



Westario Power Inc.

March 19, 2018

Ontario Energy Board P.O.
Box 2319 27th Floor
2300 Yonge Street Toronto,
Ontario M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary
Regarding: EB-2017-0084 2018 Cost of Service Application

Dear Ms. Walli,

Please find attached WPI Inc's responses to VECC, SEC, Energy Probe and Board Staff's interrogatories. This application is being filed pursuant to the Board's e-Filing Services.

Yours truly,

Malcolm McCallum, CPA, CMA, MBA
Vice President Finance/CFO
WPI Inc.
24 Eastridge Road, RR 2
Walkerton, ON
N0G 2V0
519-507-6666 x-211
Malcolm.McCallum@westario.com

Contents

Contents	2
Models & Documents filed.	4
Exhibit 1 – Administration (OEB Staff).....	5
1-Staff-1	5
1-Staff-2	6
1-Staff-3	7
1-Staff-4	8
1-Staff-5	10
1-Staff-6	11
1-Staff-7	12
1-Staff-8	13
1-Staff-9	14
1-Staff-10	16
1-Staff-11	17
1-Staff-12 – EK/MRS/ Auditors	19
Exhibit 1 – Administration (SEC)	21
1-SEC-1.....	21
1-SEC-2.....	22
1-SEC-3.....	23
1-SEC-4.....	24
1-SEC-5.....	26
1-SEC-6.....	27
1-SEC-7.....	28
1-SEC-8.....	29
1-SEC-9.....	30
1-SEC-10.....	33
1-SEC-11.....	36
1-SEC-12.....	39
Exhibit 1 – Administration (VECC).....	41
1.0-VECC-1	41
1.0-VECC-2	42
Exhibit 1 – Administration (ENERGY PROBE).....	43

1.0 IR #1.....	43
1.0 IR #2.....	44
1.0 IR #3.....	45
1.0 IR #4.....	49
1.0 IR #5.....	52
1.0 IR #6.....	55
1.0 IR #7.....	56
1.0 IR #8.....	57
1.0 IR #9.....	58
1.0 IR #10.....	59
1.0 IR #11.....	60
1.0 IR #12.....	63
Appendix AA – Response to letter of Comments.....	64
Appendix A - Exhibit 1 Summary	65
Appendix B - Rate Application Update	66
Appendix C - 2016-17 Capital Operating Budgets cover page	67
Appendix D - Rate Application Executive Summary.....	68
Appendix E - e-mail accompanying business plan	69
Appendix F – Engagement Survey	70

Models & Documents filed.

1. WPI 2018 LRAMVA Work Form
2. WPI DVA Continuity Schedule
3. WPI Update of Demand Data
4. WPI Load Forecast model
5. Tariff Schedule and Bill Impacts
6. WPI RTSR Workform
7. WPI Rev Reqt Work Form
8. WPI PILs Workform
9. WPI Cost Allocation
10. WPI GA Work Form
11. 2011-2014 Verified Results
12. 2016 Verified Results
13. WPI 2015-2020 CDM Approved Plan
14. WPI Ch2 Appendices

**Response to Interrogatories
2018 Cost of Service Rate Application
WPI Inc. (“WPI,” “WPI”)
EB-2017-0084**

Exhibit 1 – Administration (OEB Staff)

1-Staff-1

Responses to Letters of Comment

Following the 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.

WPI Response:

WPI's responses to the letters of comments are presented in Appendix AA of this document.

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.

WPI Response:

WPI has updated the RRWF to reflect the changes listed in the “Updates to the models” section. The revised model is filed along with these responses.

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.).

WPI Response:

The revised model is filed along with these responses.

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.

WPI Response:

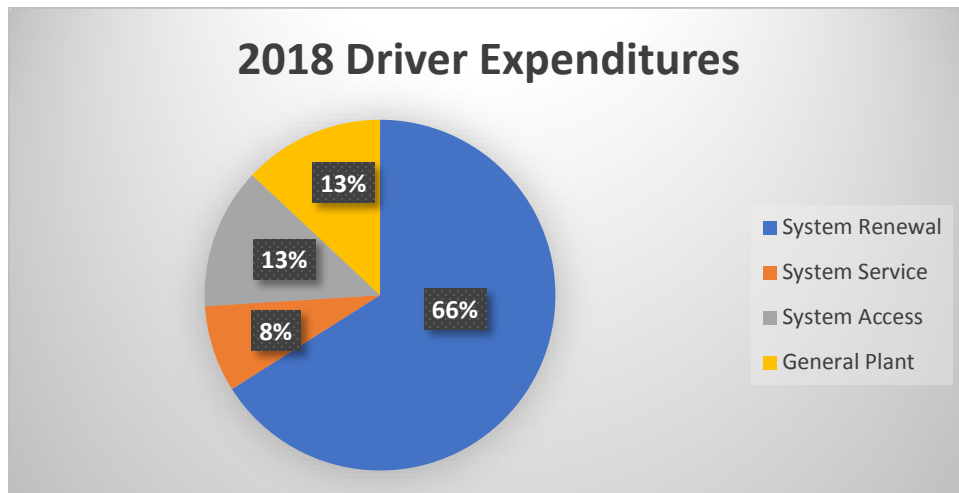
WPI employed surveys as the main form of outreach to advise/request input into the content of the application.

Specifically, the preamble in our 2017-18 Operating and Capital Budget Customer Survey included the following:

WPI continues to focus on day-to-day operations while it builds, re-builds, re-furbishes and prepares the organization for a changed future. In addition, WPI needs to think in terms of decades, not just today, this week, this month, or quarter. This planning is prepared in a regulated environment that requires a 5-year planning strategy. Through re-investment in the overall system, WPI provides a stable, reliable electricity grid bringing power to your homes and businesses.

WPI is in the process of finalizing its 2018 operating and capital budgets in advance of filing an application to the Ontario Energy Board for a rate adjustment. Through feedback received from the most recent customer engagement survey, WPI is concentrating its spending efforts on system reliability and safety by focusing on replacing and maintaining assets that have the most potential to fail or deteriorate to the point that they cause a major breakdown or malfunction of the distribution system. Several factors are considered when ultimately determining the essential resources in the system requiring immediate attention in any given year. Consideration is given to such criteria as age, the current state of condition and impact of failure when determining budget priorities.

The forecasted capital budget for 2018 is approximately \$4.9M and is primarily comprised of substation upgrades, aging wire replacement, pole replacement as well as transformer replacement. The following chart indicates our planned expenditure areas of focus:



These expenditures are in line with recent historical expenditures and forecast future expenditures. The goal of WPI and its employees is to ensure that a durable, healthy and fully functional system is in place that easily sustains the needs of its current customers without significantly altering the financial burden that is required to support these activities, while at the same time sustaining the commercial viability of WPI.

This was mailed to all customers and was prepared in conjunction with an initial customer survey with respect to their input on system reliability and spending levels.

1-Staff-5

Ref: Exhibit 1, page 26

Please provide all the communication between WPI, 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.

WPI Response:

- a) The following documents are presented in Appendix A-F of this document
- Appendix A - Exhibit 1 Summary
 - Appendix B - Rate Application Update
 - Appendix C - 2016-17 Capital Operating Budgets cover page
 - Appendix D - Rate Application Executive Summary
 - Appendix E - e-mail accompanying a business plan

WPI's Board of Directors is informed of our capital program spending priorities for the upcoming year during our last board of directors meeting in the current year and at the beginning of every year through our board of director's communication packages. Our Board of Directors is fully aware of Westario's annual capital expenditure budget for every year (2014 to 2017). All WPIs budget priorities are approved by the Board of Directors spending priorities were determined through the comprehensive asset management planning process identified in our 2013 Cost of Service application, which revealed the need to further invest in our infrastructure inherited through the 2000 Amalgamation. Some of these assets were in extremely poor conditions. WPI's spending priorities were to address the most serious maintenance issues and infrastructure conditions to ensure the safety of employees and the public, maintain a reliable supply of power and to replace all equipment that had reached the end of their useful life.

1-Staff-6

Ref: Exhibit 1, Appendix A, page 88

WPI states “WPI 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 WPI considered offering additional conservation measures as sought by its customers?

WPI Response:

WPI has submitted a business case to the IESO for a Clothesline Program, a Service Hot Water Program and a Residential Direct Install Program. WPI is also the first LDC to launch the AFT Program and include custom level one kit opposed to a one kit fits all approach. The Service Hot Water Business Case is in the IESO's approval process, WPI does not expect to receive approval to launch as a Pilot or Local Program.

The Clothesline Program was approved as a local Program and was launched spring 2017 with 1,000 clothesline participants.

The Residential Direct Install was funded for a Pilot, but the IESO did not approve the Business Case as a Local or Provincial Program. In this Pilot, many new measures were employed including Advanced Power Strips Specialty LED Lamps and Safety Stove Elements.

Westario lobbied the IESO to continue offering the Home Assistance Program to our customers as we were successful at helping our most at risk ratepayers but were unsuccessful in our attempts. We were further discouraged by the IESO's decision to close the Program without a stop-gap measure until such time that they would be able to redesign and relaunch a centrally delivered revised HAP. Due to this decision our HAP eligible customers do not have a low-income program.

Each spring and fall WPI has events at retailers and community events in our towns promoting energy-saving products and offering coupons for a wide variety of items. We will be holding such events at 10 locations in 2018.

My Hydro Eye is an energy monitoring online system that allows WPI customers to use at no charge to review their energy usage and work with WPI to find ways to monitor and reduce their energy usage. While promoted only 8% of our customers use the service.

1-Staff-7

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

On page 27, WPI 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 WPI 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 WPI attempted to identify customers which use electricity for space or process heat?
- b) Has WPI 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 WPI’s planning?

WPI Response:

- a) Westario has not undertaken such a study to identify how many of its customers use electricity for space or process heat. Westario has reviewed potential suppliers of natural gas supporting documentation of their application and have been unable to locate specific details on the number of individuals that currently use electric heat.
- b) Westario has not attempted to estimate the lost electric load due to timing and cost constraints. The uptake estimates provided by potential suppliers of gas are very aggressive, and we believe that due the state of the application process and since the cost for customers to modify existing structures is restrictive the change will have minimal impact in the 5-year horizon. Also, the residential shift to fixed distribution charges will minimize the impact of a switch to natural gas.
- c) Regardless of the availability of natural gas in its franchise area, Westario must still provide appropriate maintenance and upgrades to the existing infrastructure, so the availability has not yet impacted WPI’s planning.

1-Staff-8

Ref: Exhibit 1, Appendix B, page 121

WPI 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 WPI become aware that their customers were less satisfied than average in this respect?
- b) Has WPI 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?

WPI Response:

- a) In March of 2016, UtilityPULSE had completed a presentation to Westario Power on the findings of the 2015 Customer Engagement Survey. The statistics presented in the statement above were discovered as part of this presentation.
- b) Results of the survey were presented to the Customer Service Department to engage front-line support in finding a resolution. It was determined a scripting process for phone calls would be implemented to ensure the customer’s problem had been solved or provide an opportunity to re-address their problem.
- c) The cost associated with developing the scripting was minimal, as the Manager of Customer Service had taken on the role of developing a scripting process to implement throughout the department. Once established, frontline staff were trained on the new process, and it was implemented immediately. The result of the 2017 Customer Engagement Survey indicates an increase to 69%.

1-Staff-9

Ref: Exhibit 1, Appendix B, page 121

When reflecting on their most recent customer service experience fewer of WPI'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%

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

WPI Response:

- In March of 2016, UtilityPULSE had completed a presentation to Westario Power on the findings of the 2015 Customer Engagement Survey. The statistics presented in the statement above were discovered as part of this presentation.
- The Manager of Customer Service reviewed the survey results and developed a path forward for the CCS Department to resolve areas identified as weaknesses. An internal approach would be established to create positive change. Staff levels were also considered as part of the resolution – a CCS member had been on long-term sick leave; this vacant position has been filled, and 2017 survey results now exceed all benchmarks, Provincial and Federal.

- c) Staff were challenged to a new approach in dealing with consumer calls (quality versus quantity) and were encouraged to take the necessary time to deal with consumers in an effort to resolve issues in a respectful and courteous manner. Scripting was established with a standard salutation and valediction to ensure consistency. Staff reviewed FAQ and increased their knowledge in an effort to provide confident, knowledgeable answers to consumers.

2017 Customer Engagement Survey Results

	Westario Power	Ontario Benchmark
The time it took to contact someone	82%	66%
The time it took someone to deal with your problem	76%	57%
The helpfulness of the staff who dealt with you	81%	66%
The knowledge of the staff who dealt with you	82%	74%
The level of courtesy of the staff who dealt with you	85%	79%
The quality of information provided by the staff who dealt with you	81%	76%

1-Staff-10

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

WPI 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 WPI customers indicated that they would be willing to pay for extended office hours. WPI states that it “currently maintains front desk support” on page 61.

- a) With so little interest in extending office hours, has WPI 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 WPI performed a cost/benefit analysis of alternative levels of front desk support? If so, please provide.

WPI Response:

- a) Westario Power provides front desk support as a secondary function of the Call Centre. Call Centre Staff are tasked with fielding consumer calls, processing applications as well as various other projects while also monitoring the front desk. Accordingly reducing front desk hours would have no impact on Westario's costs.
- b) To date, no alternative solutions have been considered, as Westario Power believes front desk staff is critical to the business and bridges the gap between the consumer and the balance of the utility staff. coupled with the function of the support as secondary in nature to the Call Centre.
- c) Westario Power has not performed a cost/benefit analysis on alternatives. Westario Power provides front desk support as a secondary function of the Call Centre. Call Centre Staff are tasked with fielding consumer calls, processing applications as well as various other projects while also monitoring the front desk.

1-Staff-11

Ref: Exhibit 1, section 1.3.12

In section 1.3.12, WPI 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 WPI 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

¹ EB-2008-0408

OEB does not generally approve revaluations of capital assets to fair market value.

However, it appears that WPI'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 WPI 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." WPI 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 WPI to revalue its capital assets to fair market value at any point in time.
 - b) Please confirm that WPI'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 WPI's fair market value adjustment is not the case, please explain and update evidence as required.
 - d) Please explain in more detail why WPI believes that it is not able to generate an accurate fixed assets continuity schedule. If WPI can generate a more accurate fixed assets continuity schedule, please provide such an updated schedule.

WPI Response:

- a) WPI is not requesting a revaluation of its capital assets to fair market value.
- b) WPI confirms that its 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) N/A
- d) Creating a more accurate fixed amortization schedule would involve creating schedules for each year for any class that was impacted by a change in useful lives in the 2013 Cost of Service Application. The time involved with creating such a schedule would far outweigh any benefits perceived from it.

1-Staff-12 – EK/MRS/ Auditors

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

In section 4.9.4, WPI 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, WPI indicated that its pro-forma projections for the 2018 test year were prepared in accordance with WPI’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 WPI 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.

WPI Response:

- a) All periods reflect the half-year rule.
- b) N/A

Exhibit 1 – Administration (SEC)

1-SEC-1

[Ex.1] Please provide a copy of all documents provided to the Applicant's Board of Directors for the purposes of approving the application and the underlying budget.

WPI Response:

- a) Please refer to 1-Staff-5 for a complete listing of correspondence between WPI Staff and the Board of Directors regarding the Cost of Service Application.

1-SEC-2

[Ex.1] Please provide copies of all benchmarking studies, reports, and analysis that the Applicant has undertaken or participated in since 2013, and are not already included in the application.

WPI Response:

- a) WPI has not undertaken any benchmarking studies, reports, or analysis that is not included in the application.

1-SEC-3

[Ex.1] Please provide a list of measurable outcomes that ratepayers can expect the Applicant to achieve during the test year. Please explain how those outcomes are incremental and commensurate with the rate increase the Applicant is seeking in this application.

WPI Response:

- a) The most straightforward measurable outcome will be in the area of increased customer focus and resultant customer satisfaction. This is supported by the main driver of the rate increase request which is a continued focused on Westario's Capital Expenditure programme. The DSP details the Capital Expenditures past, current and planned that relate to ensuring the continued integrity of the system, reliability of delivery and a system that is safe for all.

The outcomes as such are not necessarily expected to be incremental in all areas but are expected to maintain our operational effectiveness in areas that are controllable such as compliance with Reg 22/04, a serious electrical incident index of zero (0) and a manageable system reliability score (Westario notes that since it is embedded in Hydro One territory most system reliability incidents are due to loss of power outside the control of Westario).

1-SEC-4

[Ex.1] Please provide a step-by-step explanation of the Applicant's budgeting process.

