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Ontario

BY E-MAIL

February 16, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Westario Power Inc. (Westario Power)
2018 Distribution Rate Application
OEB Staff Interrogatories
OEB File No.: EB-2017-0084

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Westario Power and all intervenors have been copied on this filing.

Westario Power's responses to interrogatories are due by March 16, 2018.

Yours truly,

Original Signed By

Andrew Frank
Project Advisor – Major Applications

Attach.

OEB Staff Interrogatories
2018 Cost of Service Rate Application
Westario Power Inc. (Westario Power)
EB-2017-0084
February 16, 2018

Exhibit 1 – Administration

1-Staff-1

Responses to Letters of Comment

Following publication of the Notice of Application, the OEB received four letter(s) of comment. Sections 2.1.6 of the Filing Requirements state that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the Board related to the distributor's application. If the applicant has not received a copy of the letters, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-2

Updated RRWF

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF (version 7.02, issued July 14, 2017) in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. In completing the updated RRWF, please ensure that sheet 1 is completed. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), 12 (Residential Rate Design) and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet, and may

also be included on other sheets in the RRWF to assist understanding of changes.

1-Staff-3

Updated Bill Impacts

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption / demand levels (e.g. 750 kWh for residential, 2,000 kWh for GS<50, etc.).

1-Staff-4

Reflecting Customer needs in the Application

Chapter 2 of the Filing Requirements states: “Distributors should specifically discuss in the application how they informed their customers on the proposals being considered for inclusion in the application, and the value of those proposals to customers (i.e. costs, benefits and the impact on rates). The application should discuss any feedback provided by customers and how this feedback shaped the final application”.

> What forms of outreach were employed to explain how the current application serves the needs and expectations of customers? If none were employed, please explain why.

1-Staff-5

Ref: Exhibit 1, page 26

Please provide all the communication between Westario Power, its Board of Directors and its shareholders from 2014 to 2017, regarding this rate application, and any material spending priorities included in this application, or considered for this application. Please explain how spending priorities were arrived at.

1-Staff-6

Ref: Exhibit 1, Appendix A, page 88

Westario Power states “Westario Power continues to market all IESO Provincial Programs with great success”. At the community meeting, customers expressed frustration having fully realized savings available from the existing programs.

Has Westario Power considered offering additional conservation measures as sought by its customers?

1-Staff-7

Ref: Exhibit 1, page 27
Exhibit 1, Appendix A, pages 98-100

On page 27, Westario Power notes that "There are ongoing discussions between the town of Kincardine and EPCOR about making natural gas available to all citizens". In the business plan on pages 98-100 Westario Power has provided an analysis of Strengths, Weaknesses, Opportunities, and Threats that does not refer to the possible availability of natural gas to Kincardine.

a) Has Westario Power attempted to identify customers which use electricity for space or process heat?
b) Has Westario Power attempted to estimate amount of electric load that would be lost as a result of fuel conversion?
c) Has the possible availability of natural gas impacted Westario Power's planning?

1-Staff-8

Ref: Exhibit 1, Appendix B, page 121

Westario Power reports the results of the survey of customer satisfaction with their service "When contacting the utility did you consider the problem solved or not solved?" at 52% when compared to the Provincial benchmark of 69%.

a) When did Westario Power become aware that their customers were less satisfied than average in this respect?
b) Has Westario Power taken, or is it planning to take any measures to address this?
c) If so, what were the measures, what is the cost of the measures, and when did (or will) they start?

1-Staff-9

Ref: Exhibit 1, Appendix B, page 121

When reflecting on their most recent customer service experience fewer of Westario Power's customers have stated that they were fairly satisfied or very satisfied than the Ontario LDC average. This is the case both in terms of overall

satisfaction, and in terms of every one of the six measures used by UtilityPULSE to evaluate a customer service experience:

Top 2 Boxes: 'very + fairly satisfied'

	Westario Power	Ontario Benchmark
The time it took to contact someone	57%	70%
The time it took someone to deal with your problem	48%	66%
The helpfulness of the staff who dealt with you	64%	70%
The knowledge of the staff who dealt with you	61%	70%
The level of courtesy of the staff who dealt with you	69%	80%
The quality of information provided by the staff who dealt with you	62%	69%

a) When did Westario Power become aware that their customers were less satisfied than average in this respect?
b) Has Westario Power taken, or is it planning to take any measures to address this?
c) If so, what were the measures, what is the cost of the measures, and when did (or will) they start?

1-Staff-10

Ref: Exhibit 1, pages 31-32, 61
Exhibit 1, Appendix B, page 139

Westario Power states that it has a "Large non-contiguous service area (80 x 60km)" on page 31. When customers asked what they would be willing to pay extra for, only 16% of Westario Power customers indicated that they would be willing to pay for extended office hours. Westario Power states that it "currently maintains front desk support" on page 61.

a) With so little interest in extending office hours, has Westario Power considered that customers might be open to a reduction or elimination of front desk hours in exchange for reduced rates?
b) What alternatives were considered?
c) Has Westario Power performed a cost/benefit analysis of alternative levels of front desk support? If so, please provide.

1-Staff-11

Ref: Exhibit 1, section 1.3.12

In section 1.3.12, Westario Power stated the following:

> In 2015 with the conversion to IFRS further adjustments were required to be made to the opening value of assets in order to record them at their fair market value at the time of transition. WPI determined that the best way of determining fair market value was to use the net book value at the time of transition to IFRS. Therefore, at the start of 2015 all accumulated amortization was netted against the gross value of assets in order to bring the assets to their fair market value at that date.
>
> Due to the adjustment to useful lives as required by the 2013 Cost of Service Application in 2013 and the adjustment to fair market value as required by the transition to IFRS in 2015 a standard continuity schedule isn't able to accurately account for all of these adjustments and re-calculate amortization expense for any given particular year.
>
> WPI attests that it does not and will continue not to capitalize administration and other general overhead costs no longer permitted under IFRS, as clarified by the Board in its letter dated February 24, 2010. In making these changes, WPI will continue to ensure that the company is comparable to other distribution utilities in the Province. WPI understands the need for comparability between distribution utilities. WPI has also adopted the various account changes prescribed by the Board in relation to the USoA (Article 210 – Chart of Accounts and Account 220 – Account Descriptions)…

OEB staff is unclear why Westario Power stated that it was "required" to make adjustments to the opening value of its assets to record them at their fair market value at the time of transition to IFRS in 2015. The OEB has stated that in Appendix 2, page 40, July 28, 2009, *Report of the Board Transition to International Financial Reporting Standards*[1] that the "Board will require the use of historical acquisition cost as the basis for reporting PP&E for regulatory purposes." As a result, the OEB does not generally approve revaluations of capital assets to fair market value.

[1] EB-2008-0408

However, it appears that Westario Power's fair market value adjustment may have simply been to roll forward the net book value of its capital assets as at December 31, 2014 to opening gross value as at January 1, 2015, with accumulated depreciation netted to zero as at January 1, 2015.

OEB staff is unclear why Westario Power stated that "a standard continuity schedule isn't able to accurately account for all of these adjustments and re-calculate amortization expense for any given particular year." Westario Power indicated that a standard fixed assets continuity schedule cannot accurately account for adjustments such as:

i. "the adjustment to useful lives as required by the 2013 Cost of Service Application"; and
ii. "the adjustment to fair market value as required by the transition to IFRS in 2015."

a) Please provide OEB guidance that would allow Westario Power to revalue its capital assets to fair market value at any point in time.
b) Please confirm that Westario Power's fair market value adjustment was to roll forward the net book value of its capital assets as at December 31, 2014 to opening gross value as at January 1, 2015, with accumulated depreciation netted to zero as at January 1, 2015.
c) If OEB staff's above noted interpretation of Westario Power's fair market value adjustment is not the case, please explain and update evidence as required.
d) Please explain in more detail why Westario Power believes that it is not able to generate an accurate fixed assets continuity schedule. If Westario Power can generate a more accurate fixed assets continuity schedule, please provide such an updated schedule.

1-Staff-12

Ref: Exhibit 1, section 1.3.9
Exhibit 4, section 4.9.4

In section 4.9.4, Westario Power indicated that it had applied the "half-year" rule for all capital additions in accordance with Section 2.7.4 of the Filing Requirements.

In section 1.3.9, Westario Power indicated that its pro-forma projections for the 2018 test year were prepared in accordance with Westario Power's usual

process, including the directives and assumptions with exceptions, including the following:

- Amortization reflects the half-year rule for capital additions.

OEB staff is unclear when Westario Power made the change in amortization to reflect the half-year rule for capital additions.

a) Please describe in more detail what periods may or may not reflect the half-year rule for capital additions.
b) If the half-year rule for capital additions has not been incorporated into the calculations of the 2018 test year rate base and depreciation values, please explain. Please update evidence as required to reflect the half-year rule.

Exhibit 2 – Rate Base

2-Staff-13

Impact of Customer Preferences

Chapter 5 of the Filing Requirements states, "A DS Plan filing must demonstrate that distribution services are provided in a manner that responds to identified customer preferences."

The applicant plans to spend $6.25 million on substation upgrades over the term of the DSP. Please explain how the project reflects customer preferences identified through customer engagement.

2-Staff-14

Pacing and Distribution Rate Impacts

Ref: Exhibit 2, pages 32, 93
Chapter 2 Appendix 2-AB

Capital expenditures for the past five years have averaged about $4.8 million annually. As a result, Westario Power has increased its net capital assets from $32.7 million in 2013 to $46.8 million in 2018. Westario Power plans to continue to invest $22.5 million over the years 2018 to 2022.

Please describe and quantify where possible the benefits that the applicant's customers will realize from this investment.

2-Staff-15

Ref: Exhibit 2, page 72
Regulated Price Plan Prices and the Global Adjustment Modifier for the Period July 1, 2017 to April 30, 2018, June 22, 2017

Please update the cost of power calculation taking into account the impact of the Fair Hydro Plan (FHP) on the Global Adjustment.

2-Staff-16

Ref: Exhibit 2, page 648
2016 Yearbook of Electricity Distributors

In 2016, Westario Power achieved the Emergency Urban Response requirement for service quality 57.1% of the time, a decline from 83.3% in 2015 and 100% in 2014. This fell well short of the target of 80%, and was the worst among all Ontario electricity distributors in 2016. Also, the Low Voltage Connections met the service quality requirement 92.1% of the time. This has been declining since 2014, and was the fourth lowest score among all distributors in 2016.

a) Please explain what Westario Power believes to be the cause of this deterioration in performance.
b) What options has Westario Power considered or is it considering to address this.
c) Please describe any measures Westario Power is taking to improve these results, and why these measures were selected.
d) Please estimate the level of performance Westario Power expects to achieve in these measures in 2017, 2018, and into the IRM period.

2-Staff-17

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS page 95, 96

Westario Power discusses its acquisition of the ESRI ArcGIS planning tool and states that it will provide a number of cost savings.

a) Which other planning tools did Westario Power investigate and why was the ESRI tool selected?
b) Please provide the forecasted dollar value of the cost savings that the ESRI system is expected to deliver.

