

**EB-2015-0107**

**Wasaga Distribution Inc.**

**Application for electricity distribution rates and other  
charges beginning May 1, 2016**

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**INTERROGATORIES OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**November 23, 2015**

**WASAGA DISTRIBUTION INC.  
2016 RATES REBASING CASE  
EB-2015-0107**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS**

**1-Energy Probe-1**

**Ref: Exhibit 1, page 21**

**Are there any costs included in the WDI revenue requirement or in the historical data for WDI associated with board of director costs for any of the corporate entities shown in the chart on page 21, other than WDI itself? If yes, please identify the corporate entity and the amount included by year.**

**EXHIBIT 2 – RATE BASE**

**2-Energy Probe-2**

**Ref: Exhibit 2, Appendix 2-BA**

**a) Please update the 2015 bridge year continuity schedule to reflect actual expenditures for the most recent year-to-date period available in 2015 along with the current forecast of additional expenditures that will be closed to rate base by the end of 2015.**

**b) Please update the 2016 test year continuity schedule to reflect any changes that result from the update for 2015.**

**2-Energy Probe-3**

**Ref: Exhibit 2, Appendix 2-BA & Table 2-17**

**Please provide a table that shows, for each of 2012 through 2016, the gross capital expenditures for each item that attracts capital contributions, as shown in Table 2-17. For each such item, please show the gross capital expenditures and the corresponding capital contributions received.**

#### **2-Energy Probe-4**

**Ref: Exhibit 2, Appendix 2-BA**

**Please confirm that WDI does not have any fully allocated depreciation expense that it charges to capital and/or OM&A in the test year, bridge year or any of the historical years shown. If this cannot be confirmed, please indicate the amount that has been capitalized and expensed for each year.**

#### **2-Energy Probe-5**

**Ref: Exhibit 2, page 30**

- a) Has WDI completed a lead-lag study?**
- b) Does WDI have preliminary results from a lead-lag study? If yes, please provide those preliminary results.**
- c) When does WDI propose to file the completed lead-lag study?**

#### **2-Energy Probe-6**

**Ref: Exhibit 2, pages 31-34**

**Please update the cost of power calculations shown in Table 2-16 to reflect the October 15, 2015 RPP report along with any other updates to the wholesale market charges, network and connection charges, low voltage charges or smart meter entity charges based on the most current rates.**

#### **2-Energy Probe-7**

**Ref: Exhibit 2, page 35**

- a) Please explain how the range of 43 to 52 days was calculated.**
- b) Please explain why WDI customers pay on the 3rd Tuesday of the following month rather than based on when they receive their invoice, along with the Board approved period for the customers to pay.**

## **EXHIBIT 3 – OPERATING REVENUE**

### **3-Energy Probe-8**

**Ref: Exhibit 3, Table 3.23**

**For each rate class shown in Table 3.23, please show the actual number of customers at the end of each month for January 2013 through to the most recent actual month available for 2015.**

### **3-Energy Probe-9**

**Ref: Exhibit 3, Table 3.23 & page 33**

- a) Please reconcile the residential customer growth in 2014 of 1.38% noted on page 33 with the 1.90% growth shown in Table 3.23.**
- b) The evidence states that WDI intends to meter all customers going forward. Does this mean that the existing USL customers will be metered, or that they will remain unmetered?**

### **3-Energy Probe-10**

**Ref: Exhibit 3, Table 3.13**

**Please provide the data shown in Table 3.13 in a live Excel spreadsheet.**

### **3-Energy Probe-11**

**Ref: Exhibit 3, Table 3.56**

- a) Does Table 3.56 include any income/expenses related to CDM activities and/or interest on deferral and variance accounts? If yes, please provide a version of Table 3.56 that excludes these items.**
- b) Please provide the most recent year-to-date actual figures available for 2015 in the same level of detail as shown in Table 3.56, along with the figures for the corresponding period in 2014. Please do not include any CDM or deferral and variance account interest in this response.**
- c) Please explain how WDI has forecast the revenues in account 4360.**
- d) Please explain how WDI has forecast the revenues in account 4390.**

### **3-Energy Probe-12**

**Ref: Exhibit 3, page 76**

**The Board has initiated a comprehensive policy review of miscellaneous rates and charges applied by electricity distributors for specific activities or services they provide to their customers. If the Board allows distributors to implement any new rates during their IRM terms, does WDI agree that the change in revenue as a result of the change in the rates should be allocated to a deferral account for clearance to ratepayers in the future? If not, please explain why not.**

