview

WNP aims to meet or exceed the system maintenance and inspection requirements of the Ontario Energy Board's Distribution System Code (DSC) in order to minimize subsequent repair and/or replacement costs. Section 4.4.1, of the DSC states:

"A distributor shall maintain its distribution system in accordance with good utility practice and performance standards to ensure reliability and quality of electricity service, on both a short-term and long-term basis."

The following OM&A programs are consistent with good utility practices.

Customer Focus

- Operational Effectiveness & Communication
- Customer Service, Mailing Costs, Billing and Collections
- Retailer Charges
- Bad Debts
- Monthly Billing
- Service Locates

Operational Effectiveness

- Meters operations and maintenance
- Distribution sub-stations and protection and control
- Asset management
- Overhead/Underground lines operations and maintenance

- Operations & engineering, Inspection drafting & design construction services
- Distribution Transformers
- Vegetation Management
- Poles Towers & Fixtures
- Health & Safety Costs
- Executive, Financial, Legal, Professional and Insurance Services
- Post-employment costs
- Procurement and Materials Management
- Office buildings & security costs
- IT, software, telecommunications

Public and Regulatory Responsiveness

- Regulatory & Compliance
- Industry Membership Fees
- Metering Compliance

Each program is discussed in detail over the following pages.

a) CUSTOMER FOCUS

Operational Effectiveness & Communication

The coordination of both internal and external communications strategies is central to supporting the company's strategic plan, as well as key community, safety, customer and employee initiatives. More particularly, external strategies and plans help to support media relations, website development, the development of various collateral materials, and the integration of social media into the communications platform. All of these activities focus on enhancing public understanding of their local distributor and Ontario's power system, as well as educating consumers on electrical safety, managing their electricity bill, creating a culture of conservation, CDM program delivery, and activities that directly support community initiatives.

For WNP this means a commitment to provide relevant and timely consumer information to it's over 3,700 customers, including proactive communications as it relates to the local distribution system and related electricity issues that impact ratepayers. WNP maintains a visible presence in the community it serves by educating and keeping its customers informed about electrical safety (at home and in the workplace); energy conservation and demand management as it relates to ongoing public education (at events, in schools, social media, marketing and advertising) and delivering a complement of residential and business CDM programs; contributions to the community, consumer-based issues such as escalating electricity prices or Time-of-Use rates; projects and local initiatives (i.e. Community Energy Plan); and, any relevant programs, issues and/or projects that impact customers.

The costs included in the Community Relations cost category are related to the functions of the WNP community safety programs, and activities related to corporate and customer communications.

Customer Service, Mailing Costs, and Billing

WNP's Customer Service and Billing department are responsible for activities that include:

- correctly computing and billing customers using approved rates, rate riders, rate adders, loss factors and other regulated rates and charges
- Testing and promoting Customer Information System enhancements to support regulatory changes

- Processing bill payments in a timely manner to satisfy cash flow requirements, and
- Managing delinquent accounts appropriately so that all customers pay for the services provided to them.

The Billing department is also responsible for handling day to day customer inquiries in regards to their accounts and fielding numerous other questions as they relate to Government and Regulatory policy, conservation and demand management, pricing and consumption inquiries. In addition to this function, office data clerks are also responsible for processing of payments dropped off at our office, customer move ins and outs, activations of our Equal Payment program, and numerous other administrative tasks. This department fields over 7,400 calls per year.

As the number of electricity end users in our service area increases and changes occur within Ontario's electricity market, WNP's call and correspondence volumes will continue to increase.

Monthly Billing

The Billing Department is responsible for all billing activities supporting approximately 3,700 customers in WNP's three service areas. This includes the provision of monthly billing that results in WNP issuing over 45,000 invoices annually in addition to approximately 580 final bills for customers moving within or outside of WNP's service territory annually. The Billing Department is responsible for managing Electronic Business Transactions ("EBT") and retailer settlement functions for just over 245 retailer accounts; account adjustments; processing of meter changes (e.g. re-verification); and other various account related field service orders, and mailing services. In 2014 WNP had a billing error rate of 0.27%.

WNP's office is open to their customers 5 days a week to assist them with payments and billing inquires or concerns. WNP offers customers a number of billing and payment options including an equal payment plan, pre-authorized payments, online payments, cheque, cash, debit and credit card payments. In addition, customers can view their usage and manage their consumption using an online application.

Retailer Charges

This program includes all labour involved in dealing with the importing of files from the retailer, the reviewing of the files and the response back to the retailer. This also involves the

processing of retailer service agreements and from time to time correspondence with the retailers regarding specific accounts.

Collections and Bad Debts

Collection activity is not exclusive to overdue accounts, it also includes the adoption and continued application of a prudent Credit Policy and the Customer Service Amendments consistent with the OEB's Distribution System Code.

Following the implementation of the recent regulations for the handling of arrears management, WNP Collections Department has installed processes to ensure that collection activities adhere to regulatory requirements. Consequently, this has resulted in WNP spending more time than in previous years managing customers who fall behind with their payments and annual bad debt amounts steadily increasing. (For example, in regulatory changes introduced in October 2010 meant that if the customer's account has a deposit amount in their account, the Disconnection process cannot start. The disconnection process can only commence when the customer's account shows a $0 balance and there is no deposit. Consequently, if the customer has a deposit and this is subsequently used to pay aged debt, then there is a high probability that the customer will incur further debt associated with 3½ months of electricity usage.)

WNP does not outsource its collections activity and the utility is fortunate that a low percentage of its customer-base makes up the company's annual bad debt and this is largely as a result of the tenaciousness of the Collections Department to chase debts. Collections include a variety of activities, including the collection of overdue accounts, treatment of security deposits and final bills for service termination. In an effort to minimize bad-debt write-off, Wellington North Power Inc. enforces a prudent credit policy in accordance with the Distribution System Code. Active overdue accounts and Final bill accounts are collected by in-house staff through notices, letters and direct telephone contact.

However, as a consequence of the implementation of separate requirements for handling low-income customers (in through LEAP activities) as well as the proposed requirements under the Ontario Electricity Support Program (OESP - from January 1, 2015), it is WNP's opinion that more resource (time) will be required from the Collections Department to service low-income customers and bad debt will continue to increase.

Service Locates

A portion of WNP's distribution system is underground. Whenever WNP's customers are preparing to excavate they contact Ontario One Call to request that a Locate be performed. Ontario One Call relays the customer's request to WNP. A customer service employee fulfills the request within the mandated 5 business day window; currently data is valid for 30 calendar days. The employee provides the data directly to the requesting customer and copies to WNP so that the customer can safely commence their planned excavation. This is a reactive activity and in a typical year WNP responds to over 530 requests.

b) OPERATIONAL EFFECTIVENESS

Operations and Maintenance

WNPs Operations strategy is to provide safe, reliable service at an appropriate level of quality throughout the licensed service area. WNP's maintenance strategy is an important part of its overall strategy of minimizing the life cycle costs of assets by minimizing reactive and emergency-type work, through an effective planned maintenance program (including predictive and preventative actions). These strategies are implemented through policies and work practices that promote a good experience for the customer with regard to safety, security of supply, continuity of service, the timely restoration of service and the minimization of undesirable service conditions.

WNP's customer responsiveness and system reliability are monitored to ensure that its maintenance strategy is effective. This effort is coordinated with WNP's capital project work, so that maintenance programs help to identify those areas that require capital investments. WNP is then able to adjust its capital spending priorities to address these matters. This process is described in more detail in conjunction with WNP's Asset Management Plan, found in the Distribution System Plan filed with this rate application.

Within WNP, Operations and Maintenance expenses include all costs relating to the operation and maintenance of the WNP distribution system. This includes both direct labour costs and non-capital material spending to support both scheduled and reactive maintenance events. In

addition, costs are allocated from support departments to cover the costs of Labour Burden, Material and Vehicles.

Metering

WNP owns and maintains approximately 3,731 meters installed on its customers' premises for the purpose of measuring energy consumption of electricity for billing purposes. Meters vary in type by customer and include meters capable of measuring kWh consumption, kW demand and kVA, as well as hourly interval data. WNP invoices its customers monthly, on a calendar billing cycle.

Wholesale Metering

WNP receives its power from HONI by two 44kV subtransmission feeders and an 8.3kV distribution feeder. The three feeders are metered at the borders of Arthur (44kV), Mount Forest (44kV) and Holstein (8.3kV).

Retail Metering

WNP uses Elster meters across its service territory and has contractual agreements with:

- Rodan Energy Solutions as WNP's Meter Services Provider (MSP);
- Savage Data Systems for Operational Data Store (ODS) which involves the validation, estimation and editing (VEE) of metered data;
- UtiliSmart as WNP's appointed Advanced Metering Infrastructure (AMI) Operator and;
- UtiliSmart for settlement services and web presentment of Wholesale, Retail, Embedded Generation interval data.

All direct labour, vehicles and material related to metering activities is charged to metering.

Distribution Sub-Stations and Protection and Control

Wellington North Power owns and operates six (6) municipal substations throughout its service territory. Substation inspections are performed on a monthly basis to identify any potential issues such as excessive vegetation growth, leaks or other signs of damage or unsafe conditions. In addition to the monthly inspections, each substation is schedule for full shutdown

and maintenance every three years. Electrical testing and oil analysis is performed by a third party firm specializing in substation maintenance.

Asset Management

Wellington North Power uses a GSI system to store and maintain asset data including information obtained through system patrols. In addition, the company also receives information from local residents and business owners who contact the company to report items that they have noticed, such as a damaged hydro pole. Such observations are usually received by a telephone call or e-mail which a Customer Service Representative (CSR) will create a work order for the Operations team who will then visit the location to assess the situation.

During patrols, maintenance activities and inspections, should a lineman identify a damaged asset, they note the location and asset identification (e.g. pole or transformer asset number) and liaise with the Operations Technician. The Operations Technician will find the particular asset in the GIS system and retrieve the data (i.e. age, date last inspected) and collectively the Operations Technician, Chief Operating Officer and Lead-Hand determine whether the asset needs to be replaced (or can it be monitored), and if so, when considering the following factors:

a) Safety – is there any risk to the public or workers (e.g. could a damage pole break and fall);
b) Reliability and maintenance history – has the asset shown signs of deterioration or poor performance and is this degrading;
c) Obsolescence – is the asset dated and been replaced with a "better" product? For example replacing porcelain insulators with polymer insulators.
d) Cost versus benefit – is the asset already scheduled for replacement and included within WNP's CapEx plan? For example, a damaged pole may be repaired as a short-term fix because the pole is part of a pole-line replacement project that has already been planned.

The Operations team maintains a list of assets that are being monitored for performance degradation. It is the responsibility of the Chief Operating Officer to add asset replacement projects to the company's CapEx plan.

Overhead / Underground Lines Operation and Maintenance

Maintenance work performed outside of the capital budget accounts is captured through the operating and maintenance accounts. This work can be either planned or unplanned. Maintenance and operating budgets are typically prepared based on historical values.

Regular system patrols identify potential problems allowing preparation and planning of repairs thereby minimizing or mitigating any impact to customers.

Operation and Engineering for Construction Services

This program involves connection requests from builders and developers for the design of distribution system capital projects, collection, analysis and allocation of materials, system planning, project planning and coordination and management of the distribution system design. It is also responsible for overall coordination of construction activities to enhance, modify and renew the distribution system in accordance to the capital plan.

Distribution Transformers

The distribution system consists of pad mount and pole mount transformers of applicable primary and secondary voltages and sizes. The majority of the transformers are 50kVA servicing a largely residential customer base.

WNP records all relevant information on its transformers at time of installation and stores the information in its GIS system. The data recorded includes but not limited to mount type, size, age, voltage, condition, and location. Historically not all data was recorded however all data is currently being captured in new construction or replacements.

Transformer Inspection

WNP visually inspects transformers during system patrols. In addition to visual inspection WNP covers all of its transformers in its annual infra-red inspections. These inspections look for hot spots on transformers and their primary/secondary connections.

The inspection of transformers includes:

Polemount Transformers:

- Paint condition and corrosion
- Phase indicators and unit numbers match operating map
- Leaking oil
- Flashed or cracked insulators
- Contamination/discolouration of bushings
- Ground lead attachments
- Damaged disconnect switches or lightning arresters

- Ground wire on arresters unattached

Padmount Transformers:

- Paint condition and corrosion
- Placement on pad or vault
- Check for lock and penta bolt in place or damage
- Grading changes
- Access changes (Shrubs, trees etc.)
- Phase indicators and unit numbers match operating map (where used)
- Leaking oil
- Lid Damage, missing bolts, cabinet damage
- Cable connections
- Ground connections
- Nomenclature
- Animal nests/damage
- General Condition

Transformer Maintenance

WNP performs maintenance on any transformers which are identified by either visual or infra-red inspection as needing work. This work may include replacement of connections if found to be hot, painting or replacement of unit if leaking.

Vegetation Management (Tree Trimming)

Vegetation and Right of Way control is required under the Minimum Inspection Requirements of the Distribution System Code and good utility practice. WNP has a relatively heavy mature tree cover where overhead hydro lines are in the proximity to trees. Tree contact with energized lines can cause the following:

- Interruption of power due to short circuit to ground or between phases;
- Damage to conductors, hardware and poles;
- Danger to persons and property within the vicinity due to falling conductors, hardware, poles and trees; and
- Danger of electric shock potential from electricity energizing vegetation

  Care must be taken to balance the requirements of customers and stakeholders and safe and reliable operation of the distribution system.

Line-clearing inspections have been incorporated into the other inspection programs included in this plan and additional checks are performed by work crews in the area in which regular work is

performed. Depending on the size, shape and growth pattern of each tree species, the tree trimmers remove sufficient material from the tree to limit the possibility of contact during high wind situations. This work is primarily carried out by WNP employees, but contractors may be hired, based on cost and availability of resources.

Examples of WNP performing line clearance and vegetation inspections include, but not limited to:

- Monthly substation patrols at each of WNP's with visual inspection looking for vegetation and growth interference (line or fence clearance); and
- In accordance with the WNP Procedures, annual line patrols including a visual inspection of conductors looking for leaning or broken "danger" trees; growth into line due to "climbing" plants; compromised accessibility; vines or bush growth interference (line clearance) or bird or animal nests

Since 2012 to date, WNP has increased the amount of resources committed to line-clearing and vegetation control. WNP adheres to the ESA requirements for tree trimming using EUSA utility best practices. WNP does not perform tree removals. Townships are notified if there is a concern with a particular tree and the Township is involved in any decision regarding tree removal. The major ice storms of April 2013 and December 2013 that affected the WNP's service area could have been far worse (i.e. longer power outages due to fallen trees or tree debris) if WNP had not increased its line-clearing activities.

Poles Towers and Fixtures

The WNP overhead distribution system is supported by primarily wood type poles. These poles are divided throughout the towns of Arthur, Holstein and Mount Forest. Historically, prior to the use of GIS, little pole information was recorded or maintained. In 2011, Rodan Energy Solutions was contracted to complete an Asset Management Plan and Strategy including inventory which forms the basis of WNP pole management.

System patrols, schedule pole inspections, age as well as local and regional planning activities are inputs to the pole replacement strategy forming Wellington North Power's capital plan and further detailed in the DSP Plan submitted with this rate application.

Fleet Costs

WNP owns and operates a fleet of six vehicles. In addition to meeting legislated requirements, fleet management and operations are geared to minimizing vehicle down time so that there are no inappropriate delays to dispatching a trouble crew to restore service and to maintain vehicle reliability and safety.

WNP maintains and operates the following fleet of vehicles and rolling stock. The fleet is comprised of:

- Pick-up Trucks **(3)**
- Single Bucket Truck **(1)**
- Double Bucket Truck **(1)**
- Radial Boom Derrick (RBD) **(1)**
- Pole Trailer **(1)**

All of which have an established replacement cycle that can be adjusted depending on the particular condition and duty of the individual vehicle. Replacements are reviewed annually and are accommodated within WNP's capital budgeting process.

Health and Safety

Wellington North Power complies with the Occupational Health and Safety Act and Regulation for Construction Projects "the Green Book" as well as follows the EUSA rule book and Utility Best Practices. In addition, Wellington North Power has a Joint Health and Safety Committee who meet regularly.

Staff regularly attends various health and safety training events as well as completing mandated training.

WNP takes great pride in the fact that WNP has been 25 years plus without lost time due to injury. As per the WNP's 2014 Scorecard regarding Operational Effectiveness – Safety with reference to "Component C – **Serious Electrical Incident Index:"** during 2014, Wellington North Power Inc. had zero fatalities and zero serious incidents within its operating service area of the urban areas of Mount Forest, Arthur and Holstein. (Component "C" consists of the number of serious electrical incidents, including fatalities, which occur within a utility's territory.)

WNP will continue its commitment to safety to protect the public and employees within the community it services.