2-Staff-18

Ref: 2.5.2 Distribution System Plan; Appendix E: Natural Gas Expansion into Westario Territory
Exhibit 2, CoS pages 112, 122; CoS pages 583, 584

Westario Power states, “Westario remains a winter peaking utility, mainly due to the above-average amount of electrical heating in many of the communities they serve” and “Colder winters have created higher usage partially due to some communities utilizing electrical heat where there is no natural gas available, which translates into higher load demands.” Westario Power also provided the EPCOR timeline for its expansion of its natural gas distribution into the Westario Power service territory.

a) Has Westario Power developed a forecast of its expected loss of electrical load from its Smart Meter data base (or any other source Westario Power has of customer load data) starting in 2018?
b) What is Westario Power’s forecast of expected load loss?

2-Staff-19

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS pages 87 and 112

Table #20 presents the Westario Power “Non-Financial Performance Measures”

a) Please confirm that 531.2 Total km of line” is actually circuit-km of line. If this is not the case, please explain the discrepancy between this value and “746km of distribution lines” presented on CoS page 87.

2-Staff-20

Ref: 2.5.2 Distribution System Plan; Appendix H: Regional Planning Needs Assessment Study *(Needs Assessment Report Greater Bruce-Huron Region)*
Exhibit 2, CoS page 112; CoS 615

Table #20 in the DSP, Westario Power presents the Maximum Monthly Winter Peak Load (kW) without embedded Generation has an irregular pattern where data was available:

2014	2015	2016
85,470	93,386	76,774

The Needs Assessment Report for the Greater Bruce-Huron Region states “the winter *gross* coincident load in the Region is expected to grow at an average rate of approximately 1.1% annually from 2016-2025” and this is based in part on input from the LDCs winter gross load forecast (2016-2025).

a) Please provide the winter gross load forecast that Westario Power provided for the Needs Assessment report.
b) How was that forecast developed (e.g. what assumptions were made, what was the basis for those assumptions)?

2-Staff-21

Ref: 2.5.2 Distribution System Plan; Appendix F: Greater Bruce-Huron Regional Planning Meeting Minutes
Exhibit 2, CoS page 114; CoS pages 585, 594.

Westario Power states that “it is very evident that the Westario outage frequencies and durations are heavily impacted by the loss of supply from Hydro One.”

Appendix F Greater Bruce-Huron Regional Planning Meeting Minutes for the meetings in 2015 and 2016 do not show that Westario Power raised the issue of Hydro One supply interruptions effect on Westario Power’s outage performance.

Please provide information on Westario Power’s communication with Hydro One on this issue.

2-Staff-22

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS pages 120,128-131

Westario Power states that Step 4 of its Asset Management Process “produces a planned list of projects for the planning period”. In section 5.3.3.4 Distribution Class Asset Optimization Policies and Practices and section 5.3.3.5, Station Class Asset Optimization Policies and Practices, Westario Power provided an overview of the policies and practices for each individual group of assets how asset investment decisions are made.

Please describe in detail how Westario Power optimized and prioritized the various potential capital investments among the different groups of assets in developing its Distribution System Plan. For example, how did

Westario Power determine the amount of asset investment in pole mount transformers versus switches.

2-Staff-23

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS page 120, 126, 147

In the pages listed, the Asset Management Process, the Asset replacement/refurbishment prioritization five level priority matrix, and prioritization of capital investments are described.

Please describe how these three processes are correlated?

2-Staff-24

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS page 125, 126

Westario Power speaks to a utilizing condition assessments from the existing database information to generate health index for each asset type. It is indicated that health index results considered a multitude of factors, including age, condition assessment, material composition, historical fault information, etc.

a) For every asset group for which health indexing was performed, please summarize the basis of the health index calculation for each asset. In particular, what factors other than age were used in determining the health for each asset group?

Asset Group	**Basis of Health Index** (e.g. age, condition assessment, material composition, historical fault information, etc.)

b) How were factors other than age incorporated into the health assessment?
c) If only age was used, does Westario Power have plans to utilize other parameters in determining the Asset Health Indices?

2-Staff-25

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS pages 120

The Asset Management Process is shown in a flow chart.

a) Please explain how Step 1 and Step 2 of the Asset Management Process are executed given that the Asset Condition Assessment is very limited, both with respect to data and the number of asset groups that were actually assessed?
b) What is the method used for assessing or validating the effectiveness of the investments made?

2-Staff-26

Ref: 2.5.2 Distribution System Plan, Appendix G: Distribution System and Inspection Under Ontario Regulation 22/04
Exhibit 2, CoS pages 126; CoS page 490

It is indicated that detailed overhead and underground sheets are used to record deficiencies. CoS page 490 refers to a sample of the inspection program.

Please provide a sample of this inspection program.

2-Staff-27

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS page 133

Westario Power describes a pole testing program that is currently underway.

a) How many poles have been tested?
b) What is the age distribution/average age of the poles tested?
c) Are the initial results in line with the asset condition assessment results that indicate that 55% of poles will require replacement within ten years?
d) When will Westario Power's "scientific-based pole testing program" results be used as part of the determination of the pole replacement program?

2-Staff-28

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS page 136

Westario Power presents its plan for SCADA implementation. Westario Power currently has 27 stations. Westario Power stated it:

- installed SCADA on one of the SCADA-ready stations in 2015
- two (2) more in 2016
- three (3) more units planned for 2017, and
- one unit in 2018

a) Please provide the schedule for the installation of SCADA on the remaining 20 stations.
b) How does Westario Power plan to operate its system during the period of partial implementation of its SCADA system?

2-Staff-29

Ref: 2.5.2 Distribution System Plan, Appendix A: Asset Management Plan 2013-2022 - *Appendix D: Asset* Condition *Assessment*
Exhibit 2, CoS page 146

It is indicated that the Asset Condition Assessment (ACA) fed into planning of System Renewal investments.

a) Please confirm that the following typical useful lives were used in the assessments.

Asset Group	TUL
Power transformers	45
Pole mounted transformers	40
Poles	50
Pad mounted transformers	30

b) Please confirm that these typical lives were assumed, on the basis of the OEB useful life study.
c) Does Westario Power have any evidence (e.g. removal statistics, failure data, age distributions) to justify their useful life assumptions?
d) Please provide an age distribution for each asset group where age is known.
e) Please explain how the 'Expected Life' column in the health index table (for example, CoS page 312, Table 3-1) correlates with the 'Factors' shown in Appendix B of the Asset Condition Assessment (CoS page 326). For example, the Hydro Pole scoring system (CoS page 327) ranges from 0 to 4, using age limits of 51 and 25 years respectively. How does this relate to 'Expected Life'?
f) Please explain how the 'Factors' shown in Appendix B of the Asset Condition Assessment (CoS page 326) correlate with the typical useful life assumptions above?

g) How were cables assessed given that age was available for only 15% of the population?

2-Staff-30

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS pages 152, 153, 185 - 187

Westario Power presents historical budget and actuals for the Poletran project. In each year 2012 through 2015, Westario Power underspent the budget for this project. The total underspent was $589,518. Actual expenditures for 2016 were not presented. The budget for the Poletran project in 2017 through 2019 is $1,132,957.

a) Please provide the actual expenditure for the Poletran project for 2016.
b) Please confirm that the underspending each year from 2012 through 2015 meant that planned work was not completed. If not, please provide the reason for the underspending.
c) Please confirm that the total budget for 2017 through 2019 is sufficient to pay for the uncompleted work (if that is the basis for the underspending) from 2012 through 2015 and the remaining replacements of the program.
d) If the underspend was not due to uncompleted work, please explain the reason for the significant increase from recent actuals.

2-Staff-31

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS pages 152, 153, 188 - 190

Westario Power presents historical budget and actuals for the #6 Copper Replacement project. In the period 2012 through 2016, Westario Power underspent the budget for this project in each year except for 2014. In total, this project was underspent $525,079. The budget for the #6 Copper Replacement project in 2017 through 2020 is $1,440,705.

a) Please confirm that the underspending over the period from 2012 through 2016 meant that planned work was not completed. If not, please provide the reason for the underspending.
b) Please confirm that the total budget for 2017 through 2020 is sufficient to pay for the uncompleted work (if that is the basis for the underspending) from 2012 through 2016 and the remaining replacements of the program.

c) If the underspend was not due to uncompleted work, please explain the reason for the significant increase from recent actuals.

2-Staff-32

Ref: 2.5.2 Distribution System Plan; Appendix A: Asset Management Plan 2013-2022; Appendix A: Asset Management Plan 2013-2022 - *Appendix D: Asset Condition Assessment Report*
Exhibit 2, CoS pages 152, 153, 169-171; CoS pages 260-261; CoS pages 302, 307, 308, 316, 318, 319, 320.

Westario Power states “Westario had adopted a TUL of 50 years for poles.” “Westario plans to replace up to 100 decrepit poles per year from 2017 to 2020, increasing to approximately 150 poles for 2021 and beyond, pending results of pole testing.” The estimated cost to replace a pole is $5,841.76. Westario Power states that 5404 poles require replacement based on age. Westario Power also states “Although older poles may still be in good physical and structural condition, the assessment methods only took into consideration the pole age due to there being no other available data.” “A comprehensive pole testing program, targeted at this aged population will help to further assess the condition of this asset group.”

a) Please explain why the annual budget for the pole replacement program in the years 2017 to 2020 is not $584,176 (i.e. $5,841.76 x 100) and for 2021 and 2022, $876,264 (i.e. $5,841.76 x 150) or less given opportunities to group pole replacements in order to gain efficiencies of scale?
b) Please explain how Westario Power proposes to have 5404 decrepit poles replaced through a program of 100 to 150 pole replacements per year (i.e. 36 to 54 year program) given that, based on age alone, more of Westario Power’s poles will require replacement.

2-Staff-33

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS pages 152, 153, 178 and 179

Westario Power states its Capital Poles project “covers new poles that are required to provide new customer connections, either through line extensions, pole relocations, or new poles for service connections”. Westario Power says that “there are no actual (or little) planned projects as of yet for this category” for future expenditures but that this area is unpredictable given that it is driven by customer demand. Also, there are low expectations of new customers over the

next several years. Westario Power calculates that the average annual expenditure for Capital Poles over the historic period has been $235,332. The budget forecast for 2017 is $306,742, which is just under 1% higher than the actual cost from 2016.

a) Given the historic levels of expenditure and the lack of growth for Capital Poles, why did Westario Power chose to escalate the budget for 2018 by 6% over the budget for 2017, also noting that the escalation factor used for the budget for years following 2018 is about 1%?
b) Are there capital costs for the replacement of existing capital poles that have deteriorated also included in this project?

2-Staff-34

Ref: 2.5.2 Distribution System Plan
Exhibit 2, CoS pages 153, 180-182, 320

From 2018 to 2022, the planned expenditure for distribution transformers is $1,604,454. Westario Power's condition assessment report identified that 57% and 33% of pole mounted and pad mounted transformers respectively will reach the end of their life within 10 years.

a) It is noted that the 'Health Index analysis revealed that 57% of the population of pole mount transformers will reach their statistical end of life within the next five to ten years', but that the 'analysis could not take into account any "run-to-failure" transformers within the group due to lack of customer connection information'. Please explain what is meant by this statement. What are these assets that are not accounted for?
b) A total of 35 transformers (30 pole mount and 5 pad mount) are slated for replacement every year. Please explain how the quantity of 35 was derived, given that per the asset condition assessment (Appendix D), a total of 1330 distribution transformers are marked as requiring replacement within the next ten years.