### **3-Energy Probe-13**

**Ref: Exhibit 3, pages 68-69**

- a) Please confirm that WDI has forecast account 4235 revenues for 2016 to be equal to 2015, with the exception of the micro-fit service charges.**
- b) Please confirm that WDI has forecast 2016 revenues for accounts 4225 and 4210 to be equal to 2015.**
- c) Please indicate what investment WDI had in 2015 and previous years that it will not earn any income on in 2016.**

## **EXHIBIT 4 – OPERATING EXPENSES**

### **4-Energy Probe-14**

**Ref: Exhibit 4, page 4**

**Please confirm that the figure of \$2,081,831 shown on line 5 should actually be \$2,801,831. If this cannot be confirmed, please provide the correct figure, since the evidence talks of a reduction to \$2,549,236.**

### **4-Energy Probe-15**

**Ref: Exhibit 4, Appendix 2-JA**

**Please provide the most recent year-to-date actual figures for 2015 in the same level of detail as found in Appendix 2-JA, along with the figures for the corresponding period in 2014.**

#### **4-Energy Probe-16**

**Ref: Exhibit 4, Appendix 2-JB**

**The table shows an increase of \$150,949 in 2012 associated with prior period smart meter disposition costs.**

- a) Please indicate how much of the \$150,949 expense was actually incurred in 2012 and how much was incurred in prior years.**
- b) How much of the smart meter disposition costs, if any, were included in the forecasted 2012 OM&A in the last rebasing application and in the Board approved amount of \$2,549,236?**

#### **4-Energy Probe-17**

**Ref: Exhibit 4, Appendix 2-JB**

**Please explain what is driving the increases of \$25,000 in 2014, \$21,000 in 2015 and \$10,000 in 2016 for regulatory requirements.**

#### **4-Energy Probe-18**

**Ref: Exhibit 4, page 7**

- a) Please explain how the factor of 0.8 used in the MSA formula was derived.**
- b) Has WPI done any studies that looks at and quantifies the impact on costs associated with growth in the number of customers? If yes, please provide those studies.**

#### **4-Energy Probe-19**

**Ref: Exhibit 4, pages 6-7 & Table 4.12 & Exhibit 3, Table 3.55**

- a) With regards to the Master Service Agreement, please show the calculation of the amounts for each of 2012 through 2016, based on the customer numbers and inflation figures noted on pages 6 and 7 and shown in Table 4.12. Please show all calculations and assumptions used.**

- b) Please reconcile the customer numbers noted on pages 6 and 7 and used in the calculations requested in part (a) above with the customer figures shown in Table 3.55. If the numbers are different, please reconcile any differences, including indicating how the figures used in the MSA are calculated.

#### **4-Energy Probe-20**

**Ref: Exhibit 4, Appendix 2-K**

- a) Are all of the employee costs shown in Appendix 2-K included as part of the MSA costs? If not, please explain where else these employee costs are included.
- b) Are any of the employee costs shown in Appendix 2-K capitalized? If yes, please add two lines to Appendix 2-K that shows the total employee costs that are capitalized and the total amount expensed as OM&A in each year.
- c) Are there any additional employee expenses beyond those shown in Appendix 2-K that are included in OM&A? If yes, please provide a table showing the additional employee expenses included in OM&A for each of 2012 through 2016 and explain what these employee expenses are related to.
- d) Please provide a table consistent with the responses to parts (a), (b) and (c) above that shows the total OM&A by year and the total employee related expenses included in the OM&A for each year 2012 through 2016.

#### **4-Energy Probe-21**

**Ref: Exhibit 4, pages 32-33**

**The evidence states that WDI is a virtual utility with no employees.**

- a) Please explain why the evidence (page 33) says that WDI employees are members of OMERS, when it has no employees.
- b) Are the OMERS related expenses which WDI pays included in the MSA cost? If not, please explain and provide for each of 2012 through 2016 the amount included in the OM&A expenses associated with OMERS.
- c) The evidence states that WDI does not pay employee future benefits (page 32). Are the costs of these benefits recovered from WDI through the MSA? If yes, please quantify the amount included the MSA for each of 2012 through 2016.