Executive, Financial, Legal, Professional and Insurance Services

The program includes costs such as legal and administrative costs incurred annually as part of the utility's business operations. These costs also include general accounting and audit costs. This program covers preparation of statutory, management and financial reporting; accounts payable and general accounting; treasury functions, including borrowing and cash management; financial risk management; accounting systems and internal control processes; preparation of consolidated budgets and forecasts; and tax compliance. The executive team is responsible for the decision making for all financial and non- financial aspects of the utility. This program also covers professional costs associated with Regulatory Affairs. In Quarter 4 of 2014 WNP hired an independent third party to review WNP's deferral and variance account balances to assist with the forthcoming rate application, as well as provide training to a new staff member.

Post - Employment Costs

The cost of post-employment benefits is actuarially determined using the projected benefit method prorated based on existing employee data with assumptions that reflect management's best estimates.

Collins Barrow completed an Actuarial Valuation Report on February 4, 2015 that detailed the benefit expense for fiscal 2014 and plan obligation under CICA 3461. At December 31 2014, The Prepaid Benefit Liability was $142,040 and the 2014 increase in the unamortized actuarial loss included as part of the overall liability was $2,717. A copy of the actuarial valuation report is provided in Appendix 4H.

Collins Barrow also estimated the benefit expense and plan obligation on the basis of IFRS IAS 19 as of December 31, 2014 and extrapolated the results for the 2015 Bridge Year and 2016 Test Year.

Collins Barrow stated in their correspondence that the calculations conform to the standards set out in the amendments to International Accounting Standard 19 (Employee Benefits) issued June 2012, but note that significant changes to the benefit costs or employee demographics in

2015 or 2105 would require a full actuarial review. Since significant changes are not expected the estimates will be used as part of our application to estimate costs for the bridge and test years under MIFRS.

Under IAS 19, the deferral and amortization of actuarial gains/losses has been eliminated. WNP budgeted to recognize this adjustment to a future obligation as an expense through OM&A and this application presents the data from that perspective. This increase in cost is also accounted for in WNP`s PILs calculations. Please refer to Appendix 4I.

WNP recognizes that under IFRS, all re-measurements which would include actuarial gains and losses would go through Other Comprehensive Income in 2015. For historical comparability and consistency with past rate setting processes WNP has included the future re-measurements of the Post-Retirement Benefits Liability in OM&A as shown in Table 4-10 below.

Table 4-9: Post-Retirement Benefits Liability

	2014	2015	2016
Evaluation Method	**CICA 3461**	**IAS 19**	**IAS19**
Accrued Benefit Obligation December 31 (prev yr)		142,040	
IFRS - IAS 19 - Adjustment		32,043	
Accrued Benefit Obligation as atJanuary 1	139,323	174,083	176,304
Change in Liability Account	2,717	2,221	568
Accrued Benefit Obligation December 31	142,040	176,304	176,872
Total Change in Liability Account	**2,717**	**34,264**	**568**

Procurement and Materials Management

Materials and equipment used in the construction and maintenance of the distribution system are stored in the WNP stockroom/warehouse or in the yard. All costs associated with receiving shipments, tracking inventory, and issuing materials to line crews contribute to this account. Inventory is maintained to facilitate repairs.

Office Buildings & Security Costs

Wellington North Power's main office with two small storage barns is located in Mount Forest with a secondary garage structure located in Arthur where the double bucket and a pickup are stored for fast response in the Arthur area. The main office building is secured through manual keyed locks as well as a monitored alarm system. The yard is fenced, gated and locked after normal business hours.

Building maintenance is completed internally or through subcontracts for items such as HVAC, lawn care, etc.

IT, Software and Telecommunications

Information Systems Strategy - WNP's Information Systems expenditures ensure business goals are aligned to technological solutions. These expenditures include data security, hardware, network infrastructure, switches, servers, equipment, workstations, laptops, printers, projectors, telephone and telecommunications, software, including licensing and web based solutions. Ensuring business needs are met, including resiliency and redundant integration and secure solutions have been put in place, to safeguard business continuity and sustainability.

Information Systems Five Year Plan (2016-2020): Technical solutions address redundancy, business continuity and security. WNP's Information Technology capital expenditures will ensure improved business continuity and redundancy to meet customer needs. There are four areas for IS Capital Budget expenditures:

a) Hardware;
b) Software;
c) Network; and
d) Communication.

The requirements within each of these areas allow for the continued resiliency in the company's systems:

(i) Effective and efficient business processes;
(ii) Support of risk and compliance management;
(iii) Network reliability and security; and
(iv) Continued business continuity and ongoing update and testing of disaster recovery abilities

WNP ensures technical solutions contribute to meeting the Ontario Energy Board's established utility performance outcomes:

a) Customer Focus: Technical solutions are provided in a manner that responds to customer needs and preference – Access to consumption and usage information, account information, billing information and company contact information.

b) Operational Effectiveness: Continuous improvement in the delivery of safe reliable electricity to customers
c) Public Policy Responsiveness: Current and future technical requirements are reviewed and solutions developed to meet all obligations mandated by the government.
d) Financial Performance: Financial viability is maintained; to ensure ongoing operational effectiveness

Planning of IS capital expenditures is based on establishing lifecycle of both hardware and software, annual IS capital project planning enables the company to leveraging new and existing information system technology. WNP's annual maintenance plan, ensure the latest software updates are installed and tested, before implementing in our production environment. The company maintains a test system for both the Customer Information System (CIS) and the Meter Data Management Repository (MDM/R).

Information Systems lifecycle encompasses investigation, requirement review and documentation, development, testing and procedural workflow, followed by end user acceptance testing and training of other staff members.

WNP's has included its' IS investment within its 5-year Capital Investment Plan (2016 to 2020) as part of its Distribution System Plan that has been filed with the Applicant's 2016 Cost of Service Rate application.

c) PUBLIC AND REGULATORY RESPONSIVENESS

Regulatory and Compliance

This program includes all costs incurred by WNP while complying with the OEB's evolving and changing regulatory framework. The workload in this program has increased over the last little while due to provincial policy initiatives that have been introduced. Some of the new policies are listed below;

- Scorecard benchmarking
- Regional planning
- LEAP
- Mandatory conservation targets

- Increased regulatory requirements in the RRFE
- New customer service rules for low income
- Customer engagement requirements

Industry Membership Fees

WNP pays membership fees to specific companies to have the opportunity of being able to minimize cost through collaboration. WNP is a proud member of CHEC (Cornerstone Hydro Electric Concepts Inc.), EDA (Electricity Distributors Association), and USF (Utilities Standards Forum).

Ex.4/Tab 3/Sch.2 - Program Variance Analysis

The appendix below shows the year over year variances of OM&A programs for 2012 Board Approved to 2016 Test Year. A variance analysis of expenses exceeding the materiality threshold follows the table. WNP notes that prior to 2014, the programs presented in the table below were not in place. The utility carefully selected and adopted these programs based on a review of its OM&A activities. WNP is tracking and reporting on these programs; however there is an expectation that these programs may evolve and change over time or may need to be adjusted based upon feedback of this rate application.

OEB Appendix 2-JC – OM&A Programs Table

Programs	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year	Variance (Test Year vs. 2014 Actuals)	Variance (Test Year vs. Last Rebasing Year (2012 Board-Approved)
Reporting Basis								
Customer Focus								
Operational Effectiveness & Communication	$7,000	$7,772	$12,737	$18,807	$7,100	$7,000	-$11,807	$0
Customer Service, Mailing Costs, Billing	$125,000	$125,529	$154,690	$175,595	$189,082	$205,999	$30,404	$80,999
Customer Service Collections	$64,000	$61,917	$77,459	$65,553	$101,586	$104,811	$39,259	$40,811
Retailer Charges	$7,200	$6,980	$6,366	$6,059	$5,800	$5,600	-$459	-$1,600
Bad Debts	$14,000	$20,389	$19,954	$17,410	$19,000	$20,000	$2,590	$6,000
Service Locates	$30,000	$26,353	$32,430	$41,705	$41,000	$41,000	-$705	$11,000
Sub-Total	**247,200**	**248,940**	**303,635**	**325,129**	**363,567**	**384,410**	**59,281**	**137,210**
Operational Effectiveness								
Meters Maintenance & Reading	$140,300	$249,327	$186,453	$166,278	$184,381	$188,092	$21,815	$47,792
Distribution sub-stations and protection and control	$48,000	$45,547	$52,326	$67,307	$40,000	$40,500	-$26,807	-$7,500
Asset management & maintenance department	$82,000	$83,712	$49,468	$26,861	$63,400	$64,480	$37,620	-$17,520
Overhead	$60,000	$58,364	$93,643	$75,733	$69,838	$71,500	-$4,233	$11,500
Underground Lines	$3,000	$3,582	$4,315	$7,138	$9,800	$9,600	$2,462	$6,600
Operations & engineering ,Inspection drafting & design construction services	$156,000	$158,738	$147,820	$126,413	$176,400	$181,000	$54,587	$25,000
Line Clearing (Tree Trimming)	$83,000	$81,340	$62,897	$77,336	$77,500	$79,500	$2,164	-$3,500
Underground conduit/conductors/services	$2,000	$1,384	$9,877	$9,028	$5,980	$5,500	-$3,528	$3,500
Poles Towers & Fixtures	$8,000	$7,406	$6,374	$5,146	$7,600	$7,500	$2,354	-$500
Health & Safety Costs	$10,000	$10,891	$14,909	$14,945	$13,500	$15,200	$255	$5,200
Executive, Financial , Legal, Professional and Insurance Services	$405,000	$407,303	$627,048	$602,405	$461,799	$493,088	-$109,317	$88,088
Post employment costs	$11,500	$12,570	$14,402	$2,717	$34,300	$568	-$2,149	-$10,932
Office building & security costs	$25,000	$22,077	$28,619	$29,243	$32,144	$34,762	$5,519	$9,762
IT, software, telecommunications	$29,000	$30,900	$33,660	$27,114	$29,475	$30,360	$3,246	$1,360
							0	0
Sub-Total	**1,062,800**	**1,173,140**	**1,331,812**	**1,237,664**	**1,206,117**	**1,221,651**	**-16,014**	**158,851**
Public and Regulatory Responsiveness								
Regulatory & Compliance	$160,000	$155,218	$75,762	$130,166	$150,600	$161,500	$31,335	$1,500
Industry Membership Fees	$30,000	$32,448	$32,876	$32,987	$29,716	$29,808	-$3,179	-$192
							0	0
Sub-Total	**190,000**	**187,666**	**108,638**	**163,153**	**180,316**	**191,308**	**28,155**	**1,308**
Program Name #4								
							0	0
							0	0
Sub-Total	0	0	0	0	0	0	0	0
Program Name #5								
							0	0
							0	0
Sub-Total	0	0	0	0	0	0	0	0
Miscellaneous							0	0
Total	**1,500,000**	**1,609,746**	**1,744,085**	**1,725,946**	**1,750,000**	**1,797,369**	**71,423**	**297,369**

In WNP's last rate application (EB-2011-0249), WNP received approval for an envelope OM&A budget of $1,500,000 per year (excluding property taxes at $12,006), commencing 2012. In the table above, WNP has illustrated the Board's Approved budget by the programs.

The table below illustrates the variances by OM&A programs year-over-year from the 2012 Board Approved amounts through to the 2016 Test Year.

Table 4.10: OM&A Programs Variances

Programs	2012-2012 Variance	2012-2013 Variance	2013-2014 Variance	2014-2015 Variance	2015-2016 Variance
Customer Focus					
Operational Effectiveness & Communication	$772	$4,965	$6,070	($11,707)	($100)
Customer Service, Mailing Costs, Billing	$529	$29,160	$20,905	$13,487	$16,917
Customer Service Collections	($2,083)	$15,542	($11,907)	$36,033	$3,225
Retailer Charges	($220)	($614)	($307)	($259)	($200)
Bad Debts	$6,389	($436)	($2,543)	$1,590	$1,000
Service Locates	($3,647)	$6,077	$9,275	($705)	$0
Sub-Total	**$1,740**	**$54,695**	**$21,494**	**$38,439**	**$20,843**
Operational Effectiveness					
Meters Maintenance & Reading	$109,027	($62,873)	($20,175)	$18,103	$3,711
Distribution sub-stations and protection and control	($2,453)	$6,780	$14,981	($27,307)	$500
Asset management & maintenance department	$1,712	($34,244)	($22,607)	$36,539	$1,081
Overhead	($1,636)	$35,279	($17,910)	($5,895)	$1,662
Underground Lines	$582	$733	$2,822	$2,662	($200)
Operations & engineering ,Inspection drafting & design construction services	$2,738	($10,918)	($21,407)	$49,987	$4,600
Line Clearing (Tree Trimming)	($1,660)	($18,442)	$14,439	$164	$2,000
Underground conduit/conductors/services	($616)	$8,493	($849)	($3,048)	($480)
Poles Towers & Fixtures	($594)	($1,032)	($1,228)	$2,454	($100)
Health & Safety Costs	$891	$4,017	$36	($1,445)	$1,700
Executive, Financial , Legal, Professional and Insurance Services	$2,303	$219,745	($24,643)	($140,606)	$31,289
Post employment costs	$1,070	$1,832	($11,685)	$31,583	($33,732)
Office building & security costs	($2,923)	$6,541	$625	$2,901	$2,618
IT, software, telecommunications	$1,900	$2,760	($6,546)	$2,361	$885
Sub-Total	**$110,340**	**$158,672**	**($94,147)**	**($31,548)**	**$15,534**
Public and Regulatory Responsiveness					
Regulatory & Compliance	($4,782)	($79,456)	$54,403	$20,434	$10,900
Industry Membership Fees	$2,448	$427	$112	($3,272)	$92
Sub-Total	**($2,334)**	**($79,028)**	**$54,515**	**$17,163**	**$10,992**
TOTAL OM&A Variance	**$109,746**	**$134,339**	**($18,139)**	**$24,054**	**$47,368**

2012-2016 Variances

Below is a summary of the variances exceeding the materiality threshold of $25,000.

Customer Focus

Customer Service, Mailing Costs, Billing;

2016 Test Year vs. 2014 Actual – Increase of $30,404

- WNP had an increase in labour costs resulting from the Employee Working Agreement pay increase by $10,000, along with the 2015 Organizational Restructure of $5,000.
- Increases from third party vendors for yearly support of WNP's billing system, along with system upgrades increased by $8,000, this is an uncontrollable cost.

2016 Test Year vs. 2012 Board Approved – Increase of $80,999

- WNP has had an increase in labour costs and subsequent burdens from the Employee Working Agreement increases between 2012 and 2016. The utility has also included an estimated increase amount in labour due to the addition of mandatory programs affecting the bill based on the assumption that customers will be contacting us with questions regarding the programs.
- WNP's mailing costs have increased by $15,000 caused by the increase in the postage rates by Canada Post. These costs are uncontrollable costs.
- Yearly increases in billing production including the cost of paper, cost of envelopes, additional of customers causing more bills to go out, all contributed to the increases in this program. WNP continues to try and control costs by shopping around for the same products and also trying to purchase when such items are on sale.

Customer Service Collections;

2016 Test Year vs. 2014 Actual – Increase of $39,259

- WNP had an increase in labour costs resulting from the Employee Working Agreement pay increase by $10,000, along with the 2015 Organizational Restructure of $6,000.
- WNP does not outsource its collections activity and collection activities are on the rise causing the utility to put more time and effort into collecting payments from customers. With the implementation of separate requirements for handling low-income customers (in through LEAP activities) as well as the proposed requirements under the Ontario Electricity Support Program (OESP - from January 1, 2015), it is WNP's opinion that more resource (time) will be required from the Collections Department to service low-income customers and bad debt will continue to increase. To be able to control bad debts WNP considering this increase uncontrollable.

2016 Test Year vs. 2012 Board Approved – Increase of $40,811

- WNP does not outsource its collections activity and collection activities are on the rise. With the implementation of separate requirements for handling low-income customers (in through LEAP activities) as well as the proposed requirements under the Ontario Electricity Support Program (OESP - from January 1, 2015), it is WNP's opinion that more resource (time) will be required from the Collections Department to service low-income customers and bad debt will continue to increase.

Operational Effectiveness

Meters Maintenance & Reading;

2016 Test Year vs. 2012 Board Approved – Increase of $47,792

- WNP had an increase in labour costs resulting from the Employee Working Agreement pay increase along with an increase from the 2015 Organizational Restructure.

Distribution sub-stations, protection and control;

2016 Test Year vs. 2014 Actuals – Decrease of $26,807

- In 2014 WNP hired a third party to complete a detailed study on the conditions all of its sub-stations. This is not a yearly cost and therefore caused a decrease in this program when compared to the Test Year.

Asset Management & Maintenance Department;

2016 Test Year vs. 2014 Actuals – Increase of $37,620

- As a consequence of WNP organizational restructure in 2015, the utility moved half of one its employees to Operations causing an increase in annual labour by approx. $25,000.