2-Staff-35

Ref: 2.5.2 Distribution System Plan; Appendix A: Westario Asset Management Plan 2013-2022; Appendix C: Transformer Fleet Inventory; Appendix A: Asset Management Plan 2013-2022 - *Appendix D: Asset Condition Assessment Report*
Exhibit 2, CoS pages 125,126; CoS pages 256-265; CoS pages 285-296; CoS pages 302-325

An Asset Health Index is made up of the sum of condition scores of parameters that measure the health of the asset where each parameter is weighted to reflect the importance of that parameter in determining the health of the asset. If there is only one condition parameter, the weighting of that parameter is 1.
For Station Transformers, Westario Power provides information on transformer age, transformer loading, switching or lightning surges, moisture contamination, paper insulation ageing and transformer oil testing diagnostics such as, Dissolved Gas Analysis (DGA) and General Oil Quality (GOQ).

a) Although Westario Power notes that there are a number of parameters for calculating the health index for station transformers, please confirm that for station transformers the only parameter for determining their health index was limited DGA results. In particular, levels of CO and CO2.
b) What is the rationale for this? Why were other gases, which are more indicative to transformer degradation, not used in the assessment?
c) If other parameters are indeed used, please provide the other health index parameters and their respective weighting factors.
d) Please indicate what routine tests and maintenance procedures are conducted for station transformers.
e) Please indicate what routine tests and maintenance procedures are conducted for other station assets (e.g. circuit breakers).

2-Staff-36

Ref: 2.5.2 Distribution System Plan; Appendix A: Asset Management Plan; Appendix F: Westario's Fleet Listing
Exhibit 2, CoS pages 175-177; CoS page 488

Westario Power states its vehicle replacement policy is based on a ten to fifteen year lifetime. The replacement of single bucket trucks appears to be planned after 13 to 16 years of life. The double bucket truck is scheduled for replacement after ten years of life.

Why is the replacement of a double bucket truck scheduled earlier than the replacement date of a single bucket truck?

2-Staff-37

Ref: 2.5.2 Distribution System Plan; Appendix A: Asset Management Plan 2013-2022 - Appendix *D: Asset Condition Assessment Report*; Appendix C: Westario Station Transformer Replacement/Refurbishment Plan
Exhibit 2, CoS pages 152, 153; CoS pages 297-321; CoS pages 471-482

Westario Power presents its Station Transformer Replacement/Refurbishment Plan proposal estimated cost would be $250k for 2016 and the actual cost for 2016 was $335,460. The Proposed Yearly Transformer Fleet Strategy sets out the proposed cost for 2017 as $160k. The Bridge Year Budget for 2017 for this Plan is $306,200. The Proposed Yearly Transformer Fleet Strategy sets out the proposed cost for 2018 as $150k. The Budget forecast for 2018 for this Plan is $307,305.

a) Was there additional work done in 2016 that accounts for the difference between the Plan proposal than the actual cost in 2016?
b) Why is the Bridge Year Budget over 90% higher than the Proposed Yearly Transformer Fleet Strategy proposed cost in 2017?
c) Please provide the actual cost for the Distribution Transformer Replacement activities for 2017.
d) Why is the Budget forecast for 2018 for this plan more than double the amount set out in the Proposed Yearly Transformer Fleet Strategy?

2-Staff-38

Ref: Appendix A: Asset Management Plan 2013-2022 - *Appendix D: Asset Condition Assessment Report*; Appendix C: Westario Station Transformer Replacement/Refurbishment Plan
Exhibit 2, CoS pages 471-482.

There is the technical requirement for Westario Power to temporarily install its Mobile Utility Station (MUS) to carry station load while the Distribution Transformer changes are made

a) Given that Westario Power has only one MUS, does this present a bottleneck to the replacement/refurbishment of the Distribution Transformers?
b) What contingency plan does Westario Power have if the MUS fails?

2-Staff-39

Ref: Appendix A: Asset Management Plan 2013-2022 - *Appendix D: Asset Condition* Assessment *Report*; Appendix D: PCB-Free Position Letter; Appendix E: PCB-free Position Letter
Exhibit 2, CoS pages 483 and 484; CoS pages 485 and 486

The two PCB-Free Position Letters appear to be identical.

If the attachment was accidentally filed twice, and another attachment was inadvertently missed, please file that attachment with the interrogatory responses.

Exhibit 3 – Operating Revenues

3-Staff-40

Ref: Load Forecasting Model, Tab Input – Adjustments & Variables
Exhibit 3, page 15.

Westario Power's Load Forecasting model includes Adjustments to Wholesale (i.e loss of user), Adjustments to Wholesale (FIT & MicroFIT), and two populated columns, simply described as "Adjustments". Westario Power states that the "Energizer plant was removed", and the "Holiday Inn has been adjusted". In the case of FIT, MicroFIT, and other forms of embedded generation, this would normally result in additional supply, available for consumption by regular load customers, but not captured in energy received from the host distributor at any of the delivery points.

a) Please confirm that the column labelled "Adjustments to Wholesale (i.e. loss of user) is an adjustment to remove the historic consumption of the Energizer plant (only), or detail what is included in this column.
b) Is FIT and MicroFIT energy included as part of un-adjusted wholesale purchases?
c) Why is the FIT and MicroFIT adjustment a negative value, serving to reduce the adjusted wholesale amount?
d) Please describe how the historic load adjustment for Holiday Inn was derived.
e) Please detail the contents of each adjustment column if not already detailed above.

3-Staff-41

Ref: Exhibit 3, pages 19-24.

Westario Power has noted that during the process of testing the regression analysis, many different variables and time periods are tested to arrive at the best R-squared. The utility's rational behind selecting or dropping certain variables involves a "no worse" rational. In other words, if a variable is justified and does not worsen the results, it is generally kept as one of the regression variables. The utility identified several variables tested, but not included in the final regression model as they did not improve the results. Westario Power did not identify a trend variable, an indicator of CDM results, or a Consumer Price Index (CPI) indicator of Ontario electricity price.

a) Please explain why neither a trend nor an indicator of CDM results were included in the model.
b) Why was a variable labelled CPI Ont Energy used without having testing a CPI indicator of electricity alone?
c) Please prepare a load forecast including a trend variable as a scenario. Please set the value of the trend variable to one in August 2007, increasing by one each month, reaching 120 in July 2017. If any of the current variables no longer satisfy the "no worse" rationale as a result of including the trend variable, please remove those variables.
d) Please prepare a load forecast with a CPI indicator of Ontario electricity price as a scenario. Please see the CPI Ontario Electricity indicator on CANSIM table 326-0020 for an example.
e) If the results under the above scenarios show an improved R squared compared to that provided in the evidence, please provide a revised load forecast on that basis.
f) Please provide the output and model in Excel and PDF formats.
g) Westario Power has noted in the evidence, that it used CPI, also having included a table indicating CPI Ontario (all items) on page 21 of the evidence. The regression results on page 25 of the evidence indicates that a variable labelled CPI Ont Energy was included in the regression model while the CPI for all items was not included. Please clarify the discrepancy in the description of the independent variables that were discussed in the evidence (page 21) and the variables that were used in the regression analysis (page 25).

3-Staff-42

Ref: Exhibit 3, pages 19-24

Westario Power has used data for the period August 2007 to July 2017 in the regression analysis. The regression result has been used to prepare the load forecast.

a) Please confirm whether Westario Power tested the accuracy of its forecast and if yes, please explain how the accuracy was tested.
b) If the answer to part a) is no, please use the same independent variables as those in the evidence for the years August 2006 to July 2015 and prepare a load forecast for the two periods August 2015 to July 2016 and August 2016 to July 2017. Please compare the forecasted consumption with the actuals for those same periods.

3-Staff-43

Ref: Load Forecasting Model, Tab Forecast

Westario Power has extended the August 2007 to July 2017 time horizon two more years. In doing so, Westario Power has taken an average of the August source data, and used that as 'normal' for the first forecast month for the HDD, CDD, Days in Month, and Spring Fall indicator. Similarly the average of the historical September months was used for the second forecast month, October months for the third forecast month, and so on. The 13th through 24th forecast months were then calculated as an average of the last nine actual observations, and the prior forecast for that month. It would appear that the forecasted periods are August 2017-July 2018 and August 2018-July 2019. However, this rate application is for calendar 2018.

a) Please update the data to the end of calendar 2017.
b) Please ensure that the final forecast period is reflective of calendar 2018.
c) Please revise the days in month count to reflect the actual number of days in February 2017 and 2018 rather than the historical average.
d) Please describe the method for forecasting the variable labeled CPI Ont Energy.
    i. Was the FHP was considered?
    ii. If not, why not?

3-Staff-44

Ref: Load Forecasting Model, Tab Input - Customer Data

Westario Power has used partial years for 2007 and 2017 to arrive at an average customer count in those years. For 2007, this was calculated as an average of August and December, and for 2017, it was calculated as an average of January and July. A ten-year (2007 to 2016) geometric mean function was used to determine the forecasted number of customers for 2018.

a) Please revise the forecast to use all available months – i.e. a 12 month average rather than first and last.
b) Please update the forecast to include customer counts to the end of 2017.

3-Staff-45

Ref: Exhibit 3, page 43

Westario Power states that "While the forecast as presented in the previous section assumes some level of embedded 'natural conservation,' it does not consider the impacts on energy purchases arising from CDM programs undertaken by WPI's customers."

a) Please confirm that both natural conservation as well as historic CDM programs undertaken by the Westario Power's customers is embedded in the wholesale purchases used by Westario Power in its regression analysis.
b) Please confirm that by including the impacts of historic CDM Program delivery, that some level of continued program delivery consistent with past program delivery is therefore embedded in the forecast.
c) Please expand and complete the following table relating to historic CDM.

	2007 Persisting Savings	2008 Persisting Savings	…	2016 Persisting Savings
Savings from Programs Delivered in 2007				
Savings from Programs Delivered in 2008	-			
…				

Savings from Programs Delivered in 2016	-	-		
Total Savings Realized				

3-Staff-46

Ref: Exhibit 3, page 46

Westario Power has included a half year of savings from each of 2014, 2015, 2016, and 2018 as well as a full year of savings from 2017 in preparing its CDM adjustment.

