



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

November 25, 2015

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: EB-2015-0107 – Wasaga Distribution Inc. – 2016 Rate Application
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

M. Garner/for M.Janigan

Michael Janigan
Counsel for VECC

Joanne Tackaberry, CPA, CGA, Director of Finance
j.tackaberry@wasagadist.ca

REQUESTOR NAME	VECC
TO:	Wasaga Distribution Inc. (WDI)
DATE:	November 25, 2015
CASE NO:	EB-2015-0107
APPLICATION NAME	2016 COS Application

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: E1/Attachment B

- a) Please provide the cost of the Utility Pulse Survey.
- b) Was the survey undertaken to meet the filing requirements of the OEB?
- c) Did the survey provide any new insights to WDI that it had not already acquired through its interactions with customers?
- d) Does WDI believe there is sufficient value in the information provided by the survey to justify a similar poll in the future?

1.0-VECC-2

Reference: E1/

- a) Please provide the names of the Board of Directors of WDI and the name of the Board of Directors of WRSI.
- b) Please confirm that the Board of director costs (\$55,675) are for WDI Directors only.
- c) Please provide the number of meetings held by the WDI Board of Directors in 2014 and (separately) in 2015.
- d) Other than providing services to WDI, what activity does WRSI undertake?
- e) Please explain which staff are employees of WRSI and which (if any) are employees of WDI.

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC - 3

Reference: E2/pg.10

- a) WDI notes that the actual cost for the Service Centre Building Upgrade was \$462,754. What was the forecast costs approved by the Board in 2012?

2.0 – VECC -4

Reference: E2/pg.40/Table 2-17

- a) Please amend Table 2-17 to add a column showing 2015 actuals to date and adding a row to show capital contributions separately (i.e. showing gross, not net capital expenditures).

2.0 – VECC - 5

Reference: E2/pg.40 & 71/Table 2-17

- a) Please provide a table showing the annual forecast capital expenditures for the Sunnidale Development project for 2015 through 2010. Please show the Sunnidale Pole Line Expansion project separate from any other forecast capital expenditures for the housing development project.
- b) Please add a row to show any expected capital contributions during the life of this project.
- c) WDI has indicated it does not expect any contributions for the Sunnidale Pole Line Expansion part of this project. Please confirm no contributions will be received from developer for any other this aspect of the project. If not contributions are expected please explain why.
- d) Please explain under what regulatory/legal provision the Pole Line Expansion project is “*mandatory*.”
- e) Please provide the forecast date for the layout of lots in the development.
- f) Please provide the forecast date for the first service in the development to be energized (please denote between temporary and permanent service).

2.0 – VECC - 6

Reference: E2/Attachment A DSP/pg.10

- a) Please provide the project business case for the pole replacement program.
- b) Please provide the asset assessment which justifies the program.
- c) Will this project be carried out by WDI employees or by third party contractor(s)?
- d) Please provide a table showing for each year of the project the total capital cost and the total number of poles to be installed.
- e) If the year-to-year cost-per-pole differ please explain why.

2.0 – VECC - 7

Reference: E1/T2/pg.69

- a) WDI states that for outage codes for Tree Contact and Adverse whether “*sometimes gets misinterpreted.*” By this does WDI mean that the data for these two categories is sometimes intermingled? If not please explain the meaning.
- b) Please confirm that in either event the outage will only be recorded in one of the categories (i.e. there is no double counting in the data).

2.0 – VECC - 8

Reference: E2/Attachment A/pg.72

Preamble: WDI states it in the process of replacing 1st generation smart meters due to encryption concerns.

- a) When did WDI complete its smart meter rollout? Please provide the dates of the oldest and newest meter installations (i.e. start finish of rollout).
- b) Please provide details on the reasons for replacing all 1st generation smart meters.
- c) Please provide details on the smart meter replacement program including: (1) the expected write-off of non-depreciated meters; (2) the cost of the replacement meters; (3) expected start and finish of the program; (4) any warranty or other mitigating programs to reduce costs of replacements; (5) name and manufacturer of meter being replaced.

2.0 – VECC - 9

Reference: E2/Attachment A/pg.66

- a) When will WDI be making a decision with respect to purchasing an Outage Management System? Does WDI expect this to be material investment and if so does WI anticipate making an application for cost recovery during the IRM period?

2.0 – VECC - 10

Reference: E2/Attachment A

- a) Was the WDI Distribution System Plan prepared internally? If yes, was a third-party review undertaken of the plan?