#### **4-Energy Probe-22**

**Ref: Exhibit 4, Appendix 2-M**

**Please confirm that none of the \$223,500 shown as regulatory costs associated with this rates proceeding in the 2015 bridge year have been included in the 2015 figures shown in Appendix 2-JA, but rather \$44,700 has been included in the 2016 figure in Appendix 2-JA. If this cannot be confirmed, please indicate how much of the \$223,500 has been included in each year shown in Appendix 2-JA.**

#### **4-Energy Probe-23**

**Ref: Exhibit 4, page 64**

**Please confirm that WDI does not have any employees eligible for the Ontario Apprenticeship Training Tax Credit, federal tax credits or co-operative education tax credits in 2016. If this cannot be confirmed, please provide details.**

#### **4-Energy Probe-24**

**Ref: Exhibit 4, PILs Workform & Exhibit 2, Appendix 2-BA**

- a) Please explain why WDI has included the 2015 capital expenditures related to computer software of \$15,000 as shown in Appendix 2-BA in CCA class 47 rather than CCA class 12.**
- b) Please explain why WDI has included the 2016 capital expenditures related to computer software of \$40,000 as shown in Appendix 2-BA in CCA class 47 rather than CCA class 12.**
- c) Please provide a new CCA schedule for 2016 that reflects the inclusion of computer software in CCA class 12 in both 2015 and 2016.**

### **EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE**

#### **5-Energy Probe-25**

**Ref: Exhibit 5, pages 3 & 4**

- a) Please update Table 5.1 to reflect the October 15, 2015 Board letter re Cost of Capital Parameter Updates for 2016 Applications.**



- b) Please update Appendix 2-OA to reflect the cost of capital parameters as noted above in part (a).

**5-Energy Probe-26**

Ref: Exhibit 5, pages 6 & 7

The evidence states that WDI recognizes that the ROE and short term debt rate will be updated to reflect the cost of capital parameters as issued by the Board for 2016. Does WDI also propose to update the long term debt rate to reflect the rate issued by the Board for 2016?

**5-Energy Probe-27**

Ref: Exhibit 5, Appendix A

- a) Please explain how the interest rate on the long term not payable to the town of Wasaga Beach is set, given the reference to the December 31, Government of Canada 10 year bond rate.
- b) Can WDI pay off any or all of the long term debt held by the town if it so chooses?
- c) What is the penalty, if any, for paying off some or all of the affiliate debt?
- d) Has WDI attempted to obtain third party long term debt that is either in addition to the affiliate debt, or to replace the affiliate debt? If yes, please provide all the details. If no, please explain why not.

**EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY**

**6-Energy Probe-28**

Ref: Exhibit 6

Based on any corrections, changes or updates (such as the cost of power and the cost of capital parameter updates issued by the Board on October 15, 2015), please:

- a) Provide updated Tables 6.2 through 6.8,

- b) **Provide an updated RRWF that includes the appropriate and necessary entries in the Tracking Form indicating the interrogatory response which is the basis for the change made. Please also provide the RRWF in electronic form.**

## **EXHIBIT 7 – COST ALLOCATION**

### **7-Energy Probe-29**

**Ref: Exhibit 7**

- a) **Has WDI updated the cost allocation model to take into account the new Board policy with respect to street lighting?**
- b) **If the response to part (a) is no, please update the cost allocation evidence to reflect the new Board policy. Please also include an updated live Excel version of the cost allocation model.**

### **7-Energy Probe-30**

**Ref: Exhibit 7, Appendix 2-P**

- a) **Please explain why WDI is proposing to increase the revenue to cost ratio for the GS>50 class when it has a ratio that is already higher than that of the GS<50 and USL classes.**
- b) **Please calculate the proposed ratios that reflect the reduction of the street lighting class to 120% with the corresponding offset being an increase in the USL and GS<50 classes so that they are equal to one another. No changes should be made to the residential of GS>50 ratios from the status quo figures.**

## **EXHIBIT 8 - RATE DESIGN**

### **8-Energy Probe-31**

**Ref: Exhibit 8, Table 8.17**

- a) **Please explain why WDI is not proposing any rate mitigation despite the fact that the residential, GS<50 and USL total bill impacts are in excess of 10%.**

- b) **Given that that residential total bill impact for a residential customer consuming 132 kWh is in excess of 10%, please explain why WDI is not proposing a lower fixed monthly charge and/or a longer phase in period for the move to a fully fixed charge for residential customers.**
- c) **Please calculate the monthly fixed charge that would result in a 10% total bill impact for a residential customer consuming 132 kWh for each of the two scenarios shown in Table 8.17.**

## **EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS**

### **9-Energy Probe-32**

**Ref: Exhibit 9, page 24**

**Please explain why WDI believes it needs the requested new variance accounts shown on page 24.**