WPI Response:

- a) WPI begins to prepare its annual budget plan in the third quarter for the following year and receives final approval from its Board of Directors in the fourth quarter. Developing the budget is a key process as it identifies past successes as well as future initiatives, regulatory requirements, and projections for capital and operating costs. Care is taken to ensure that the capital and operating budgets support WPI's core business objectives as well as being prudent, financially sustainable and considerate of the related rate impacts on customers.
 - a. The Management Team works collectively to look at higher level issues including changes in revenue, strategic initiatives, cost pressure from specific areas or performance concerns that must be considered by each Department. A business planning session is undertaken, and costs tied to the following year's goals are integrated into the various departments. Management is always mindful of the costs of supplying services vs. the rate impact to its customers.
 - b. Each department then develops capital and operating plans with these issues or objectives in mind. The following directives are provided to each management member to assist them with preparation:
 - Expenses are built from the bottom up; each department is expected to examine every line item to determine its annual needs.
 - Prior years spending levels are used as a base for preparing the budget.
 - Each department is required to review their department headcount based on requirements for staff and need for change.
 - Each department works with the VP Finance/CFO to prepare a labour budget using projected wage and benefit costs. Overtime is based on projected need and historical comparisons with an expectation that it will be closely managed to reduce costs where possible. Salaries, overtime, and payroll burden, are distributed over accounts based on historical and forecasted allocations.
 - Vehicle costs are forecasted, and an hourly rate is determined based on the estimated run time per truck per working hour in the fiscal year. Costs are then distributed over operations, recoverable and capital based on total labour hours budgeted. WPI notes that the MIFRS policy-related changes regarding capitalization of

overheads discussed below reduced the overheads capitalized and increased operations costs.

- c. Overhead rates are calculated for Stores (excluding Fleet mentioned above) and applied to the appropriate operating and capital budgets. Overhead rates for Stores are based on labour required.
- d. The Management of each department reviews the budgets with the VP Finance and CFO and discusses rationale and alternatives and any applicable changes are made.
- e. The Management of each department along with the VP Finance and CFO reviews the budgets with the President/CEO and discusses rationale and alternatives and any applicable changes that are made.
- f. The Shared Services Department then completes an initial consolidation of all departments to develop an initial budget. Finance works with each department to identify year over year variances and issues for consideration.
- g. The Executive Team finalizes the budgets once ensuring that an acceptable level of reliability and customer service will be provided. The team looks in detail for discretionary costs and identifies cost areas with alternative approaches that could result in long-term cost savings. This process results in OM&A costs with an adequate degree of assurance that WPI will be able to continue to serve its customers in a safe, effective, reliable and sustainable way.
- h. The Executive Team presents the budget, significant business environment changes and strategic direction at the Q4 Board meeting. After review, discussion, and amendment where warranted, formal approval is then received.

1-SEC-5

[Ex.1] Does the Applicant have a corporate scorecard? If so, please provide copies of each of the 2013 to 2018 versions.

WPI Response:

- a) WPI does not have any corporate scorecard.
- b) The applicant does not have an internal corporate scorecard and utilizes the OEB scorecard, information from the OEB Yearbook as well as customer satisfaction surveys for benchmarking purposes.

1-SEC-6

[Ex.1] Please provide a list of productivity initiatives the Applicant has undertaken since its last cost of service application. Please provide details regarding the cost savings achieved.

WPI Response:

- a) Westario Power has been reviewing the ways it conducts business since its last cost of service application, to find productivity cost saving which can be used to create great value for its customers.
- Westario Power has been engaging service contractors to complete some of its capital and maintenance work. Line Contractors are used to complete very labour intensive and complex line construction work less than the cost and time it would take our lines staff. We have seen significant cost saving with this strategy.
 - We have had competitive bidding of our tree trimming program which has produced saving resulting in cost less than the budgeted tree-trimming program for the year.
 - The implementation of Westario's GIS system has provided the line crews and technicians with more accurate field data, reducing the number of field visits for engineering investigations and line patrols during an emergency. Westario Power continues to find more effective ways of capturing and tabulating these cost savings. In the past, an Engineering Technician would have to go to the field to conduct a field investigation and collect data for a service design. Now with the GIS in place fewer field data collection is required to complete a service design. This change has brought significant savings to the operations department and has reduced the number of hours spent on design work in the engineering department.

Productivity Initiatives	Amount Budgeted (2015 – 2017)	Contractor/WPI Actuals	Cost Saving (2015 – 2017)
Tree Trimming Services	\$839,624	\$545,546.73	\$294,077.27
Implementation of GIS (2016 - 2017)	N/A	N/A	\$14,341.00

1-SEC-7

[Ex.1] Please provide a list of productivity initiatives the Applicant will be undertaking in the test year and the forecasted cost savings.

WPI Response:

- a) Westario has hired a meter tech whose responsibilities encompass administrative tasks that were previously performed by an individual that retired and those of a contracted service that has been eliminated, the full impact of this will be effective March 2018, and the resultant savings are approximately \$40K per year. WPI plans to continue to find saving with better-negotiated pricing for service contractor work, both on the lines and tree trimming programs of our capital and maintenance program for the test year 2018. WPI continues investments in GIS technologies and innovative improvements in existing equipment and business processes will be key drivers in forecasting future cost savings.

Productivity Initiatives	Amount Budgets (2018)	Cost Saving (2018)
Tree Trimming Services	\$102,000	\$10,000

1-SEC-8

[Ex.1, p.59] Please explain what specific activities or investments the Applicant is undertaking, or not undertaking, based on its customer engagement activities.

WPI Response:

- a) There were no activities or investments that were amended specifically because of the customer engagement activities. The results of the customer engagement activities generally supported the proposed planned activities and reflected the expressed desire for continued reliability at a similar cost. WPI will continue its investments in GIS technologies and innovative improvements in existing equipment such as communication equipment and business processes. WPI's Customers continue to tell us that reliable supply of power is important to them. Westario will continue to invest in replacing aging transformers and municipal stations which have reached the end of their useful life. WPI will continue to make reasonable investments in poles that have reached their end of life and may pose a significant risk to the public and our workers.

1-SEC-9

[Ex.1, p.77] With respect to the Applicant's Business Plan:

- a. Please provide details regarding the process to create the business plan, including but not limited to, when it was drafted, by whom, and what the involvement of the Board of Directors was.
- b. [p.98] Please provide details regarding 'Strength 2', "Favorable wage benefit scale for the area".
- c. [p.99] Please provide details regarding 'Weakness 3', "Legacy issues created by former employees".
- d. [p.99] Please provide the Applicant's plan to address each listed 'Weakness' and 'Opportunities'.
- e. [p.108] Please explain what the Applicant means by a "modernized Management Team".

WPI Response:

- a) WPI used a template provided by its regulatory consultant Tandem Energy Services (TESI). TESI used a traditional business plan format and customized it to be industry specific. WPI customized the template to develop its own plans going forward and incorporate the OEB's expectations from the Rates Handbook into the draft business plan to ensure compliance with the requirements. The business plan was developed with the input of the Executive Committee and was initiated in the first quarter of 2017. The Board of Directors was kept apprised of its content on an ongoing basis and approved the final version.
- b) Regarding "Strength 2" (Favourable wage and benefit scale for the area), WPI notes that most positions within the organization are contained within the collective agreement and are such that if candidates are available within the area the wage/benefit scale is competitive.
- c) Regarding "Weakness 3" (Legacy issues created by former employees) WPI notes that effective senior leadership was lacking and resulted in a depressed level of performance in many areas and a high turnover rate.
- d) Please find below WPI's plan to address each "Weakness and Opportunities."

Weakness 1

Aging infrastructure – investment - resources required – see DSP, will continue to invest in assets as per priority plan

Weakness 2

Consistent use of contractors in certain functional areas – knowledge and know how resides outside of the organization – have begun to review areas of opportunity such as the new Meter Tech position, other areas have been identified, e.g. IT, however, action plans need to be developed

Weakness 3

Legacy issues created by former employees – focus on customer service, a new executive team in place

Weakness 4

Historical Staff turnover, positions left vacant – lack of backup and training – (improvement in processes in place) – consistent workforce now in place

Weakness 5

Deficiency in entire system monitoring due to the incomplete utilization of available technologies – (addressed in the DSP) – see DSP re-implementation and continued implementation of advanced technologies such as SCADA, recently converted MDMR support to Utilismart, now one vendor instead of three as well have access to technology such as Health Maps

Weakness 6

Widely distributed service areas – better project planning being implemented

Opportunity 1

Growth – change in demographics, retirees moving to smaller communities – Chairman of the Board has met with community representatives (shareholders) to ensure they understand our goal of enhancing partnerships and desire to work with them re any expansion plans. Planning a meet, the developer/contractor day to improve relationships and open communication channels

Opportunity 2

Energy conservation – will be addressed in an updated 5-year strategic plan that has been identified as a corporate goal for 2018. Have preliminarily identified the need to find/develop the resources and partners to expand our involvement in Solar, especially behind the meter, Energy storage, Co-Gen and EV charging.

Opportunity 3

Procurement - Investigate alternative suppliers – considering the return if we need to amend engineering documents, etc to accommodate different suppliers that support different manufacturers

- e) WPI's management team now has a new leadership team due to restructuring. This team is more galvanized and meeting more frequently to collaboratively make decisions impacting WPI.

1-SEC-10

[Ex.1, p.111] With respect to the UtilityPulse Survey:

- a. Please provide a copy of all notes taken from the focus group by UtilityPulse.
- b. [p.121-121] Please explain why the Applicant's stratification with customer service results are significantly below the National and Ontario scores. Please explain how the Applicant plans to improve its customer service.
- c. [p.139] Please explain what conclusions the Applicant drew from the results of the survey that show that there are no categories of spending that the Applicant's customers are willing to pay more for than the average of Ontario LDCs.
- d. Has the Applicant undertaken another survey since 2015? If so, please provide a copy. If not, please explain why it has not.

WPI Response:

- a) The request was made to UtilityPULSE to comply with this request; please review their response:

On February 1 & 2, 2016 we conducted 3 focus group sessions comprised of 36 Westario Power Customers. Two important things to note:

1- As per our Company policy on retaining customer information, confidential customer information is destroyed after 90 days or earlier based on client requirements. This would include the audio tape of the sessions.

2- Here are some of the statements that are made in our/my moderator's script to focus group participants:

- Many of our questions today will help provide context and insight into the findings from a telephone survey of 400 Westario customers.
- Your responses remain anonymous as no names will be mentioned in the report, though I will refer to you by the name you have on the name card.
- We understand how important it is that information be kept private and confidential. We will ask you to respect each other's confidentiality.
- As already stated in the opening, the purpose of this focus group is to gather your experience, insights, and opinions as it relates to WESTARIO POWER's 5-year capital and expense plan.
- As such, the focus group findings will be organized and synthesized and may become part of a more formal report designed for use by Westario Power only. UtilityPulse will neither copy, reproduce,

distribute, republish, sell, share or transmit any of the information obtained by you today to any third party.

- We will be audio taping this session; The audio tape along with any other information collected in this meeting will be destroyed within 90 days of this session.

- b) A complete review of the survey was conducted by the Manager of Customer Service, which resulted in a path forward for the CCS Department to resolve areas identified as weaknesses. Staff levels were considered as part of the resolution – a CCS member had been on long-term sick leave; this vacant position has been filled, and 2017 survey results now exceed all benchmarks, Provincial and Federal. A new concept and approach were formulated in dealing with consumer calls (quality versus quantity), and staff was encouraged to take the necessary time to deal with consumers in an effort to resolve issues in a respectful and courteous manner. Scripting was established with a standard salutation and valediction to ensure consistency. Staff reviewed FAQ and increased their knowledge in an effort to provide confident, knowledgeable answers to consumers.

Based on the results of the 2017 Customer Engagement Survey (below), consumers positively experienced the changes that were made to Westario Power concept of customer service excellence. Survey results reflect increases in measures and exceed Provincial and National standards.

Satisfaction with Customer Service			
Top 2 Boxes: 'very + fairly satisfied'	Westario Power	National	Ontario
The time it took to contact someone	82%	67%	66%
The time it took someone to deal with your problem	76%	63%	57%
The helpfulness of the staff who dealt with you	81%	67%	66%
The knowledge of the staff who dealt with you	82%	64%	74%
The level of courtesy of the staff who dealt with you	85%	74%	79%
The quality of information provided by the staff who dealt with you	81%	67%	76%

Base: total respondents who contacted the utility

- c) Categorically, consumers do not want utilities to spend money. Based on 2017 survey results, Westario Power consumers have stated they are confident the utility spends money prudently. Although we comprehend the survey results and value are consumers opinions, we must continue to meet our obligation to provide a safe, reliable distribution system for our consumers.

Top 2 Boxes: 'Strongly + Somewhat agree'	Westario Power	National	Ontario
Spends money prudently	80%	71%	66%
Operates a cost effective electricity system	75%	71%	60%
Provides good value for your money	76%	62%	57%
Cost of electricity is reasonable when compared to other utilities	62%	62%	52%

Base: total respondents with an opinion

- d) A subsequent Customer Engagement Survey was conducted in the Fall of 2017. [attach a copy of 2017 Engagement Survey at Appendix F]

1-SEC-11

[Ex.1, p.190] Please provide a copy of all responses to the '2018 Operating and Capital Budget' survey. Please omit account numbers requested in question 1.

WPI Response:

a) Response Summary is as follows:

Question 1: Are you a residential customer, commercial customer, or both – please provide your account number(s):

Note: Many of the responses to this question only included an account number which does not readily identify those customers by category. These accounts were not investigated to determine the customer type as it would be a time-consuming process with minimal additional value.

Commercial: 1.04%

Residential: 64.24%

Both Residential and Commercial: 0.69%

Not Identified/ Account number only: 34.03%

Question 2: How satisfied are you with the reliability of Westario's electricity System?

	Number of Responses	%
Very Satisfied	308	46.9%
Satisfied	269	40.9%
Neutral	26	4.0%
Not Satisfied	23	3.5%
Other/No Answer	31	4.7%

Question 3: Given the proposed capital and maintenance 1 spending (previous page), how do you feel about what you are currently paying for your electricity bill?

	Number of Responses	%
Too High	243	37.0%
Reasonable	299	45.5%
Unclear/No Answer	60	9.1%
Other Comments	55	8.4%

Question 4: How do you feel about WPIs proposed capital spending plan for 2017 and 2018?

(Answers could fall into multiple categories for this question. % column is based off 657 responses, will not total to 100% due to answers that fall under multiple categories)

	Number of Responses	%
Agree/Approve	360	54.8%
Excessive/High	71	10.8%
Too low	2	0.3%
Office Renos are High	16	2.4%
System Service is High	5	0.8%
Vehicle Replacement is High	63	9.6%
Unsure/No Answer	100	15.2%
Not sure what SCADA is	16	2.4%
Other	70	10.7%

Question 5: How do you feel about WPIs proposed maintenance spending for 2017 and 2018?

(Answers could fall into multiple categories for this question. % column is based off 657 responses, will not total to 100% due to answers that fall under multiple categories)

	Number of Responses	%
Agree/Approve	374	56.9%
Excessive/High	66	10.0%
Too Low	10	1.5%
Operations are High	18	2.7%
Depends on Bill Impact	16	2.4%
Unsure/ No Answer	95	14.5%
Other	87	13.2%

Question 6: Which areas of capital spending do you believe WPI should focus its spending on?

(Answers could fall into multiple categories for this question. % column is based off 657 responses, will not total to 100% due to answers that fall under multiple categories)

	Number of Responses	%
General Plant	17	2.6%
System Access	29	4.4%
System Renewal	172	26.2%
System Service	80	12.2%
Substations	15	2.3%
Unsure/ No Comment	174	26.5%
Other	228	34.7%

Question 7: Do you believe WPI should replace equipment prior to it failing in an effort to minimize the risk of outages or should items be replaced as they fail, assuming no safety risks, in order to minimize costs and maximize lifespan?

	Number of Responses	%
Replace as Fail	105	16.0%
Replace Prior to Fail	427	65.0%
Combination of Both	52	7.9%
Unclear/ No Answer	71	10.8%

1-SEC-12

[Ex.1, p.391] With respect to the ‘Initial Customer Survey’:

- a. Please explain when this survey was undertaken and who it was distributed to.
- b. Please provide the full results of the survey.

WPI Response:

- a) The initial customer survey was undertaken to get an early understanding of the thoughts of WPI's customer base for planned OM&A Spending and capital spending. Links to this survey were put on the WPI website, shared on it's Facebook page and tweeted.

b) Question 1:

I would like to see service and reliability increased and I am willing pay more for this additional service	5%
I would like to see the current level of service and reliability maintained and keep bills consistent with where they are currently at	55%
would like to see my utility bill decreased and I understand that this could lead to longer or more frequent outages	40%

Question 2:

	Increase Proportionate Spending	Maintain Proportionate Spending	Decrease Proportionate Spending
System Renewal	10%	65%	25%
System Service	5%	85%	10%
System Access	0%	80%	20%
General Plant	5%	70%	25%

Question 3:

Quarterly	10%
Semi-Annually	40%
Annually	45%
Never	5%

Question 4:

Very Satisfied	25%
Satisfied	70%
Disappointed	5%
Very Disappointed	0%

Question 5:

Very Satisfied	5.26%
Satisfied	84.21%
Disappointed	5.26%
Very Disappointed	5.26%

Question 6:

Very Satisfied	0%
Satisfied	25%
Indifferent	5%
Disappointed	10%
Very Disappointed	10%
No recent experience with telephone support systems	50%

Question 7:

Update Website	40%
More Active on Social Media	50%
Increased Office Hours	5%
None of the Above	15%
Other	5%

Response for other was to reduce disconnect/reconnect charges

Question 8:

Other issues included:

- Better telephone access
- Changes to Disconnect/reconnect policy
- Reduce costs of power
- More social media updates regarding outages
- Reduce schedule outages

Exhibit 1 – Administration (VECC)

1.0-VECC-1

Reference: Exhibit 1, page 28

- a) Please provide a table with the equivalent listing of positions as shown at page 28-29 but also showing for the year 2013 Board approved and 2013 actual positions and 2017 projected positions (if different from that pages 28-29).