Weight Factor for Inclusion in CDM Adjustment to 2014 Load Forecast

	2011	2012	2013	2014	2015	2016	2017	2018	
Weight Factor for each year's CDM program impact on approved load forecast *Default Value selection rationale.*	0	0	1	0.5	0.5	0.5	1	0.5	Distributor can select "0", "0.5", or "1" from drop-down list

2011-2014 and 2015-2020 LRAMVA and 2015 CDM adjustment to Load Forecast

	2011 kWh	2012	2013	2014	2015	2016	2017	2018	Total for 2018
Amount used for CDM threshold for LRAMVA	1,603,142.00	2,436,516.00	6,476,174.00						6,476,174.00
Amount used for CDM threshold for LRAMVA (20185)				3,228,000.00	4,417,623.00	3,071,071.00	3,880,326.50	3,880,326.50	18,477,347.00
Manual Adjustment for 2018 Load Forecast (billed basis)	-			1,614,000.00	2,208,811.50	1,535,535.50	3,880,326.50	1,940,163.25	**11,178,836.75**

a) Please confirm that as a result of updating the load forecast to the end of 2017 in 3-Staff-43 that the effects of CDM programs delivered in 2014, 2015, and 2016 will be fully reflected in the historical data.
b) Please also confirm that since on average, half of the CDM programs delivered in 2017 will be in effect at any point in 2017, that half of the 2017 CDM program delivery will be reflected in the load.
c) Please confirm whether the CDM adjustment should be revised to 3,880,327 kWh,if the CDM adjustment should reflect half a year of savings from each of 2017 and 2018.
d) Please confirm whether the LRAMVA threshold should be revised to 15,249,347 kWh, if the LRAMVA target should reflect a full year of savings from each of 2015 to the test year of 2018, in accordance with the guidance provided in Appendix 2-I.

3-Staff-47

Ref: Exhibit 3, page 47

Westario Power has “allocated on a pro-rata basis” its CDM adjustment to all rate classes. This method may be inconsistent with CDM program delivery plans. To the extent that the CDM adjustment can be consistent with the program delivery, the need for LRAMVA rate riders in future periods can be minimized.

a) If Westario Power has estimated savings by class for CDM delivery in 2017 and 2018, please revise the allocation to rate classes to use consistent proportions.
b) If Westario Power is unable to estimate savings by rate class, please remove any rate classes from the CDM adjustment where it is unlikely that programs will be delivered targeting that rate class.

3-Staff-48

Ref: Exhibit 3, page 50
Load Forecast Model, Tab Final CDM Adjusted Forecast.

Table 26 from Exhibit 3, page 50 does not agree with the Load Forecast Model, tab Final CDM Adjusted Forecast. For example, in Table 26, approximately 197 GWh of load is forecasted for residential in 2018. In the model, approximately 182 GWh is forecasted.

a) Please confirm that these tables should agree, or explain.
b) Please confirm that Westario Power intended to propose the forecast in the Load Forecast Model.

3-Staff-49

Ref: Exhibit 3, page 48

Westario Power has prepared a table “Allocation of amount used for CDM threshold for LRAMVA”. This appears to be a calculation of the LRAMVA balance rather than an allocation of the LRAMVA target to rate classes.

Please prepare an allocation to rate classes of the LRAMVA target which includes both targeted kWh and kW savings for each rate class. In doing so, please ensure that is formatted consistently with Table 24 on the previous page, and consistent with the LRAMVA target as updated in 3-Staff-46

3-Staff-50

Ref: Exhibit 3, pages 78 to 80
Appendix 2-H
RRWF Sufficiency / Deficiency

Appendix 2-H and Exhibit 3 include different entries for 2017 and 2018. Exhibit 3 totals -$354,051 and -$337,674 for other revenue in 2017 and 2018 respectively. Appendix 2-H totals -$720,650, and -$723,903 for 2017 and 2018. The RRWF is consistent with Exhibit 3 in 2018.

a) Please reconcile the figures in Appendix 2-H and Exhibit 3
b) Please provide an update of Table 39 and Appendix 2-H with actual results for 2017.

3-Staff-51

Ref: Exhibit 3, pages 69, 78 to 80
Appendix 2-H

On page 78, Westario Power states that the revenue in account 4086-SSS Administration Revenue as of October 2017 was approximately $55,000, and that this revenue is correctly tracked in account 4086. In previous years, the revenue for the full-year has been approximately $65,000. Account 4086 does not appear in the 2017-2018 variance on page 80.

a) Please explain why account 4086 has $0 revenue in 2018 on page 69, and is missing from the 2017-2018 variance analysis on page 80.
b) If account 4086 was omitted from 2018 in error, please revise Tables 39, 45, and update the evidence to reflect the change in other operating revenues.

3-Staff-52

Ref: Exhibit 2, pages 27 to 31
Appendix 2-BA
Exhibit 3, pages 68 to 69
Appendix 2-H

Per the Accounting Procedures Handbook Article 430, for regulatory purposes the deferred revenue arising from customer contributions is to be included as an offset to rate base and amortized to income (i.e. Account 4245) over the useful

life of the PP&E to which it relates. Westario Power shows capital contributions in Appendix 2-BA and accumulated depreciation for the capital contributions.

Please confirm that the amortization of deferred revenues relating to capital contributions has been shown as depreciation expense.

Exhibit 4 – Operating Expenses

4-Staff-53

a) Please refile Appendices 2-JA, 2-JB, 2-JC, 2-K, and 2-L using 2017 actuals and compare to 2016.
b) Please explain any variances between the 2017 actual and forecasted amounts.

4-Staff-54

Does Westario Power have any major OM&A programs wrapping up in the test year or IRM period? If so, please describe.

4-Staff-55

Ref: Exhibit 4, page 13

Westario Power states that it "continues to encourage customers to switch towards online billing, which results in reduced costs for billing, approximately 74% of WPI customers continue to elect for paper billing."

a) Please describe any measures Westario Power has taken to encourage or incent customers to elect for online billing.
b) Has Westario Power attempted to understand why customers are not electing for online bills?
c) If so, what are some of the main drivers?
d) What steps is Westario Power taking to achieve a greater share of online billing.

4-Staff-56

Ref: Exhibit 1, Appendix A, page 86
Exhibit 4, pages 12-18

Westario Power has "changed the account allocation of its Board of Director expenses", a $145,211 amount, to Operational Focus from Wages Administrative, Financial, Legal, Professional and Insurance Services. In spite of

this, the later has increased $176,800. Had the accounting not changed, the total increase would have been $322,011 (22.5%). Westario Power states that the increase is due to hiring two staff members, one to its finance team, and one to its customer service call center team. At Exhibit 1, Westario Power "expects that over the planning horizon of this report the customer base will continue to experience low growth, approximately 1% annually."

a) Please explain why Westario Power has decided to increase staff in spite of low growth.
b) When was each position created?
c) Please provide any measures of improved customer outcomes that would support benefit to Westario Power's customers of these additional positions.

4-Staff-57

Benchmarking

The applicant did not state that it undertook any relevant studies of its proposed increases in compensation/headcount on the basis of compensation benchmarking, or any other external comparators, and appears to have justified its proposed increases solely on the basis of its anticipated needs without any specific reference to any external comparators.

Please explain what analyses and data the Applicant has used to derive its proposed compensation per headcount for the bridge and test years.

4-Staff-58

Compensation Strategy

Ref: Exhibit 4, page 68
Chapter 2 Appendix 2-K

a) With respect to Appendix 2-K, please explain the applicant's compensation strategy.
b) Please explain how this strategy has resulted in a 27% increase in non-management compensation compared to 2013 approved, and a 32% increase in total benefit costs compared to 2016 actual.

4-Staff-59

Benefits from Operations Increases

Ref: Exhibit 4, page 23

a) Please identify what improvements in services and outcomes the Applicant's customers will experience in 2018 and during the subsequent IRM term as a result of increasing the provision for OM&A in 2018 at about five times the annual rate experienced over the 2013-2017 period.
b) How has the Applicant communicated these benefits and the associated costs to its customers, and how did customers respond? Please provide some examples, including a synopsis of any customer feedback. If no communications took place, please explain why not.

4-Staff-60

Ref: Exhibit 4, pages 12, 17, 35

Westario Power's approved tree trimming expenditure in 2013 was $580,000. Of that, it spent $270,000 that year. Westario Power stated the reason for the variance was that in addition to the contract coming in lower than budget, "the tree trimming contractor hired for 2013 was not able to complete all the work in the year", and due to a "shortage of available time for WPI's own crew to complete tree trimming work". For the period 2014-2016, spending had decreased to approximately $210,000 per year. This is explained "To implement the recommendations of the 2011 vegetation study the budgets for 2012 and 2013 were increased over past spending patterns." Westario Power continued on to state that they have been able to negotiate a tree trimming contract going forward where the test year costs are representative of the expected annual costs through the IRM period. Reflecting this, in 2017 the expenditure was reduced to $116,000, and in 2018, it is forecasted to cost $103,000.

a) Please clarify when the work that had been left incomplete in 2013 was completed, when Westario Power plans to complete it if it's still outstanding, or if Westario Power no longer considers it necessary.
b) Please describe the work that was required in 2012 and 2013 and is no longer required in 2018.

4-Staff-61

Ref: Exhibit 4, page 18

IT, software, telecommunications, and office supplies budget has increased by $123,000 (24%) in the 2018 application as compared to 2013 approved. This is attributed to more frequent use of an IT support contractor.

a) With the changing and growing use of IT, has Westario Power looked for more competitive options to meet its needs? If so, what options were considered and how did it make the selection?
b) Has Westario Power considered looking to the broader IT market for services which are not required to be on-site?
c) Has Westario Power considered performing some of the more routine items using in-house resources?

4-Staff-62

Ref: Exhibit 4, pages 17-18

Westario Power increased Regulatory & One-Time costs by $44,000. Approximately half of this amount relates to the increase in one time costs by $22,000. In doing so, it has cited an increased reliance on consultants for its cost of service application including the DSP as the “requirements now require a level of expertise that WPI does not have in-house”. What steps has Westario Power taken to leverage its staff to perform a greater proportion of regulatory responsibilities using in-house resources?

4-Staff-63

Ref: Exhibit 4, page 21

Westario Power has hired eight trades over the five years from 2013 to 2017, reaching a final compliment of ten at the end of 2017.

Please provide a breakdown of the trades staff by year into Journeymen and Apprentices.

4-Staff-64

Ref: Exhibit 4, pages 38-39

Maintenance expenses were down by $195,000 in 2014 compared to 2013. This is due to the changes in the following accounts:

5114 – Maintenance of Distribution Station Equipment	($59,000)
5135 – Overhead Distribution Lines and Feeders – Right of Way	($64,000)
5145 – Maintenance of Underground Conduit	($59,000)
5150 – Maintenance of Underground Conductor and Devices	$56,000
Total:	($126,000)

Please explain the cause of the remaining $69,000 decrease in maintenance expense.

4-Staff-65

Ref: Exhibit 4, pages 39-42

Maintenance expenses were down by $176,000 in 2015 compared to 2014. This is explained by a decrease of $97,000 in account 5114 – Maintenance of Distribution Station Equipment. In 2014, work was left incomplete in account 5150 – Maintenance of Underground Conductor and Devices.

a) Please explain the cause of the remaining $79,000 reduction.
b) Please explain why there wasn't an offsetting increase to account 5150 to both restore the planned level of spending, and recover from the backlog.