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -11

Reference: E3/pages 8-9

- a) Please confirm that the USL customer/connection numbers have not been included in Table 3.3. Was this an oversight or a conscious decision? If the latter, please explain why.
- b) Please provide a revised version of Table 3.5 that also includes the customer/connection count for USL.

3.0 –VECC -12

Reference: E3/pages 12-15

Load Forecast Model, X.1.CDM Calculation Tab

Load Forecast Model, X.2.CDM Data Extraction Tab

- a) Please explain the basis for the loss factors (1.081 and 1.079) used in the CDM Calculation Tab to convert CDM savings to wholesale purchase impact and how they relate to the 1.0802 factor used (page 39) to convert the forecast wholesale purchases to billed kWh.
- b) Why don't the CDM adjustment values for 2012-2014 in Table 3.7 match the values shown in the Load Forecast Model – Tabs 6 (Column D) and X.1 (Column H)?
- c) Why don't the Adjusted Wholesale Purchase values for 2012-2014 in Table 3.10 match the adjusted values shown in the Load Forecast Model, Tab 6 (Column J)?
- d) With respect to the Load Forecast Model, Tab X.1, please explain why the total savings for 2007 of 1,411,584 kWh (sum of G31 to G42) do not equal the persisting savings in 2007 from 2006 programs (688,739 kWh) plus $\frac{1}{2}$ of the 2007 program savings ($0.5 * 756,950 = 378,475$ kWh).
- e) Similarly, please explain why the total savings for 2014 of 3,267,586 kWh (sum of G115 to G126) do not equal the persisting savings in 2014 from 2006-2013 programs (2,762,927 kWh) plus $\frac{1}{2}$ of the 2014 program savings ($0.5 * 781,079 = 390,540$ kWh).
- f) To assist in understanding the monthly CDM adjustment values please explain the logic underpinning the derivation of:
 - The January 2007 adjustment (115,027 kWh – prior to loss adjustment), and
 - The December 2007 adjustment (120,237 kWh – prior to loss adjustment)

3.0 –VECC -13

Reference: E3/pages 16-17

- a) Please explain how using the 20 year average as the definition of “weather normal” is considered to be a compromise between the three alternatives set out in Table 3.11. How do the annual values for HDD and CDD using this definition compare with the values based on the other two alternatives?

3.0 –VECC -14

Reference: E3/pages 18-21

- a) What customer classes are include in the Customer Count variable set out in Table 3.12 and why?
- b) What was the source/basis for the historical electricity prices used to create the electricity price index in Table 3.13?
- c) Are the CPI and electricity price indexes used in Table 3.13 specific to either WDI or Ontario overall? If not, why is the index appropriate to use as an explanatory variable?
- d) What is the basis for the forecast 2015 and 2016 values for the CPI and Electricity price index used in the Application?

3.0 –VECC -15

Reference: E3/page 22

- a) Did WDI test any economic variables (e.g., local employment or unemployment) to determine if they would be statistically significant in explaining wholesale purchases? If yes, what were the results?

3.0 –VECC -16

Reference: E3/pages 32-34

- a) Please provide a schedule setting out the customer/connection count by customer class as of June 30, 2015.

3.0 –VECC -17

Reference: E3/pages 35-38

Load Forecast Model, X.1.CDM Calculation Tab

- a) Please provide a schedule that shows, for each year, the CDM adjustment for each customer class and the total adjustment for the year based on the data in Table 3.24.
- b) The annual CDM adjustments shown in Table 3.24 do not reconcile with the annual adjustments made to the historical wholesale purchases as set out in Tab X.1 – Column G. Please explain why.

3.0 –VECC -18

Reference: E3/pages 39-44

- a) What was the average historical loss factor over the period 2005-2014?

3.0 –VECC -19

Reference: E3/pages 46-49

- a) Is the Street Light LED conversion project being done under the auspices of the IESO's CDM programs?
- b) Please indicate how the 1,265,080 kWh savings from LED conversion was determined. In particular what is the forecast percentage reduction in consumption per device/connection as a result of the conversion?
- c) Please provide a copy of WDI's 2015-2020 CDM Plan as submitted to the IESO.

3.0 –VECC -20

Reference: E3/pages 67-75

- a) Using the same format as Table 3.56, please provide the actual Other Operating Revenue for the first 6 months of 2014 and 2015.
- b) Please explain the \$51,952 Loss on Disposition forecast for 2016 (Account 4360).