WPI Response:

- a) See table below

	2013 BA	2013 Act.	2017 Act.	2017 End of Year
President and CEO	1	1	0.5	0
Executive Assistant, Board Secretary, Human Resource Advisor	1	1	1	1
VP of Operations	1	1	0.33	1
Planning and Design Coordinator	1	1	1	1
Metering Technician	0	0	0.5	1
Engineering Technician	2	2	2	2
Draft/Designer	1	1	1	1
Operations Clerk	2	2	1.5	1
Line Superintendent	1	1	1	1
Line Supervisor	2	1	1	1
Lead Hand	2	2	2	2
Power Line Maintainers	8	8	8	8
Customer Service Manager	1	1	1	1
Collections Representative	1	1	1	1
Customer Service Representative	3	3	2.5	3
Billing Clerk	2	2	2	2
CFO	1	1	1	1
Accounting Supervisor	1	1	1	1
Financial Analyst	0	0	0.5	1
Finance Clerk	4	4	3	3
Stores keeper/ Warehouse Person	1	1	1	1

1.0-VECC-2

Reference: Exhibit 1, Appendix H

- a) Please update the scorecard to include 2017 results.

WPI Response:

- a) The 2017 Scorecard is not yet available as they are generally published by the OEB in the fall of 2018.

Exhibit 1 – Administration (ENERGY PROBE)

1.0 IR #1

One of the key outcomes that the OEB wishes to achieve with its Renewed Regulatory Framework for Electricity (RRFE) is “Operational Effectiveness,” which it defines as “continuous improvement *in productivity and cost performance...*” (emphasis added)

Can WPI Inc. (WPI) please highlight points in its application that clearly lay out the productivity savings that the utility intends to achieve over the next five years.

WPI Response:

- a) Westario has hired a meter tech whose responsibilities encompass administrative tasks that were previously performed by an individual that retired and those of a contracted service that has been eliminated, the full impact of this will be effective March 2018, and the resultant savings are approximately \$40K per year. Westario also expects to reduce vegetation management by \$10K due to a revised vegetation management plan. Westario is continuing to seek productivity improvements and improve cost performance.

1.0 IR #2

Reference: Exhibit 1 Page 28

Preamble: The total number of staff positions listed is 37.

Please provide a chronological summary of WPI's staff positions from 2013 to 2018 and identify all positions that have been added or deleted by year since 2013.

(table in Data Vault)

WPI Response:

- a) The below table shows all of the positions at WPI from 2013 to 2017. Due to a high staff turnover during this time period, there were a number of positions that were vacant for extended periods of time. In 2017, WPI was able to slow down the amount of staff turnover and fill most of the vacant positions that were outstanding. At the end of 2017, the only vacant position is the CEO. All changes in WPI's staff positions since 2013 had occurred in 2017 when it was determined that a metering technician could be added, and an operations clerk position removed, a finance clerk position moved to a financial analyst position and that only 1 Line Supervisor was required.

	2013	2014	2015	2016	2017
President and CEO	1	1	1	1	1
Executive Assistant, Board Secretary, Human Resource Advisor	1	1	1	1	1
VP of Operations	1	1	1	1	1
Planning and Design Coordinator	1	1	1	1	1
Metering Technician	0	0	0	0	1
Engineering Technician	2	2	2	2	2
Draft/Designer	1	1	1	1	1
Operations Clerk	2	2	2	2	1
Line Superintendent	1	1	1	1	1
Line Supervisor	2	2	2	2	1
Lead Hand	2	2	2	2	2
Power Line Maintainers	8	8	8	8	8
Customer Service Manager	1	1	1	1	1
Collections Representative	1	1	1	1	1
Customer Service Representative	3	3	3	3	3
Billing Clerk	2	2	2	2	2
CFO	1	1	1	1	1
Accounting Supervisor	1	1	1	1	1
Financial Analyst	0	0	0	0	1
Finance Clerk	4	4	4	4	3

Stores keeper/ Warehouse Person	1	1	1	1	1
---------------------------------	---	---	---	---	---

1.0 IR #3

Reference: Exhibit 1 Page 58

- a) Please provide a complete listing of the surveys and other customer outreach activities conducted specifically related to WPI's 2018 electricity rate application and include the dates they were undertaken and the number of customers that participated.

WPI Response:

- a) Initial Customer Survey was an online survey that customers were asked to complete. WPI promoted this survey through its website, Facebook page, and twitter account. Unfortunately, the overall customer response was low with only 20 customers responding to this survey. Results of the survey are as follows:

Question 1:

I would like to see service and reliability increased, and I am willing to pay more for this additional service	5%
I would like to see the current level of service and reliability maintained and keep bills consistent with where they are currently at	55%
would like to see my utility bill decreased and I understand that this could lead to longer or more frequent outages	40%

Question 2:

	Increase Proportionate Spending	Maintain Proportionate Spending	Decrease Proportionate Spending
System Renewal	10%	65%	25%
System Service	5%	85%	10%
System Access	0%	80%	20%
General Plant	5%	70%	25%

Question 3:

Quarterly	10%
Semi-Annually	40%
Annually	45%
Never	5%

Question 4:

Very Satisfied	25%
Satisfied	70%
Disappointed	5%
Very Disappointed	0%

Question 5:

Very Satisfied	5.26%
Satisfied	84.21%
Disappointed	5.26%
Very Disappointed	5.26%

Question 6:

Very Satisfied	0%
Satisfied	25%
Indifferent	5%
Disappointed	10%
Very Disappointed	10%
No recent experience with telephone support systems	50%

Question 7:

Update Website	40%
More Active on Social Media	50%
Increased Office Hours	5%
None of the Above	15%
Other	5%

Response for other was to reduce disconnect/reconnect charges

Question 8:

Other issues included:

- Better telephone access
- Changes to Disconnect/reconnect policy
- Reduce costs of power
- More social media updates regarding outages
- Reduce schedule outages

WPI followed this up with a second survey, in order to attract more participation a grand prize of a \$500 on bill credit was announced to be awarded to a completed survey drawn at random. There would also be a \$100 on bill credit prize was drawn at random for every 100 surveys filled out. In order to make this survey

more accessible to WPI's customer base, a hard copy of this survey was mailed out to all customers that they could complete and mail back in. Customers also had the option of completing the survey online or e-mailing their responses to WPI. This time the survey had a much higher participation rate with 657 surveys being completed. The results of this Survey are as follows:

Question 1: Are you a residential customer, commercial customer, or both – please provide your account number(s):

Note: Many of the responses to this question only included an account number which does not readily identify those customers by category. These accounts were not investigated to determine the customer type as it would be a time-consuming process with minimal additional results.

Commercial: 1.04%

Residential: 64.24%

Both Residential and Commercial: 0.69%

Not Identified/ Account number only: 34.03%

Question 2: How satisfied are you with the reliability of WPI's electricity System?

	Number of Responses	%
Very Satisfied	308	46.9%
Satisfied	269	40.9%
Neutral	26	4.0%
Not Satisfied	23	3.5%
Other/No Answer	31	4.7%

Question 3: Given the proposed capital and maintenance 1 spending (previous page), how do you feel about what you are currently paying for your electricity bill?

	Number of Responses	%
Too High	243	37.0%
Reasonable	299	45.5%
Unclear/No Answer	60	9.1%
Other Comments	55	8.4%

Question 4: How do you feel about WPIs proposed capital spending plan for 2017 and 2018?

(Answers could fall into multiple categories for this question. % column is based off 657 responses, will not total to 100% due to answers that fall under multiple categories)

	Number of Responses	%
--	---------------------	---

Agree/Approve	360	54.8%
Excessive/High	71	10.8%
Too low	2	0.3%
Office Renos are High	16	2.4%
System Service is High	5	0.8%
Vehicle Replacement is High	63	9.6%
Unsure/No Answer	100	15.2%
Not sure what SCADA is	16	2.4%
Other	70	10.7%

Question 5: How do you feel about WPIs proposed maintenance spending for 2017 and 2018?

(Answers could fall into multiple categories for this question. % column is based off 657 responses, will not total to 100% due to answers that fall under multiple categories)

	Number of Responses	%
Agree/Approve	374	56.9%
Excessive/High	66	10.0%
Too Low	10	1.5%
Operations is High	18	2.7%
Depends on Bill Impact	16	2.4%
Unsure/ No Answer	95	14.5%
Other	87	13.2%

Question 6: Which areas of capital spending do you believe WPI should focus its spending on?

(Answers could fall into multiple categories for this question. % column is based off 657 responses, will not total to 100% due to answers that fall under multiple categories)

	Number of Responses	%
General Plant	17	2.6%
System Access	29	4.4%
System Renewal	172	26.2%
System Service	80	12.2%
Substations	15	2.3%
Unsure/ No Comment	174	26.5%
Other	228	34.7%

Question 7: Do you believe WPI should replace equipment prior to it failing in an effort to minimize the risk of outages or should items be replaced as they fail, assuming no safety risks, in order to minimize costs and maximize lifespan?

	Number of Responses	%
Replace as Fail	105	16.0%
Replace Prior to Fail	427	65.0%

Combination of Both	52	7.9%
Unclear/ No Answer	71	10.8%

WPI had a community Meeting with the OEB and WPI customers where all customers were sent a bill insert informing them of the date and time of the meeting. Attendance at this meeting was approximately 20-25 people. The majority of questions at this meeting were directed towards the OEB.

1.0 IR #4

Reference: Exhibit 1 Page 58

Reference: Exhibit 1 Appendix I

- Please discuss the weight WPI places on the general survey (Appendix I) in justifying its proposed capital plan expenditures.
- How many customers completed the general survey (Appendix I)?
- Please provide the results of each question posed.

WPI Response:

- The weight that WPI was able to place on the general survey was limited due to poor customer response. WPI used the results of this survey to get an indication of what customers wanted to see in terms of level of spending and areas of spending. The budget was planned around these amounts with the plan of completing another survey, later, to gain more assurance that this level of spending was in line with what WPI's customer base would like to see. The follow-up survey is included in Appendix C of Exhibit 1 (Page 190) and had over 700 responses. More weight was placed on the second survey.
- 20 responses were received for the general survey.
- Responses to the general survey are as follows:

Question 1:

I would like to see service and reliability increased, and I am willing to pay more for this additional service	5%
I would like to see the current level of service and reliability maintained and keep bills consistent with where they are currently at	55%
would like to see my utility bill decreased and I understand that this could lead to longer or more frequent outages	40%

Question 2:

	Increase Proportionate Spending	Maintain Proportionate Spending	Decrease Proportionate Spending
System Renewal	10%	65%	25%
System Service	5%	85%	10%
System Access	0%	80%	20%
General Plant	5%	70%	25%

Question 3:

Quarterly	10%
Semi-Annually	40%
Annually	45%
Never	5%

Question 4:

Very Satisfied	25%
Satisfied	70%
Disappointed	5%
Very Disappointed	0%

Question 5:

Very Satisfied	5.26%
Satisfied	84.21%
Disappointed	5.26%
Very Disappointed	5.26%

Question 6:

Very Satisfied	0%
Satisfied	25%
Indifferent	5%
Disappointed	10%
Very Disappointed	10%
No recent experience with telephone support systems	50%

Question 7:

Update Website	40%
More Active on Social Media	50%
Increased Office Hours	5%
None of the Above	15%
Other	5%

Response for other was to reduce disconnect/reconnect charges

Question 8:

Other issues included:

- Better telephone access
- Changes to Disconnect/reconnect policy
- Reduce costs of power
- More social media updates regarding outages
- Reduce schedule outages

1.0 IR #5

Reference: Exhibit 1 Appendix C

- a) Please provide the number of customers that responded to the survey at Appendix C.
- b) Please provide the results of the survey.
- c) Please discuss the weight WPI places on the survey at Appendix C in justifying its proposed capital and OM&A expenditures.

WPI Response:

- a) 657 Customers responded to the survey
- b) Response Summary is as follows:

Question 1: Are you a residential customer, commercial customer, or both – please provide your account number(s):

Note: Many of the responses to this question only included an account number which does not readily identify those customers by category. These accounts were not investigated to determine the customer type as it would be a time-consuming process with minimal additional results.

Commercial: 1.04%

Residential: 64.24%

Both Residential and Commercial: 0.69%

Not Identified/ Account number only: 34.03%

Question 2: How satisfied are you with the reliability of WPI's electricity System?

	Number of Responses	%
Very Satisfied	308	46.9%
Satisfied	269	40.9%
Neutral	26	4.0%
Not Satisfied	23	3.5%
Other/No Answer	31	4.7%

Question 3: Given the proposed capital and maintenance 1 spending (previous page), how do you feel about what you are currently paying for your electricity bill?

	Number of Responses	%
Too High	243	37.0%

Reasonable	299	45.5%
Unclear/No Answer	60	9.1%
Other Comments	55	8.4%

Question 4: How do you feel about WPIs proposed capital spending plan for 2017 and 2018?

(Answers could fall into multiple categories for this question. % column is based off 657 responses, will not total to 100% due to answers that fall under multiple categories)

	Number of Responses	%
Agree/Approve	360	54.8%
Excessive/High	71	10.8%
Too low	2	0.3%
Office Renos are High	16	2.4%
System Service is High	5	0.8%
Vehicle Replacement is High	63	9.6%
Unsure/No Answer	100	15.2%
Not sure what SCADA is	16	2.4%
Other	70	10.7%

Question 5: How do you feel about WPIs proposed maintenance spending for 2017 and 2018?

(Answers could fall into multiple categories for this question. % column is based off 657 responses, will not total to 100% due to answers that fall under multiple categories)

	Number of Responses	%
Agree/Approve	374	56.9%
Excessive/High	66	10.0%
Too Low	10	1.5%
Operations is High	18	2.7%
Depends on Bill Impact	16	2.4%
Unsure/ No Answer	95	14.5%
Other	87	13.2%

Question 6: Which areas of capital spending do you believe WPI should focus its spending on?

(Answers could fall into multiple categories for this question. % column is based off 657 responses, will not total to 100% due to answers that fall under multiple categories)

	Number of Responses	%
General Plant	17	2.6%

System Access	29	4.4%
System Renewal	172	26.2%
System Service	80	12.2%
Substations	15	2.3%
Unsure/ No Comment	174	26.5%
Other	228	34.7%

Question 7: Do you believe WPI should replace equipment prior to it failing in an effort to minimize the risk of outages or should items be replaced as they fail, assuming no safety risks, in order to minimize costs and maximize lifespan?

	Number of Responses	%
Replace as Fail	105	16.0%
Replace Prior to Fail	427	65.0%
Combination of Both	52	7.9%
Unclear/ No Answer	71	10.8%

- c) After receiving the results of the survey, WPI compared customer feedback with the planned spending in the 2018 Cost of Service Application. While the majority of WPI's customer based agreed with the planned spending for both capital and OM&A, there was also a fairly high level of concern over increases in spending and the impact that it would have on customer's bills. After filling the VP of Operations position WPI re-evaluated its OM&A spending for the bridge and test year and proposed a new level of spending that was below the 2013 Board Approved OM&A. This level of spending allows WPI to minimize impacts on customer bills while still completing enough work to maintain the reliability of the system.

1.0 IR #6

Reference: Exhibit 1 Page 60

Preamble: WPI engaged UtilityPulse to conduct an independent customer satisfaction survey for 2016. UtilityPulse surveyed 422 responses.

- a) Please identify the results of the survey that WPI is relying on to justify its proposed capital and OM&A expenditures.

WPI Response:

- a) WPI's Utility Pulse Survey is used to gauge customer satisfaction. This survey has minimal feedback regarding OM&A spending. Westario's 2018 Operating and Capital Budget Survey (Exhibit 1 appendix C) and Initial Customer Survey (Exhibit 1 appendix I) were used to identify customers opinions regarding OM&A Spending. For Capital expenditures, please reference Page 143 of Exhibit 1.

1.0 IR #7

Reference: Exhibit 1 Page 61

- a) Please provide the cost of Front Desk Support in 2017 and 2018.
- b) Please provide the data WPI tracks and monitors regarding Front Desk Support.

WPI Response:

- d) The cost of direct front desk support is nil as there are no incremental costs; this is a secondary function of the Customer Service Representatives that primarily deal with customers on a more informal basis such as via telephone.
- e) The information gathered is not tracked directly however it has been determined that these personal interactions do provide useful information that is utilized to manage customer-focused initiatives better.

1.0 IR #8

Reference: Exhibit 1 Appendix H

Please provide the scorecard results for 2017.

WPI Response:

- a) The 2017 Scorecard is not yet available. Results are generally published in the fall of 2018.

1.0 IR #9

Reference: Exhibit 1 Appendix H

Preamble: The 2016 Scorecard includes distributor targets.

Please provide the distributor targets for 2017 and 2018.

WPI Response:

a) Please see section 5.5 of the Business Plan.

1.0 IR #10

Reference: Exhibit 1 Appendix H

Preamble: Under cost control the scorecard tracks total cost per customer and total cost per km of line.