4-Staff-66

Ref: Exhibit 4, pages 39-42

Billing and Collecting expenses were down by $93,000 in 2015 compared to 2014. This is explained by a decrease of $76,000 in 5335 – Bad Debt Expense as a result of a one-time loss in 2014. However, in 2014 there was also a $82,000 increase to 5315 – General Billing "primarily for additional computer support costs for WPI's SAP CIS system upgrade".

a) Did the SAP CIS system upgrade conclude in 2014?
b) If so, please explain why there doesn't appear to be a corresponding decrease in account 5315 in 2015.

4-Staff-67

Ref: Exhibit 4, pages 43-44

Administrative and general expenses were up by $247,000 in 2015 compared to 2014. This is due to the changes in the following accounts:

5605 – Executive Salaries and Expenses	($85,000)
5610 – Management Salaries and Expenses	($54,000)
5620 – Office Supplies Expense	$170,000
5150 – Miscellaneous General Expenses	$140,000
Total:	$171,000

Of the Office Supplies Expense, $98,000 was due to support of the billing function while new billing clerks were being trained.

a) Please explain the cause of the remaining $76,000 increase in administrative and general expenses.
b) Please explain the cause of the remaining $72,000 increase in office supplies expense.

4-Staff-68

Ref: Exhibit 4, pages 45

Billing and collecting expenses were down by $88,000 in 2016 compared to 2015. The explanation provided states that: “The increase is marginal and therefore no variance explanation is required”. However, this is a material decrease. Please explain.

4-Staff-69

Ref: Exhibit 4, page 47

Operations expenses were forecasted to have increased by $30,000 in 2017 compared to 2016. This is explained by an $80,000 increase to 5020 – overhead distribution lines and feeders, and a $126,000 decrease to account 5065 – meter expense. Those two changes together should result in a $46,000 decrease, not a $30,000 increase. Please explain.

4-Staff-70

Ref: Exhibit 4, page 51

Operations expenses are forecasted to increase by $161,000 in 2018 compared to 2017. This is explained by a $59,000 increase to 5020 – overhead distribution lines and feeders. Please explain the remaining $102,000 increase.

4-Staff-71

Ref: Exhibit 4, page 51

Maintenance expenses are forecasted to increase by $174,000 in 2018 compared to 2017. This is explained by a decrease of $170,000 to account 5125 – maintenance of overhead conductors and devices, and a decrease of $64,000 to maintenance of underground conductors and devices. These amounts total $234,000. Please explain the $60,000 difference.

4-Staff-72

Ref: Exhibit 4, pages 48-49, 52
Exhibit 3, page 8

Billing and collecting expenses are forecasted to increase by $86,000 in 2017 and by $72,000 in 2018, a total of $158,000 (15%). Of that, $97,000 is attributed to increasing postage rates for both years and forecasted growth in customer base in 2018. OEB Staff notes that the forecasted total customer count is increasing approximately 1% per year, and is not aware of a material increase in postage rates.

Please provide details that support the increase of $158,000 to billing and collecting expenses over two years.

4-Staff-73

Ref: Exhibit 4, PILs
EB-2017-0084 WPI 2018 PILs Workform 20171122
November 23, 2017 Letter from the OEB, Cost of Capital Parameter Updates for 2018 Cost of Service and Custom Incentive Rate-setting Applications

OEB staff notes that the 2018 test year PILs provision incorporates a taxable income of $1,809,788. However, the taxable income amount has not been

updated to reflect the OEB's November 23, 2017 letter for updated 2018 cost of capital parameters.

Please update the 2018 test year PILs provision and model to reflect the updated 2018 cost of capital parameters and any other changes that may be required (e.g. changes in rate base as a result of responses to interrogatories).

4-Staff-74

Ref: Exhibit 4
EB-2017-0084 WPI 2018_Chapter2_Appendices_20171122
EB-2017-0084 WPI 2018 PILs Workform 20171122

OEB staff notes that deprecation values used in the 2018 test year PILs model do not agree to the deprecation values included in Appendix 2-BA. OEB staff notes that the values used in Appendix 2-BA generate the 2018 test year rate base and 2018 test year depreciation values, and that inconsistencies exist in other years (historic and bridge). These discrepancies are noted below in a table created by OEB staff. As a result, the historic, bridge, and test year taxable incomes included in the PILs model may be overstated/(understated).

	Depreciation Included in PILs Model	Depreciation Included in App 2-BA	Difference
2016 - historic	1,613,358	1,798,004	(184,646)
2017 - bridge	2,252,833	1,869,669	383,164
2018 - test	2,391,247	1,993,885	397,362

a) Please explain and reconcile the differences noted in the table above created by OEB staff. Please update Westario Power's evidence as required to address these discrepancies
b) Please update, as required, the historic, bridge, and test year depreciation values included the 2018 test year PILs model as appropriate, so that these amounts reconcile to Appendix 2-BA. Please update other evidence as required to address these discrepancies

4-Staff-75

Ref: Exhibit 4, Pension & OPEB

OEB staff seeks further clarification regarding pension and Other Post-employment Benefits (OPEBs) amounts included in rates and the accounting for these amounts.

a) Please state the amount of pension and OPEB amounts included in the 2018 test year revenue requirement.
b) Please confirm if the amounts included in rates include an annual actuarial adjustment. If so, please explain why this is included as any actuarial gains or losses under MIFRS would be recorded in Other Comprehensive Income and not OM&A.
c) Please confirm it the amounts included in rates are the same as the paid benefit amount. If so, please explain whether these amounts are based on the accrual or cash method of accounting.
d) If it is based on the cash method of accounting, please explain whether Westario Power has taken into the account the guidance provided in *Report of the Ontario Energy Board on Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs* that was issued on May 18, 2017. Please also explain why the cash method is used and quantify any transition impacts.

Exhibit 5 – Cost of Capital

5-Staff-76

Ref: Exhibit 5, pages 5, 10
Chapter 2 Appendix 2-OA
Chapter 2 Appendix 2-OB
Cost of Capital Parameter updates for 2018 Cost of Service Incentive Rate-setting Applications, November 23, 2017

Please update the cost of capital calculation for the cost of capital parameters for short term debt and return on equity to be consistent with the current letter issued by the OEB on November 23, 2017, and update the long term debt rate to reflect the weighted average cost of debt instruments calculated in Chapter 2 Appendix 2-OB.

Exhibit 7 – Cost Allocation

7-Staff-77

Ref: Exhibit 7, page 6
Cost Allocation Model, Sheet I5.2 – Weighting Factors
2013 Settlement Cost Allocation Model, February 15 2013, Sheet I5.2 – Weighting Factors

Westario Power states that "its weighting factors have not changed since its last cost of service." However, the values are different in each source.

Weighting Factor for Services	Residential	GS < 50	GS > 50 to 4999 kW	Street Light	Sentinel	Unmetered Scattered Load
2013 Cost Allocation Model	1.000	1.462	6.463	0.423	0.635	0.949
2018 Cost Allocation Model	1.000	1.400	4.300	0.400	0.700	0.900
Exhibit 7 Evidence	1.000	1.400	4.300	0.400	0.070	0.900

Weighting Factor for Billing and Collecting						
2013 Cost Allocation Model	1.000	1.000	5.570	3.150	0.570	0.570
2018 Cost Allocation Model	1.000	1.000	1.000	1.000	1.000	1.000
Exhibit 7 Evidence	1.000	1.000	4.300	2.100	0.800	1.100

a) Please indicate the weighting factors Westario Power proposes to use.
b) If the weighting factors proposed are different from the cost allocation model, please update the model to reflect the proposed values.
c) Please provide a derivation of the proposed values.

7-Staff-78

Ref: Cost Allocation Model, Sheet I6.2 – Customer Data

Westario Power has populated 20,786 customers for primary customer base, line transformer customer base, and secondary customer base for GS < 50 and GS > 50 – Regular rate classes. This is the number of residential customers.

a) Please revise to be consistent with the load forecast, and being mindful of GS > 50 customers who own their transformer.

7-Staff-79

Ref: Cost Allocation Model, Sheet I6.2 – Sheet I6.1 Revenue / Sheet I8 Demand Data

On sheet I8, all GS > 50 demand is included in the Line Transformer and Secondary NCP values. However, on sheet I6.1 Revenue, 165MW out of a total 434MW are of billing demand is subject to a Transformer Ownership Allowance (TOA). Please correct the inconsistency.

7-Staff-80

Ref: Update of Demand Data, Tab: Revised Inputs to CA model, Tab: Hourly Load Shapes by class

The 1 NCP on the Tab: Revised Input to CA model references the January NCP on the Tab: Hourly load shapes by class. As a result, the highest peak in each class is not necessarily selected.

a) Please revise the formula to choose the maximum of the 12 monthly peaks.
b) Please incorporate the revised 1NCP into the CA model.

7-Staff-81

LDCs are expected to communicate with their street lighting customers. Has Westario Power communicated the rate impacts of its current application with all of its street lighting customers?

7-Staff-82

Ref: Cost Allocation Model, Tab 01 Revenue to cost|RR
Revenue Requirement Work Form, Tab 11. Cost_Allocation
Exhibit 7, Page 16, Table 9

Exhibit 7, Table 9 does not match the results of the Cost Allocation model for rows 40 and 19. The Revenue Requirement Work Form (RRWF) Tab 11. Cost Allocation, table B), column (7E) does not match the results from the Cost Allocation model, Tab O1 Revenue Requirement, row 19. Please reconcile or correct.

Exhibit 8 – Rate Design

8-Staff-83

Ref: Exhibit 8, Page 7, Table 4
Revenue Requirement Work Form, Tab 12. Res_Rate_Design
EB-2016-0113, IRM RateGen Model, Tab Rev2Cost_GDPIPI

In Westario Power's last rate application, it computed 2017 residential rates based on three years remaining in the transition to fully fixed rates (in 2019). In the current application, Westario Power calculates 2018 rates also based on three years remaining to fully fixed rates (in 2020).

Please explain why Westario Power has not selected two years remaining for this application.

8-Staff-84

Ref: Exhibit 8, Page 11, Table 7
Exhibit 8, Page 29, Table 17
Revenue Requirement Work Form, Tab 13. Res_Rate_Design

The volumetric rate for the Sentinel Light rate class is $36.105777 in the RRWF, and $37.0919 on Tables 7 and 17. The Street Light volumetric Rate is $4.012046 in the RRWF, and $4.1216 on tables 7 and 17.

a) Please ensure that the number of decimal places selected matches the number of digits used to bill customers.
b) Please confirm which rates are appropriate, and ensure that updates are made as appropriate to reflect the correct charge.