Operations & Engineering, inspection, drafting & design;

2016 Test Year vs. 2014 Actuals – Increase of $54,587

- The cost in this program for 2014 was unusually low due to the fact that WNP's Manager of Operations resigned and the job was vacant for 3 months. The Bridge Year and Test Year are more realistic based on the job being filled, along with an increase from the 2015 Organizational Restructure.

Executive, Financial, Legal, Professional and Insurance Services;

2016 Test Year vs. 2014 Actuals – Decrease of $109,317

- When the CEO/President retired at the end of March 2015, there was an organizational restructure. As described above, WNP Board of Directors believed that this was an opportunity to promote from within the company and restructure rather than hiring an external person to replace the CEO / President. This restructure resulted in changes in employees' responsibilities and a review of pay grades. Job descriptions were revised to reflect accountabilities and responsibilities of each position within the restructure. WNP hired a 3rd party consultant to assist WNP's Board of Directors to review and benchmark the revised Job Descriptions as well as complete an equity review assessing all job positions within the company. (This report is included in Appendix 4G.) However, it should be noted that even with these changes in the wages and associated benefits as a result of the restructure, there was a net decrease. This is because the CEO/President retired and the associated wages/benefits with this position were higher than the actual change in the employee costs from the organizational restructure.

2016 Test Year vs. 2012 Board Approved – Increase of $88,088

- WNP insurance costs have been consistently increasing by $4,000 every year, this is an uncontrollable cost.
- WNP anticipates uncontrollable increases in insurance and "new" monthly financing loan repayments of approx. $5,700 per month for a major capital project planned in 2016.

(The major capital investment project in 2016 is the construction of a 2nd feeder with an estimated cost of $1,269,750 which WNP will finance through a long-term loan with approximate loan repayments of $47,400 over 30 years at a rate of 3.95% (rates and payments are to be confirmed in April 2016). As discussed in WNP's 2016 Distribution

System Plan, WNP are seeking Board approval to build a 2nd feeder line to one of its service territories (the Town of Mount Forest) and recover construction costs through WNP's distribution rates. Currently, there is only one feeder to this area which is at its demand capacity and has been affected by reliability in recent years. This project is in conjunction with Hydro One.)

Public and Regulatory Responsiveness

Regulatory & Compliance;

2016 Test Year vs. 2014 Actuals – Increase of $31,335

- These are the forecasted operating expenses that WNP have projected to be incurred in 2016 for the 2016 Cost of Service Rate Application that would not have existed in 2014. For example this will include; resources to respond to interrogatories prepare settlement proposal and review Draft Rate Order.

Ex.4/Tab 3/Sch.3 - Employee Compensation

Overview

WNP;s overall compensation philosophy for all employees is designed to be competitive and equitable in order to attract and retain qualified personnel in an industry that is facing an aging workforce and is very competitive for skilled resources. The compensation package includes a base wage and benefits package. WNP's workforce is comprised of only non-unionized employees.

Staffing and Compensation

The number of employees is based on the computation of the number of full-time equivalent (FTE) positions throughout each of the years. A position that was added in a particular calendar year is counted as a portion of an FTE in that calendar year based on the start date of the position.

The salaries and wages amounts include all salaries and wages paid, inclusive of overtime, vacations, holidays, sick leave, bereavement leave, The benefits amount include the employer's portion of statutory benefits (CPP, EI and EHT), employer contributions to OMERS and WSIB and WNP's costs for providing extended health care, dental, long-term disability and life insurance for its employees.

OEB Appendix 2-K presented below details WNP's employee compensation.

OEB Appendix 2-K – Employee Compensation

	Last Rebasing Year - 2012-Board Approved	Last Rebasing Year - 2012-Actual	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Number of Employees (FTEs including Part-Time)[1]						
Management (including executive)	4.0	4.0	3.0	3.0	4.0	4.0
Non-Management (union and non-union)	9.5	8.0	10.0	10.0	9.0	9.0
Total	13.5	12.0	13.0	13.0	13.0	13.0
Total Salary and Wages including ovetime and incentive pay						
Management (including executive)	467,885	439,768	314,113	334,197	436,775	392,599
Non-Management (union and non-union)	492,255	454,229	639,070	663,677	613,117	658,101
Total	$ 960,140	$ 893,997	$ 953,183	$ 997,874	$ 1,049,892	$ 1,050,699
Total Benefits (Current + Accrued)						
Management (including executive)	23,565	101,131	72,119	74,035	104,751	109,085
Non-Management (union and non-union)	21,301	113,584	158,457	171,880	157,552	165,015
Total	$ 44,866	$ 214,715	$ 230,576	$ 245,915	$ 262,303	$ 274,100
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	$ 491,450	$ 540,899	$ 386,232	$ 408,232	$ 541,526	$ 501,684
Non-Management (union and non-union)	$ 513,556	-$ 567,813	$ 797,527	$ 835,557	$ 770,669	$ 823,116
Total	$ 1,005,006	$ 1,108,712	$ 1,183,759	$ 1,243,789	$ 1,312,195	$ 1,324,799

Please note in the above table the calculation used for the 2012 Rebasing only included the estimated amount for the extended health care, dental, long-term disability and life insurance. Causing the 2012 actuals to have an increase.

Compensation – Union

WNP is a Non-Union company.

Compensation

WNP is a Non-Union company. Employees' compensation levels are reviewed by the company's CAO and the Board of Directors. The change in compensation paid to employees in non-management and management positions are attributable to cost of living increase and a provision for benefit coverage. A percentage of the staff's annual salary is invested in a pension plan. WNP is bound by an "Employee Working Agreement" representing the interests of both administrative (inside) and trade (linemen) employees. The utility negotiated a 3 year Employee Working Agreement in place January 1, 2014. Wage increases were negotiated at 2.5% in year 1, 2.5% in year 2 and 2.5% in year 3.

WNP hired an impartial third party in 2015 to complete a full equity review on all job positions and compare ("benchmark") the hourly wage rates to other LDC's, to ensure that the utility is fairly compensating its employees for their expertise and dedication. The third party provided a concise report with recommendations of adjusting the hourly rates for inside employees to account for the increased responsibility of duties and also to reflect the current market rates. (No changes were made to the linemen's hourly rates.) Please refer to Appendix 4G for a copy of the report. This information from this was reviewed in February 2015 by the Board of Directors and approved, with new hourly rates being implemented with effect from January 1st 2015.

Benefit Program Costs

A detailed summary of benefit program costs are presented below in Table 4.11.

Table 4.11: Benefit Expenses

Benefit	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year
Statutory					
CPP	26,734	30,139	32,677	35,400	35,900
EI	13,872	16,197	17,542	18,014	18,500
EHT	11,102	12,400	12,871	13,000	13,500
WSIB	8,323	9,182	9,600	10,427	11,000
Total Statutory	**60,031**	**67,918**	**72,689**	**76,841**	**78,900**
Company					
OMERS	82,816	88,596	94,442	104,200	112,200
Health & Life Insurance	71,867	74,062	78,784	81,262	83,000
Total Company	**154,683**	**162,658**	**173,226**	**185,462**	**195,200**
Total Benefit Costs	**214,715**	**230,576**	**245,915**	**262,303**	**274,100**

Statutory deductions have increased 31% between 2012 and 2016 Test Year as a result of 1 new employee along with rate increases, wage and progression increases and the Organizational Restructure.

Total company benefits have increase 26% over the same time frame. Majority of this increase is attributed to the OMERS increases with a small portion going to the Health & Life Insurance benefits due to the rate increases, wage and progression increases and the Organizational Restructure.

Pension

The employees of all LDCs participate in the OMERS retirement plan. Therefore, the pension benefits provided to the employees of WNP are consistent with the pension benefits provided to employees of other LDCs. Pension contributions have increased due to the 2009 economic downturn that caused a funding deficit in OMERS. Because of this, OMERS has increased contributions for both employee and employer portion. Please see the table below for a summary.

Table 4.12*:* OMERS Rate Increases (2012 to 2016)

Year	Maximum Pension Earnings	Rate for Normal Retirement Age of 65 up to Maximum	Rate for over Yearly Maximum Pension Earnings
2012	50,100	8.3%	12.8%
2013	51,100	9.0%	14.6%
2014	52,500	9.0%	14.6%
2015 Bridge Year	53,600	9.0%	14.6%
2016 Test Year	546,000	9.0%	14.6%

Benefits

A comprehensive and competitive benefits package exists which includes health and dental insurance, life insurance, long-term disability vacation and leave policies. The plans are designed to address the health and well-being of employees.

Employee Staffing Levels

As explained in the description of the Corporate Organization in Exhibit 1 / Tab 5 / Schedule 5, WNP has 13 full time employees:

- A Chief Administrative Officer (CAO);
- A Chief Operating Officer (COO);
- A Field Lead-hand;
- 3 Linesmen;
- An Operations Technician;
- A Finance/Regulatory Supervisor
- A Financial Analyst;
- A Customer Service Supervisor
- An Admin/Finance Assistant;
- A Customer Service & Collections Representative; and
- An Administration Support Representative.

Changes in Staff Levels

WNP's President/CEO retired on March 31st 2015. As part of the company's succession planning process, the President/CEO and the Board of Directors reviewed the structure of the company and collectively agreed to restructure the organization as opposed to hiring an external person to the role of President/CEO.

The restructure involved creating four new positions in the company:

1) The accountabilities and responsibilities of the CEO/President were to be shared between the newly created positions of Chief Administrative Officer (CAO) and Chief Operating Officer (COO).
2) Two Supervisor positions were created - a Customer Service Supervisor and a Finance/Regulatory Supervisor.
3) The creation of these new positions resulted in the removal of the following roles;
    - Manager of Operations;
    - Regulatory & Admin Manager;
    - Finance Analyst; and
    - Senior Customer Service Representative.

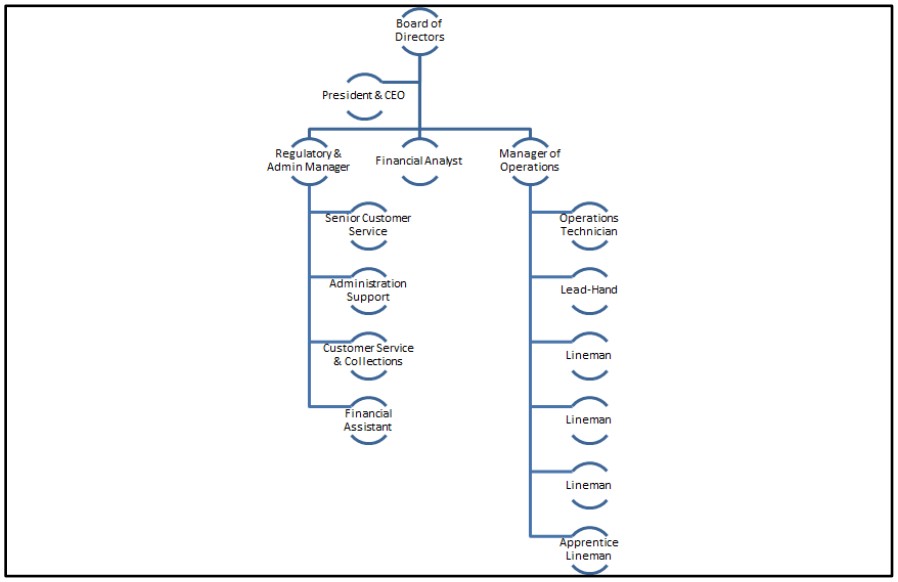
The table below shows the headcount change between 2012 and 2015, including projections for 2016 based on the number of months worked and reflecting the company restructure in 2015.

Table 4.13*:* Headcount (number of months worked per year)

Description	2012	2013	2014	2015	2016
CEO / President	12	12	12	8	
Manager of Operations #1	12	12	5	0	
Manager of Operations #2	0	0	4	4	
Chief Operating Officer				8	12
Regulatory Manager	12	12	12		
Chief Administrative Officer				12	12
Customer Service #1	12	12	12		
Customer Service Supervisor				12	12
Finance Manager #1	12	1	5	0	0
Finance **(Contract Position during Maternity leave)**	0.5	11	0	0	0
Finance Manager #2	0	0	7		
Finance/Regulatory Supervisor				12	12
Lineman #1	12	12	12	12	12
Operations Lead Hand	12	12	12	12	12
Technician Manager	11	0	0	0	0
Lineman #2	12	12	12	12	12
Lineman #3	0	0	8	6	0
Lineman #4	0	0	0	4	12
Technician	0	11.5	12	12	12
Customer Service - Contract part time	1	0	0	0	0
Customer Service / Finance	12	12	12	12	12
Customer Service #2	12	12	0.5	0	0
Customer Service #3	8	0	0	0	0
Customer Service #4	4	12	12	12	12
Customer Service #5	0	0	9	12	12
Customer Service #6	0	0	0	9	12

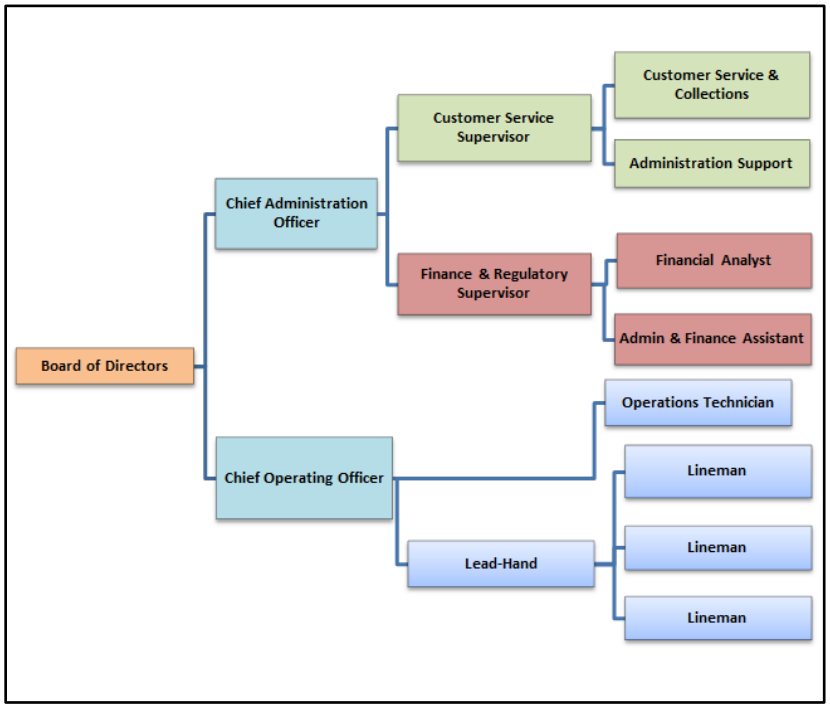
The organagram (organizational diagram) below illustrates the structure before the retirement of the CEO/President.

Table 4.14: Previous Company Structure (effective to December 31st 2014)



The organagram below reflects the positions following the company's organizational restructure;

Table 4.15: WNP's Current Structure (effective January 1st 2015)



Ex.4/Tab 3/Sch.4 - Shared Services of Corporate Cost Allocation

Wellington North Power Inc. is not an affiliated company and therefore does not provide or receive any services from an affiliate and therefore has no information for this section.

Ex.4/Tab 3/Sch.5 - Variance Analysis of Corporate Cost Allocation

WNP has no variances to report in this section.

Ex.4/Tab 3/Sch.6 - Purchases of Non-Affiliate Services

WNP purchases equipment, materials, and services in a cost effective manner with full consideration given to price as well as product quality, the ability to deliver on time, reliability, compliance with engineering specifications and quality of service. In making purchase decisions, WNP also considers the "total acquisition cost" (i.e. value for money) rather than the lowest bid, and this includes, but limited to such factors as repairs, staff training, compatibility, warranty, trade-in values, recycling and safe environmental disposal.

Vendors are screened to ensure knowledge, reputation, and the capability to meet WNP's needs. The procurement of goods and/or services for WNP is carried out with highest of ethical standards and consideration to the public nature of the expenditures. WNP has a Purchasing and Procurement Policy (Corporate Services Policy #13) that the company adheres to and a copy of this policy is contained in Appendix 4F.

All purchases of goods and services must be approved by the Board of Directors of WNP as presented in the annual Operating (OpEx) and Capital Investment (CapEx) budgets. Formal Board of Director's approval of the annual OpEx and CapEx budgets constitutes financial approval to proceed with the procurement process. Budget amendments, capital expenditures not yet approved in the budget or special expenditures must be supported by a Resolution signed by two (2) Board of Directors. The Resolution shall specify the purpose of the expenditure and the funding source.

When goods or services are tendered, a Tender/Request for Proposal or a Request for Quote will be issued to a minimum of three vendors, if availability permits. Once again, the CAO and the COO together with a Resolution from the Board of Directors shall authorize the acceptance of the proposals.