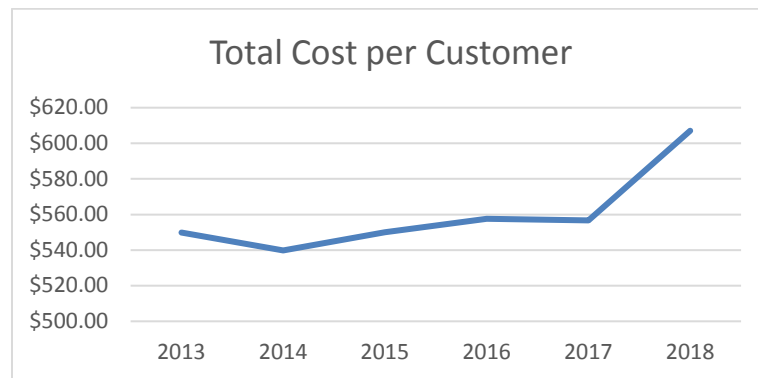
- a) Please provide in chart format, the Total cost per MWh for the historic years 2013-2017 and 2018 Test Year.
- b) Please provide in chart format, the O&MA costs per unit of Load expressed as \$/MWh for each of the historic years 2013-2017 and the 2018 Test Year.

WPI Response:

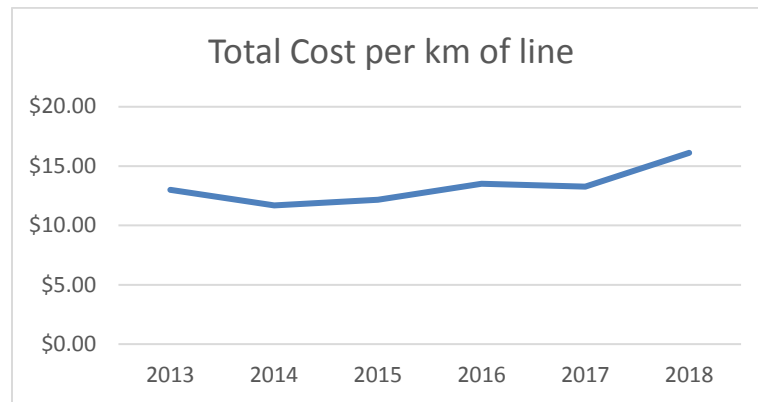
a) See table below

	2013	2014	2015	2016	2017	2018
Total Cost per Customer	\$549.94	\$539.81	\$550.11	\$557.65	\$556.75	\$607.05
Total Cost per km of line	\$13.01	\$11.69	\$12.17	\$13.50	\$13.28	\$16.12

b)



c)



1.0 IR #11

Reference: Exhibit 1 Page 71

- Please confirm the revenue deficiency in 2018.
- Please provide a breakdown of the key drivers of the 2018 revenue deficiency and the corresponding expenditures.

WPI Response:

- The revenue deficiency of \$1,071,799 was presented in Table 9 of Exhibit 6.
- The key drivers of the causes of the 2018 revenue deficiency was presented at section 6.3.2 of Exhibit 6. WPI has reproduced it below for ease of reference. The single largest driver of the deficiency is the increase in depreciation expense as a result of capital investments between 2013 and 2018.

The major contributors of the deficiency are and a table comparing the specifics from 2013 Board Approved to 2018 Test Year is presented following the contributor below.

Decrease in OM&A of \$-208,167 from \$6,169,200 in 2013 Board Approved to \$5,961,033 in 2018.

Operations and Maintenance: overall decrease of \$770,467. Major drivers include;

- Increase in Overhead Distribution Lines and Feeders - Operation Labour \$ 139,281*

- *Increase in Overhead Distribution Transformers \$51,000*
- *Decrease in Underground Distribution Lines and Feeders – Operation Labour \$68,721*
- *Decrease in Meter Expense \$109,000*
- *Decrease in Maintenance of Distribution Station Equipment \$63,696*
- *Decrease in Maintenance of Poles, Towers and Fixtures \$59,576*
- *Decrease in Maintenance of Overhead Services \$124,000*
- *Decrease in Maintenance of Vegetation \$477,105*
- *Decrease in Maintenance of Underground Conduit \$115,000*
- *Increase in Maintenance of Underground Conductors and Devices \$60,000*
- *Decrease in Maintenance of Underground Services \$163,962*
- *Decrease in Maintenance of Line Transformers \$55,000*
- *Increase in Maintenance of Meters \$55,959*

Administrative and General: overall increase of \$566,300. Major drivers include;

- *Increase in Executive Salaries and Expenses of \$225,000*
- *Decrease in Management Salaries and Expenses of \$184,000*
- *Increase in General Administrative Salaries and Expenses of \$145,000*
- *Increase in Office Supplies and Expenses of \$123,000*
- *Increase in Miscellaneous General Expenses of \$188,000*

An increase in Average Net Fixed Assets of \$11,188,384 from \$35,590,152 in 2013 Board approved to \$46,778,536 in 2018. This increase represents a systematic approach to investing in the distribution system to keep the distribution system as safe and reliable as feasibly possible. Average gross investment during that period equals approx. \$4.8M/year. The increased net fixed asset balance as a result of this investment in the distribution system results in an increased rate base as well as increased yearly depreciation. Each of these factors has contributed to WPI's revenue deficiency.

A decrease in Working Capital of -\$1,529,139 from \$6,282,163 in 2013 Board approved to \$4,735,024 in 2018.

A decrease in the Weighted Average Cost of Capital from 6.64% of 2013 Board approved to 5.67% in 2018 has reduced the impact of the impact WPI's rate base.

An increase in Depreciation Expenses of \$650,061 from the 2013 Board approved amount of \$1,343,824 to \$1,993,885 in 2018. This is mostly due to the replacement and refurbishment of existing assets in order to keep the distribution system as safe and reliable as feasibly possible. This is specifically significant as WPI's system is an aging one which required significant renewal investments to maintain this safety and reliability; replenishing assets naturally increased WPI's depreciation expenses. In 2013 WPI change the useful lives of assets to match the approved rates from the 2013 Cost of Service Application. This was accounted for by amortizing the net value of the asset at December 31, 2012 over the new remaining useful life of the asset. 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.

1.0 IR #12

Reference: Exhibit 1 Page 25

Please update Table 25 with 2017 actuals.

WPI Response: the 2018 Proposed Revenue Requirement is shown in the table below.

	CGAAP	NEWGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS
Particular	Last Board Approved	2013	2014	2015	2016	2017	2018
OM&A Expenses	\$6,169,200	\$5,709,737	\$5,224,652	\$5,209,186	\$5,731,997	\$6,188,459	\$5,961,033
Depreciation Expense	\$1,343,824	\$2,303,325	\$1,651,950	\$1,780,108	\$1,798,004	\$1,887,681	\$1,988,034
Property Taxes	\$33,000	\$36,453	\$35,704	\$34,605	\$34,097	\$35,034	\$35,000
Total Distribution Expenses	\$7,546,024	\$8,049,515	\$6,912,306	\$7,023,899	\$7,564,098	\$8,111,174	\$7,984,067
Regulated Return on Capital	\$2,781,395	\$2,573,590	\$2,840,824	\$3,022,209	\$2,879,354	\$2,879,354	\$3,121,859
PP&E MIFRS Adjustment	-\$35,724						
Grossed up PILs	\$5,427	\$269,000	-\$5,000	\$226,000	\$243,000	\$0	\$223,961
Service Revenue Requirement	\$10,297,122	\$10,892,105	\$9,748,130	\$10,272,108	\$10,686,452	\$10,990,528	\$11,329,886
Less: Revenue Offsets	-\$653,041	-\$559,021	-\$688,960	-\$523,338	-\$485,964	-\$372,878	-\$406,174
Base Revenue Requirement	\$9,644,081	\$10,333,084	\$9,059,170	\$9,748,769	\$10,200,488	\$10,617,650	\$10,923,712

Appendix AA – Response to letter of Comments



Westario Power Inc.

March 16, 2018

Dear Bill Hutton,

Thank you for your Letter of Comment submitted to the Ontario Energy Board (OEB) regarding Westario Power's 2018 Cost of Service application filing. We appreciate you taking the time to submit your comments and your interest in the process.

To address your concerns regarding on Commodity Costs; although Westario Power is responsible for issuing the entire bill to customers, Westario Power's share of the bill, which is on average 20% of the total residential bill, is not responsible for the commodity costs of generating and delivering electricity to Westario Power's distribution system. Westario Power is responsible for costs related to meter reading, billing, customer service and account maintenance, and for general utility operations. Westario Power is also responsible for the cost of building and maintaining the distribution system, including overhead and underground power lines, poles and transformer stations.

Westario Power's rate applications with the Ontario Energy Board covers the costs listed above. All other costs are prescribed by the Ontario Energy Board and are outside of the control of the utility.

I would be happy to meet with you to discuss any part of the application or go over specific questions you have relating to what distribution rates you pay to Westario Power go towards i.e. Operations, Maintenance, Administration and Capital Projects.

Sincerely,

Malcolm McCallum, CPA, CMA, MBA
Vice President Finance/CFO
WPI Inc.
24 Eastridge Road, RR 2
Walkerton, ON
N0G 2V0
519-507-6666 x-211
Malcolm.McCallum@westario.com



Westario Power Inc.

March 16, 2018

Dear Shari Storms,

Thank you for your Letter of Comment submitted to the Ontario Energy Board (OEB) regarding Westario Power's 2018 Cost of Service application filing. We appreciate you taking the time to submit your comments and your interest in the process.

To address your concerns regarding Distribution Charges; Westario Power's share of the bill, which is on average 20% of the total residential bill, covers costs related to meter reading, billing, customer service and account maintenance, and for general utility operations. Westario Power is also responsible for the cost of building and maintaining the distribution system, including overhead and underground power lines, poles and transformer stations.

Westario Power is not responsible for the commodity costs of generating and delivering electricity to Westario Power's distribution system, which generally represent the major portion of the total residential bill.

Westario Power's rate applications with the Ontario Energy Board covers the costs listed above. All other costs are prescribed by the Ontario Energy Board and are outside of the control of the utility.

I would be happy to meet with you to discuss any part of the application or go over specific questions you have relating to what distribution rates you pay to Westario Power go towards i.e. Operations, Maintenance, Administration and Capital Projects.

Sincerely,

Malcolm McCallum, CPA, CMA, MBA
Vice President Finance/CFO
WPI Inc.
24 Eastridge Road, RR 2
Walkerton, ON
N0G 2V0
519-507-6666 x-211
Malcolm.McCallum@westario.com



Westario Power Inc.

March 16, 2018

Dear Leonard Rory Goodden,

Thank you for your Letter of Comment submitted to the Ontario Energy Board (OEB) regarding Westario Power's 2018 Cost of Service application filing. We appreciate you taking the time to submit your comments and your interest in the process.

To address your concerns regarding the total bill increase; Westario Power's share of the bill, which is on average 20% of the total residential bill, covers costs related to meter reading, billing, customer service and account maintenance, and for general utility operations. Westario Power is also responsible for the cost of building and maintaining the distribution system, including overhead and underground power lines, poles and transformer stations.

Commodity costs, which represent the major portion of the total residential bill, are related to the generation and delivery of electricity from the generator to Westario Power's distribution system. These costs are prescribed by the Ontario Energy Board and fall outside of the control of the utility. Westario Power's rate applications covers the costs listed above.

I would be happy to meet with you to discuss any part of the application or go over specific questions you have relating to what distribution rates you pay to Westario Power go towards i.e. Operations, Maintenance, Administration and Capital Projects.

Sincerely,

Malcolm McCallum, CPA, CMA, MBA
Vice President Finance/CFO
WPI Inc.
24 Eastridge Road, RR 2
Walkerton, ON
N0G 2V0
519-507-6666 x-211
Malcolm.McCallum@westario.com

Appendix A - Exhibit 1 Summary



To: The Board of Directors

From: Malcolm McCallum

Date: November 14, 2018

Re: Rate Application – Exhibit 1 - summary

A cost-of-service is a measure of a utility's annual "revenue requirement" that will provide a company the opportunity to operate profitably and attract capital for future growth.

Revenue requirement represents the amount of revenue a regulated utility company must collect from rates charged consumers to recover the cost of doing business. Periodically, a utility must examine its current and forecasted revenues and expenses to verify that the total revenue, including interest earnings and miscellaneous income is sufficient to cover all revenue requirements.

To remain financially sound, WPI's rates must produce sufficient revenues to cover the cost of providing electric service and to permit the continued replacement and expansion of its facilities. These expenditures, referred to as "revenue requirements" consist of normal operating expenses, capital improvements and additions, return on investments and non-operating expenses.

In order to determine the adequacy of the proposed rates, WPI has developed estimates of the annual revenues and revenue requirements for the Test Year of 2018. These estimates serve as the basis for determining the overall level of revenue recovery and provide a foundation for our cost-of-service application.

This executive summary is devoted to defining each element of WPI's 2018 cost-of-service, explaining how each element is computed and explaining the relationship between the various components.

The major components covered in this executive summary are as follows;

- ◆ Budgeting Assumptions
- ◆ Revenue Requirement
- ◆ Rate Base and Capital Planning
- ◆ Overview of Operation Maintenance and Administrative Costs
- ◆ Load Forecast Summary
- ◆ Statement of Cost of Capital Parameters
- ◆ Overview of Cost Allocation and Rate Design
- ◆ Overview of Deferral and Variance Account Disposition
- ◆ Overview of Bill Impacts
- ◆ RRFE and Customer Engagement

Appendix B - Rate Application Update



Westario Power Inc.

To: The Board of Directors

From: Matthew McMurdie, VP Finance & CFO

Date: April 13, 2016

Re: Cost of Service

Attached is an Executive Summary of the Cost of Service application for Westario Power Inc. providing an overview of the application that is still in development.

Management has utilized the tools within its systems to derive the appropriate data for analysis, commentary and presentation to inform the reader and create the required written evidence for submission to the OEB. Through this process Management has calculated a revenue requirement of \$10,700,000. This distribution revenue for WPI represents an 8% increase over current rates that will support the business endeavours and capital investment required to ensure a stable, reliable and cost effective distribution system while continuing to focus on customer engagement.

Not included in the rate calculation but included in our 2017 forecasted budget are:

Charitable Donations above the LEAP (not allowed)	\$30,500
Management bonus (\$120,000 budgeted)	\$60,000
Leadership training (\$50,000 – now spread over 4 years)	\$37,500
MAAD's (\$50,000 budgeted)	\$50,000

There are items that need to be reclassified as part of OM&A that currently are capital items that will affect the revenue calculation:

Testing of our residential meters for seal expiry extension	\$21,000
Reprogramming our interval meters to be "MIST" compliant	\$12,500

The creation of the CoS has been challenging, however Management expects to have this completed by the filing deadline April 30, 2016.

Respectfully Submitted,

Matthew McMurdie CPA, CMA,
VP Finance & CFO

Executive Summary

Preamble

A cost-of-service is a measure of a utility's annual "revenue requirement" that will provide a company the opportunity to operate profitably and attract capital for future growth.

Revenue requirement represents the amount of revenue a regulated utility company must collect from rates charged consumers to recover the cost of doing business.

Periodically, a utility must examine its current and forecasted revenues and expenses to verify that the total revenue, including interest earnings and miscellaneous income is sufficient to cover all revenue requirements.

To remain financially sound, WPI's rates must produce sufficient revenues to cover the cost of providing electric service and to permit the continued replacement and expansion of its facilities. These expenditures, referred to as "revenue requirements" consist of normal operating expenses, capital improvements and additions, return on investments and non-operating expenses.

In order to determine the adequacy of the proposed rates, WPI has developed estimates of the annual revenues and revenue requirements for the Test Year of 2017. These estimates serve as the basis for determining the overall level of revenue recovery and provide a foundation for our cost-of-service application.

This executive summary is devoted to defining each element of WPI's 2017 cost-of-service, explaining how each element is computed and explaining the relationship between the various components. The major components covered in this executive summary are as follows;

- Revenue Requirement
- Rate Base and Capital Planning
- Overview of Operation Maintenance and Administrative Costs
- Overview of Cost Allocation and Rate Design
- Overview of Deferral and Variance Account Disposition
- Overview of Bill Impacts
- RRFE and Customer Engagement

Revenue Requirement

Revenue Requirement can be defined as the amount of revenue a utility must collect from rates charged consumers to recover the cost of doing business. These costs include operating and maintenance expenses, depreciation expense, taxes and a reasonable return on the utility's investment. A cost-of-service is a measure of a utility's annual "revenue requirement" that will provide WPI the opportunity to operate profitably and attract capital for future growth. Table 1.1 below shows WPI's revenue requirement from the last Cost of Service in 2013 to the herein proposed 2017 revenue requirement.

Table 1.1: 2015 Proposed Revenue Requirements

	CGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS
Particular	Last Board Approved	2013	2014	2015	2016	2017
OM&A Expenses	\$6,144,200	\$5,719,399	\$5,232,293	\$5,184,091	\$6,325,880	\$6,370,020
Depreciation Expense	\$1,478,328	\$1,342,969	\$1,504,018	\$1,620,007	\$1,689,531	\$1,848,202
Property Taxes	\$33,000	\$36,453	\$35,704	\$34,605	\$37,084	\$37,789
Total Distribution Expenses	\$7,655,528	\$7,098,821	\$6,772,015	\$6,838,703	\$8,052,495	\$8,256,011
Regulated Return On Capital	\$2,526,490	\$2,394,101	\$2,629,740	\$2,820,003	\$3,017,803	\$2,997,361
Grossed up PILs	\$38,427	\$305,453	\$30,704	\$33,611	\$18,301	\$41,077
Service Revenue Requirement	\$10,220,445	\$9,798,374	\$9,432,459	\$9,692,318	\$11,088,599	\$11,294,449
Less: Revenue Offsets	-\$452,259	-\$559,021	-\$688,960	-\$699,564	-\$774,789	-\$774,781
Base Revenue Requirement	\$9,768,186	\$9,239,353	\$8,743,499	\$8,992,754	\$10,313,810	\$10,519,668
Year over year variance		-5.41%	-5.37%	2.85%	14.69%	2.00%

Rate Base and Capital Planning

A rate base is the value of property on which a utility is permitted to earn a specified rate of return in accordance with rules set by the OEB. The rate base underlying WPI's revenue requirement includes a forecast of net fixed assets, plus a working capital allowance defined as 7.5% of the sum of the cost of power and controllable expenses. Controllable expenses include operations and maintenance, billing and collecting and administration expenses.