8-Staff-85

Ref: Exhibit 8, pages 24-25
Exhibit 3, Table 2, page 8
EB-2012-0176, Decision and Order, Appendix M

Westario Power set its current Low Voltage rates in its last cost of service application based on $775,000 of low voltage charges. The current application is to recover $1,259,000 of low voltage charges. The 2018 volumes used do not match the 2018 load forecast provided in Exhibit 3.

a) Please review the load forecast used to calculate the proposed Low Voltage charges.
b) Please provide the Low Voltage charges paid to Hydro One in each year since the approved 2013 and details on how they are calculated.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-86

Ref: Exhibit 4, p. 112 of 320
Tab 1 of LRAMVA work form

In Exhibit 4 of the application, Westario Power referred to the OEB's decision in its 4th Generation IRM Decision (EB-2015-0112) that deferred its disposition of 2014 lost revenues until the OEB's generic consultation on the treatment of demand savings was completed. Westario Power stated that it is not recognizing any LRAMVA impacts at this time, until the new guidelines related to this consultation are provided. However, Westario Power completed the LRAMVA work form to dispose of 2014, 2015 and 2016 lost revenues.

a) Please confirm whether Westario Power is requesting disposition of the LRAMVA balance. If not, please provide the rationale for not doing so given that the OEB's generic review on how the revenue from demand savings should be reflected in the LRAMVA account has already concluded in May 2016 and the updated CDM guidelines were issued August 2016.
b) Please confirm that a total of $259,094 is requested for disposition in 2018 rates.
c) Please re-link the balances in Table 1-a (cells E27 to E32) so that the principal and total balances are displaying correctly by rate class.

9-Staff-87

Ref: Tab 3 of LRAMVA work form

Please provide an explanation of how the allocations of CDM program savings by rate class were determined for 2014, 2015 and 2016.

9-Staff-88

Ref: Tab 5 of the LRAMVA work form

As part of Westario Power's LRAMVA claim, an LRAMVA balance of $116,826.50 is requested for 2016 lost revenues. The 2016 lost revenue amount includes persisting savings from 2011 to 2014 in 2016.

a) Please discuss the rationale for not including the persistence of 2015 savings in 2016.
b) Please confirm whether the persistence of 2015 savings in 2016 was excluded in error.

9-Staff-89

Ref: Tab 5 of the LRAMVA work form (Table 5-b, row 354)

In Westario Power's claim for 2016 lost revenues, 413,538 kWh of energy savings from the Hydro Ottawa Residential Demand Response Wi-Fi Thermostat Pilot is proposed to be claimed.

a) Please confirm whether savings from the Hydro Ottawa Residential Demand Response Wi-Fi Thermostat Pilot were confirmed by the IESO to be claimed by Westario Power.
b) If yes, please discuss how the savings from this pilot program were allocated to the service territory of Westario Power.
c) If these savings were incorrectly included in the LRAMVA work form, please remove them from the disposition of 2016 lost revenues.

9-Staff-90

If Westario Power has made any changes to the LRAMVA work form as a result of its responses to interrogatories, please file an updated LRAMVA work form.

9-Staff-91

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
Westario_IRR_EDDVAR Continuity Schedule_20130215
WPI_IRM_RateGen_Model_Final Decision_20170413
2013 CoS Decision and Order[2], April 11, 2013, Settlement Agreement
2016 IRM Decision and Rate Order[3], March 17, 2016, page 7
2017 IRM Decision and Rate Order[4], April 13, 2017, page 8-11
Exhibit 9
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 59
OEB staff's spreadsheet titled "WestarioPower discrepancies in DVA balances", Tabs "Group 1" and "Group 2"

Please note that some of the interrogatories below request that the 2018 DVA continuity schedule and GA Analysis Workform be resubmitted. Please use the most recent 2018 DVA continuity schedule that is posted on the OEB's 2018 Electricity Distribution Rate Applications webpage.

Page 59 of the Filing Requirements state the following:

> A continuity schedule [must be provided] for the period from the last disposition to the present, showing separate itemization of opening balances, annual adjustments, transactions, interest and closing balances for all outstanding deferral and variance accounts…

In OEB staff's spreadsheet titled "WestarioPower discrepancies in DVA balances", tabs "Group 1" and "Group 2", OEB staff has noted discrepancies that require further clarification. There are inconsistencies in certain DVA balances reported in the 2013 CoS model, the 2016 IRM model, the 2017 IRM model, and the 2018 DVA Continuity model.

a) Please provide explanations for the variances noted in columns labelled "C", "F", "I", "L", "O", and "R", in Tab "Group 1" of the spreadsheet titled "WestarioPower discrepancies in DVA balances".

[2] EB-2012-0176
[3] EB-2015-0112
[4] EB-2016-0113

b) Please provide explanations for the variances noted in columns labelled "U", "X", "U", "X, "AA", and "AD", in Tab "Group 2" of the spreadsheet titled "WestarioPower discrepancies in DVA balances".
c) Please update Westario Power's evidence as required to address these discrepancies.

9-Staff-92

Ref: Exhibit 9
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 59

Page 59 of the Filing Requirements state the following:

> [Provide a] list of all outstanding deferral and variance accounts and sub-accounts. The applicant must provide a brief description of any account that the applicant may have used differently than as described in the APH.

However, OEB staff notes that Westario Power did not indicate in Exhibit 9 whether there are any DVAs that Westario Power may have used differently than as described in the Accounting Procedures Handbook (APH).

a) Please confirm that Westario Power has not used any DVAs differently than as described in the APH.
b) If this is not the case, please provide an explanation, including why Westario Power has deviated from the APH and the Filing Requirements.

9-Staff-93

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
RRR 2.1.7 December 31, 2016

OEB staff notes that the Account 1580 balance as at December 31, 2016 in the RRR 2.1.7 is a credit balance of ($1,347,764). The Account 1580 balance as at December 31, 2016 in the 2018 DVA Continuity Schedule is a credit balance of ($1,399,605). The difference between these two numbers is a material discrepancy of $51,841.

a) Please explain the difference of $51,841.

b) Please update the 2018 DVA Continuity Schedule and other evidence to resolve this discrepancy as required.

9-Staff-94

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
EB-2017-0084 WPI LRAMVA Work Form 20171122, Tab 1. LRAMVA Summary
Exhibit 9, Table 7

When comparing Exhibit 9, Table 7, DVA Disposition by Account, to the 2018 DVA Continuity Schedule and LRAMVA Work Form, OEB staff notes two differences:

1. Account 1568 in Exhibit 9, Table 7 and the LRAMVA Work form show a balance of $259,094, whereas Tab 5 of the DVA Continuity Schedule shows a balance of $255,230. Although the difference is immaterial the three documents should reconcile.
2. Account 1555 (Stranded Meters) in Exhibit 9, Table 7, shows a credit balance of ($10,472) whereas Tab 5 of the 2018 DVA Continuity Schedule shows a balance of $0. OEB staff notes that the clearance of stranded meter balances has been approved in the 2013 CoS proceeding[5] and a residual balance should be cleared in a distributor's next CoS proceeding. OEB staff notes that the APH Frequently Asked Questions (FAQ) July 2012 Q#10, states the following:

> …The residual balance (net of total recoveries) in "Sub-account Stranded Meter Costs" and the balance in "Approved Stranded Meter Costs Carrying Charges" of Account 1555 should be submitted for review and finalization as part of the distributor's next cost of service application…

a) Please update the evidence as required so that the Account 1568 balance reconciles between the three different source documents. Please update any other additional evidence, as required.
b) Please update Tab 5 of the 2018 DVA Continuity Schedule show an Account 1555 balance of ($10,472), as a residual balance should be cleared in this proceeding. Please update any other additional evidence, as required.

[5] EB-2012-0176

c) Please update file “WestarioPower discrepancies in DVA balances”, Tab “Group 2” to include a line for Account 1555. Please provide a reconciliation by filling out all of the columns in this worksheet to reflect the proposed Account 1555 balance that is being requested for disposition in this proceeding versus the Account 1555 amounts that were reflected in the 2013 Cost of Service DVA model. Please explain any differences.

9-Staff-95

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
Exhibit 9, Table 7
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 64

Page 64 of the Filing Requirements state the following:

> Applicants are expected to only request disposition of residual balances for vintage Account 1595 sub-accounts once…

OEB staff notes that Westario Power is applying to clear residual balances in Account 1595 (2011), Account 1595 (2012), and Account 1595 (2013) in this proceeding. Although these balances are immaterial (see below), the Filing Requirements indicate that disposition of residual balances for vintage Account 1595 sub-accounts should only be made once.

- Account 1595 (2011) – ($1,658) credit
- Account 1595 (2012) - $2,287 debit
- Account 1595 (2013) - $6,204 debit

Please update Exhibit 9, Table 7 and the 2018 DVA Continuity Schedule to exclude the Account 1595 (2011), Account 1595 (2012), and Account 1595 (2013) balances from clearance in this proceeding. OEB staff is of the view that Westario Power should write-off these balances. Please update any other additional evidence, as required.

9-Staff-96

Ref: Exhibit 9, Table 4
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 60
RRR 2.1.7
Westario Power Audited Financial Statements
OEB staff's spreadsheet titled "WestarioPower COP Analysis"

Page 60 of the Filing Requirements state the following:

> [Provide] a breakdown of energy sales and cost of power expense balances, as reported in the audited financial statements, mapped to USoA account numbers. The distributor must reconcile the USoA numbers to the audited financial statements. If there is a difference between the energy sales and cost of power expense reported numbers, the distributor must explain why it is making a profit or loss on the commodity

In OEB staff's spreadsheet titled "WestarioPower COP Analysis", OEB staff has noted discrepancies between cost of power numbers reported in Exhibit 9 Table 4, RRR 2.1.7, and the audited financial statements.

a) Please provide explanations for the variances noted in columns labelled "B", "D", "F", and "G" of the spreadsheet titled "WestarioPower COP Analysis".

b) Please update Westario Power's evidence as required to address these discrepancies.

9-Staff-97

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
Exhibit 9, Section 9.27
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 60

Page 60 of the Filing Requirements state the following:

> [Provide] a statement as to whether or not the applicant has made any adjustments to deferral and variance account balances that were previously approved by the OEB on a final basis in both cost of service and IRM proceedings (i.e. balances that were adjusted subsequent to the balance sheet date that were cleared in the most recent rates proceeding). The OEB expects that no adjustments will be made to any deferral and variance account balances previously approved by the OEB on a final basis. If adjustments were made, the applicant must provide explanations for the nature and amounts of the adjustments and include supporting documentation, under a section titled "Adjustments to Deferral and Variance Accounts."

OEB staff notes that Westario Power had made adjustments to OEB approved balances in the adjustments column. For example, a $255,785 adjustment was made to Account 1568 in "Principal Adjustments During 2016" column and a corresponding adjustment to the "Interest Adjustments During 2016" column of $3,310.

OEB staff notes that this treatment is contrary to the Filing Requirements and Westario Power's statement in Section 9.2.7 that it "has not made any adjustments to deferral variance account balances that were previously approved by the Board on a final basis in both COS and Incentive Rate Mechanism (IRM) proceedings."

a) Please provide an explanation for both the adjustments made to the DVA continuity schedule. Please also include a rationale as to why the OEB should approve any DVA balances that were adjusted as these DVAs were previously approved by the Board on a final basis in both CoS and IRM proceedings.
b) Please provide an explanation as to why Westario Power has:

    i. Made such adjustments;
    ii. Deviated from the Filing Requirements, in particular not including a section in Exhibit 9 titled "Adjustments to Deferral and Variance Accounts"; and
    iii. Included a contrary statement in Section 9.2.7.