3.0 –VECC -21

Reference: Appendix 2-H

- With respect to Account #4210, it is noted that the revenue from Building Rental-Affiliate has remained unchanged at \$152,130 based on the lease agreement provided as Attachment D to Exhibit 4. How was the annual rent charge established?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -22

Reference: E4/Appendix 2-JC

- a) Please provide the bad debt costs for 2015 (year-to-date).
- b) Please explain how the forecast bad debt costs for 2015 and 2016 were estimated.

4.0-VECC-23

Reference: E4/Appendix 2-JC

- a) Please explain the increase in Community Relations costs from 2013 through to 2016.

4.0-VECC- 24

Reference: E4/pg.27

- a) At page 27 it states that “[N]one of [salary] *increases are controllable by WDI.*” Please explain what is meant by this statement. Why are salaries an uncontrollable expense?
- b) Please explain who from WDI or WRSI negotiates labour contracts.

4.0-VECC-25

Reference: E4/pg.27

- a) Please provide the fees paid to Cornerstone and the EDA (separately) for each of the years 2012 through (forecast) 2016.

4.0-VECC-26

Reference: E4/pg. 30/ Appendix 2-K

- a) How many of the 19 FTEs shown in Appendix K spend their time exclusively on work for EDI?
- b) For the Non-Management category please breakdown the 16 FTEs into:
 - a. Lineman or outside power worker
 - b. Office Administration.
- c) Please clarify whether Appendix 2-K shows the actual compensation costs of the 19 FTEs listed or the allocation of those costs from WRSI.

4.0-VECC-27

Reference: E4/pg.37 & 38

- a) For Table 2-N for 2015 and 2016 please show the Shared Service allocation from WDI to WRSI for only compensation.
- b) As shown in Appendix 2-N the rent costs charged to WRSI from WDI do not increase from 2013 through to 2016. Please explain why by they do not increase by the CPI inflation that was incorporated into the MSA (see E4/pg.27).
- c) Please explain how the rent costs are calculated.
- d) Please explain what the item labelled "Differences" in Table 4.12.

4.0-VECC-28

Reference: E4/pg. 44/Appendix 2-M Regulatory Costs

- a) Has the OEB notified of any forecast costs it intends to charge WDI for the review of its DSP?
- b) If yes please provide the estimate of those costs and explain whether this cost is included in the forecast of regulatory costs as shown in Appendix 2-M.

4.0-VECC-29

Reference: E4/pg. 24/Appendix 2-JC/pg.26

- a) Billing, Collecting & Customer Service costs have increase from \$677k in 2012 to 816k in 2016 or 139k. WDI explains that 40k of this was due to outsourced staffing in 2013. Is the outsource staffing continuing in 2016?

4.0-VECC-30

Reference: E4/Attachment A

- a) Please confirm that the MSA provides WRSI payments calculated as the sum of the following:
 - 1. \$2,083,254 ("base payment")
 - 2. CPI inflation for each year beginning 2013 ("CPI adjustment")
 - 3. 80% of the change in 2013 customer counts based on average distribution revenue by class ("customer adjustment").

4.0-VECC-31

Reference: E4/Attachment A –MSA Agreement.

- a) Please provide a table showing the payments based on the MSA formula for 2013 through 2016. Please provide the source of the CPI and customer adjustments explaining whether year-end or month average values are used.
- b) The MSA the base payment is found by calculating an amount which includes a return on billing and accounting software and vehicles. Please confirm that none of these items attract a return as part of the revenue requirement WDI is seeking in this application.
- c) Section 5.03 of the MSA contemplates a reopening of the agreement if WRSI has higher costs than anticipated by the agreement. Please explain why WDI agreed to this provision.
- d) Please explain what recourse WDI has if the Board approves lower (substantially or otherwise) costs than contemplated by the MSA. Specifically please identify the provision that give WDI similar consideration as provided in section 5.03 to WRSI.

4.0-VECC-32

Reference: E4/Attachment C – WRSI Actuarial Report

- a) At the above reference WDI has provided the WRSI actuarial valuation. Please explain what liabilities, if any, WDI has for the post-retirement benefits of WRSI.
- b) Please explain what liabilities, if any, WDI has with respect to pension benefits of WRSI. Specifically provide the reference to any agreement between the parties as to those liabilities.

4.0-VECC-33

Reference: E4/Appendix 2-JC

- a) What precludes WDI from contracting with an alternative service provider if a more economical provider becomes available?
- b) The fiduciary duty of the Board of Directors of WDI would require that it consider financially beneficial arrangements for the Utility. What due diligence has the WDI Board of Directors undertaken to ensure the MSA is in the interest of WDI?