The proposed Rate Base for the 2017 test year of \$50,536,579 reflects an increase of \$8,671,224 from the 2013 Board Approved. The increase suggests a prudent and reasonable investment in the distribution

assets and is necessary in order to meet other regulatory requirements such as “obligation to connect” new growth, and the need to maintain the highest electrical safety standards. Table 1.3 below shows the derivation of the proposed 2017 rate base. This increase represents an average annual increase of 3.98% from 2013 to 2017.

The utility is not proposing to recover any costs from any rate class renewable energy connections/expansions, smart grid, and regional planning initiatives. Table 1.2 below shows the change in Rate Base from the last Cost of Service in 2013 to the proposed 2017 Cost of Service.

Table 1.2: Rate Base

	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS
Particulars	Last OEB Board Approved	2013	2014	2015	2016	2017
Net Capital Assets in Service:						
Opening Balance	33,959,796	31,364,436	35,836,056	38,661,377	41,243,323	44,579,872
Ending Balance	37,220,508	35,836,056	38,661,377	41,243,323	44,579,872	47,110,011
Average Balance	35,590,152	33,600,246	37,248,717	39,952,350	42,911,598	45,844,942
Working Capital Allowance	6,275,203	6,071,334	6,327,537	6,776,679	7,095,086	4,691,638
Total Rate Base	41,865,355	39,671,580	43,576,253	46,729,029	50,006,684	50,536,579
Year over year variance		-5.24%	9.84%	7.24%	7.01%	1.06%

WPI has, for many years, strictly followed the best practices of the electricity distribution industry. This has included adhering to the Ontario Energy Board’s (OEB) Distribution System Code that sets out, among others, good utility practice and performance standards for the industry in Ontario, and minimal inspection requirements for distribution equipment. Consistent with best practices, over the years WPI has replaced or upgraded equipment when economically viable. The net result has been that while the average age of the system has increased slightly, the reliability of the system has steadily improved to meet the expectations of WPI’s customers. This has been achieved with only a moderate long-term increase in customers’ bills.

Historically, utilities in the Province operated under Canadian Generally Acceptable Accounting Practices (CGAAP) whereby they were granted a depreciation allowance based on an average equipment life of approximately 25 years. As of January 1, 2013, the OEB required all municipal-owned LDCs to adopt Modified International Financial Reporting Standards (MIFRS) which required a change in the useful lives as specified in the Kinetrics Study. This resulted in depreciation allowance based on a 40 year average life for equipment. Other regulatory changes (e.g. decreased allowance for working capital from 12% to 7.5%) also reduced the funding available for daily operations. Fortunately, over the past ten years WPI

has made considerable investments in its distribution system and requires more to sustain (replacing the aging infrastructure) its relatively good health.

While there is a significant reduction in funds available each year to replace aging equipment, other regulatory requirements that require additional major capital expenditures remain firmly in place: the “obligation to connect” new growth; the need to maintain the highest electrical safety standards for both the public and employees; the most important of such obligations is to maintain public and employee safety and minimize any increases in its customers’ bills.

Details of historical and projected capital expenses are summarized in the table below

Table 1.4: Capital Expenditure Summary

	NEWGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS
	2013	2014	2015	2016	2017
System Access	\$726,087	\$857,170	\$911,741	\$614,403	\$511,721
Contributed Capital	-449,579	-357,418	-305,308	-250,412	-197,469
Sub-Total System Access	276,508	499,752	606,433	363,991	314,251
System Renewal	\$2,192,668	\$2,221,367	\$2,457,826	\$4,098,693	\$3,953,103
Contributed Capital	0	0	0	0	0
Sub-Total System Renewal	2,192,668	2,221,367	2,457,826	4,098,693	3,953,103
System Service	\$3,453,523	\$979,841	\$236,702	\$980,095	\$173,195
Contributed Capital	-24,095		-55,486	0	0
Sub-Total System Service	3,429,428	979,841	181,216	980,095	173,195
General Plant	\$404,039	\$634,704	\$506,663	\$296,000	\$131,500
Contributed Capital					
Sub-Total General Plant	404,039	634,704	506,663	296,000	131,500
Total Capital Expenditures	6,302,643	4,335,664	3,752,138	5,738,778	4,572,049

Major capital cost drivers for 2017:

System Access:

- Capital Poles \$200k
- New 3 phase \$80k
- New UG Service \$ 70k
- New Subdivisions (80 new lots) \$160k

System Service:

- Smart Meter, Collectors & Interval Metering Projects \$53k
- SCADA \$70k
- Station Grid Code Upgrade \$50k

System Renewal:

- #6 Copper Primary Replacement \$860k
- Capital Poles \$740k
- Port Elgin 5KV Cable & Poletran Replacement \$375k
- Substation Refurbishment \$1,5M
- Transformer Replacements \$425k

General Plant:

- Transportation Equipment \$53,000
- Esri ArcGIS Software \$70,000
- Tools, Shop and Garage Equipment \$50,000

Overview of Operation Maintenance and Administrative Costs

The increase of approximately \$213,320 in OM&A spending from its 2013 Cost of Service to the 2017 Test Year can be attributed to several factors. Operation and Maintenance costs are for the most part aimed at WPI's distribution system substations and its protective equipment, along with general maintenance on overhead and underground assets. The costs related to operations accounts for approximately \$153,640 offset by a reduction in maintenance cost of approximately (\$485,363). The increase in administrative is projected at \$435,963.

Table 1.5: Summary of Recoverable OM&A Expenses

	NEWGAAP	NEWGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS
	Board Approved	2013	2014	2015	2016	2017
Operations	\$440,000	\$381,172	\$278,333	\$264,131	\$608,763	\$593,640
Maintenance	\$2,298,000	\$1,769,218	\$1,574,688	\$1,435,001	\$1,779,555	\$1,812,637
SubTotal	\$2,738,000	\$2,150,390	\$1,853,021	\$1,699,132	\$2,388,318	\$2,406,277
%Change (year over year)		-21.5%	-13.8%	-8.3%	40.6%	0.8%
%Change (Test Year vs Last Rebasing Year - Actual)						11.9%
Billing and Collecting	\$1,191,000	\$1,268,735	\$1,224,007	\$1,150,672	\$1,280,271	\$1,283,581
Community Relations	\$46,000	\$11,983	\$15,351	\$34,397	\$42,500	\$62,500
Administrative and General+LEAP	\$2,181,700	\$2,288,291	\$2,139,914	\$2,299,890	\$2,614,791	\$2,617,663
SubTotal	\$3,418,700	\$3,569,009	\$3,379,272	\$3,484,959	\$3,937,562	\$3,963,743
%Change (year over year)		4.4%	-5.3%	3.1%	13.0%	0.7%
%Change (Test Year vs Last Rebasing Year - Actual)						11.1%
Total	\$6,156,700	\$5,719,399	\$5,232,293	\$5,184,091	\$6,325,880	\$6,370,020
%Change (year over year)		-7.1%	-8.5%	-0.9%	22.0%	0.7%

Summary of cost drivers:

Operations: overall increase of \$155k

Major drivers include;

- Increase in both Overhead and Underground Distribution Transformers – \$200k
- Increase in Overhead Distribution Lines and Feeders - Operation Labour – \$80k
- Decrease in meter expenses (\$100k)

Maintenance: overall decrease of \$485k

Major drivers include;

- Decrease in Overhead Distribution Lines and Feeders - Right of Way (\$330k)
- Decrease in maintenance of Poles, Towers and Fixtures (\$100k)
- Decrease in Maintenance of Underground Services (\$170k)
- Increase in Maintenance of Line Transformers \$116k

Administrative and General: overall increase of \$400k

Major drivers include;

- Increase in Management Salaries and Expenses of \$144k
- Increase in General Administrative Salaries and Expenses \$130k
- Increase in Outside Services Employed of \$100k

Overview of Cost Allocation and Rate Design

The main objectives of a Cost Allocation study is to provide information on any apparent cross-subsidization among a distributor's rate classifications and to eventually be used in future rate applications.

WPI has prepared and is filing a cost allocation information filing consistent with the utility's understanding of the Directions, the Guidelines, the Model and the Instructions issued by the Board in November of 2006 and all subsequent updates.

WPI has prepared a Cost Allocation Study for 2017 based on an allocation of the 2017 test year costs (i.e., the 2017 forecast revenue requirement) to the various customer classes using allocators that are based on the forecast class loads (kW and kWh) by class, customer counts, etc.

WPI has used the updated Board-approved Cost Allocation Model and followed the instructions and guidelines issued by the Board to enter the 2017 data into this model. The Streetlight customer class' revenue to cost ratio is outside the Board range. WPI proposes a 2 year reallocation to reduce the impact

on the bills. Table 1.8 below shows WPI's proposed Revenue to Cost reallocation based on an analysis of the proposed results from the Cost Allocation Study vs the Board imposed floor and ceiling ranges.

Table 1.8: Proposed Allocation

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Target Range		Revenue to Cost Adjustment		
				Floor	Ceiling	2018	2019	2020
Residential	0.93	0.93	-0.01	0.85	1.15			
General Service < 50 kW	1.11	1.11	-0.00	0.80	1.20			
General Service > 50 to 4999 kW	1.13	1.13	0.00	0.80	1.20			
Unmetered Scattered Load	1.08	1.08	0.00	0.80	1.20			
Sentinel Lighting	0.89	0.89	-0.00	0.80	1.20			
Street Lighting	1.60	1.40	0.20	0.80	1.20	1.20		

In mid-year 2015, OEB introduced a new policy for all-fixed distribution rates for residential customers. Until now, distribution rates for the residential class have been a blend of fixed and variable rates as shown below. To reduce the impact on customer bills, WPI has implemented the OEB's expected four-year phase-in period for the move to an all-fixed monthly service charge.

For all other classes, distribution revenues are derived through a combination of fixed monthly charges and volumetric charges based either on consumption (kWh) or demand (kW). Revenues are collected from 6 customer classes including: Residential, General Service less than 50 kW, General Service greater than 50 kW, Intermediate, Sentinel (USL) and Street Lighting.

Fixed rate revenue is determined by applying the current fixed monthly charge to the number of customers or connections in each of the customer classes in each month. Variable rate revenue is based on a volumetric rate applied to meter readings for consumption or demand volume.

Existing volumetric rates include a component to recover allowances for transformer ownership. Commodity Charges and deferral and variance rate riders, along with WPI specific other adders such and added to the distribution rates to arrive at a final all-encompassing bill.

Table 1.9 below shows WPIs existing rates in comparison to the 2017 proposed rates. As can be seen, the fixed charge for the Residential class is increase while the variable charge is decreasing.

Table 1.9: Proposed Rates

Customer Class Name	Existing Rates		Proposed Rates		per
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	
Residential	\$12.66	\$0.0158	\$18.47	\$0.0117	kWh
General Service < 50 kW	\$24.30	\$0.0109	\$22.97	\$0.0137	kWh
General Service > 50 to 4999 kW	\$224.33	\$2.1079	\$224.33	\$2.4144	kW
Unmetered Scattered Load	\$6.17	\$0.0231	\$6.78	\$0.0254	kWh
Sentinel Lighting	\$5.56	\$28.7580	\$6.23	\$32.2195	kW
Street Lighting	\$5.81	\$4.8840	\$5.52	\$4.6425	kW

Overview of Deferral and Variance Account Disposition

WPI proposes to dispose of a debit of \$2,012,871 related to Group 1 and Group 2 Variance/Deferral Accounts. This debit includes carrying charges up to and including December 31, 2015. WPI also proposes to dispose of the following;

- A net debit balance of \$62,786 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account, and
- A credit of \$269,007 being the balance of account 1575 for accounting changes under CGAAP.

Group 1 and Group 2 DVA balances are proposed to be disposed of over 1 year.

Overview of Bill Impacts

A summary of the bill impacts by class is presented below.

The bill impacts vary by customer class, ranging from an increase of 0.84% for the Residential Class to increases of 4.24% for the GS< 50 class. Unmetered Scattered Load is increasing by 262.40% and Street Lighting class is seeing a decrease of 1.21%.

Although the overall bill impacts have been reduced for certain classes, WPI's proposed 2017 revenue requirement is needed to remain in compliance with its regulators and meet its mandate and commitment to provide safe, reliable cost-effective services and products achieving sustainable growth while respecting the community and the environment.

Table 1.11: Bill Impacts associated with Revenue Requirement

Customer Class Name	Bill Impacts
Residential	9.41%
General Service < 50 kW	4.66%
General Service > 50 to 4999 kW	6.67%
Unmetered Scattered Load	10.71%
Sentinel Lighting	10.08%
Street Lighting	-0.85%

The impact is further adjusted by the expiry of specific rate riders and decreases in rates for retail transmission service and network charges which contribute to the overall reduction of the total bill.

Table 1.12: Total Bill Impact (Including Rate Riders)

Customer Class Name	Bill Impacts
Residential	0.84%
General Service < 50 kW	4.24%
General Service > 50 to 4999 kW	2.62%
Unmetered Scattered Load	262.40%
Sentinel Lighting	10.88%
Street Lighting	-1.21%

Table 1.13: Total Bill Impacts - based on average customer in each class

Customer Class	Current Rate	New Rate	Difference	%
Residential	\$129.36	\$130.43	\$1.07	0.84%
GS<50	\$290.81	\$303.27	\$12.46	4.24%
GS>50	\$6,344.81	\$6,511.23	\$166.42	2.62%

RRFE and Customer Engagement

In keeping with the requirements of the Renewed Regulatory Framework for Electricity which contemplates enhanced engagement between distributors and their customers to better align a distributor's operational plans with its customers' needs and expectations, WPI is increasing its efforts in engaging customers to better understand their needs. WPI continues to focus on its customers by striving to provide superior service to its customer base however, WPI is also becoming more customer-centric by investing in new capabilities, programs, and technologies that allow us to communicate more effectively and efficiently with our customers. Some of WPI's current and future initiatives include.

- Customer satisfaction survey
- CDM Advertisements
- CDM Pilot Project
- Community Involvement
- Customer outreach through direct phone follow up
- Materials (Publications) – New accounts, developers, people with disabilities
- Meetings – Town Hall, customer specific, local BIA's, large customer specific
- New web site launched in 2015 for improved
- Meetings – Association (i.e. EDA, ESA,OEB)
- Education – Customers, school programs, children's safety village
- Outage Notification – Planned and unplanned
- Implementation of a new outage management system leveraging our existing technologies
- Focus Groups, bi-annual perception survey, transactional surveys through the web and phone
- Use of Social Media, contests, promotions
- Collecting, tracking and reviewing key customer service/care metrics

WPI's Customer Engagement Strategy focuses on achieving goals such as: engaging customers using a variety of methods and channels to understand their needs and preferences; enhancing the customer service experience for WPI's customers by delivering services that meet or exceed their expectations; improving efficiency thereby lowering costs where possible and increase consumer energy literacy.

Appendix C - 2016-17 Capital Operating Budgets cover page



To: The Board of Directors

From: Matthew McMurdie

Date: December 2, 2015

Re: 2016/2017 Capital & Operating Budget

Management is pleased to present the attached 2016 Capital & Operating Budget for the consideration of the Board. Management has included in the Capital and Operating Budgets amounts that are necessary to meet the operational needs as well as the goals of the Corporation as presented in the 2016 Business Plan.

Additionally, Management has attached 2017 Draft Capital and Draft Operating Expense Budget for the consideration of the Board. Management is presenting this for approval to meet the requirements of our 2017 Cost of Service application. This is in draft form as there may be a need for revisions based on new information from our Distribution System Plan currently under development and Customer Engagement process. Should revisions be required they will be presented to the Board for consideration at that time, otherwise they will form part of the 2017 Budget presentation at the December 2016 Board meeting for consideration. Management has included in the Draft Capital and Draft Expense Budgets amounts known at this time that are necessary to meet the operational needs and goals of the Corporation.

It is therefore recommended,

THAT, the attached 2016 Capital Budgets be approved as presented.

THAT, the attached 2016 Operating Budgets be approved as presented.

THAT, the attached 2017 draft Capital Budgets be approved as presented.

THAT, the attached 2017 draft Expense Budget be approved as presented.

Respectfully submitted,

Matthew McMurdie, CPA, CMA
VP Finance & CFO

Appendix D - Rate Application Executive Summary

1.5 APPLICATION SUMMARY

A cost-of-service is a measure of a utility's annual "revenue requirement" that will provide a company the opportunity to operate profitably and attract capital for future growth.