WNP's 2014 Vendor list over the materiality threshold of $50,000 is presented below on Table 4-16: Products and Services from Non Affiliates.

Table 4.16: Products and Services from Non Affiliates 2014

Supplier Name	Service Product	Annual Amount
Harris Computer Systems	CIS Maintenance	57,509
Utilismart Corporation	Settlement Provider	78,292

WNP's 2015 Vendor list is presented below in Table 4.17

Table 4.17: WNP Vendor List (2015)

Name	Activity	Process/ Department
AEGISYS 1468625 ONT LTD.	System Backup	Administration
AESI ACUMEN ENG SOLUTIONS	Engineering	Operations
AEUSP	Membership	Operations
AGO INDUSTRIES INC.	Safety Supplies/Training	Operations
ALEX WILSON SURVEYING INC	Consultant	Operations
ALTEC INDUSTRIES LTD.	Service	Operations
AMCTO THE MUNICIPAL EXPERTS	Consultant	Operations
ARTHUR CHAMBER OF COMMERC	Membership	Administration
ARTHUR CHRYSLER PLYMOUTH	Service	Operations
ARTHUR ENTERPRISE NEWS	Advertising	Administration
ARTHUR HOME HARDWARE	Shop Supplies	Operations
BARCON CONSULTING	Consultant	Administration
BDO CANADA LLP - ORANGEVILLE	Consultant	Administration
BEL VOLT SALES LTD.	Inventory	Operations
BELL CANADA - PHONES	Communications	Administration
BELL CANADA - POLE RENTALS	Communications	Administration
BELL MOBILITY	Communications	Administration
BELL MOBILITY PAGING	Communications	Administration
BLACK & MCDONALD LTD.	Engineering	Operations
BLUEWATER FIRE & SECURITY	Safety Supplies/Training	Operations
BOB HARRIS	Safety Supplies/Training	Operations
BORDEN LADNER GERVAIS LLP	Lawyer	Administration
BRENT D RAWN ELECTRIC	Service	Operations
BRIWARE SOLUTIONS INC	Service	Administration
BROADLINE EQUIP RENTAL	Service	Operations
BURLINGTON BUSINESS FORMS	Office Supplies	Administration
BURMAN ENERGY CONSULTANTS	Consultant	Administration
C.H.E.C	Membership	Administration
CABLE MASTER INC.	Inventory	Operations
CANADA POST CORPORATION	Service	Administration
CANADIAN PAYROLL ASSOC.	Membership	Administration
CANSEL SURVEY EQUIPMENT INC.	Shop Supplies	Operations
CENTRE WELLINGTON HYDRO	Inventory	Operations
CG POWER SYSTEMS USA INC	Inventory	Operations
CHAMBER OF COMMERCE	Membership	Administration
COMMERCIAL TRUCK EQUIPMENT CORP	Safety Supplies/Training	Operations
COMMUNITY RESOURCE CENTRE	Office Supplies	Administration
COOK'S GARAGE	Service	Operations
COSTELLO ASSOCIATES INC	Consultant	Operations
COTTON'S AUTO CARE CENTRE	Service	Operations
COUNCIL FOR CLEAN & RELIABLE ELECTRICITY	Office Supplies	Administration
COUNTRY CREATIONS	Office Supplies	Administration
COUNTY OF WELLINGTON	Office Supplies	Administration
D&R MACDONALD VARIETY	CDM	Administration
DAVID HAWKINS LINE SERVIC	Service	Operations
DEAN DELUCA	Shop Supplies	Administration
DEVERELL & LEMAICH LLP	Lawyer	Administration
DEWAR SERVICES	Service	Operations
DIRECT MOBILE WASH	Service	Operations
DM CONTRACTING	Office Supplies	Administration
EATON INDUSTRIES	Inventory	Operations
EDA UPPER CANADA DISTRICT MEETING	Membership	Administration
ELECTRIC POWER ACC. CORP.	Inventory	Operations
ELECTRICAL SAFETY AUTHORI	Membership	Administration
ELECTRICITY DIST. ASSOC.	Membership	Administration
ELSTER CANADIAN METER	Inventory	Operations
ENERGY PROBE RESEARCH	Intervenor	Administration
ERTH BUSINESS TECHNOLOGIES-Toronto	Retailer	Administration
ERTH HOLDINGS INC - Ingersoll	System Maintenance	Administration
ESRI CANADA LIMITED	Membership	Operations
EULER HERMES ACI	Insurance	Administration
EXCEL BUSINESS SYSTEMS	Office Supplies	Administration
EXTEND COMMUNICATIONS	Communications	Administration
FARMERS PLUS	Shop Supplies	Operations
FOSTER SEWER SERVICE	Service	Operations
FREY COMMUNICATIONS	IT Services	Administration
G&H SMALL ENGINE	Service	Operations
G&W CANADA CORP	Inventory	Administration
GEORGIAN BAY DIST - EDA	Membership	Administration
GFTEC CONTROLS	Inventory	Operations
GHC	System Maintenance	Administration
GORD DAVENPORTS AUTOMOTIV	Service	Operations
GREEN SAVER	CDM	Administration
GUELPH UTILITY POLE CO.	Inventory	Operations
HARRIS COMPUTER SYSTEMS	System Maintenance	Administration
HARRIS UTILITY USER GROUP	Membership	Administration
HD SUPPLY UTILITIES	Inventory	Operations
HORIZON ENERGY SOLUTIONS	Service	Operations
HURON GEOMATICS INC.	Consultant	Operations
HYDRO ONE	Cost of Power	Administration
IDEAL SUPPLY COMPANY LTD.	Shop Supplies	Operations
IMPULSE TECHNOLOGIES LTD	Consultant	Operations
IND. ELECTRIC MARKET OPER	Cost of Power	Administration
INFORMATION NETWORK SYSTE	Office Supplies	Administration
INFRARED THERMOGRAPHIC	Service	Operations
INFRASTRUCTURE HEALTH & SAFETY ASSOCIATION	Safety Supplies/Training	Administration
INTERNATIONAL TRADE	Office Supplies	Administration
J.J. MCLELLAN & SON	Service	Operations
JAMES MEYER	Service	Operations
JARDINE LLOYD THOMPSON CA	Insurance	Administration
JUBB UTILITY SUPPLY LTD	Inventory	Operations
KA FACTOR GROUP INC.	Inventory	Operations
KINECTRICS INC	Service	Operations
KPMG LLP	Consultant	Administration

Name	Activity	Process/ Department
LAKEPORT POWER	Inventory	Operations
LENOVO (CANADA) INC.	System Maintenance	Administration
LIGHTNING EQUIPMENT SALES	Inventory	Operations
LINEMAN'S TESTING	Safety Supplies/Training	Operations
LONGSTAFFE, JANE	Metering Reading	Administration
LORIS TECHNOLOGIES INC	System Maintenance	Administration
LOUGHRAN ELECTRIC	Service	Operations
LVM, A DIVISION OF ENGLOBE CORP	Inventory	Operations
MAC'S CONVENIENCE STORES	CDM	Administration
MARCC APPAREL & PROMOTION	CDM	Administration
MARTIN'S TLC	Shop Supplies	Operations
MCPHEE LAWN CARE	Shop Supplies	Operations
MEARIE EMPLOYEE BENEFITS	Benefits	Administration
MEARIE LIABILITY PREMIUM	Insurance	Administration
MEARIE MANAGEMENT INC	Safety Supplies/Training	Administration
METSCO ENERGY SOLUTIONS	Consulting	Operations
MICROAGE BASICS	Office Supplies	Administration
MIDLAND PUC	Membership	Administration
MIDWESTERN LINE-STRIPING	Service	Operations
MILLWORKS MFG. LTD.	Safety Supplies/Training	Operations
MILOR CLEANING SERVICES	Office Supplies	Administration
MINISTER OF FINANCE - PILS	Taxes	Administration
MINISTRY OF FINANCE - EHT	Payroll Remittance	Administration
MOOREFIELD MENNONITE CHURCH	CDM	Administration
MOUNT FOREST AG SOCIETY	CDM	Administration
MOUNT FOREST CONFEDERATE	Office Supplies	Administration
MOUNT FOREST LEGION	Office Supplies	Administration
MOUNT FOREST MOTORS LTD	Service	Operations
MOUNT FOREST RONA	Shop Supplies	Operations
MRC SYSTEMS	System Maintenance	Operations
MURRAY GROUP LIMITED, THE	Service	Operations
MUSASHI AUTO PARTS CANADA	CDM	Administration
NEBS BUSINESS FORMS LTD.	Office Supplies	Administration
NEOPOST	Office Supplies	Administration
NORAMCO ELECTRICAL	Inventory	Operations
NORTH WELLINGTON CO-OP	Shop Supplies	Operations
OFFICER'S AUTO CARE INC.	Service	Operations
OMERS, ONT MUNICIPAL EMP.	Payroll Remittance	Administration
ONT.ELECTRICITY FIN-DEBT RETIREMENT	Remittance	Administration
ONTARIO ENERGY BOARD	Membership	Administration
ONTARIO ONE CALL	Service	Operations
ORANGEVILLE HYDRO	Safety Supplies/Training	Administration
PACKETWORKS	Communications	Administration
PAYMENTUS (CANADA) CORP	Service	Administration
PETRO-CANADA SUPERPASS	Shop Supplies	Operations
PETTY CASH	Office Supplies	Administration
PLANVIEW UTILITY SERVICES LTD	Engineering	Operations
POSTAGE-ON-CALL 36327486	Office Supplies	Administration
PRINT ONE	Office Supplies	Administration
PUBLIC INTEREST ADVOCACY	Intervenor	Administration
PUROLATOR COURIER	Office Supplies	Administration
RANDY'S LOCK-SAFE & ALARM	Safety Supplies/Training	Operations
RECEIVER GENERAL (H.S.T.)	Remittance	Administration
RECEIVER GENERAL-PAYROLL	Payroll Remittance	Administration
RECORD TEL INC.	Communications	Administration
ROB SCHMIDT	Metering Reading	Administration
ROBERTS FARM EQUIPMENT	Service	Operations
RODAN ENERGY SOLUTIONS IN	Service	Operations
ROGERS WIRELESS	Communications	Administration
ROYAL CANADIAN LEGION LADIES AUXILIARY	Office Supplies	Administration
S&C ELECTRIC CANADA	Inventory	Operations
SAVAGE DATA SYSTEMS	Meter Reading	Operations
SCHNEIDER ELECTRIC CANADA	System Maintenance	Operations
SECURTEK-A SASKTEL COMPAN	System Maintenance	Operations
SHEPHERD UTILITY EQUIP.	Inventory	Operations
SIGN MATTERS	CDM	Operations
SIMUL CONSULTING CORP	Consultant	Administration
STAPLES/BUSINESS DEPOT	Office Supplies	Administration
STRESSCRETE LIMITED	Inventory	Operations
STUTZ BROWN & SELF	Lawyer	Administration
SUPERIOR TIRE SALE & SERV	Service	Operations
SUPREME MOBILE WASH	Service	Operations
TAYLOR-MADE ENTERPRISES INC.	Office Supplies	Administration
TD-VISA	Office Supplies	Administration
TERRY MCFARLANE	Office Supplies	Operations
THE SHREDDING STORE	Office Supplies	Administration
TSC STORES	Shop Supplies	Operations
TWP OF WELLINGTON NORTH	Water & Sewer	Administration
UK PRODUCTS CANADA	Inventory	Operations
UNION GAS LIMITED	Utilities	Operations
UNITED WAY OF BRUCE GREY	Office Supplies	Administration
UTIL-ASSIST	Service	Operations
UTILISMART CORPORATION	Service	Administration
UTILITIES STANDARDS FORUM	Membership	Operations
UTILITY FINANCIAL CONCEPT	Consultant	Administration
VANDERWOERD DRAFTING & DESIGN	Engineering	Operations
VINTEX INC.	CDM	Administration
WAVERUNNER COMMUNICATIONS	Inventory	Operations
WELLINGTON ADVERTISER	Advertising	Administration
WELLINGTON NORTH POWER	Utilities	Operations
WESTBURNE RUDDY ELECTRIC	Inventory	Operations
WIGHTMAN INTERNET	Communications	Administration
WORKER'S COMPENSATION BD.	Payroll Remittance	Administration
YOUNG UTILITY EQUIPMENT	Inventory	Operations
YOUNG'S HOME HDWRE BLDG	Shop Supplies	Operations

Ex.4/Tab 3/Sch.7 - One-time Costs

The only noteworthy one-time costs relate to the costs associated with 2016 Cost of Service application which are amortized over a period of 5 years. Regulatory costs are discussed at the next section.

Ex.4/Tab 3/Sch.8 - Regulatory Costs

Table 4.17 below shows WNP's regulatory costs for 2012 Board Approved rebasing year, 2015 Bridge Year and 2016 Test Year. All regulatory costs listed in this table are tracked in account 5655 – Regulatory Expenses. WNP uses sub-accounts to track OEB Assessments, Cost Awards from the OEB and the costs associated with WNP's rate applications (i.e.; annual IRM's filings and cost of service rate applications).

WNP wishes to comment on the following lines represented in Table 4.18:

a) Line 6 – "Consultants costs for regulatory matters": the historical costs for regulatory matters reflects the actual costs incurred during WNP's 2012 Cost of Service rate application, rather than the annual balance that was amortized over 4 years;

b) Line 10 – "Any other costs for regulatory matters": WNP has included the costs incurred in conducting surveys that are a requisite for WNP's Scorecard (as introduced by the Board as part of the Renewed Regulatory Framework initiative to measure the performance of four outcomes including customer focus.) As per the Board's report "Performance Measurement for Electricity Distributors: A Scorecard Approach" (EB-2010-0379) issued March 5, 2014, section 3.1.2, Board staff recommend all distributors survey customers for their level of satisfaction and will follow good survey practices. In order to meet requirements, WNP utilized a 3rd party company to conduct a telephone survey to measure customer satisfaction in 2014.

   Board's expectation is survey results are to be reported on a biennial basis. To meet this requirement, WNP is planning to conduct a customer satisfaction survey in 2016 using a 3rd party. This will involve a 3rd party to work with WNP staff to develop a web-based survey tool, prepare questions, promotion, implement as well as gather data and present results. This web-based solution is expected to be less that the 2014 telephone survey.

   In addition, a component of the Scorecard is "Safety – Level of Public awareness" which WNP is assuming will be another survey.

   WNP has included an estimate of $6,300 for both surveys outlined above.