9-Staff-98

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
Exhibit 9, Table 7
Exhibit 9, section 9.6.3
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 64
2016 IRM Decision and Rate Order[6], March 17, 2016, page 7

Page 64 of the Filing Requirements state the following:

> Applicants are expected to only request disposition of residual balances for vintage Account 1595 sub-accounts once. Distributors are expected to seek disposition of the audited account balance a year after a rate rider's sunset date has expired. No further transactions are expected to flow through the account.

Westario Power is requesting clearance in this proceeding of an Account 1595 (2016) balance of $1,023,002, as at December 31, 2016, with carrying charges forecasted to December 31, 2017. However, the rate rider for 2016 OEB approved balances ended April 30, 2017. OEB staff notes that as per page 7 of the 2016 IRM decision and rate order, the DVA "balances are to be disposed through rate riders over a one-year period from May 1, 2016 to April 30, 2017." Westario Power is requesting disposition of the Account 1595 (2016) balance prematurely, which would give rise to a further residual balance in a subsequent rate application. In addition, the Account 1595 (2016) balance being requested for disposition is not the true residual account balance, as further transactions (e.g. recoveries/ refunds billed to customers) are expected to be posted to this sub-account.

The proposed clearance of this balance is contrary to the Filing Requirements and a statement made by Westario Power in section 9.6.3 that "Dispositions for vintage 1595 accounts are only done once a year after the rate riders sunset date 2 has expired."

The balance in Account 1595 (2016) is to be audited as part of the December 31, 2017 audited financial statements, as the rate rider ended April 30, 2017. OEB staff is of the view that the Account 1595 (2016) balance would be cleared in an

[6] EB-2015-0112

application related to the 2019 Rate Year (or subsequent rate year), with associated audited December 31, 2017 DVA balances, rather than cleared in the 2018 Rate Year, which would have associated audited December 31, 2016 DVA balances.

a) Please explain why Westario Power has deviated from the Filing Requirements and is requesting disposition of Account 1595 (2016) at this time, rather than in a future rate application.
b) Please update the 2018 DVA continuity schedule and Exhibit 9, Table 7, to remove the Account 1595 (2016) balance of $1,023,002 being requested for disposition. Please update any other additional evidence, as required.

9-Staff-99

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
Exhibit 9, Table 7
2015 IRM Decision and Rate Order[7], March 19, 2015, page 7

Westario Power is requesting clearance in this proceeding of an Account 1595 (2015) balance of $288,888, as at December 31, 2016, with carrying charges forecasted to December 31, 2017. OEB staff is unclear why such a large Account 1595 (2015) balance is being requested for clearance. OEB staff notes that typically there should be minimal residual balances in the sub-accounts of Account 1595, once the rate rider period has been completed, as there would typically be relatively small differences between historical billing determinants used to calculate the rate riders and the actual billing determinants used to charge/refund the rate riders to customers.

OEB staff notes that the rate rider period relating to Account 1595 (2015) ended April 30, 2016. As per page 4 of the 2015 IRM decision and rate order, the DVA "balances are to be disposed over a one-year period from May 1, 2015 to April 30, 2016."

OEB staff also notes that the residual balance of Account 1595 (2015) of $288,888 is unusually large, as it represents approximately 11% of the total DVA debit balance of $2,590,798 that was approved in the 2015 IRM decision and order.

[7] EB-2014-0123

a) Please provide an explanation as to why Westario Power is requesting a large residual balance of $288,888 relating to Account 1595 (2015).
b) Please provide more support for this proposed balance, including references to:
   i. all dollar amounts collected or refunded to customers for the applicable fiscal years included in Account 1595 (2015)
   ii. OEB approved dispositions reflected in Account 1595 (2015)
   iii. Adherence to specific APH FAQ guidance issued in August 2008 and October 2009.
c) Please fill out the following table that may support the residual Account 1595 (2015) balance. The balance from this table should agree with the 2018 DVA Continuity Schedule[8]. Please provide an explanation for differences.

Period	"A" OEB Approved Balance transferred to Account 1595 (excluding OEB approved carrying charges)	"B" Actual Billing Determinants (by Customer Class)	"C" OEB Approved Rate Riders in 2015 IRM (by Customer Class	"D" = "B" X "C" Actual Dollar Amounts Collected or Refunded to Customers (by Customer Class)	"E" = "A" – "D" Difference
May 1, 2015 to December 31, 2015	$2,543,774				
Sub-total	$2,543,774				
January 1, 2016 to April 30, 2016	n/a				
Sub-total	0				
Total	$2,543,774				

[8] Note differences may arise where a distributor transferred principal balances to carrying charges based on the Account 1595 2009 FAQ guidance. Any such differences are to be accounted for and reconciled.

9-Staff-100

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
Exhibit 9, Section 9.2.3

OEB is unclear of the interest rates applied to calculate the carrying charges for each DVA. Carrying charge rates were only listed from Q1 2014 to Q3 2017 in section 9.2.3 of the application.

OEB staff notes that the OEB prescribed interest rates[9] should be used to calculate DVA balances.

a) Please provide the carrying charge rates from Q1 2012 through Q4 2017 that were used to calculate the requested DVA balances.
b) If the carrying charge rates used were different than the OEB prescribed rates:
    i. Please provide an explanation.
    ii. Please update the DVA balances in the 2018 DVA Continuity Schedule if the impact of using incorrect carrying charge rates in calculating the proposed DVA balances is material.

9-Staff-101

Ref: Exhibit 9
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 60

Page 60 of the Filing Requirements state the following:

> Identification of which Group 2 accounts the distributor will continue and which will be discontinued on a going-forward basis [is required], with an explanation for these proposals.

OEB staff notes that Westario Power has not complied with this Filing Requirement.

[9] https://www.oeb.ca/industry/rules-codes-and-requirements/prescribed-interest-rates

Please identify which Group 2 accounts Westario Power will continue and which will be discontinued on a going-forward basis, with an explanation for these proposals.

9-Staff-102

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 65
Exhibit 9, section 9.6.5

Page 65 of the Filing Requirements state the following:

> [Distributors must] establish separate rate riders to recover the balances in the RSVAs from market participants who must not be allocated the RSVA account balances related to charges for which the market participants settle directly with the IESO (e.g. wholesale energy, wholesale market services).

OEB staff notes that in Section 9.6.5, Westario Power noted that it only has one customer that settles directly with the IESO, or one wholesale market participant (WMP). Westario Power stated that separate rate riders have not been determined for the sole WMP customer, as the customer's total impact on Westario Power's load for the year may be insignificant (approximately 0.5% of its total distribution load). Westario Power also indicated that if a separate rate rider is allocated to the sole WMP customer, the size of the rate riders associated with applicable RSVA accounts is not significant.

Westario Power is of the view that the amount of work involved with determining and tracking a separate rate rider for this customer would result in costs that exceed the benefits to its customer base.

However, OEB staff notes that in Tab 4. Billing Determinants, Westario Power has indicated that its "Metered kWh for WMP" is 402,697,138 and total WMP kW is 0. OEB staff is unclear whether Westario Power has recorded the correct numbers, as its "Total Metered kWh" is 415,205,538.

OEB staff also notes that Westario Power has not used a separate rate rider to allocate Account 1580 and Account 1588 for rate classes that contain the one WMP customer.

a) Please confirm that Westario Power's one WMP customer does actually represent 0.5% of the distributor's total load, and would translate to an insignificant rate rider, with supporting calculations.
b) If this is not the case, please explain.
c) Please revise the 2018 DVA Continuity schedule with correct billing determinants and associated kWh and kW. A separate rate rider should be generated to allocate Account 1580 and Account 1588 for the rate class that contains the one WMP customer.

9-Staff-103

Ref: Exhibit 9, section 9.7
May 23, 2017 Letter from the OEB, Guidance on the Disposition of Accounts 1588 and 1589
EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122

OEB staff notes that Westario Power has provided a GA Analysis Workform in both the DVA Continuity Schedule and as a stand-alone Excel spreadsheet. OEB staff notes that there are discrepancies between the GA Analysis Workform included in these two spreadsheets. For the purpose of analyzing the GA Analysis Workform, OEB staff is working off the GA Analysis Workform included in the DVA Continuity Schedule, and has provided interrogatories below relating to this spreadsheet.

As per section 9.7, Westario Power stated the following:

> WPI is compliant in following guidance from the May 23, 2017 letter pertaining to the period that is being requested for disposition for accounts 1588 and 1589…
> …WPI will bill customers for global adjustment using IESO second estimate amounts. Any variances between the second estimate and the actual global adjustment amount will result in a variance that WPI will record to account 1589.

The May 23, 2017 letter from the OEB indicates that distributors are "expected to do a true up to capture the difference between the forecast and actual amounts."

OEB staff is unclear whether Westario Power performs a true-up of the GA incorporated into the variance reported in Account 1589 to the actual GA that is reported on the IESO website.

As per Note 5 of the GA Analysis Workform, Westario Power has not included any specific line items in the spreadsheet related to “Reconciling Items”. However, in the “Additional Notes and Comments” section, Westario Power stated the following:

> For both 2014 and 2016 the actual amount billed was calculated differently from the above OEB models. WPI was basing the RPP customer portion of GA based off the previous 2 years data rather than using the actual data for the current month in order to complete regulatory filing in a more timely manner. The result was that Non-RPP customer portion of consumption was often different from what the actual result ended up being and this resulted in variances that were different from the above calculated amounts.
>
> For 2014 the result was that WPI's actual variance between global adjustment recovered from customers and the amount paid was only $459,801 compared to the OEB calculated amount of $1,415,082.
>
> For 2016 there was also an error in the DVA schedule filed for the year resulting in a difference of $(106,370), the transactions for the year should have been $(721,707) instead of $(615,337). This error has been corrected in 2017 and will be reflected as a principal adjustment in 2017. The result for 2016 using a different method of calculating GA was that the total for the year was $434,186 further from balancing.
>
> WPI will be adjusting the way GA variances are calculated going forward to be in line with the OEB model above.