Revenue requirement represents the amount of revenue a regulated utility company must collect from rates charged consumers to recover the cost of doing business.

Periodically, a utility must examine its current and forecasted revenues and expenses to verify that the total revenue, including interest earnings and miscellaneous income is sufficient to cover all revenue requirements.

To remain financially sound, WPI's rates must produce sufficient revenues to cover the cost of providing electric service and to permit the continued replacement and expansion of its facilities. These expenditures, referred to as "revenue requirements" consist of normal operating expenses, capital improvements and additions, return on investments and non-operating expenses.

In order to determine the adequacy of the proposed rates, WPI has develop estimates of the annual revenues and revenue requirements for the Test Year of 2018. These estimates serve as the basis for determining the overall level of revenue recovery and provide a foundation for our cost-of-service application.

This executive summary is devoted to defining each element of WPI's 2018 cost-of-service, explaining how each element is computed and explaining the relationship between the various components. The major components covered in this executive summary are as follows;

- ◆ Budgeting Assumptions
- ◆ Revenue Requirement
- ◆ Rate Base and Capital Planning
- ◆ Overview of Operation Maintenance and Administrative Costs
- ◆ Load Forecast Summary

- ◆ Statement of Cost of Capital Parameters
- ◆ Overview of Cost Allocation and Rate Design
- ◆ Overview of Deferral and Variance Account Disposition
- ◆ Overview of Bill Impacts
- ◆ RRFE and Customer Engagement

Budgeting and Economic Assumptions¹

Westario Power Inc compiles budget information for the three major components of the budgeting process: (1) revenue forecasts; (2) operating, maintenance and administration (“OM&A”); and (3) capital costs.

Revenue Forecast

The revenue forecasts are based on throughput volume and existing rates for the 2017 Bridge Year and Westario Power Inc’s proposed rates for the 2018 Test Year. The forecasted volumes have been weather normalized and consider such factors as new customer additions and load for all classes of customers. Details are presented in Section 3.1.4. of Exhibit 3. The forecast has been adjusted to reflect the CDM initiatives currently undertaken by the applicant.

OM&A Costs

OM&A costs presented in Exhibit 4 show Westario Power Inc’s maintenance and customer focused activity needed to meet public and employee objectives. These costs are essential in order to comply with the Distribution System Code, environmental requirements, and government direction, and to maintain distribution service quality and reliability at targeted performance levels. OM&A costs also include providing services to customers connected to Westario Power Inc’s distribution system and meeting the requirements of the OEB’s Standard Supply Code and Retail Settlement Code.

¹ Budgeting and Accounting Assumptions - economic overview and identification of accounting standard used for test year and brief explanation of impacts arising from any change in standards

The proposed OM&A cost expenditures for the 2018 Test Year are the result of planning and work prioritization process that ensures that the most appropriate, cost effective solutions are put in place.

Capital Costs

In managing its capital assets, Westario Power Inc's primary objectives are to optimize asset performance cost-effectively, enhance safety, protect the environment, improve operational efficiency, maintain high standards of reliability, adhere to regulation and meet customer demand. Westario Power Inc develops capital programs on both a short and longer-term basis and prepares annual budgets and forecasts as the basis for capital investments. Westario Power Inc's approach to managing its distribution system is comprised of the following two key strategies:

System Planning; add new assets and/or replace assets that are at or nearing the end of their useful life. This includes consideration for:

1. Capital Investment
2. Contingency Planning
3. Managing and Sustaining Existing Assets;

Westario Power Inc's approach to managing its distribution assets is described in more detail in Westario Power Inc's Distribution System Plan.

Capital costs in Exhibit 2 have been developed with the key strategies above in mind.

Overall Budgeting Process

The capital and operating budgets are prepared annually by inclusion of all levels of management and other staff and include a review of historical expenditures, an analysis of future prioritized requirements and a calendarization based on financial capacity, risk and need. Budgets are reviewed and approved by the Board of Directors annually. Budget to actual variance analysis is performed regularly by responsibility centre management and amended

forecasts are created if required. The Board of Directors are update regularly with the status of budgeted expenditures.

Westario Power Inc's commitment to continuous improvement is also embedded into the overall budgeting process.

WPI expects the status quo for the business conditions over the planning horizon of this report *with some residential growth and* minimal growth in WPI's other rate classes and no shrinkage.

There are no known major expansion plans for industrial, commercial or residential segments of the economy nor are there any known planned closures in the industrial or commercial segments of the economy. The lack of change in the economy means that there is no growth based capital work proposed by WPI.

Revenue Requirement²

Revenue Requirement can be defined as the amount of revenue a utility must collect from rates charged consumers to recover the cost of doing business. These costs include operating and maintenance expenses, depreciation expense, taxes and a reasonable return on the utility's investment. A cost-of-service is a measure of a utility's annual "revenue requirement" that will provide a company the opportunity to operate profitably and attract capital for future growth. Table 1 below shows WPI's revenue requirement from the last Cost of Service in 2013 to the herein proposed 2018 revenue requirement.

Table 1 - 2018 Proposed Revenue Requirements

	CGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
<i>Particular</i>	Last Board Approved	2013	2014	2015	2016	2017	2018
<i>OM&A Expenses</i>	\$6,169,200	\$5,709,737	\$5,224,652	\$5,209,186	\$5,731,997	\$5,701,836	\$5,961,033
<i>Depreciation Expense</i>	\$1,343,824	\$633,542	\$1,651,950	\$1,780,108	\$1,798,004	\$1,869,669	\$1,993,885
<i>Property Taxes</i>	\$33,000	\$36,453	\$35,704	\$34,605	\$34,097	\$35,000	\$35,000
<i>Total Distribution Expenses</i>	\$7,546,024	\$6,379,732	\$6,912,306	\$7,023,899	\$7,564,098	\$7,606,505	\$7,989,918
<i>Regulated Return On Capital</i>	\$2,781,395	\$2,688,847	\$3,002,515	\$3,204,786	\$3,536,284	\$3,536,284	\$2,919,572
<i>PP&E MIFRS Adjustment</i>	-\$35,724						
<i>Grossed up PILs</i>	\$5,427	\$269,000	-\$5,000	\$226,000	\$243,000	\$507,640	\$392,625
<i>Service Revenue Requirement</i>	\$10,297,122	\$9,337,579	\$9,909,820	\$10,454,685	\$11,343,382	\$11,650,429	\$11,302,115
<i>Less: Revenue Offsets</i>	-\$653,041	-\$559,021	-\$688,960	-\$523,338	-\$485,964	-\$354,051	-\$337,674
<i>Base Revenue Requirement</i>	\$9,644,081	\$8,778,558	\$9,220,860	\$9,931,347	\$10,857,418	\$11,296,378	\$10,964,441

² Revenue Requirement - service RR, increase (\$ and %) from change from previously approved, main drivers

The proposed Revenue Requirement for the 2018 test year of \$10,964,441 reflects an increase of \$1,320,360 or 13.7% higher than the 2013 Board Approved. The revenue requirement between 2013 and 2016 has increased at a rate consistent with inflation plus incremental depreciation representing a deliberate pace of capital investment. The increase in 2017 and 2018 is largely due to an increase in operations and maintenance costs related to a normalization of these expenses after several years of high staff turnover. Year over year variances in OM&A are explained throughout Exhibit 4 and Revenue Offsets and explained in detail at Exhibit 3.

Rate Base and Capital Planning³

A rate base is the value of property on which a utility is permitted to earn a specified rate of return in accordance with rules set by the OEB. The rate base underlying WPI's revenue requirement includes a forecast of net fixed assets, plus a working capital allowance defined as 7.5% of the sum of the cost of power and controllable expenses. Controllable expenses include operations and maintenance, billing and collections and administration expenses.

The proposed Rate Base for the 2018 test year of \$51,531,560 reflects an increase of \$9,659,245 from the 2013 Board Approved. The increase suggests a prudent and reasonable investment in the distribution assets and is necessary in order to meet other regulatory requirements such as "obligation to connect" new growth and the need to maintain the highest electrical safety standards. Table 2 below shows the derivation of the proposed 2018 rate base. This increase represents an average annual increase of 4.6% from 2013 to 2018.

The utility is not proposing to recover any costs from any rate class relating to renewable energy connections/expansions, smart grid, and regional planning initiatives. Table 2 below shows the change in Rate Base from the last Cost of Service in 2013 to the proposed 2018 Cost of Service.

Table 2: Rate Base

	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
--	-------	-------	-------	-------	-------	-------	-------

³ Rate Base and DSP - major drivers of DSP, rate base for test year, change in rate base from last approved (\$ and %), capital expenditures requested for the test year, change in capital expenditures from last approved (\$ and %), summary of costs requested for renewable energy connections/expansions, smart grid, and regional planning initiatives, any O.Reg 339/09 planned recovery

<i>Particulars</i>	Last Board Approved	2013	2014	2015	2016	2017	2018
<i>Net Capital Assets in Service:</i>							
<i>Opening Balance</i>	33,959,796	31,364,436	37,441,698	40,295,563	42,625,772	45,442,360	45,329,857
<i>Ending Balance</i>	37,220,508	37,441,698	40,295,563	42,625,772	45,442,360	45,329,857	48,227,215
<i>Average Balance</i>	35,590,152	34,403,067	38,868,631	41,460,668	44,034,066	45,386,108	46,778,536
<i>Working Capital Allowance</i>	6,282,163	6,074,549	6,330,904	6,783,843	7,595,348	7,848,730	4,753,024
<i>Total Rate Base</i>	41,872,315	40,477,616	45,199,535	48,244,511	51,629,414	53,234,838	51,531,560

Table 3 - Working Capital Allowance

	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
<i>Expenses for Working Capital</i>	Last Board Approved	2013	2014	2015	2016	2017	2018
<i>Eligible Distribution Expenses:</i>							
<i>3500-Distribution Expenses - Operation</i>	440,000	381,172	278,333	264,131	390,384	419,927	580,760
<i>3550-Distribution Expenses - Maintenance</i>	2,298,000	1,769,218	1,574,688	1,398,823	1,720,696	1,560,909	1,386,773
<i>3650-Billing and Collecting</i>	1,191,000	1,268,735	1,224,007	1,131,494	1,043,796	1,130,000	1,202,000
<i>3700-Community Relations</i>	46,000	11,983	15,351	34,398	29,681	30,000	31,000
<i>3800-Administrative and General Expenses</i>	2,181,700	2,266,129	2,119,773	2,367,840	2,522,440	2,548,000	2,747,500
<i>6105-Taxes other than Income Taxes</i>	33,000	36,453	35,704	34,605	34,097	35,000	35,000
<i>6205-Donations (LEAP)</i>	12,500	12,500	12,500	12,500	25,000	13,000	13,000
<i>Total Eligible Distribution Expenses</i>	6,202,200	5,746,190	5,260,356	5,243,790	5,766,094	5,736,836	5,996,033
<i>3350-Power Supply Expenses</i>	46,149,156	44,875,052	47,497,179	51,288,235	57,528,471	59,669,247	57,377,618
<i>Total Expenses for Working Capital</i>	52,351,356	50,621,242	52,757,535	56,532,025	63,294,565	65,406,083	63,373,651
<i>Working Capital factor</i>	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	7.50%
<i>Total Working Capital</i>	6,282,163	6,074,549	6,330,904	6,783,843	7,595,348	7,848,730	4,753,024

WPI has, for many years, complied with the practices of the electricity distribution industry. This has included adhering to the Ontario Energy Board's (OEB) Distribution System Code that sets out, among others, good utility practice and performance standards for the industry in Ontario, and minimal inspection requirements for distribution equipment. Consistent with practices, over the years WPI has replaced or upgraded equipment when economically viable. The net result has been that while the average age of the system has increased slightly, the reliability of the system has steadily improved to meet the expectations of WPI's customers. This has been

achieved with only a moderate long-term increase in customers' bills. Historically, utilities in the Province operated under Canadian Generally Acceptable Accounting Practices (CGAAP) whereby they were granted a depreciation allowance based on an average equipment life of approximately 25 years. As of January 1, 2013, the OEB requires all municipal-owned LDCs to adopt Modified International Financial Reporting Standards (MIFRS) which will only allow a depreciation allowance based on a 40 year average life for equipment. Other regulatory changes (e.g. decreased allowance for working capital) also reduce the funding available for daily operations. Fortunately, over the past ten years WPI has made considerable investments in its capital program and is in relatively good health.

Regulatory requirements require additional major capital expenditures remain firmly in place (e.g. the "obligation to connect" new growth, the need to maintain the highest electrical safety standards for both the public and employees); the most important of such obligations is to maintain public and employee safety and minimize any increases in its customers' bills.

Details of historical and projected capital expenses are summarized in the table below

Table 4 - Capital Expenditure Summary

	NEWGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS
	2013	2014	2015	2016	2017	2018
System Access	\$715,705	\$808,965	\$888,287	\$839,632	\$980,834	\$983,276
Contributed Capital	-473,674	-394,427	-360,794	-584,438	-340,541	-340,541
Sub-Total System Access	242,031	414,538	527,493	255,194	640,293	642,735
System Renewal	\$2,148,446	\$2,841,278	\$2,409,929	\$3,116,718	\$3,466,353	\$3,231,509
Contributed Capital	0	0	0	0	0	0
Sub-Total System Renewal	2,148,446	2,841,278	2,409,929	3,116,718	3,466,353	3,231,509
System Service	\$3,508,123	\$408,138	\$308,049	\$1,362,195	\$100,000	\$382,000
Contributed Capital	0	0	0	0	0	0
Sub-Total System Service	3,508,123	408,138	308,049	1,362,195	100,000	382,000
General Plant	\$480,015	\$663,247	\$620,228	\$651,394	\$102,800	\$635,000
Contributed Capital	0	0	0	0	0	0

Sub-Total General Plant	480,015	663,247	620,228	651,394	102,800	635,000
Total Capital Expenditures	6,378,616	4,327,200	3,865,698	5,385,500	4,309,446	4,891,244

Major capital cost drivers for 2018 are as follows:

System Access

- ◆ Capital Poles \$306,742
- ◆ New O/H Service Connections \$166,129
- ◆ New Underground Service Connections \$124,663
- ◆ Non-demarcation Customers \$45,200

System Service

- ◆ SCADA \$282,000
- ◆ Metering \$30,000
- ◆ Cyme and GIS integration \$70,000

System Renewal

- ◆ Poletran Conversion \$463,286
- ◆ Substation Upgrades \$1,310,000
- ◆ #6 Copper Replacements \$370,772
- ◆ Decrepit Pole Replacement \$780,146
- ◆ Distribution Transformer Replacement \$307,305

General Plant

- ◆ Technology \$30,000

- ◆ Vehicle Replacement \$500,000
- ◆ Tools & Equipment \$35,000
- ◆ Facilities Enhancements \$35,000
- ◆ Office Furniture and Equipment \$35,000

Details of each of these programs are presented in Exhibit 2 as well as the Distribution System Plan.

Overview of Operation Maintenance and Administrative Costs⁴

The decrease of approximately \$200K in OM&A spending from its 2013 Board Approved Cost of Service Budget to the 2018 Test Year can be attributed to several factors. Operation and Maintenance costs are for the most part aimed at WPI's distribution system substations and its protective equipment, along with general maintenance on overhead and underground assets. The decreased costs related to operations and maintenance accounts are representative of historical figures. The increase in administrative costs as projected represents the inclusion of a full compliment of administrative and executive staff.

Table 5 - Summary of Recoverable OM&A Expenses

<i>Reporting Basis</i>	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS
	Board Approved	2013	2014	2015	2016	2017	2018
<i>Operations</i>	\$440,000	\$381,172	\$278,333	\$264,131	\$390,384	\$419,927	\$580,760
<i>Maintenance</i>	\$2,298,000	\$1,769,218	\$1,574,688	\$1,398,823	\$1,720,696	\$1,560,909	\$1,386,773
<i>SubTotal</i>	\$2,738,000	\$2,150,390	\$1,853,021	\$1,662,954	\$2,111,080	\$1,980,836	\$1,967,533
<i>%Change (year over year)</i>		-21.5%	-13.8%	-10.3%	26.9%	-6.2%	-0.7%
<i>%Change (Test Year vs Last Rebasing Year - Actual)</i>							-28.1%
<i>Billing and Collecting</i>	\$1,191,000	\$1,268,735	\$1,224,007	\$1,131,494	\$1,043,796	\$1,130,000	\$1,202,000
<i>Community Relations</i>	\$46,000	\$11,983	\$15,351	\$34,398	\$29,681	\$30,000	\$31,000
<i>Administrative and General+LEAP</i>	\$2,194,200	\$2,278,629	\$2,132,273	\$2,380,340	\$2,547,440	\$2,561,000	\$2,760,500
<i>Non-Recoverable</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Property Taxes</i>	\$33,000	\$36,453	\$35,704	\$34,605	\$34,097	\$35,000	\$35,000

⁴ OM&A Expense - OM&A for test year and change from last approved (\$ and %), summary of drivers, inflation assumed, total compensation for test year and change from last approved (\$ and %).