Table 4.18: Breakdown of Regulatory Costs

Appendix 2-M
Regulatory Cost Schedule

	Regulatory Cost Category	USoA Account	Ongoing or One-time Cost? [2]	Last Rebasing Year (2012 Board Approved)	Most Current Actuals Year 2014	2015 Bridge Year	Annual % Change	2016 Test Year	Annual % Change	Amount	Amortization Period (Years)	2016 Test Year Proposed Recovery
	(A)	(B)	(D)	(E)	(F)	(G)	(H) = [(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)	(K)	(L)	(M) = (K)/(L)
1	OEB Annual Assessment	5655	On-Going	$ 23,715	$ 13,804	$ 17,675	28.04%	$ 18,000	1.84%	$ 18,000	1	$ 18,000
2	OEB Section 30 Costs (Applicant-originated)	5655	On-Going	$ -	$ 42,187	$ 18,200	-56.86%	$ 10,000	-45.05%	$ 10,000	1	$ 10,000
3	OEB Section 30 Costs (OEB-initiated)	5655	On-Going	$ -	$ 345	$ 450	30.57%	$ 600	33.33%	$ 600	1	$ 600
4	Expert Witness costs for regulatory matters	5655	One-Time	$ -	$ -	$ -		$ -				
5	Legal costs for regulatory matters	5655	One-Time	$ 30,000	$ 2,678	$ 5,000	86.74%	$ 30,000	500.00%	$ 35,000	5	$ 7,000
6	Consultants' costs for regulatory matters	5655	One-Time	$ 61,131	$ 25,785	$ 2,500	-90.30%	$ 5,000	100.00%	$ 7,500	5	$ 1,500
7	Operating expenses associated with staff resources allocated to regulatory matters	5655	On-Going	$ 48,553	$ 28,869	$ 56,525	95.80%	$ 68,722	21.58%	$ 68,722	1	$ 68,722
8	Operating expenses associated with other resources allocated to regulatory matters [1]	5655	On-Going	$ 5,000	$ 298	$ -	-100.00%	$ 2,000		$ 2,000	1	$ 2,000
9	Other regulatory agency fees or assessments	5655	On-Going	$ -	$ -	$ -		$ -				
10	Any other costs for regulatory matters (please define)	5655	On-Going	$ -	$ 16,200	$ -	-100.00%	$ 6,300		$ 6,300	1	$ 6,300
11	Incremental operating expenses associated with other resources allocated to this application.	5655	One-Time	$ -	$ -	$ 50,250		$ 26,640		$ 76,890	5	$ 15,378
12	OEB and Intervenor costs	5655	One-Time	$ 39,600	$ -	$ -		$ 160,000		$ 160,000	5	$ 32,000
13	Sub-total - Ongoing Costs [3]			$ 77,268	$ 101,702	$ 92,850	-8.70%	$ 105,622	13.76%			
14	Sub-total - One-time Costs [4]			$ 130,731	$ 28,462	$ 57,750	102.90%	$ 221,640	283.79%			
15	Total			$ 207,999	$ 130,165	$ 150,600	15.70%	$ 327,262	117.31%	Total for Test Year Recovery		$ 161,500

		Historical Year(s)	2015 Bridge Year	2016 Test Year
4	Expert Witness costs			
5	Legal costs		$ 5,000	$ 30,000
6	Consultants' costs		$ 2,500	$ 5,000
7	Incremental operating expenses associated with staff resources allocated to this application.		$ 50,250	$ 26,640
8	Incremental operating expenses associated with other resources allocated to this application. [1]			
11	OEB and Intervenor costs			$ 160,000

WNP has also updated Chapter 2 Appendix 2-M with the breakout of actual and forecasted costs incurred in preparing and submitting WNP's 2016 Cost of Service rate application as well as reaching a Decision and Order from the Board. The table below summarizes these costs:

Table 4.19: Overview of Regulatory Costs for 2016 Cost of Service Application

		Historical Year(s)	2015 Bridge Year	2016 Test Year
4	Expert Witness costs			
5	Legal costs / Rate Consultant		$ 5,000	$ 30,000
6	Consultants' costs		$ 2,500	$ 5,000
7	Incremental operating expenses associated with staff resources allocated to this application.		$ 50,250	$ 26,640
8	Incremental operating expenses associated with other resources allocated to this application. [1]			
11	OEB and Intervenor costs			$ 160,000

In reviewing the above table, the above points need to be taken into consideration:

a) Line 6 – "Consultants costs for regulatory matters": the 2015 Bridge Year amount of $2,500 represents the incurred cost for a 3rd party independent review of WNP's 2016 Distribution

System Plan (DSP). WNP has included a projected cost in 2016 Test Year for 3rd party assistance that may be required to support with responding to interrogatories;

b) Line 7 – "Incremental operating expenses associated with staff resource allocated to this application": this WNP's staff time associated with (i) production and submission of the application; (ii) technical responses to questions arising from WNP's Distribution System Plan; (iii) preparing and submitting responses to interrogatories; and (iv) drafting and submitting a settlement proposal; and

c) Line 11 – "OEB and Intervenor costs": forecasted at $160,000 and consisting of the following items and assumptions:

Item	Projected Cost
Intervenor costs ***Assumption:*** Two intervenors with two rounds of Interrogatories	$60,000
3rd party review of WNP's Distribution System Plan (sub-contracted out by OEB)	$20,000
One-day Settlement Conference	$20,000
Oral Hearing ***Assumption***: Two days at a cost of $30,000 per day	$60,000
Total	**$160,000**

It should be noted that WNP has assumed that the costs associated with this application reflect a similar procedure as the 2012 Cost of Service Application which was essentially concluded by a settlement conference (case number EB-2011-0249); however WNP has included an amount for an Oral Hearing if the conditions were viable to proceed.

WNP proposes that costs directly associated with the Cost of Service application are amortized over a period of 5 years. The table below summarizes the total amount for recovery, the items that will be amortized, the amortization period and the 2016 Test Year proposed recovery balances:

Table 4.20: 2016 Test Year Proposed Recovery Balances

	Regulatory Cost Category	USoA Account	Ongoing or One-time Cost? [2]	2015 Bridge Year	2016 Test Year	Total Amount	Amortization Period (Years)	2016 Test Year Proposed Recovery
	(A)	(B)	(D)	(G)	(I)	(K)	(L)	(M) = (K)/(L)
1	OEB Annual Assessment	5655	On-Going	$ 17,675	$ 18,000	$ 18,000	1	$ 18,000
2	OEB Section 30 Costs (Applicant-originated)	5655	On-Going	$ 18,200	$ 10,000	$ 10,000	1	$ 10,000
3	OEB Section 30 Costs (OEB-initiated)	5655	On-Going	$ 450	$ 600	$ 600	1	$ 600
4	Expert Witness costs for regulatory matters	5655	One-Time	$ -	$ -			
5	Legal costs for regulatory matters	5655	One-Time	$ 5,000	$ 30,000	$ 35,000	5	$ 7,000
6	Consultants' costs for regulatory matters	5655	One-Time	$ 2,500	$ 5,000	$ 7,500	5	$ 1,500
7	Operating expenses associated with staff resources allocated to regulatory matters	5655	On-Going	$ 56,525	$ 68,722	$ 68,722	1	$ 68,722
8	Operating expenses associated with other resources allocated to regulatory matters [1]	5655	On-Going	$ -	$ 2,000	$ 2,000	1	$ 2,000
9	Other regulatory agency fees or assessments	5655	On-Going	$ -	$ -			
10	Any other costs for regulatory matters (please define)	5655	On-Going	$ -	$ 6,300	$ 6,300	1	$ 6,300
11	Incremental operating expenses associated with other resources allocated to this application. [4]	5655	One-Time	$ 50,250	$ 26,640	$ 76,890	5	$ 15,378
12	OEB and Intervenor costs	5655	One-Time	$ -	$ 160,000	$ 160,000	5	$ 32,000
13	Sub-total - Ongoing Costs [3]			$ 92,850	$ 105,622			
14	Sub-total - One-time Costs [4]			$ 57,750	$ 221,640	Total for Test Year Recovery		$ 161,500
15	Total			$ 150,600	$ 327,262			

Note: The projected balances above are subject to change as a consequence of the rate application process. For example, should WNP not have to attend an Oral Hearing, then this would eliminate a forecasted cost of $60,000 which in turn would reduce the total for 2016 Test Year recovery by $12,000 (i.e. $60,000 / 5 years amortization= $12,000).

Ex.4/Tab 3/Sch.9 - Low Income Energy Assistance Programs

WNP has included $4,000 for the expense for the Low Income Assistance Program (LEAP) under Deductions Donation Expense (USoA #6205). This amount is based on the Board's determination that the greater of 0.12% of a distributor's Board-approved distribution revenue requirement, or $2,000 should be included in the utility's costs.

WNP has partnered with United Way of Grey Bruce and Community Resource Centre of North and Centre Wellington to assist in programs intended to provide emergency relief to eligible low-income customers who may be experiencing difficulty paying current arrears.

In compliance with OEB policy, Wellington North Power Inc.:

- Collects money from ratepayers for LEAP EFA in the amount approved by the OEB;
- Transfers program funds to United Way of Grey Bruce and Community Resource Centre of North and Centre Wellington;
- Determines funding allocations within their service territory by geography;
- Establishes partnerships, contracts, and operational procedures with United Way of Grey Bruce and Community Resource Centre of North and Centre Wellington;
- Receives, recording and taking appropriate action upon notification from an Intake Agency (or Lead Agency as appropriate) that an assessment of eligibility is being undertaken;
- Receives, recording and taking appropriate action upon notification from an Intake Agency (or Lead Agency as appropriate) of decisions on applications;
- Confirms customer and account information used in determining program eligibility, including information on payment history; and
- Submits annual RRR filings (2.1.16) to the OEB in accordance with the regulator's reporting requirements advising of whether the social agencies have fully depleted their LEAP funds.

WNP has included the projected LEAP balance in its 2016 Revenue Requirement.

Ex.4/Tab 3/Sch.10 - Charitable and Political Donations

As indicated in WNP's financial accounts, the utility does not contribute to charitable or political causes, other than for LEAP funding, as described in section Exhibit 4 / Tab 3 / Schedule 9. The utility confirms that no donation amounts have been included for recovery.

Depreciation, Amortization & Depletion

Ex.4/Tab 4/Sch.1 - Depreciation Rates and Methodology

In accordance with the July 17, 2012 letter from the Board on Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies, WNP adopted the Kinectrics proposed useful lives and componentization as of January 1, 2012. At this time the life span of the assets were extended to comply with the depreciation changes.

For the fiscal year 2012, WNP completed a conversion of the company's fixed asset module which supported the revised average useful lives for all asset categories based on historical evidence and is within the typical useful life bands outlined in the Kinectrics Report "Asset Depreciation Study for the Ontario Energy Board". The newly adopted amortization rates are presented at Exhibit 4, Tab 4 Schedule 4 OEB Appendix 2.BB and are applied on a straight line basis. All assets are componentized and depreciated individually according to asset life span as per the Kinetrics Report. WNP will be continuing this method of depreciation in the Test Year and beyond.

As well as incorporating the amortization rates, WNP updated Capitalization policy. A copy of this policy is included in Appendix 4E.

Continuity Statements of the historical and forecasted depreciation expenses are presented in Exhibit 4, Tab 4 Schedule 2.

Ex.4/Tab 4/Sch.2 – Depreciation Expense

In accordance with the Board's filing requirements, WNP has completed the following depreciation and amortization expense tables:

a) 2012 NewCGAAP – Appendix 2-CB
b) 2013 NewCGAAP – Appendix 2-CC
c) 2014 MIFRS – Appendix 2-CD
d) 2015 Bridge Year under MIFRS – Appendix 2-CE
e) 2016 Test Year under MIFRS – Appendix 2-CF

Appendix CA was not completed since WNP implemented New CGAAP amortization policies beginning January 1, 2012. Also, Appendices 2-CG to 2-CI are also not included since these assume that New CGAAP amortization policies began January 1, 2013.

The methodology for calculating the amortization amounts for 2015 and 2016 was to copy our assets at the end of 2014 into our test accounting environment and run the amortization for each year. Amortization for the capital additions was then added to attain the final figures. This reduced our ability to limit variances for these years, but it presents the most realistic values for the bridge and test years' amortization.

Some of the largest variations from the expected amortization resulted from expense allocations on smart meter assets resulting from the previous rate application. For Computer Hardware & Software, Smart Meters, and Communication Equipment (Smart Meters), there was an additional $221,352 allocated to these accounts in 2012.

A portion of the Computer Hardware was amortized over 10 years, therefore the "Average remaining life on NBV is actually longer than the normal amortization period of 5 years for new additions.

In line with our requested allocation of 1508 ICM assets to fixed assets in the opening 2016 balances, a column (n) has been added in the 2016 Appendix 2-CF to include these new asset amounts. Since these assets were put into service in 2014, the amortization calculations were also adjusted to include a full-year amortization on these additions.

Contributed Capital amortization was over-allocated in 2012, and this was offset by a correction in 2013. WNP has elected to transfer all contributed capital amounts to Deferred Revenue (2440) and for completeness, these amounts were included in the MIFRS depreciation and amortization expense schedules even though the amount deferred revenue decreases by are not amortization, nor are they accumulated.

The tables on the following pages illustrate the Fixed Asset Amortization Schedules that have been updated in the Board's Chapter 2 Appendices workbook that has been filed with this application.

Appendix 2-CB – 2012 New CGAAP Amortization

Appendix 2-CB
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012 and has adopted IFRS for financial reporting purposes effective January 1, 2015.

Year 2012 Revised CGAAP

Account	Description	Opening NBV as at Jan 1, 2012 [3] (a)	Additions (d)	Average Remaining Life of Opening NBV [4] (i)	Years (new additions only) [5] (f)	Depreciation Rate on New Additions (g) = 1 / (f)	Depreciation Expense on Opening NBV (j) = (a) / (i)	Depreciation Expense on Additions [1] (h)=((d)*0.5)/(f)	2012 Depreciation Expense (k) = (j) + (h)	2012 Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (l)	Variance [2] (m) = (k) - (l)	Depreciation Expense on 2012 Full Year Additions (n) = (d)/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2012 Full Year Depreciation [6] (p) = (j) + (n) - (o)
1611	Computer Software (Formally known as Account 1925)	$ 622,967		4.10	-	0.00%	$ 151,943	$ -	$ 151,943	$ 258,970	-$ 107,027	$ -	$ 15,651	$ 136,292
1612	Land Rights (Formally known as Account 1906)	$ 6,821	$ 1,650			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1805	Land	$ 41,988	$ -			0.00%	$ -	$ -	$ -	$ -	$ -	$ -		$ -
1808	Buildings	$ 257,918	$ 56,564	27.00	30.00	3.33%	$ 9,553	$ 943	$ 10,495	$ 10,864	-$ 369	$ 1,885		$ 11,438
1810	Leasehold Improvements					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1815	Transformer Station Equipment >50 kV					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1820	Distribution Station Equipment <50 kV	$ 371,541	$ 9,565	25.50	40.00	2.50%	$ 14,570	$ 120	$ 14,690	$ 14,660	$ 30	$ 239		$ 14,809
1825	Storage Battery Equipment					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1830	Poles, Towers & Fixtures	$ 1,836,509	$ 126,331	39.50	45.00	2.22%	$ 46,494	$ 1,404	$ 47,898	$ 47,579	$ 318	$ 2,807	$ 1,415	$ 47,886
1835	Overhead Conductors & Devices	$ 294,587	$ 116,505	47.00	60.00	1.67%	$ 6,268	$ 971	$ 7,239	$ 7,554	-$ 316	$ 1,942		$ 8,210
1840	Underground Conduit	-$ 0	$ 888		55.00	1.82%	$ -	$ 8	$ 8	$ 9	-$ 1	$ 16		$ 16
1845	Underground Conductors & Devices	$ 316,240	$ 22,150	32.00	55.00	1.82%	$ 9,882	$ 201	$ 10,084	$ 9,646	$ 438	$ 403		$ 10,285
1850	Line Transformers	$ 774,630	$ 99,196	35.00	40.00	2.50%	$ 22,132	$ 1,240	$ 23,372	$ 13,206	$ 10,166	$ 2,480		$ 24,612
1855	Services (Overhead & Underground)	$ 123,382	$ 27,651	39.00	50.00	2.00%	$ 3,164	$ 277	$ 3,440	$ 12,401	-$ 8,961	$ 553		$ 3,717
1860	Meters	$ 112,196	$ 13,987	12.50	15.00	6.67%	$ 8,976	$ 466	$ 9,442	$ 7,903	$ 1,539	$ 932	$ 2,766	$ 7,142
1860	Meters (Smart Meters)	$ 614,068		14.00	-	0.00%	$ 43,862	$ -	$ 43,862	$ 125,035	-$ 81,173	$ -	-$ 1,745	$ 45,607
1905	Land					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1908	Buildings & Fixtures					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1910	Leasehold Improvements					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1915	Office Furniture & Equipment (10 years)	$ 42,721	$ -	4.20	10.00	10.00%	$ 10,172	$ -	$ 10,172	$ 10,480	-$ 308	$ -		$ 10,172
1915	Office Furniture & Equipment (5 years)					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1920	Computer Equipment - Hardware					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ 151,983	$ 62,867	6.60	5.00	20.00%	$ 23,028	$ 6,287	$ 29,314	$ 43,538	-$ 14,224	$ 12,573	$ 4,851	$ 30,750
1920	Computer Equip.-Hardware(Post Mar. 19/07)					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1930	Transportation Equipment	$ 208,071	$ -	4.00		0.00%	$ 52,018	$ -	$ 52,018	$ 62,157	-$ 10,140	$ -	$ -	$ 52,018
1935	Stores Equipment	-$ 0	$ 1,842		8.00	12.50%	$ -	$ 115	$ 115	$ 115	-$ 0	$ 230		$ 230
1940	Tools, Shop & Garage Equipment	$ -	$ 4,400		10.00	10.00%	$ -	$ 220	$ 220	$ 49	$ 171	$ 440		$ 440
1945	Measurement & Testing Equipment	$ 0	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1950	Power Operated Equipment					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1955	Communications Equipment	$ 9,055	$ 4,995	4.03	5.00	20.00%	$ 2,247	$ 500	$ 2,746	$ 2,746	$ 0	$ 999		$ 3,246
1955	Communication Equipment (Smart Meters)	$ 63,457		3.20	5.00	20.00%	$ 19,830	$ -	$ 19,830	$ 31,502	-$ 11,672	$ -	$ 8,144	$ 11,686
1960	Miscellaneous Equipment					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1970	Load Management Controls Customer Premises					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1975	Load Management Controls Utility Premises					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1980	System Supervisor Equipment	$ 111,801	$ 3,810	8.20	10.00	10.00%	$ 13,634	$ 191	$ 13,825	$ 13,844	-$ 19	$ 381		$ 14,015
1985	Miscellaneous Fixed Assets	$ -	$ -			0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1990	Other Tangible Property					0.00%	$ -	$ -	$ -		$ -	$ -		$ -
1995	Contributions & Grants	-$ 344,257	-$ 4,691	39.50	45.00	2.22%	-$ 8,715	-$ 52	-$ 8,767	-$ 17,084	$ 8,317	-$ 104		-$ 8,820
	Total	$ 5,615,679	$ 547,710				$ 429,057	$ 12,889	$ 441,946	$ 655,175	-$ 213,229	$ 25,777	$ 31,082	$ 423,752

Appendix 2-CC – 2013 New CGAAP Amortization

Appendix 2-CC
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012 and has adopted IFRS for financial reporting purposes effective January 1, 2015.