Westario Power has a material “Unresolved Difference as % of Expected GA Payments to IESO” of -4.5%. However, OEB staff notes that the -4.5% is incorrect, as Westario Power indicated that it may not be following OEB regulatory accounting guidance, as per its comments in the “Additional Notes and Comments” section of the GA Analysis Workform.

a) Please confirm that Westario Power performs a true-up of the GA incorporated into the variance reported in Account 1589 to the actual GA that is reported on the IESO website. If such a true-up is done by Westario Power, please explain how it is done.
b) If this is not the case, please provide an explanation.
c) Please explain why Westario Power indicated in section 9.7 that it is compliant with the May 23, 2017 letter from the OEB, yet in Note 5 of the GA Analysis Workform, section "Additional Notes and Comments", Westario Power stated that it made errors regarding the inputs used in calculating the Account 1588 and Account 1589 balances. For example, Westario Power stated that "for 2016 there was also an error in the DVA schedule filed for the year resulting in a difference of $(106,370)."
d) Westario Power has indicated above that the transactions for the 2016 "year should have been ($721,707) instead of ($615,337)." Westario Power also stated that "the result for 2016 using a different method of calculating GA was that the total for the year was $434,186 further from balancing."
   OEB staff notes that in Tab 2 2016 Continuity Schedule, column "Transactions Debit/Credit During in 2016", cell BD32, shows an Account 1589 credit balance of ($615,337).
   Please explain the differences and update the evidence as required, including why is the Account 1589 account balance off by a further $434,186.
e) Westario Power indicated that "the RPP customer portion of GA based off the previous 2 years data rather than using the actual data for the current month in order to complete regulatory filing in a more timely manner."
   i) Has Westario Power found any more errors with respect to the accounting for Account 1588 and Account 1589, and associated IESO settlement practices? In particular, Westario Power should explicitly state deviations from the OEB's APH and the OEB's May 23, 2017 letter. Please provide an explanation.
   ii) Please provide an analysis and explanation that supports what Westario Power believes the correct balances should be for Account 1588 and Account 1589, as at December 31, 2016.
   iii) Please update the evidence as required.
f) Westario Power indicated that "this error has been corrected in 2017 and will be reflected as a principal adjustment in 2017." Please explain this error in more detail, including the cause. Please explain why this error should not be addressed in this proceeding when the December 31, 2016 Account 1588 and Account 1589 balances may be cleared by the OEB on

a final basis. OEB staff notes that not making this adjustment to December 31, 2016 balances could result in retroactive ratemaking when subsequent balances are cleared in a future proceeding. Please update the evidence as required.

g) OEB staff notes that the GA Analysis Workform is to be reconciled to within 1%. However, Westario Power has an unreconciled discrepancy of 4.5%. Please update Note 5 of the GA Analysis Workform, to include specific line items in the spreadsheet that describe “Reconciling Items” for 2016, including updating the columns “Applicability of Reconciling Item (Y/N)”, “Amount (Quantify if it is a significant reconciling item)”, and “Explanation.”
h) Please confirm if Westario Power had any long term load transfers in either 2015 or 2016 impacting Account 1589. If so, please quantify the amounts if material and confirm whether a “Reconciling Item” is required in the GA Analysis Workform.
i) Please confirm if Westario Power had any significant prior period billing adjustments impacting Account 1589. If so, please quantify the amounts and confirm whether a “Reconciling Item” is required in the GA Analysis Workform.
j) Please confirm that the GA rate that is used for billing purposes is applied consistently for all billing and unbilled revenue transactions for non-RPP Class B customers for each customer class.
k) Where the same GA rate is not used for billing non-RPP Class B customers in all customer classes, please explain what GA rate is applied to each customer class.

9-Staff-104

Ref: Exhibit 9, section 9.6.6
EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
2016 IRM Decision and Rate Order , March 17, 2016, page 6 & 7
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 60

OEB staff notes that page 6 of the 2016 IRM decision and order states:

> The OEB approves the disposition of a debit balance of $1,447,781 as of December 31, 2014, including interest projected to April 30, 2016 for Group 1 accounts.

Regarding the GA Analysis Workform, OEB staff notes:

1. As per Note 1, Westario Power indicated that it is requesting disposition of both 2014 and 2016 balances. OEB staff is unclear why Westario Power is requesting disposition of 2014 balances, when as per page 7 of the 2016 IRM decision and order, the 2014 Account 1589 balance was approved for disposition. OEB staff is also unclear why Westario Power is referring to both 2014 and 2016 balances in the GA Analysis Workform, and not addressing 2015 balances.

2. As per Note 2, Westario Power has provided 2016 "Total Metered excluding WMP" kWh of 423,909,862 and 2016 "Non-RPP" kWh of 194,377,353. OEB staff is unclear why these numbers are significantly different from the respective kWh noted in Tab 4 of the 2018 DVA Continuity Schedule. Tab 4 of the DVA Continuity Schedule contains the following kWh:

    a. 12,508,399 kWh for "Total Metered kWh less WMP Consumption"
    b. 226,150,254 kWh for "non-RPP Metered Consumption for Current Class B Customers (non-RPP Consumption excluding WMP, Class A, and Transition Customers' Consumption)

    As per Note 4, Westario Power has also included 2016 "Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)" of 205,816,268.

    OEB staff also notes that Westario Power's RRR 2.1.5 for 2016 shows Total Metered Consumption kWh of 425,870,697.

3. As per Note 5, Westario Power has included an Account 1589 balance of the "Net Change in Principal Balance in the GL (i.e. Transactions in the Year)" of ($459,801) credit. However, OEB staff notes that in Tab 2 2016 Continuity Schedule, column "Transactions Debit/Credit During in 2016", cell BD32, shows a credit balance of ($615,337) . OEB staff is unclear why different numbers are used in the GA Analysis Workform and Tab 2 of the DVA Continuity Schedule.

a) As noted in the interrogatories below, Westario Power needs to update the GA Analysis Workform included in the 2018 DVA Continuity Schedule, and also other tabs included in the 2018 DVA Continuity Schedule.
b) As the 2014 Account 1589 balance was disposed in the 2016 IRM decision order, please update the GA Analysis Workform to remove 2014 balances.
c) Please reconcile the differences in kWh noted above in bullet point #2 and update the 2018 DVA Continuity Schedule. Please update the GA Analysis Workform, and also Tab 4, Tab 5, and Tab 6 of the DVA Continuity Schedule, as required. Please also reconcile to the Load Forecast and Rate Design sections of Westario Power's application.
d) Please reconcile the Account 1589 "Net Change in Principal Balance in the GL (i.e. Transactions in the Year)" of ($459,801) credit and ($615,337) credit, as noted above in bullet point #3. Please provide an explanation and update the GA Analysis Workform, and also Tab 2 of the DVA Continuity Schedule, as required.
e) OEB staff notes that the GA Analysis Workform is to be reconciled to within 1%. However, Westario Power has an unreconciled discrepancy of 4.5%. Please explain the unreconciled difference if the GA Analysis Workform, as updated through the interrogatories, shows an unreconciled difference greater than 1%.

9-Staff-105

Ref: Exhibit 9.7
EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122
Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, page 67

Page 67 of the Filing Requirements state the following:

> Description of Settlement Process
>
> A distributor must support its GA claims with a description of its settlement process with the IESO or host distributor. It must specify the GA prices it uses to bill (and to record unbilled entries) to its various customers classes (i.e. 1st estimate, 2nd estimate or actual), explain its process for providing consumption estimates to the IESO as part of its RPP settlement process, and describe the true-up process to true up estimated amounts to actual

amounts. The description should detail the distributor's method for estimating RPP and non-RPP consumption, as well as its treatment of embedded generation or any embedded distribution customers. Distributors are reminded that they are expected to use accrual accounting.

However, OEB staff notes that Westario Power did not indicate in Exhibit 9 a full description of the IESO Settlement Process as required in the Filing Requirements. Instead, a very brief description was provided in section 9.7.1.

Please update Westario Power's evidence and provide a full description of the IESO Settlement Process as required in the Filing Requirements.

9-Staff-106

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122, including GA Analysis Workform

OEB staff requires further clarification regarding the booking of expense journal entries relating to certain Charge Types that are included on the IESO invoice.

In booking expense journal entries for Charge Type 1142 (formerly 142), and Charge Type 148 from the IESO invoice, please confirm which of the following approaches is used:

a) Charge Type 1142 is booked into Account 1588. Charge Type 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively[10].
b) Charge Type 1142 is booked into Account 1588. In relation to Charge Type 148, the non-RPP quantities multiplied by the GA rate is booked to account 1589 and the remainder of Charge Type 148 is booked to account 1588.
c) Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equaling RPP-HOEP for RPP consumption is booked into

[10] Note, the following in all references in OEB Staff questions relating to amounts booked to accounts 1588 and 1589. Amounts are not booked directly to accounts USoA 1588 and 1589 relating to power purchase and sale transactions, but are rather booked to the cost of power USoA 4705 Power Purchased/4707 Charges - Global Adjustment and the respective Energy Sales USoA accounts, respectively. However, accounts 1588 and 1589 are impacted the same way as accounts 4705/4707 are for cost of power transactions, and the same way as the Energy Sales accounts are for revenue transactions.

Account 1588. The portion of Charge Type 1142 equaling GA RPP is credited into Account 1589.

d) If another approach is used, please explain in detail.

9-Staff-107

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122

OEB staff requires further clarification regarding the Account 1589 balance that is recorded in the 2018 DVA Continuity Schedule.

With regards to the amount being requested for disposition of USoA 1589 account balance as at Dec. 31, 2016, all components that flow into Account 1589 (i to iv in table below) should be based on actuals in the 2018 DVA Continuity Schedule. Please complete the following table to:

a) Indicate whether each of the components are based on estimates or actuals at year end, and
b) Quantify the adjustment amount pertaining to each component that is trued-up from estimate to actual.

	Component	**Estimate or Actual**	**Notes/Comments**	**Quantify True Up Adjustment $ Amount**
i	Revenue (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)			
ii	Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)			
iii	Expenses - GA non-RPP: Charge Type			

	148 with respect to the RPP/non-RPP kWh volume proportions.			
iv	Credit of GA RPP: Charge Type 142 if the approach under Staff Question 1c is used			

c) For each item in the table above, please confirm that the GA Analysis Workform for 2016 and the 2018 DVA Continuity Schedule for 2016 have been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

9-Staff-108

Ref: EB-2017-0084 WPI 2018_DVA_Continuity_Schedule_20171122

OEB staff requires further clarification regarding the Account 1588 balance that is recorded in the 2018 DVA Continuity Schedule.

With regards to the amount being requested for disposition of USoA 1588 account balance as at Dec. 31, 2016, all components that flow into Account 1588 (i to iv in table below) should be all based on actuals at year end. Please complete the following table to:

a) Indicate whether the component is based on estimates or actuals at year end, and
b) Quantify the adjustment pertaining to each component that is trued-up from estimate to actual

	Component	**Estimate or Actual?**	**Notes/Comments**	**Quantify True Up Adjustment $ Amount**
i	Revenues (i.e. is an unbilled revenue true-up adjustment reflected in the balances being			

	requested for disposition?)			
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)			
iii	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)			
iv	Expenses - GA RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.			
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type			

c) For each item in the table above, please confirm that the 2018 DVA Continuity Schedule for 2016 have been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

9-Staff-109

Ref: Exhibit 9, section 9.3.1

In section 9.3.1 Westario Power stated that "there were few accounting changes resulting from the adoption to IFRS," but Westario Power did not describe these changes in its evidence.

OEB staff is unclear whether these "few" changes made on the adoption of IFRS on January 1, 2015 for audited financial statement purposes, beyond the MIFRS

impacts recorded in Account 1575 in the 2013 CoS, should be recorded in Account 1575.

a) Please describe these “few” changes that were made on the adoption of IFRS on January 1, 2015 for audited financial statement purposes, beyond the MIFRS impacts recorded in Account 1575 in the 2013 CoS. Please explain and quantify.
b) Does Westario Power agree that these additional “few” changes should be recorded in Account 1575 and cleared in this rate proceeding, if the changes are material?
    i. If so, please update the evidence as required.
    ii. If not, please explain.