<i>SubTotal</i>	\$3,464,200	\$3,595,800	\$3,407,335	\$3,580,836	\$3,655,014	\$3,756,000	\$4,028,500
<i>%Change (year over year)</i>		3.8%	-5.2%	5.1%	2.1%	2.8%	7.3%
<i>%Change (Test Year vs Last Rebasing Year - Actual)</i>						2,596,000.00	16.3%
<i>Total</i>	\$6,202,200	\$5,746,190	\$5,260,356	\$5,243,790	\$5,766,094	\$5,736,836	\$5,996,033
<i>%Change (year over year)</i>		-7.4%	-8.5%	-0.3%	10.0%	-0.5%	4.5%

Summary of cost drivers

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

<i>Reporting Basis</i>	<i>Last CoS</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>
OM&A	Last Rebasing Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year
Opening Balance	\$6,202,200	\$5,746,190	\$5,260,356	\$5,243,790	\$5,766,094	\$5,736,836
Customer Focus						
Customer Service, Mailing Costs, Billing and Collections, LEAP	-\$71,942	\$70,019	-\$34,025	-\$19,688	\$43,136	\$62,000
Bad Debts	\$11,822	\$87,589	-\$75,936	-\$26,820	\$34,345	\$0
Meter Reading	\$139,367	-\$202,583	\$16,703	-\$11,210	-\$3,277	\$10,000
Operational focus	-\$31,319	-\$662	\$148,872	\$19,698	\$42,411	\$8,500
Operational Effectiveness						
Municipal Transformer Station -operating and maintenance costs	\$75,050	-\$62,258	-\$95,963	\$44,178	-\$17,182	\$17,679
Meters maintenance	-\$1,987	-\$89,999	-\$8,703	\$183,682	-\$147,717	\$11,683
Overhead lines	\$73,656	-\$31,946	-\$39,192	\$117,779	\$149,603	-\$108,466
Distribution Transformers	-\$42,163	\$12,840	-\$2,738	-\$33,478	\$71,950	\$27,589
Services	-\$292,635	-\$19,777	-\$16,825	\$77,824	-\$44,312	\$7,763
Tree trimming	-\$309,569	-\$64,090	\$6,435	\$2,401	-\$99,583	-\$12,699
Underground conduit	-\$51,488	-\$2,987	-\$17,021	\$33,133	\$49,580	-\$66,217
Poles Towers & Fixtures	-\$5,590	-\$26,807	-\$27,864	\$67,241	-\$101,408	\$34,852
Administrative Wages, Financial, Legal, Professional and Insurance Services	\$179,229	-\$101,443	-\$64,228	-\$82,759	\$121,001	\$125,000
IT, software, telecommunications, office supplies	-\$70,476	-\$40,112	\$170,684	\$147,173	-\$94,269	\$10,000
Other	-\$31,372	-\$12,592	\$11,061	-\$27,156	\$8,825	\$59,513
Public and Regulatory Responsiveness						
Regulatory & Compliance	-\$26,593	-\$1,026	\$12,174	\$30,306	-\$42,361	\$72,000
Closing Balance	\$5,746,190	\$5,260,356	\$5,243,790	\$5,766,094	\$5,736,836	\$5,996,033

Decrease in OM&A of \$-206,167 from \$6,202,200 in 2013 Board Approved to \$5,996,033 in 2018.

Operations and Maintenance: overall decrease of 770,467 Major drivers include:

- Increase in Overhead Distribution Lines and Feeders - Operation Labour \$ 139,281
- Increase in Overhead Distribution Transformers \$51,000
- Decrease in Underground Distribution Lines and Feeders – Operation Labour \$68,721
- Decrease in Meter Expense \$109,000
- Decrease in Maintenance of Distribution Station Equipment \$63,696
- Decrease in Maintenance of Poles, Towers and Fixtures \$59,576
- Decrease in Maintenance of Overhead Services \$124,000
- Decrease in Maintenance of Vegetation \$477,105
- Decrease in Maintenance of Underground Conduit \$115,000
- Increase in Maintenance of Underground Conductors and Devices \$60,000
- Decrease in Maintenance of Underground Services \$163,962
- Decrease in Maintenance of Line Transformers \$55,000
- Increase in Maintenance of Meters \$55,959

Administrative and General: overall increase of \$566,300. Major drivers include;

- Increase in Executive Salaries and Expenses of \$225,000
- Decrease in Management Salaries and Expenses of \$184,000
- Increase in General Administrative Salaries and Expenses of \$145,000
- Increase in Office Supplies and Expenses of \$123,000
- Increase in Miscellaneous General Expenses of \$188,000

Employee Costs

[illegible]

<i>Management (including executive)</i>	\$1,297,904	\$1,354,740	\$1,266,289	\$1,298,151	\$1,371,218	\$1,398,642
<i>Non-Management (union and non-union)</i>	\$2,017,792	\$1,979,691	\$2,005,858	\$2,123,607	\$2,495,146	\$2,545,049
<i>Total</i>	\$3,315,696	\$3,334,430	\$3,272,146	\$3,421,758	\$3,866,364	\$3,943,691

Major drivers include;

- ◆ Increase in Executive Salaries and Expenses of \$170,000
- ◆ Increase in General Administrative Expenses \$330,000

An inflationary factor of 2% was utilized for salaries and wages for classifications not included in the collective agreement. Wage settlements in the collective agreement also reflect an increase of 2%.

Load Forecast Summary⁵

The load forecast for 2018 is based on a methodology which predicts class specific consumption using a multiple regression analysis that relates historical monthly wholesale kWh usage to monthly historical heating degree days and cooling degree days.

After testing numerous combinations and scenarios, the utility opted to use the following variables. In WPI's case, variation in monthly electricity consumption is influenced by six main factors – weather (e.g. heating and cooling), which is by far the most dominant effect for most systems; seasonality, in this case, a daylight and a Consumer Price Index factor.

Specifics relating to each variable used in the regression analysis are presented at the next section.

➤ Tested and Included

- Wholesale Purchases (main)
- Heating Degree Days (included)
- Cooling Degree Days (included)

⁵ Load Forecast Summary - load and customer growth, % change in kWh and customer numbers, methodology description

- Daylight hours (included)
- CPI (included)
- Spring/Fall Flag
- Days/month

Weather normalized values are determined by using the regression equation with a 10-year average monthly degree days (2007-2016). The 10-year average is consistent with recent years' weather and has been used in other electricity distribution rate applications and has been accepted by the Board.

Allocation to specific weather sensitive rate classes (Residential, GS<50, GS>50) is based on the average share of each classes' actual retail kWh (exclusive of distribution losses) of actual wholesale kWh for the 2007 to 2016 period.

The 2018 Load Forecast is presented below and detailed explanations of the load forecast can be found in Exhibit 3.

Table 6 - Load Forecast

CDM Adjusted Consumption (kWh)

<i>Customer Class Name</i>	<i>Last Board Appr</i>	<i>2018</i>
<i>Residential</i>	206,340,893	187,185,327
<i>General Service < 50 kW</i>	65,583,143	65,066,351
<i>General Service > 50 to 4999 kW</i>	172,663,135	165,745,865
<i>Unmetered Scattered Load</i>	275,664	269,004
<i>Sentinel Lighting</i>	18,246	13,915
<i>Street Lighting</i>	5,458,939	2,196,082
<i>TOTAL</i>	450,340,020	420,476,544

CDM Adjusted Consumption (kW)

<i>Customer Class Name</i>	<i>2013</i>	<i>2018</i>
<i>Residential</i>	0	0

<i>General Service < 50 kW</i>	0	0
<i>General Service > 50 to 4999 kW</i>	479,272	434,344
<i>Unmetered Scattered Load</i>		0
<i>Sentinel Lighting</i>	17	17
<i>Street Lighting</i>	15,177	6,664
<i>TOTAL</i>	494,466	441,025

Statement of Cost of Capital Parameters⁶

WPI has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities, December 11, 2009 in determining the cost of capital.

In this application, Westario Power Inc seeks to recover a weighted average cost of capital of 5.67% through rates in the 2018 Test Year. Westario Power Inc has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities, December 11, 2009, as well as the Review of the Existing Methodology of the Cost of Capital for Ontario's Regulated Utilities, January 14, 2016, in determining the applicable cost of capital.

In calculating the cost of capital, WPI has used the deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, and the Cost of Capital parameters in the OEB letter from 2016, for the allowed return on equity and where appropriate for debt.

WPI's cost of capital for 2018 has been calculated as 5.67%, as shown in Table: 1.7 below:

Table: 1.7 – Overview of Capital Structure

<i>Particulars</i>	<i>Cost Rate</i>		<i>Return</i>	
	(%)	(\$)	(%)	(\$)
<i>Debt</i>				
<i>Long-term Debt</i>	56.00%	\$28,857,673	3.72%	\$1,073,505
<i>Short-term Debt</i>	4.00%	\$2,061,262	1.76%	\$36,278
<i>Total Debt</i>	60.0%	\$30,918,936	3.59%	\$1,109,784
<i>Equity</i>				
<i>Common Equity</i>	40.00%	\$20,612,624	8.78%	\$1,809,788
<i>Preferred Shares</i>		\$ -		\$ -

⁶ Cost of Capital - Statement regarding use of OEB's cost of capital parameters; summary of any deviations

<i>Total Equity</i>	40.0%	\$20,612,624	8.78%	\$1,809,788
<i>Total</i>	100.0%	\$51,531,560	5.67%	\$2,919,572

WPI understands that the OEB will most likely update the Cost of Capital parameters for 2018 at a later date. WPI commits to updating its Cost of Capital calculation as new information becomes available and as appropriate.

Overview of Cost Allocation and Rate Design⁷

The main objectives of a Cost Allocation study is to provide information on any apparent cross-subsidization among a distributor's rate classifications and to eventually be used in future rate applications.

WPI has prepared and is filing a cost allocation information filing consistent with the utility's understanding of the Directions, the Guidelines, the Model and the Instructions issued by the Board back in November of 2006 and all subsequent updates.

WPI has prepared a Cost Allocation Study for 2018 based on an allocation of the 2018 test year costs (i.e., the 2018 forecast revenue requirement) to the various customer classes using allocators that are based on the forecast class loads (kW and kWh) by class, customer counts, etc.

WPI has used the updated Board-approved Cost Allocation Model and followed the instructions and guidelines issued by the Board to enter the 2018 data into this model.

Two of the classes' revenue to cost ratios ended are outside the Board range. For those two classes, the utility proposes a multi-year reallocation to reduce the impact on the bills. Table 7 below shows the utility's proposed Revenue to Cost reallocation based on an analysis of the proposed results from the Cost Allocation Study vs. the Board imposed floor and ceiling ranges.

⁷ Cost Allocation & Rate Design - summary of any deviations from OEB methodologies, significant changes and summary of proposed mitigation plans

Table 7: Proposed Allocation

<i>Customer Class Name</i>	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Target Range	
				Floor	Ceiling
<i>Residential</i>	1.01	1.01	0.00	0.85	1.15
<i>General Service < 50 kW</i>	1.04	1.04	0.00	0.80	1.20
<i>General Service > 50 to 4999 kW</i>	0.81	0.88	-0.07	0.80	1.20
<i>Unmetered Scattered Load</i>	1.04	1.04	0.00	0.80	1.20
<i>Sentinel Lighting</i>	0.90	0.97	-0.07	0.80	1.20
<i>Street Lighting</i>	1.68	1.23	0.45	0.80	1.20

In mid-year 2015, OEB introduced a new policy for all-fixed distribution rates for residential customers. Until now, distribution rates for the residential class have been a blend of fixed and variable rates as shown below. To reduce the impact on customer bills, WPI has implemented a five-year phase-in period for the move to an all-fixed monthly service charge.

For all other classes, distribution revenues are derived through a combination of fixed monthly charges and volumetric charges based either on consumption (kWh) or demand (kW). Revenues are collected from 6 customer classes including: Residential, General Service less than 50 kW, General Service greater than 50 kW, Intermediate, Sentinel (USL) and Street Lighting.

Fixed rate revenue is determined by applying the current fixed monthly charge to the number of customers or connections in each of the customer classes in each month. Variable rate revenue is based on a volumetric rate applied to meter readings for consumption or demand volume.

Existing volumetric rates include a component to recover allowances for transformer ownership.

Commodity Charges and deferral and variance rate riders, along with WPI specific other adders such and added to the distribution rates to arrive at a final all-encompassing bill.

Table 8 below shows WPIs existing rates in comparison to the 2018 proposed rates. As can be seen, the fixed charge for the Residential class is increasing while the variable charge is decreasing. Details can be found in Exhibit 8.

Table 8: Proposed Rates

Customer Class Name	Existing Rates			Proposed Rates		per
	Fixed Rate	Variable Rate		Fixed Rate	Variable Rate	
<i>Residential</i>	\$20.0600	\$0.0082		\$24.4100	\$0.0061	kWh
<i>General Service < 50 kW</i>	\$25.1400	\$0.0113		\$25.1400	\$0.0138	kWh
<i>General Service > 50 to 4999 kW</i>	\$232.0200	\$2.1801		\$232.0200	\$2.8578	kW
<i>Unmetered Scattered Load</i>	\$6.3800	\$0.0239		\$7.0700	\$0.0265	kWh
<i>Sentinel Lighting</i>	\$5.7500	\$29.7440		\$6.4466	\$37.7184	kW
<i>Street Lighting</i>	\$6.0000	\$5.0515		\$4.8648	\$4.0957	kW

Overview of Deferral and Variance Account Disposition⁸

WPI proposes to dispose of a debit of \$2,980,087 related to Group 1 and Group 2 Variance/Deferral Accounts. This debit includes carrying charges up to and including December 31, 2017⁹ WPI also proposes to dispose of the following;

- ◆ A net debit balance of \$259,094 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account, and

Group 1 and Group 2 DVA balances are proposed to be disposed of over 4 years.

WPI has followed the OEB's guidance as provided in the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report. As of December 31, 2016, WPI recorded principal balances in the following Board-approved deferral and variance accounts.

⁸ Deferral and Variance Accounts - total disposition (RPP and non-RPP), disposition period, new accounts requested

⁹ Intent to claim interest between December 31, 2016 and actual date of disposition as well

Table 9: Account and Balances sought for disposition/recovery

		Amounts from Sheet 2	Allocator
<i>LV Variance Account</i>	1550	785,230	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	(4,598)	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	(588,902)	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	213,784	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	209,805	kWh
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	2,126,816	kWh
<i>RSVA - Global Adjustment</i>	1589	(1,209,106)	Non-RPP kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2009)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2010)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2011)</i>	1595	(1,658)	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2012)</i>	1595	2,287	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)</i>	1595	6,204	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)</i>	1595	288,888	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i>	1595	1,023,002	kWh
<i>Total of Group 1 Accounts (excluding 1589)</i>		4,060,857	
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508	109,363	kWh
<i>Other Regulatory Assets - Sub-Account - Incremental Capital Charges</i>	1508	0	kWh
<i>Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act</i>	1508	0	kWh
<i>Other Regulatory Assets - Sub-Account - Other</i>	1508	0	kWh
<i>Retail Cost Variance Account - Retail</i>	1518	(38,049)	kWh
<i>Misc. Deferred Debits</i>	1525	0	kWh
<i>Retail Cost Variance Account - STR</i>	1548	57,022	kWh
<i>Board-Approved CDM Variance Account</i>	1567	0	kWh
<i>Extra-Ordinary Event Costs</i>	1572	0	kWh
<i>Deferred Rate Impact Amounts</i>	1574	0	kWh
<i>RSVA - One-time</i>	1582	0	kWh
<i>Other Deferred Credits</i>	2425	0	kWh
<i>Total of Group 2 Accounts</i>		128,336	
<i>PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)</i>	1592	0	kWh
<i>PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)</i>	1592	(25,522)	kWh
<i>Total of Account 1592</i>		(25,522)	
<i>LRAM Variance Account (Enter dollar amount for each class) Residential</i>	1568	55,034	
<i>GS less than 50kW</i>		210,588	
<i>GS Greater than 50kW</i>		(6,527)	
<i>(Account 1568 - total amount allocated to classes)</i>		259,094	
<i>Variance</i>		0	

<i>Renewable Generation Connection OM&A Deferral Account</i>	1532	2,082	kWh
<i>Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)</i>		2,522,943	
<i>Total of Account 1580 and 1588 (not allocated to WMPs)</i>		1,537,914	
<i>Balance of Account 1589 Allocated to Non-WMPs</i>		(1,209,106)	
<i>Group 2 Accounts (including 1592, 1532)</i>		102,814	
<i>IFRS-CGAAP Transition PP&E Amounts Balance + Return Component</i>	1575	0	kWh
<i>Accounting Changes Under CGAAP Balance + Return Component</i>	1576	0	kWh
<i>Total Balance Allocated to each class for Accounts 1575 and 1576</i>		0	
<i>Account 1589 reference calculation by customer and consumption</i>			
<i>Account 1589 / Number of Customers</i>	(\$40.54)		
<i>1589/total kwh</i>	(\$0.00295)		

Overview of Bill Impacts¹⁰

A summary of the bill impacts by class is presented below. Detailed explanations of the bill impacts are presented at Exhibit 8.

The overall bill impacts vary by customer class, ranging from a decrease of 10.45% for the Street Lighting Class to increases of 10.10% for the Sentinel Lighting class. GS<50 and GS>50 have much lower increases at 4.61% and 6.53% respectively. Residential is increasing by 5.39% and Unmetered Scattered Load class is seeing an increase of 6.44%.

WPI's proposed 2017 revenue requirement and therefore the bill impact is needed to remain in compliance with its regulators and meet its mandate and commitment to provide safe, reliable cost-effective services and products achieving sustainable growth while respecting the community and the environment.