2013 Revised CGAAP

Account	Description	Additions (d)	Years (new additions only) (f)	Depreciation Rate on New Additions (g) = 1 / (f)	2013 Depreciation Expense [1] (h)=2012 Full Year Deprecation + ((d)*0.5)/(f)	2013 Depreciation Expense per Apppendix 2-BA Fixed Assets, Column J (l)	Variance [2] (m) = (h) - (l)	Depreciation Expense on 2013 Full Year Additions (n)=((d))/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2013 Full Year Depreciation [3] (p) = 2012 Full Year Depreciation + (n) - (o)
1611	Computer Software (Formally known as Account 1925)	$ 10,143	5.00	20.00%	$ 137,307	$ 137,479	-$ 173	$ 2,029	$ 7,912	$ 130,409
1612	Land Rights (Formally known as Account 1906)	$ 10,769		0.00%	$ -		$ -	$ -		$ -
1805	Land			0.00%	$ -		$ -	$ -		$ -
1808	Buildings	$ 3,450	60.00	1.67%	$ 11,467	$ 11,807	-$ 340	$ 58		$ 11,495
1810	Leasehold Improvements			0.00%	$ -		$ -	$ -		$ -
1815	Transformer Station Equipment >50 kV			0.00%	$ -		$ -	$ -		$ -
1820	Distribution Station Equipment <50 kV	$ 49,609	45.00	2.22%	$ 15,361	$ 15,290	$ 71	$ 1,102		$ 15,912
1825	Storage Battery Equipment			0.00%	$ -		$ -	$ -		$ -
1830	Poles, Towers & Fixtures	$ 127,006	45.00	2.22%	$ 49,297	$ 46,952	$ 2,346	$ 2,822		$ 50,709
1835	Overhead Conductors & Devices	$ 64,609	60.00	1.67%	$ 8,748	$ 3,013	$ 5,735	$ 1,077		$ 9,286
1840	Underground Conduit			0.00%	$ 16	$ 106	-$ 90	$ -		$ 16
1845	Underground Conductors & Devices	$ 5,261	55.00	1.82%	$ 10,333	$ 10,781	-$ 448	$ 96		$ 10,381
1850	Line Transformers	$ 83,750	40.00	2.50%	$ 25,659	$ 8,205	$ 17,454	$ 2,094		$ 26,706
1855	Services (Overhead & Underground)	$ 42,589	50.00	2.00%	$ 4,143	$ 4,068	$ 75	$ 852		$ 4,568
1860	Meters	$ 21,470	15.00	6.67%	$ 7,858	$ 5,032	$ 2,826	$ 1,431		$ 8,574
1860	Meters (Smart Meters)	$ 907	15.00	6.67%	$ 45,637	$ 44,029	$ 1,608	$ 60	$ 427	$ 45,240
1905	Land			0.00%	$ -		$ -	$ -		$ -
1908	Buildings & Fixtures			0.00%	$ -		$ -	$ -		$ -
1910	Leasehold Improvements			0.00%	$ -		$ -	$ -		$ -
1915	Office Furniture & Equipment (10 years)	$ 16,600	10.00	10.00%	$ 11,002	$ 10,671	$ 330	$ 1,660	$ 1,155	$ 10,677
1915	Office Furniture & Equipment (5 years)			0.00%	$ -		$ -	$ -		$ -
1920	Computer Equipment - Hardware			0.00%	$ -		$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ 8,886	5.00	20.00%	$ 31,639	$ 31,282	$ 357	$ 1,777	$ 6,626	$ 25,901
1920	Computer Equip.-Hardware(Post Mar. 19/07)			0.00%	$ -		$ -	$ -		$ -
1930	Transportation Equipment	$ 309,831	8.00	12.50%	$ 71,382	$ 72,184	-$ 802	$ 38,729	$ 6,888	$ 83,858
1935	Stores Equipment			0.00%	$ 230	$ 230	-$ 0	$ -		$ 230
1940	Tools, Shop & Garage Equipment			0.00%	$ 440	$ 709	-$ 269	$ -		$ 440
1945	Measurement & Testing Equipment			0.00%	$ -		$ -	$ -		$ -
1950	Power Operated Equipment			0.00%	$ -		$ -	$ -		$ -
1955	Communications Equipment	$ 2,009	8.00	12.50%	$ 3,371	$ 4,051	-$ 679	$ 251		$ 3,497
1955	Communication Equipment (Smart Meters)			0.00%	$ 11,686	$ 12,699	-$ 1,013	$ -		$ 11,686
1960	Miscellaneous Equipment			0.00%	$ -		$ -	$ -		$ -
1970	Load Management Controls Customer Premises			0.00%	$ -		$ -	$ -		$ -
1975	Load Management Controls Utility Premises			0.00%	$ -		$ -	$ -		$ -
1980	System Supervisor Equipment			0.00%	$ 14,015	$ 13,997	$ 18	$ -		$ 14,015
1985	Miscellaneous Fixed Assets			0.00%	$ -		$ -	$ -		$ -
1990	Other Tangible Property			0.00%	$ -		$ -	$ -		$ -
1995	Contributions & Grants	$ 785		0.00%	-$ 8,820	-$ 515	-$ 8,305	$ -		-$ 8,820
	Total	$ 757,675			$ 450,771	$ 432,071	$ 18,701	$ 54,038	$ 23,008	$ 454,782

Appendix 2-CD – 2014 MIFRS Amortization

Appendix 2-CD
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012 and has adopted IFRS for financial reporting purposes effective January 1, 2015.

2014 MIFRS

Account	Description	Additions (d)	Years (new additions only) (f)	Depreciation Rate on New Additions (g) = 1 / (f)	2014 Depreciation Expense [1] (h)=2013 Full Year Deprecation + ((d)*0.5)/(f)	2014 Depreciation Expense per Apppendix 2-BA Fixed Assets, Column J (l)	Variance [2] (m) = (h) - (l)	Depreciation Expense on 2014 Full Year Additions (n)=((d))/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2014 Full Year Depreciation [3] (p) = 2013 Full Year Depreciation + (n) - (o)
1611	Computer Software (Formally known as Account 1925)	$ 10,320		0.00%	$ 130,409	$ 130,245	$ 164	$ -	$ 42,981	$ 87,428
1612	Land Rights (Formally known as Account 1906)	$ 9,411		0.00%	$ -		$ -	$ -		$ -
1805	Land			0.00%	$ -		$ -	$ -		$ -
1808	Buildings	$ 4,250	60.00	1.67%	$ 11,531	$ 11,886	$ 355	$ 71		$ 11,566
1810	Leasehold Improvements			0.00%	$ -		$ -	$ -		$ -
1815	Transformer Station Equipment >50 kV			0.00%	$ -		$ -	$ -		$ -
1820	Distribution Station Equipment <50 kV	$ 237,846	40.00	2.50%	$ 18,885	$ 18,644	$ 241	$ 5,946	$ 1,271	$ 20,587
1825	Storage Battery Equipment			0.00%	$ -		$ -	$ -		$ -
1830	Poles, Towers & Fixtures	$ 94,034	45.00	2.22%	$ 51,753	$ 52,027	$ 273	$ 2,090		$ 52,798
1835	Overhead Conductors & Devices	$ 51,847	60.00	1.67%	$ 9,718	$ 9,417	$ 302	$ 864		$ 10,150
1840	Underground Conduit	$ -		0.00%	$ 16	$ 18	$ 2	$ -		$ 16
1845	Underground Conductors & Devices	$ 123,029	55.00	1.82%	$ 11,499	$ 11,189	$ 310	$ 2,237		$ 12,618
1850	Line Transformers	$ 96,958	40.00	2.50%	$ 27,918	$ 27,866	$ 52	$ 2,424		$ 29,130
1855	Services (Overhead & Underground)	$ 83,349	50.00	2.00%	$ 5,402	$ 5,368	$ 34	$ 1,667		$ 6,235
1860	Meters			0.00%	$ 8,574	$ 5,278	$ 3,295	$ -		$ 8,574
1860	Meters (Smart Meters)	$ 20,340	15.00	6.67%	$ 45,918	$ 45,153	$ 766	$ 1,356	$ 1,003	$ 45,593
1905	Land			0.00%	$ -		$ -	$ -		$ -
1908	Buildings & Fixtures			0.00%	$ -		$ -	$ -		$ -
1910	Leasehold Improvements			0.00%	$ -		$ -	$ -		$ -
1915	Office Furniture & Equipment (10 years)	$ -		0.00%	$ 10,677	$ 10,475	$ 202	$ -	$ 3,421	$ 7,256
1915	Office Furniture & Equipment (5 years)			0.00%	$ -		$ -	$ -		$ -
1920	Computer Equipment - Hardware			0.00%	$ -		$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ 18,484	5.00	20.00%	$ 27,750	$ 26,841	$ 908	$ 3,697		$ 29,598
1920	Computer Equip.-Hardware(Post Mar. 19/07)			0.00%	$ -		$ -	$ -		$ -
1930	Transportation Equipment			0.00%	$ 83,858	$ 83,936	$ 78	$ -		$ 83,858
1935	Stores Equipment			0.00%	$ 230	$ 236	$ 6	$ -		$ 230
1940	Tools, Shop & Garage Equipment	$ 3,340	10.00	10.00%	$ 607	$ 631	$ 24	$ 334		$ 774
1945	Measurement & Testing Equipment			0.00%	$ -		$ -	$ -		$ -
1950	Power Operated Equipment			0.00%	$ -		$ -	$ -		$ -
1955	Communications Equipment			0.00%	$ 3,497	$ 3,466	$ 31	$ -		$ 3,497
1955	Communication Equipment (Smart Meters)			0.00%	$ 11,686	$ 16,687	$ 5,000	$ -	$ 9,078	$ 2,608
1960	Miscellaneous Equipment			0.00%	$ -		$ -	$ -		$ -
1970	Load Management Controls Customer Premises			0.00%	$ -		$ -	$ -		$ -
1975	Load Management Controls Utility Premises			0.00%	$ -		$ -	$ -		$ -
1980	System Supervisor Equipment			0.00%	$ 14,015	$ 14,028	$ 12	$ -		$ 14,015
1985	Miscellaneous Fixed Assets			0.00%	$ -		$ -	$ -		$ -
1990	Other Tangible Property			0.00%	$ -		$ -	$ -		$ -
2440	Deferred Revenue	-$ 113,297	45.00	2.22%	-$ 10,078	-$ 10,194	$ 116	-$ 2,518		-$ 11,337
	Total	$ 639,911			$ 463,866	$ 463,197	$ 669	$ 18,168	$ 57,754	$ 415,196
	Depreciation exp. adj. from gain or loss on the retirement of assets (pool of like assets)									
	Total Depreciation Expense				$ 463,866					

Appendix 2-CE – 2015 MIFRS Amortization

Appendix 2-CE
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012 and has adopted IFRS for financial reporting purposes effective January 1, 2015.

2015 MIFRS

Account	Description	Additions (d)	Years (new additions only) (f)	Depreciation Rate on New Additions (g) = 1 / (f)	2015 Depreciation Expense [1] (h)=2014 Full Year Depreciation + ((d)*0.5)/(f)	2015 Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (l)	Variance [2] (m) = (h) - (l)	Depreciation Expense on 2015 Full Year Additions (n)=((d))/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2015 Full Year Depreciation [3] (p) = 2014 Full Year Depreciation + (n) - (o)
1611	Computer Software (Formally known as Account 1925)	$ 23,000		0.00%	$ 87,428	$ 87,564	-$ 137	$ -	$ 70,927	$ 16,501
1612	Land Rights (Formally known as Account 1906)			0.00%	$ -		$ -	$ -		$ -
1805	Land			0.00%	$ -		$ -	$ -		$ -
1808	Buildings	$ 75,000	60.00	1.67%	$ 12,191	$ 12,721	-$ 530	$ 1,250		$ 12,816
1810	Leasehold Improvements			0.00%	$ -		$ -	$ -		$ -
1815	Transformer Station Equipment >50 kV			0.00%	$ -		$ -	$ -		$ -
1820	Distribution Station Equipment <50 kV			0.00%	$ 20,587	$ 20,304	$ 283	$ -		$ 20,587
1825	Storage Battery Equipment			0.00%	$ -		$ -	$ -		$ -
1830	Poles, Towers & Fixtures	$ 234,818	45.00	2.22%	$ 55,407	$ 55,636	-$ 229	$ 5,218		$ 58,016
1835	Overhead Conductors & Devices	$ 19,373	60.00	1.67%	$ 10,312	$ 10,010	$ 302	$ 323		$ 10,473
1840	Underground Conduit	$ 72,499	55.00	1.82%	$ 675	$ 743	-$ 68	$ 1,318		$ 1,334
1845	Underground Conductors & Devices	$ 2,042	55.00	1.82%	$ 12,636	$ 12,745	-$ 109	$ 37		$ 12,655
1850	Line Transformers	$ 77,768	40.00	2.50%	$ 30,102	$ 29,964	$ 138	$ 1,944		$ 31,074
1855	Services (Overhead & Underground)	$ 60,000	50.00	2.00%	$ 6,835	$ 6,749	$ 86	$ 1,200		$ 7,435
1860	Meters			0.00%	$ 8,574	$ 5,018	$ 3,556	$ -		$ 8,574
1860	Meters (Smart Meters)	$ 3,500		0.00%	$ 45,593	$ 45,393	$ 200	$ -	$ 1,091	$ 44,502
1905	Land			0.00%	$ -		$ -	$ -		$ -
1908	Buildings & Fixtures			0.00%	$ -		$ -	$ -		$ -
1910	Leasehold Improvements			0.00%	$ -		$ -	$ -		$ -
1915	Office Furniture & Equipment (10 years)	$ 2,000	10.00	10.00%	$ 7,356	$ 7,203	$ 153	$ 200	$ 3,779	$ 3,677
1915	Office Furniture & Equipment (5 years)			0.00%	$ -		$ -	$ -		$ -
1920	Computer Equipment - Hardware			0.00%	$ -		$ -	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ 85,000	5.00	20.00%	$ 38,098	$ 39,083	-$ 985	$ 17,000	$ 2,282	$ 44,316
1920	Computer Equip.-Hardware(Post Mar. 19/07)			0.00%	$ -		$ -	$ -		$ -
1930	Transportation Equipment	$ 35,000	5.00	20.00%	$ 87,358	$ 87,436	-$ 78	$ 7,000	$ 43,981	$ 46,877
1935	Stores Equipment			0.00%	$ 230	$ 236	-$ 6	$ -		$ 230
1940	Tools, Shop & Garage Equipment			0.00%	$ 774	$ 798	-$ 24	$ -		$ 774
1945	Measurement & Testing Equipment			0.00%	$ -		$ -	$ -		$ -
1950	Power Operated Equipment			0.00%	$ -		$ -	$ -		$ -
1955	Communications Equipment			0.00%	$ 3,497	$ 3,466	$ 31	$ -	$ 1,949	$ 1,548
1955	Communication Equipment (Smart Meters)			0.00%	$ 2,608	$ 2,608	$ 0	$ -	$ 2,608	$ 0
1960	Miscellaneous Equipment			0.00%	$ -		$ -	$ -		$ -
1970	Load Management Controls Customer Premises			0.00%	$ -		$ -	$ -		$ -
1975	Load Management Controls Utility Premises			0.00%	$ -		$ -	$ -		$ -
1980	System Supervisor Equipment	$ 200,000	10.00	10.00%	$ 24,015	$ 24,028	-$ 12	$ 20,000		$ 34,015
1985	Miscellaneous Fixed Assets			0.00%	$ -		$ -	$ -		$ -
1990	Other Tangible Property			0.00%	$ -		$ -	$ -		$ -
2440	Deferred Revenue	-$ 130,000	50.00	2.00%	-$ 12,637	-$ 12,865	$ 228	-$ 2,600		-$ 13,937
	Total	$ 760,000			$ 441,641	$ 438,840	$ 2,801	$ 52,891	$ 126,617	$ 341,470
	Depreciation exp. adj. from gain or loss on the retirement of assets (pool of like assets)									
	Total Depreciation expense to be included in the test year revenue requirement				$ 441,641					

Appendix 2-CF – 2016 MIFRS Amortization

Appendix 2-CF
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012 and has adopted IFRS for financial reporting purposes effective January 1, 2015.