4.0 -VECC -34

Reference: E4/pages 69-71 and Attachment G

- a) Please provide copies of the 2013 Final Evaluation Report and the 2011-2014 Finalized CDM results produced by the IESO (per page 70).
- b) With respect to Attachment G, please provide a schedule that sets out the calculation of the dollars of verified/actual results for each year (2011-2013) by rate class (e.g., the calculation of the \$2,662.42 value for Residential for 2011). In doing so, please indicate the billed kWh and kW savings by year by customer class used in the calculation. Furthermore, in the case of the GS>50 class please indicate how the kW savings reported by the IESO were translated into billed kW.

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

No Questions

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

No Questions

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –35

Reference: E7/pages 2-4

Cost Allocation Model, Tabs I4

- a) Please explain why, in Tab I4, 100% of Underground Conduit is assigned to Secondary while Underground Cable is split 40/60 between Primary and Secondary. Does the underground primary cable not use underground conduit?
- b) With respect to Tab I6.2, please confirm that virtually all of the street light devices owned by the Town are connected directly to WDI's secondary system (i.e., virtually no daisy chaining).
- c) With respect to Tab I7.1, please explain why there are fewer GS<50 meters than there are forecast GS<50 customers for 2016.

7.0 – VECC –36

Reference: E7/pages 14-16

- a) With respect to Appendix 2-P, Part B) – Column 7B does not match the

revenue at existing rates in the Cost Allocation model at Tab I6.1. Please reconcile.

- b) Please re-do Appendix 2-P, where the shortfall in revenue due to the adjustment in R/C ratio for Street Lighting is recovered from the GS<50 as opposed to the GS>50 customer class.

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC -37

Reference: E8/pages 2-3

- a) Please reconcile the projected revenues at existing rates set out in Table 8.1 with those shown in in the Cost Allocation model at Tab I6.1. Please provide a revised version of Table 8.1 and/or revised Cost Allocation, as necessary.

8.0 –VECC - 38

Reference: E8/pages 4-6 and 30-32

Appendix 2-W

EB-2015-0294

- a) Please provide an updated version of Appendix 2-W reflecting not only the planned elimination of the Debt Retirement and OECEB charges for 2016 but also the new OESP charge to be implemented in 2016 and the reduction in the WMS charge for 2016 per EB-2015-0294.
- b) Based on the response to part (a) please provide a revised version of Table 8.17.
- c) Please explain why (per page 32) bill impacts that exclude the removal of the OECEB and Debt Retirement Charge are appropriate to consider when determining the need for mitigation since customers will be impacted by these changes in 2016.
- d) Is WDI aware of any direction from the OEB that the 10% impact criteria for low volume customers is not to be considered when its Rate Design Policy is implemented by distributors, such as Hydro One Networks and Algoma Power, that have a Seasonal class?
- e) Based on the data used to create the chart on page 30 please indicate how many Residential customers fall into each of the following average monthly use categories:
- 0-100 kWh
 - >100-250 kWh

- >250-500 kWh
 - >500-800 kWh
 - >800-1,000 kWh
 - >1,000-1,500 kWh
 - >1,500-2,000 kWh
- f) Given the magnitude of the overall rate increase for Residential customers, did WDI consider requesting a one-year deferral in the implementation of the new Rate Design Policy and then implementing it over three years? If yes, why was it rejected? If not, please comment now on the pros/cons of such an approach.

8.0 –VECC - 39

Reference: E8/pages 19-23

- a) Does the \$226,944 used as the basis for determining the 2016 LV charges represent: i) the amount WDI paid to HONI in 2014 in ST charges or ii) the amount WDI charged its customers in 2014 based on its approved LV rates? If the former, please explain the difference between this value and the \$292,951 total in Table 8.15. If the latter, please explain why the proposed 2016 charges are not based on the costs WDI incurs from HONI for ST services.
- b) What is the basis for the volume values used in Table 8.12? For some classes (e.g. Street Lighting) the values match the 2015 and 2016 load forecast (per Exhibit 3, page 53) where as in order cases (e.g., Residential) the values do not.

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC - 40

Reference: E9/pg. 9

- a) Please confirm that WDI has a balance of \$50,763 in account 1508 (IFRS Transition Costs).
- b) If confirmed please confirm that it is WDI's intention not to seek recovery of this cost.
- c) If this is not confirmed please explain why WDI is not seeking recovery of the balance in this application.

End of document