2016 MIFRS

Account	Description	Additions (d)	Years (new additions only) (f)	Depreciation Rate on New Additions (g) = 1 / (f)	2016 Depreciation Expense [1] (h)=2015 Full Year Depreciation + ((d)*0.5)/(f)	2016 Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (l)	Variance [2] (m) = (h) - (l)	
1611	Computer Software (Formally known as Account 1925)		$ 1,300	5.00	20.00%	$ 16,631	$ 17,266.66	-$ 636
1612	Land Rights (Formally known as Account 1906)				0.00%	$ -		$ -
1805	Land				0.00%	$ -		$ -
1808	Buildings		$ 30,000	60.00	1.67%	$ 13,066	$ 12,624.00	$ 442
1810	Leasehold Improvements				0.00%	$ -		$ -
1815	Transformer Station Equipment >50 kV				0.00%	$ -		$ -
1820	Distribution Station Equipment <50 kV	$ 968,676			0.00%	$ 42,866	$ 43,206.11	-$ 340
1825	Storage Battery Equipment				0.00%	$ -		$ -
1830	Poles, Towers & Fixtures	$ 77,794	$ 358,261	45.00	2.22%	$ 63,724	$ 64,013.98	-$ 290
1835	Overhead Conductors & Devices	$ 313,052	$ 30,137	60.00	1.67%	$ 15,952	$ 18,480.07	-$ 2,528
1840	Underground Conduit				0.00%	$ 1,334	$ 1,467.78	-$ 133
1845	Underground Conductors & Devices	$ 23,676	$ -		0.00%	$ 13,086	$ 13,378.96	-$ 293
1850	Line Transformers		$ 38,791	40.00	2.50%	$ 31,559	$ 31,420.63	$ 138
1855	Services (Overhead & Underground)		$ 60,000	50.00	2.00%	$ 8,035	$ 7,998.92	$ 36
1860	Meters				0.00%	$ 8,574	$ 5,017.98	$ 3,556
1860	Meters (Smart Meters)		$ 83,500	15.00	6.67%	$ 47,286	$ 47,996.09	-$ 710
1905	Land				0.00%	$ -		$ -
1908	Buildings & Fixtures				0.00%	$ -		$ -
1910	Leasehold Improvements				0.00%	$ -		$ -
1915	Office Furniture & Equipment (10 years)		$ -	10.00	10.00%	$ 3,677	$ 3,584.18	$ 92
1915	Office Furniture & Equipment (5 years)				0.00%	$ -		$ -
1920	Computer Equipment - Hardware				0.00%	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 22/04)		$ 39,360	5.00	20.00%	$ 48,251	$ 48,396.51	-$ 145
1920	Computer Equip.-Hardware(Post Mar. 19/07)				0.00%	$ -		$ -
1930	Transportation Equipment				0.00%	$ 46,877	$ 46,083.28	$ 794
1935	Stores Equipment				0.00%	$ 230	$ 236.01	-$ 6
1940	Tools, Shop & Garage Equipment				0.00%	$ 774	$ 798.24	-$ 24
1945	Measurement & Testing Equipment				0.00%	$ -		$ -
1950	Power Operated Equipment				0.00%	$ -		$ -
1955	Communications Equipment				0.00%	$ 1,548	$ 1,487.60	$ 60
1955	Communication Equipment (Smart Meters)				0.00%	$ 0		$ 0
1960	Miscellaneous Equipment				0.00%	$ -		$ -
1970	Load Management Controls Customer Premises				0.00%	$ -		$ -
1975	Load Management Controls Utility Premises				0.00%	$ -		$ -
1980	System Supervisor Equipment				0.00%	$ 34,015	$ 34,027.63	-$ 12
1985	Miscellaneous Fixed Assets				0.00%	$ -		$ -
1990	Other Tangible Property				0.00%	$ -	$ -	$ -
2440	Deferred Revenue				0.00%	-$ 13,937	-$ 14,165.22	$ 228
1609	Capital Contributions Paid		$ 1,269,062	50.00	2.00%	$ 12,691	$ 12,690.62	$ -
	Total	$ 1,383,198			$ 1	$ 396,241	$ 396,010	$ 231
	Deprecation exp. adj. from gain or loss on the retirement of assets (pool of like assets)							
	Total Depreciation expense to be included in the test year revenue requirement					$ 396,241		

Ex.4/Tab 4/Sch.3 - Typical Useful Lives Study

As stated in its Report on Transition to International Financial Reporting Standards (IFRS) of July 2009 ("Board Report") (EB-2008-0408), the Board commissioned a depreciation study to assist electricity distributors in Ontario in their transition to IFRS. The study was undertaken by Kinectrics Inc. and provides a generic depreciation study for distributors and concerning how it would be used.

WNP reviewed the useful life of its assets with the aid of the Asset Depreciation Study by Kinectrics (Kinectrics Report) and the utility adopted the mid-range typical useful life for its assets effective from January 1st 2012, as presented in WNP's 2012 Cost of Service application (EB-2011-0249, Exhibit 11, Schedule 2). WNP did not undertake or commission a study to justify why the mid-range period was selected. The effective date for implementing the mid-range typical useful life for its assets of January 1st 2012 was chosen on the basis of:

a) To meet the obligations of the regulator (either to implement in 2012 or 2013) and;
b) The timing of the rate application seeking approval for May 1st 2012 distribution rates (i.e. to present the Test Year of 2012 Fixed Asset Continuity Schedule showing the application of adopting the mid-range typical useful life for assets.)

Table 4.21, below, shows a comparison of Depreciation Rates that were approved in the Applicant's last Cost of Service rate application (EB-2011-0249) and the Proposed Changes.

Table 4.21: Comparison of Depreciation Rates (approved in 2012 CoS

USoA Account Number	Description	Current (EB-2011-0249)	Proposed Changes (Years)
1611	Computer Software	5	
1808	Buildings	60	
1820	Distribution Station Equipment - Transformer	45	
1820	Distribution Station Equipment - Equipment	40	
1820	Distribution Station Equipment - Reclosures and Breakers	30	
1820	Distribution Station Equipment - Structure/Civil	45	
1830	Poles, Towers and Fixture - All	45	
1835	Underground Conductors and Devices - All	45	
1840	Conduit	50	
1845	Underground Conductor - Direct Buried	40	
1850	Line Transformers - All	40	
1855	Secondary Services	40	
1860	Primary Metering Equipment	15	
1860	GS>50 Meters	25	
1860	Smart Meters	15	10
1915	Office Funiture & Equipment	10	
1920	Computer Hardware	5	
1930	Vehicles - Trucks and Bucket Trucks (Heavy)	8	
1930	Vehicles - Pickup Trucks (Light)	5	
1935	Stores Equipment	8	
1940	Tools, Shop & Garage Equipment	10	
1945	Measurement & Testing Equipment	10	
1955	Communication Equipment	5	
1980	System Supervisor Equipment	10	

WNP is seeking approval to adjust the Useful Life of Smart Meters from the current 15 years to 10 years, based on the information below;

WNP completed the installation of smart meters throughout the service territory in Summer of 2011. At the end of Spring 2011, all installed smart meters were registered with the Meter Data Management and Repository ("MDM/R"). Time of use ("TOU") billing began in January 2012.

Table 4.22 Smart Meter Implementation

	2008	2009	2010	2011	Total
Residential	73	141	2,888	19	3,121
General Service < 50 kW	17	102	358	1	478
Total Smart Meters Installed	**90**	**243**	**3,246**	**20**	**3,599**
% Complete	3%	9%	99%	100%	

Over the past two years (2013 and 2014), WNP has observed an increase in the failure rate of Smart Meters. During the period, the utility has replaced nearly 200 Smart Meters per year due

to technical faults and failures. The removed meters are scrapped because the one-year warranty period has passed and it is most cost-effective to purchase a new meter (at approximately $98 per meter) compared to sending the meter back to the manufacturer for investigation (approximate cost $200). The table below shows the number of meters that have been withdrawn and replaced over the past two years as well as the count as at June 30th 2015:

Table 4.23: Number of Faulty Smart Meters Scrapped – January 2013 to June 2015

Year Retired	2013					2013 Total	2014				2014 Total	2015			2015 Total	Grand Total
Year of Meter	2008	2009	2010	2011	2012		2008	2009	2010	2012		2008	2009	2010		
Meter Type																
Smart Meter - A3RL 16S	0	0	1	0	0	5	0	0	0	0	0	0	0	0	0	5
Smart Meter - A3RL 16S15	0	0	5	0	0	6	0	0	4	0	4	0	0	2	2	12
Smart Meter - A3RL 35	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Smart Meter - A3RL 35-15	0	0	0	3	0	3	0	0	0	0	0	0	0	0	0	3
Smart Meter - A3RL 9S	0	0	0	0	0	13	0	0	0	0	3	0	0	0	0	16
Smart Meter - A3RL 9S-15	0	0	3	0	0	4	0	0	2	0	3	0	0	0	0	7
Smart Meter - A3TL 12S	0	0	2	0	0	2	0	0	0	0	0	0	0	0	0	2
Smart Meter - R2S	4	1	88	0	3	98	10	7	150	3	172	5	3	46	56	326
Smart Meter - R2S 12S	0	0	30	0	0	30	0	0	1	0	1	0	0	1	1	32
Smart Meter - R2S 1S	0	0	3	0	0	3	0	0	0	0	0	0	0	0	0	3
Smart Meter - R2S 3S	0	0	1	0	0	2	0	0	0	0	0	0	0	0	0	2
Smart Meter - R2S 600	0	0	2	0	0	2	0	0	2	0	2	0	0	0	0	4
Smart Meter - R2SD2S	0	0	15	0	0	15	0	0	14	0	14	0	0	0	0	29
Smart Meter - R2SGEN 2S	0	0	1	2	0	3	0	0	0	0	0	0	0	0	0	3
Total	4	1	151	5	3	187	10	7	173	3	199	5	3	49	59	445

In 2013 WNP scrapped 187 Smart meters with a loss on disposal value of $10,818, 2014 WNP scrapped 199 Smart meters with a loss on disposal value of $22,469. Between January 1st and June 30th 2015, WNP has scrapped 59 Smart meters, with a loss on disposal value of $6,734. (Note: these Smart meters scrapped and were outside of the manufacturers 1 year warranty period.)

Based upon the above history, through this rate application, WNP is seeking approval to adopt a Typical Useful Life of 10 years for Smart Meters, therefore aligning to the meter seal dates as prescribed by Measurement Canada.

Ex.4/Tab 4/Sch.4 – Service Life Comparison

Table 4.24 below, consistent with Board Appendix 2-BB, provides a summary of the life comparison between WNP's selected useful lives and those provided in Table F-1of the Kinectrics Report.

Table 4.24: Appendix 2BB – Service Life Comparison: Table F-1 from the Kinectrics Report

		Asset Details			Useful Life			USoA Account Number	USoA Account Description	Current		Proposed		Outside Range of Min, Max TUL?	
Parent*	#	Category| Component | Type			MIN UL	TUL	MAX UL			Years	Rate	Years	Rate	Below Min TUL	Above Max TUL
OH	1	Fully Dressed Wood Poles	Overall		35	45	75	1830	Poles, Towers and Fixtures	25	4%	45	2%	No	No
			Cross Arm	Wood	20	40	55	1830	Poles, Towers and Fixtures	25	4%	45	2%	No	No
				Steel	30	70	95	1830	Poles, Towers and Fixtures	25	4%	45	2%	No	No
	2	Fully Dressed Concrete Poles	Overall		50	60	80	1830	Poles, Towers and Fixtures	25	4%	60	2%	No	No
			Cross Arm	Wood	20	40	55	1830	Poles, Towers and Fixtures	25	4%	60	2%	No	Yes
				Steel	30	70	95	1830	Poles, Towers and Fixtures	25	4%	60	2%	No	No
	3	Fully Dressed Steel Poles	Overall		60	60	80	1830	Poles, Towers and Fixtures	25	4%	60	2%	No	No
			Cross Arm	Wood	20	40	55	1830	Poles, Towers and Fixtures	25	4%	60	2%	No	Yes
				Steel	30	70	95	1830	Poles, Towers and Fixtures	25	4%	60	2%	No	No
	4	OH Line Switch			30	45	55	1835	Overhead Conductors & Devices	25	4%	45	2%	No	No
	5	OH Line Switch Motor			15	25	25	1835	Overhead Conductors & Devices	25	4%	25	4%	No	No
	6	OH Line Switch RTU			15	20	20	1835	Overhead Conductors & Devices	25	4%	20	5%	No	No
	7	OH Integral Switches			35	45	60	1835	Overhead Conductors & Devices	25	4%	45	2%	No	No
	8	OH Conductors			50	60	75	1835	Overhead Conductors & Devices	25	4%	60	2%	No	No
	9	OH Transformers & Voltage Regulators			30	40	60	1850	Line Transformers	25	4%	40	3%	No	No
	10	OH Shunt Capacitor Banks			25	30	40	N/A	0	0		0		Yes	No
	11	Reclosers			25	40	55	N/A	0	0		0		Yes	No
TS & MS	12	Power Transformers	Overall		30	45	60	1850	Line Transformers	25	4%	40	3%	No	No
			Bushing		10	20	30								
			Tap Changer		20	30	60								
	13	Station Service Transformer			30	45	55								
	14	Station Grounding Transformer			30	40	40	1820	Distribution Station Equipment	40	3%	40	3%	No	No
	15	Station DC System	Overall		10	20	30	1820	Distribution Station Equipment	20	5%	20	5%	No	No
			Battery Bank		10	15	15	1820	Distribution Station Equipment	30	3%	20	5%	No	Yes
			Charger		20	20	30	1820	Distribution Station Equipment	30	3%	20	5%	No	No
	16	Station Metal Clad Switchgear	Overall		30	40	60	1820	Distribution Station Equipment	25	4%	40	3%	No	No
			Removable Breaker		25	40	60								
	17	Station Independent Breakers			35	45	65	1820	Distribution Station Equipment	40	3%	45	2%	No	No
	18	Station Switch			30	50	60	1820	Distribution Station Equipment	50	2%	50	2%	No	No
	19	Electromechanical Relays			25	35	50	1820	Distribution Station Equipment	25	4%	35	3%	No	No
	20	Solid State Relays			10	30	45	1820	Distribution Station Equipment	25	4%	30	3%	No	No
	21	Digital & Numeric Relays			15	20	20	1820	Distribution Station Equipment	0		20	5%	No	No
	22	Rigid Busbars			30	55	60	1820	Distribution Station Equipment	50	2%	55	2%	No	No
	23	Steel Structure			35	50	90	1820	Distribution Station Equipment	50	2%	50	2%	No	No
UG	24	Primary Paper Insulated Lead Covered (PILC) Cables			60	65	75	N/A	0	0		0		Yes	No
	25	Primary Ethylene-Propylene Rubber (EPR) Cables			20	25	25	1845	Underground Conductors & Devices	25	4%	65	2%	No	Yes
	26	Primary Non-Tree Retardant (TR) Cross Linked Polyethylene (XLPE) Cables Direct Buried			20	25	30	1845	Underground Conductors & Devices	25	4%	25	4%	No	No
	27	Primary Non-TR XLPE Cables in Duct			20	25	30	1845	Underground Conductors & Devices	25	4%	25	4%	No	No
	30	Secondary PILC Cables			70	75	80								
	31	Secondary Cables Direct Buried			25	35	40	1855	Services	25	4%	35	3%	No	No
	32	Secondary Cables in Duct			35	40	60	1855	Services	25	4%	40	3%	No	No
	33	Network Tranformers	Overall		20	35	50								
			Protector		20	35	40								
	34	Pad-Mounted Transformers			25	40	45	1850	Line Transformers	25	4%	40	3%	No	No
	35	Submersible/Vault Transformers			25	35	45	1850	Line Transformers	25	4%	35	3%	No	No
	36	UG Foundation			35	55	70	1840	Underground Conduit	25	4%	55	2%	No	No
	37	UG Vaults	Overall		40	60	80								
			Roof		20	30	45								
	38	UG Vault Switches			20	35	50	1845	Underground Conductors & Devices	25	4%	35	3%	No	No
	39	Pad-Mounted Switchgear			20	30	45	1845	Underground Conductors & Devices	25	4%	30	3%	No	No
	40	Ducts			30	50	85	1840	Underground Conduit	25	4%	50	2%	No	No
	41	Concrete Encased Duct Banks			35	55	80	1840	Underground Conduit	25	4%	55	2%	No	No
	42	Cable Chambers			50	60	80	1840	Underground Conduit	25	4%	60	2%	No	No
S	43	Remote SCADA			15	20	30								

Table 4.24 continued: Appendix 2BB – Service Life Comparison: Table F-1 from the Kinectrics Report

	Asset Details		Useful Life Range		USoA Account Number	USoA Account Description	Current		Proposed		Outside Range of Min, Max TUL?	
#	Category| Component | Type						Years	Rate	Years	Rate	Below Min Range	Above Max Range
1	Office Equipment		5	15	1915	Office Furniture & Equipment	10	10%	8	13%	No	No
2	Vehicles	Trucks & Buckets	5	15	1930	Transportation Equipment	8	13%	10	10%	No	No
		Trailers	5	20	1930	Transportation Equipment	8	13%	10	10%	No	No
		Vans	5	10	1930	Transportation Equipment	5	20%	5	20%	No	No
3	Administrative Buildings		50	75	200/201	Building & Fixtures	60	2%	60	2%	No	No
4	Leasehold Improvements		Lease dependent		0	0	0		0			
5	Station Buildings	Station Buildings	50	75	1808	Building & Fixtures	50	2%	60	2%	No	No
		Parking	25	30	1808	Building & Fixtures	25	4%	25	4%	No	No
		Fence	25	60	1808	Building & Fixtures	25	4%	25	4%	No	No
		Roof	20	30	1808	Building & Fixtures	20	5%	25	4%	No	No
6	Computer Equipment	Hardware	3	5	1920	Computer Equipment - Hardware	5	20%	5	20%	No	No
		Software	2	5	1925	Computer Equipment - Software	5	20%	5	20%	No	No
7	Equipment	Power Operated	5	10	0	0	0		0		Yes	No
		Stores	5	10	1935	Stores Equipment	8	13%	8	13%	No	No
		Tools, Shop, Garage Equipment	5	10	1940	Tools, Shops Garage Equipment	8	13%	8	13%	No	No
		Measurement & Testing Equipment	5	10	1945	Measurement and Testing Equipment	8	13%	8	13%	No	No
8	Communication	Towers	60	70	1955	Communication Equipment	10	10%	10	10%	Yes	No
		Wireless	2	10	1955	Communication Equipment	10	10%	10	10%	No	No
9	Residential Energy Meters		25	35	1860	Meters - Mechanical	25	4%	25	4%	No	No
10	Industrial/Commercial Energy Meters		25	35	1860	Industrial/Commercial Energy Meters	25	4%	25	4%	No	No
11	Wholesale Energy Meters		15	30	1860	Wholesale Energy Meters	15	7%	15	7%	No	No
12	Current & Potential Transformer (CT & PT)		35	50	1860	Current & Potential Transformer (CT & PT	40	3%	40	3%	No	No
13	Smart Meters		5	15	1860	Smart Meters	15	7%	15	7%	No	No
14	Repeaters - Smart Metering		10	15	1860	Repeaters - Smart Metering	15	7%	15	7%	No	No
15	Data Collectors - Smart Metering		15	20	1860	Data Collectors - Smart Metering	15	7%	15	7%	No	No

Ex.4/Tab 4/Sch.5 - Depreciation Expense Associated with Retirement Obligation

At this time, WNP does not have any Asset Retirement Obligations, associated depreciation or accretion expenses in relation to asset retirement obligations to report as part of the application.

Ex.4/Tab 4/Sch.6 - Depreciation and Capitalization Policy

WNP's Depreciation and Capitalization Policy is enclosed in Appendix 4E and included in Exhibit 2.

Ex.4/Tab 4/Sch.7 - Adoption of Half Year Rule

WNP confirms that it has applied the half-year rule for the purposes of computing the net book value of Property, Plant and Equipment and General Plant to include in rate base. Under the half-year rule acquisitions and investments made during the year are amortized assuming they entered service at the mid-point of the year.

Taxes or Payments In Lieu of Taxes (PILs) and Property Taxes

Ex.4/Tab 5/Sch.1 - Overview of PILs

WNP is required to make payments in lieu of income taxes ("taxes") based on its taxable income. WNP files Federal/Provincial tax returns annually. There have been no special circumstances that would require specific tax planning measures to minimize taxes payable. There are no outstanding audits, reassessments or disputes relating the tax returns filed by WNP.

There are no non-utility activities included in WNP's financial results, therefore the entire amount of PILs payable is considered in the proposed allowance to be included in the revenue requirement.

WNP has used the Board's Tax Work Form model to calculate the amount of taxes for inclusion in its 2015 rates so that the integrity checks established in the Boards Minimum Filing Requirements have been adhered to. This model (reference: "2016_Test-year_Income_Tax_PILS_Workform_WNP_EB-2015-0110") has been submitted as part of this rate application.) PILs have been calculated under MIFRS accounting policies. The PILS model was reviewed by WNP's external auditor KPMG to ensure that the current and proposed tax rates have been applied and that the amount of PILS calculated appears reasonable.

Property Taxes

WNP pays property taxes to the Township of Wellington North for its office premises and the municipal substations. The table below show the actual's for 2012, 2013, 2014 and 2015. For the Test Year 2016 WNP has forecasted an increase of $500 (3.7%) above the 2015 actual.

Table 4.24: Property Taxes

	2012	2013	2014	2015	2016
Property Taxes	$ 12,495	$ 12,930	$ 12,915	$ 13,500	$ 14,000
		3.48%	-0.12%	4.53%	3.70%

2015 included an increase in property taxes due to acquiring access to one of WNP's substation that is located on public property.

Table 4.25 below summarizes WNP's taxes for the 2012 Historical Year, 2015 Bridge Year and 2016 Test Year. For the 2016 Test Year, WNP's PILS will be a credit, because of the loss on a tax basis.

Table 4.25: Tax Provision for the Test Year

PILS

	2012		2015		2016	
Regulatory Taxable Income	20,603		55,663		-36,670	
Ontario Income Taxes						
Income tax payable **Ontario Income Tax**	*4.50%*	**$927**	*4.50%*	**$2,505**	*4.50%*	**-$1,650**
Small business credit						
Ontario Small Business Threshold	*FALSE*		*FALSE*		*FALSE*	
Rate reduction	*-7.00%*	$0	*-7.00%*	$0	*-7.00%*	$0
Ontario Income tax		**$927**		**$2,505**		**-$1,650**
Combined Tax Rate and PILs						
Effective Ontario Tax Rate	*4.50%*		*4.50%*		*0.00%*	
Federal tax rate	*11.00%*		*11.00%*		*0.00%*	
Combined tax rate	*15.50%*		*15.50%*		*0.00%*	
Total Income Taxes		**$3,193**		**$8,628**		**$0**
Investment Tax Credits		$0		$0		$0
Miscellaneous Tax Credits						
Total Tax Credits		$0		$0		$0
Corporate PILs/Income Tax Provision		**$3,193**		**$8,628**		**$0**
Corporate PILs/Income Tax Provision Gross Up	*84.50%*	$586	*84.50%*	$1,583	*100.00%*	$0
Income Tax (grossed-up)		**$3,779**		**$10,210**		**$0**

The income tax information for the 2016 Test Year is presented below in Table 4.26:

Table 4.26: Tax Provision for the Test Year

Particulars	Application
Determination of Taxable Income	
Utility net income before taxes	$350,096
Adjustments required to arrive at taxable utility income	($386,767)
Taxable income	($36,670)
Calculation of Utility income Taxes	
Income taxes	$ -
Total taxes	$ -
Gross-up of Income Taxes	$ -
Grossed-up Income Taxes	$ -
PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	$ -
Other tax Credits	$ -
Tax Rates	
Federal tax (%)	11.00%
Provincial tax (%)	4.50%
Total tax rate (%)	15.50%

The PILs model has been filed in conjunction with this application (reference: "2016_Test-year_Income_Tax_PILS_Workform_WNP_EB-2015-0110" as filed this this application.)

Ex.4/Tab 5/Sch.2 - Latest Filed Tax Return, Tax Assessments and Correspondence

WNP's latest tax return is included in Appendix 4B and Appendix 4C.

Ex.4/Tab 5/Sch.3 - Calculation of Tax Credits

WNP is not claiming an Apprenticeship Training Tax Credit in the 2016 Test Year.

Ex.4/Tab 5/Sch.4 - Non-recoverable and Disallowed Expenses

WNP confirms that expenses that are deemed non-recoverable in the revenue requirement (e.g. certain charitable donations) or disallowed for regulatory purposes have been excluded from the regulatory tax calculation.

Ex.4/Tab 5/Sch.5 - Integrity Checklist

WNP has had the PILS model reviewed by its external auditors, KPMG. The utility affirms that the following integrity checks have been completed in its application:

- The depreciation and amortization added back in the application's PILs model agree with the numbers disclosed in the rate base section of the application;
- The capital additions and deductions in the UCC/ CCA Schedule 8 agree with the rate base section for historic years, bridge and test years when normal adjustments for tax rules are applied; (i.e. CCA has been applied to assets temporarily assigned to regulatory accounts, and benefit costs added to labour costs are capitalized for accounting purposes, but expensed for tax.)
- Schedule 8 of the most recent federal T2 tax return filed with the application has a closing December 31st historic year UCC that agrees with the opening bridge year UCC at January 1st;
- The CCA deductions in the application's PILs tax model for historic, bridge and test years agree with the numbers in the UCC schedules for the same years filed in the application;
- Loss carry-forwards, if any, from the tax returns (Schedule 4) agree with those disclosed in the application;
- CCA is maximized even if there are tax loss carry-forwards; and
- A statement is included in the application as to when the losses, if any, will be fully utilized.

Conservation and Demand Side Management

Ex.4/Tab 6/Sch.1 - Overview of CDM

WNP filed its 2011 to 2014 CDM Strategy with the OEB in the Fall of 2010. WNP began delivering CDM programs in 2011 in order to meet the mandated targets. The emphasis has been on delivering Ontario Power Authority ("OPA") Contracted Province-Wide Programs to Residential and General Service customers. WNP has not sought approval for Board-approved CDM programs.

The OPA provides funding for WNP's CDM programs. WNP's funding portfolio for 2011 to 2014 was $278,526. Funding and expenditures for the delivery of OPA Contracted Province-Wide Programs are kept separate and tracked in Non-Distribution Revenue Accounts in accordance with the guidance in Chapter 5, Accounting Treatment of the CDM Code.

In addition, WNP has ensured that any function performed within the distribution company for CDM activity has been attributed and tracked in the non-distribution accounts. Therefore, CDM activities are not included in the calculation revenue requirement or revenue offsets.

The 2015 -2020 Energy Conservation Agreement was signed with an effective date of December 16, 2014. WNP receive CDM Plan approval from the IESO on July 2, 2015 with the Conservation First launch planned for January 1, 2016. Costs associated with CDM initiatives will be paid through the PAB budget provided by the IESO.

At this time, WNP does not contemplate employing any Board-Approved programs. The intent is to meet demand and energy reduction requirements by delivering OPA-Contracted Province-Wide programs. WNP will not be applying for any OM&A costs related to the administration and delivery of CDM programs to be recovered through the revenue requirement.

Ex.4/Tab 6/Sch.2 - LRAM

Ex.4/Tab 3/Sch.1 - **Lost Revenue Adjustment Mechanism ("LRAM") for 2011-2014**

On March 31, 2010, the Minister of Energy and Infrastructure issued a directive (the "Directive") to the Board regarding electricity CDM targets to be met by licensed electricity distributors. The Directive required that the Board amend the licenses of distributors to add, as a condition of license, the requirement for distributors to achieve reductions in electricity demand through the delivery of CDM programs over a four-year period beginning January 1, 2011. Section 12 of the Directive required the Board to have regard to the objective that lost revenues that result from CDM Programs should not act as a disincentive to a distributor. On April 26, 2012, the Board issued Guidelines for Electricity Distributor Conservation and Demand Management ("CDM Guidelines").

In keeping with the Directive, the Board adopted a mechanism to capture the difference between the results of actual, verified impacts of authorized CDM activities undertaken by distributors between 2011 and 2014 and the level of activities embedded into rates through the distributors load forecast in a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA).

The table below illustrates the balances recorded in WNP's LRAMVA account by rate class for the program period 2011 to 2014:

Table 4.27: Summary of Requested LRAMVA Amounts for 2011 to 2014

Verified results updated	2014										
Description	**Residential**	**General Service < 50 kW**	**General Service 50 to 999 kW**	**General Service 1,000 to 4,999 kW**	**Sentinel Lighting**	**Street Lighting**	**Unmetered Scattered Load**	**other**	**other**	**other**	**Total**
2011 Forecast	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00				**$0.00**
2011 Verified	$1,057.32	$926.10	$0.00	$0.00	$0.00	$0.00	$0.00				**$1,983.42**
2011 Cleared	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00				**$0.00**
2012 Forecast	($3,393.33)	($1,281.54)	($1,541.42)	($1,240.74)	($35.96)	($108.48)	($0.35)				**($7,601.83)**
2012 Verified	$2,428.83	$2,422.50	$1,053.62	$1,078.24	$0.00	$0.00	$0.00				**$6,983.19**
2012 Cleared	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00				**$0.00**
2013 Forecast	($4,107.62)	($1,604.37)	($1,650.39)	($1,636.99)	($13.77)	($134.83)	($0.52)				**($9,148.49)**
2013 Actuals	$4,765.95	$3,542.79	$1,615.24	$2,003.91	$0.00	$0.00	$0.00				**$11,927.89**
2013 Cleared	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00				**$0.00**
2014 Forecast	($4,145.51)	($1,617.42)	($1,665.68)	($1,652.19)	($13.90)	($136.08)	($0.52)				**($9,231.30)**
2014 Actuals	$7,140.17	$4,893.78	$2,222.55	$2,380.96	$0.00	$0.00	$0.00				**$16,637.45**
2014 Cleared	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00				**$0.00**
Balance	**$3,745.80**	**$7,281.83**	**$33.92**	**$933.20**	**($63.64)**	**($379.39)**	**($1.39)**				**$11,550.34**
Carrying Charges[1]	$58.24	$172.09	($16.73)	$8.23	($1.92)	($8.92)	($0.03)				**$210.95**
Balance	**$3,804.04**	**$7,453.92**	**$17.19**	**$941.43**	**($65.56)**	**($388.30)**	**($1.42)**				**$11,761.29**

In reviewing the above table, it should be noted that:

a) WNP is not requesting recovery of lost revenue resulting from any pre-2011 CDM activities or legacy programs; and
b) The above table reflects lost revenue for 2011, 2012, 2013 and 2014 CDM programs;
c) Account entries are made each September following the publishing of the results from the OPA (recognized as the Independent Electricity System Operator (IESO) from January 1st 2015);
d) WNP has not requested disposal of LRAM balances associated to results from 2011 to 2014 CDM programs prior to this rate application; and
e) WNP is not currently requesting recovery of lost revenue resulting from Board-approved programs.

WNP has used the most recent input assumptions when calculating lost revenue and has relied on the most recent final evaluation report from the Ontario Power Authority in support of its LRAM calculation for its contracted province-wide CDM programs ("OPA Programs") for 2011-2014. Lost revenues are based on Board approved distribution volumetric variables as a result of rate applications filed by WNP (file numbers: EB-2010-0119, EB-2011-0249, EB-2012-0174 and EB-2013-0178) and carrying charges through to April 30, 2015 are applied using the quarterly rates prescribed by the Board provided in Exhibit 9.

The table below illustrates the CDM load reduction for 2011, 2012, 2013 and 2014:

Table 4.28: CDM Forecasted Load Reductions for 2011 to 2014

Forecast Year	Residential	General Service < 50 kW	General Service 50 to 999 kW	General Service 1,000 to 4,999 kW	Sentinel Lighting	Street Lighting	Unmetered Scattered Load
	kWh	kWh	kW	kW	kW	kW	kWh
2011	-	-	-	-	-	-	-
2012	227,359	97,828	462	887	1	17	36
2013	227,359	97,828	462	887	1	17	36
2014	227,359	97,828	462	887	1	17	36

For 2011, no CDM adjustment was applied as there was no CDM component included in WNP's 2008 cost of service application (EB-2007-0693). A CDM load reduction of 904,000 kWh was included in the load forecast that was approved in WNP's most recent cost of service rate application (EB-2011-0249- Decision and Order dated (page 27 – section 3.3 "Is the impact of CDM appropriately reflected in the load forecast?") issued on September 20, 2012). This CDM

derived load reduction of 904,000 kWh was applied to the years of 2012, 2013 and 2014 in determining the lost revenue

WNP has filed a copy of its LRAM model with this rate application (see model "WNP EB-2015-0110-LRAMVA Model"). This CHEC LRAMVA copyrighted model includes:

a) Separate tables for each rate class showing the lost revenue amounts requested by the year they are associated with and the year the lost revenues took place;
b) Separate rate class table including a list of all the CDM programs/initiatives applicable to that rate class together with provide the energy savings (kWh) and peak demand (kW) savings assigned to those programs/initiatives;
c) Lost revenue calculations based on calculating the energy savings by customer class and multiplying by WNP's Board-approved variable distribution charge appropriate to the class;

A copy of the IESO's (OPA's) "Final Results for Wellington North Power Inc." report issued on September 2, 2015, containing the actuals for WNP for the period 2011, 2012, 2013 and 2014 is included in the Appendix 4D.

Appendix

List of Appendices

Appendix 4A	Working Agreement
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