Table 10: Bill Impacts associated with Revenue Requirement excluding Pass through

<i>Customer Class Name</i>	<i>Bill Impact \$</i>	<i>Bill Impacts</i>
----------------------------	-----------------------	---------------------

¹⁰ Bill Impacts - total impacts (\$ and %) for all classes for typical customers

<i>Residential</i>	\$2.78	10.59%
<i>General Service < 50 kW</i>	\$5.12	10.60%
<i>General Service > 50 to 4999 kW</i>	\$118.66	19.33%
<i>Unmetered Scattered Load</i>	\$1.74	10.85%
<i>Sentinel Lighting</i>	\$3.36	19.15%
<i>Street Lighting</i>	(\$690.07)	-18.99%

The impact is further adjusted by rate riders to dispose of the significant balances that have accumulated in certain variance accounts.

Table 11: Total Bill Impact (Including Rate Riders)

<i>Customer Class Name</i>	Bill Impact \$	Bill Impacts
<i>Residential</i>	\$5.41	16.43%
<i>General Service < 50 kW</i>	\$12.09	18.62%
<i>General Service > 50 to 4999 kW</i>	\$447.83	86.01%
<i>Unmetered Scattered Load</i>	\$3.57	20.31%
<i>Sentinel Lighting</i>	\$3.97	21.54%
<i>Street Lighting</i>	(\$555.36)	-15.58%

Changes in rates for retail transmission service also contribute to the utility's distribution rates.

Refer to Table 1.11 for total bill impacts.

Appendix E - e-mail accompanying business plan

From: Vanness, Tracey <Tracey.Vanness@Westario.com>
Sent: March 8, 2018 11:37 AM
To: Kittel, Ethan
Subject: FW: Business Plan for Rate Application - 1- Staff -5
Attachments: WPI Business Plan July 21-MRB Review.docx

From: Vanness, Tracey
Sent: August 23, 2017 11:19 AM
Subject: Business Plan for Rate Application

Good Morning,

As per the direction of the Board Chair, please find attached the updated Business Plan (prepared by Malcolm) to be reviewed.

This will form a significant piece of the Rate Application as discussed. This was not the original Business Plan approved by the Board of Directors but rather the Business Plan updated for submission.

Should you have any questions or concerns please contact Chair Bridge.

Regards,

Tracey

Tracey Vanness
EA, Board Secretary, HR
Westario Power Inc.
24 Eastridge Road
Walkerton, Ontario
N0G 2V0
P:519.507.6666 ext. 213
F:519.507.6777
Tracey.vanness@westario.com

*If your actions inspire others to dream more, learn more,
do more and become more, you are a leader.*

Appendix F – Engagement Survey

Westario Power Inc.



FALL EDITION

2017 Electric Utility Customer Satisfaction Survey

Electric Utility Customer Satisfaction Survey



- Based on telephone interviews of *400 respondents* who pay or look after the electricity bills for *Westario Power*
- Note: A sample size of 400 will provide confidence level of 95% (+/-4.9%)
- Customers surveyed were based on a *random sample* approach
- 1,344 households and small businesses were contacted, 400 completed interviews; response rate is 30%
- The following *segments* were surveyed:
 - Residential – 85%
 - Commercial – 15%
- UtilityPULSE segmented respondents into 3 “average kWh usage groups”. Group 1 represents lowest 25% of kWh usage, Group 2 middle 50% and Group 3 top 25%.
- The UtilityPULSE Report Card® is computed by formulas which map the attributes of corporate image to customer satisfaction and loyalty
- Comparator data:
 - Ontario benchmark
 - National benchmark
 - UtilityPULSE database for 2017
- With the exception of ‘comparing electricity consumption with neighbours’ the importance for online access continues to grow

Electric Utility Customer Satisfaction Survey



- While the 25% price reduction granted by the Ontario Government is appreciated by customers, the change has not resulted in an “all is forgiven” environment. For most Ontario LDCs, there is a significant drop in ‘recalled billing issues’ in 2017 vs 2016 . However, most Ontario LDCs are rating a “D” on the specific metric of price.
- Back checking UtilityPULSE data – in years where price increase was low-mid single digits YOY, customers seemed to cope, but when YOY were double digits LDC scoring was affected
- Growing expectations that customer service can take place 24/7. Thereby challenging the LDC to find an appropriate balance between online and person-to-person contact requirements
- As more calls get diverted via technological channels the calls that are left are more complex. As a minimum the time to resolve an issue when handled by a CSR will continue to increase
- Survey respondents who see their LDC as a Pro-active communicator give better scores in the areas of trust, respect and cost effectiveness when compared to respondents who don’t see their LDC as being pro-active communicators
- Westario Power is known as an influential brand company requiring constant reinforcement of the key drivers of influence: credibility, trust, future-oriented, true caring for customers, professionalism, high-standards and corporate citizenship.

NUMBERS **at a Glance**

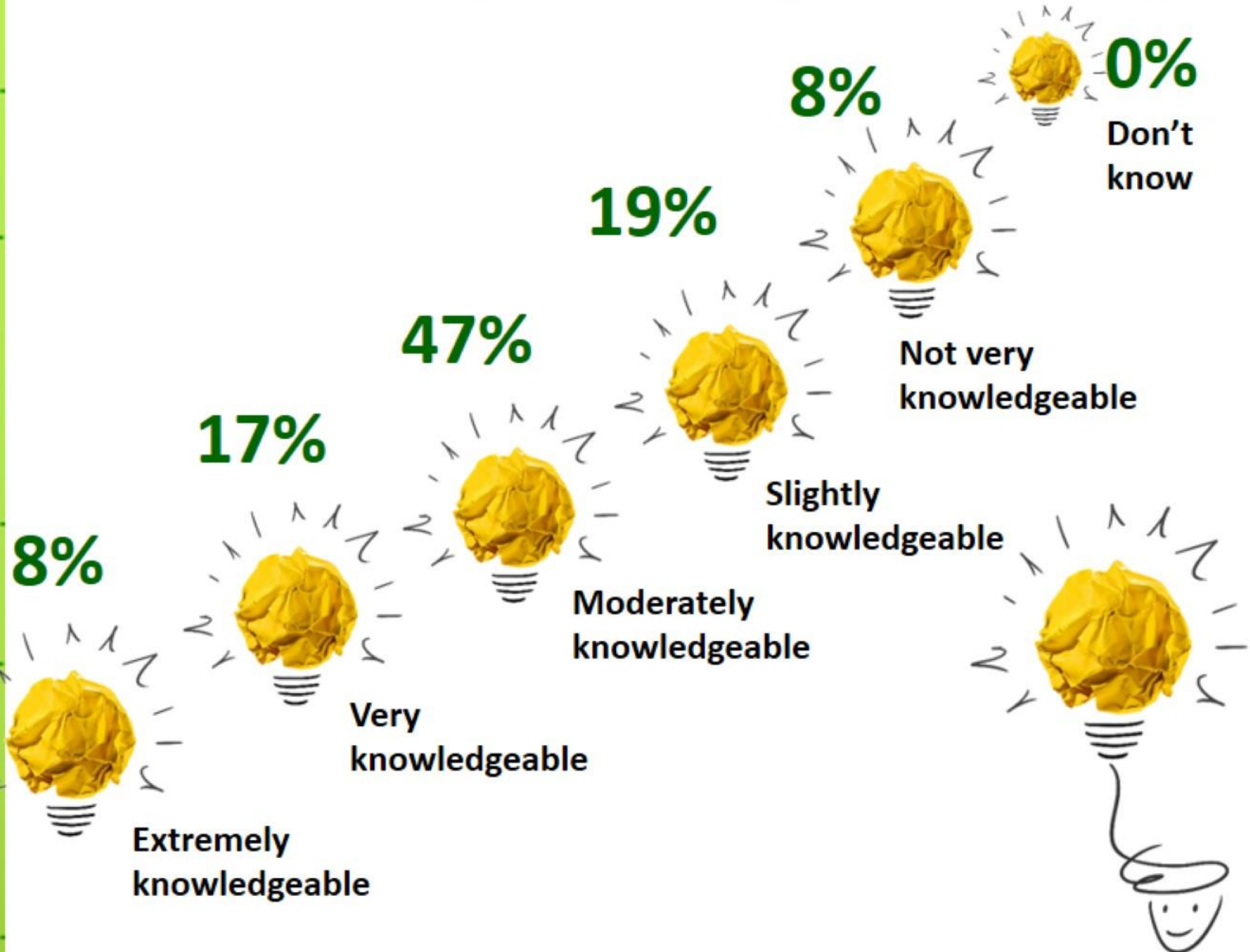


EXCELLENT!

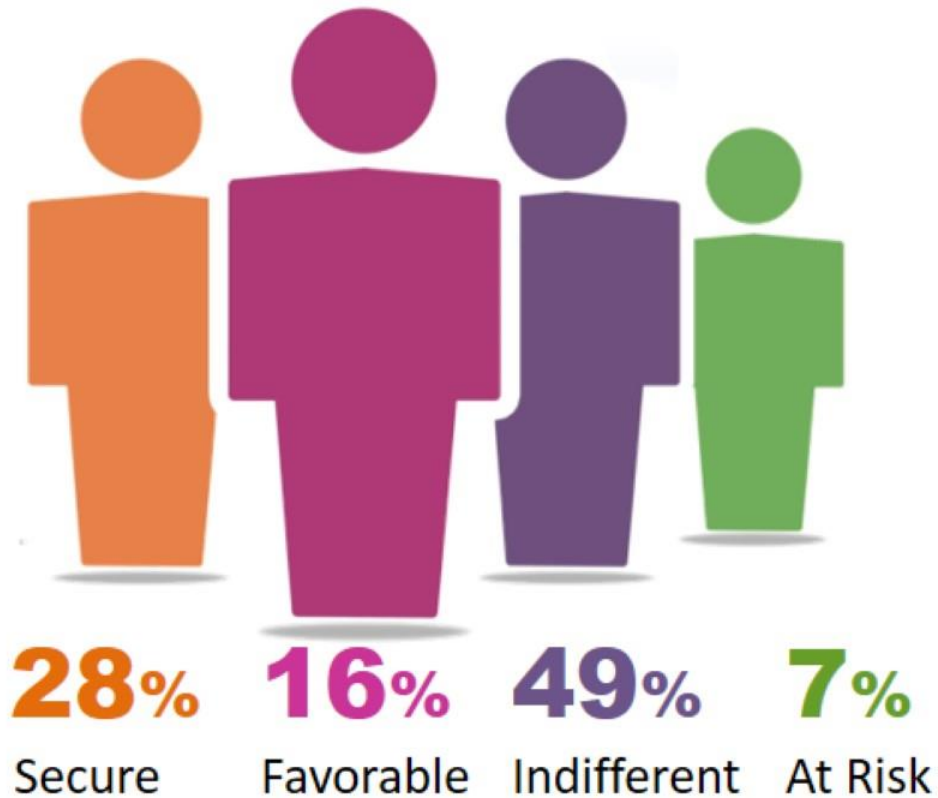
	Westario Power	National	Ontario
	2017	2017	2017
Customer Satisfaction: Initial	94%	90%	85%
Customer Satisfaction: Post	92%	87%	81%
Overall Satisfaction with most recent experience	83%	74%	69%
Customer Experience Performance Rating (CEPr)	86%	83%	81%
Customer Centric Engagement Index (CCEI)	83%	78%	76%
Credibility & Trust Index	84%	80%	78%
UtilityPulse Report Card®	A	B+	B



Electric Utility Industry Knowledge



Customer Loyalty



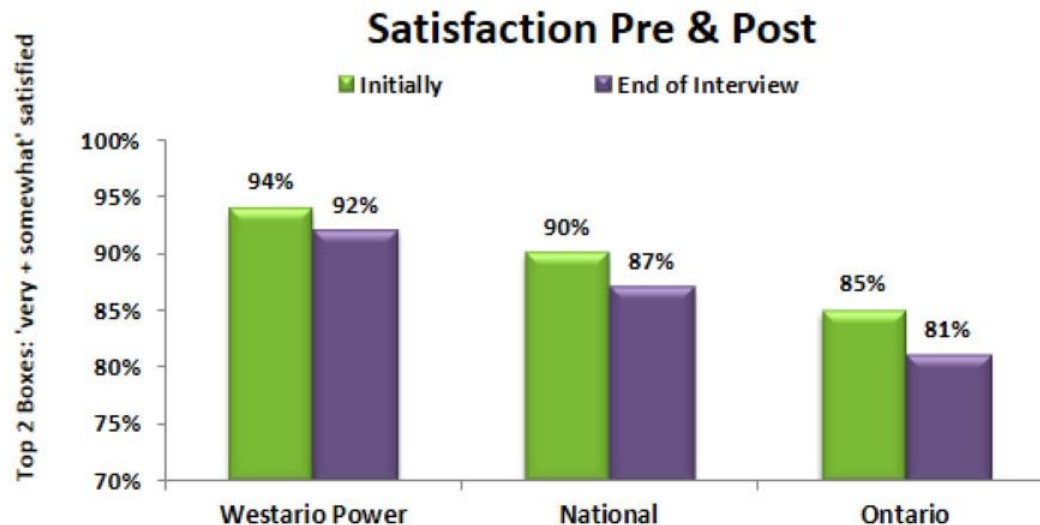
	Loyalty Factor		
	Westario Power	National	Ontario
Secure	28%	21%	19%
Favorable	16%	16%	13%
Indifferent	49%	50%	52%
At Risk	7%	13%	17%

Base: total respondents

Customer Satisfaction: PRE

Electricity bill payers who are 'very or fairly' satisfied with...			
Top 2 Boxes: 'very + fairly satisfied'	Westario Power	National	Ontario
PRE: Initial Satisfaction Scores	94%	90%	85%
POST: End of Interview	92%	87%	81%

Base: total respondents



Base: total respondents

What Our Customers Say...

PRE 94%

"SATISFIED: Beginning of Interview"

What Our Customers Say...

POST 92%

"SATISFIED: End of Interview"

Customer Satisfaction

SATISFACTION SCORES – Electricity customers' satisfaction [kwh usage]			
Top 2 Boxes: 'very + fairly satisfied'	kWh Group 1	kWh Group 2	kWh Group 3
Satisfaction Scores	93%	95%	91%

Base: total respondents

SATISFACTION SCORES – Electricity customers' satisfaction [Income]			
Top 2 Boxes: 'very + fairly satisfied'	<\$30K	\$30 – 75K	\$75K +
Satisfaction Scores	95%	94%	91%

Base: total respondents

SATISFACTION SCORES – Electricity customers' satisfaction		
Top 2 Boxes: 'very + fairly satisfied'	Residential	Small Commercial
Satisfaction Scores	93%	97%

Base: total respondents



Operational & Representative Attributes

Operational			
Top 2 Boxes: 'Strongly + Somewhat agree'	Westario Power	National	Ontario
Provides consistent, reliable electricity	91%	90%	89%
Quickly handles outages and restores power	89%	87%	85%
Accurate billing	88%	85%	82%

Base: total respondents with an opinion

Representatives			
Top 2 Boxes: 'Strongly + Somewhat agree'	Westario Power	National	Ontario
Deals professionally with customers problems	87%	84%	81%
Is 'easy to do business with'	84%	82%	79%
Customer-focused and treats customers as if they're valued	79%	72%	72%

Base: total respondents with an opinion

What
Our
Customers
Say...

91%

"Provides consistent, reliable electricity..."

Customer Service

Customer Service Expectations	Westario Power	National	Ontario
The time it took to contact someone	82%	67%	66%
The time it took someone to deal with your problem	76%	63%	57%
The helpfulness of the staff who dealt with you	81%	67%	66%
The knowledge of the staff who dealt with you	82%	64%	74%
The level of courtesy of the staff who dealt with you	85%	74%	79%
The quality of information provided by the staff who dealt with you	81%	67%	76%

Base: total respondents

Customer Service



What Our Customers Say...

87%

"Deals professionally with customers' problems..."

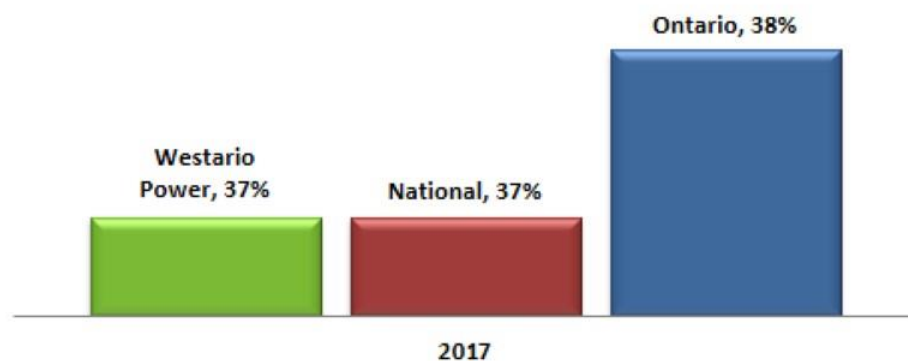
Base: total respondents

Outage Problems (last 12 months)

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	Westario Power	National	Ontario
2017	37%	37%	38%
2016	-	46%	46%
2015	*	53%	51%
2014	-	47%	49%
2013	-	41%	35%

Base: total respondents/ (-) not a participant of the survey year/ (*) separate data not obtained in the survey year: overall 35% had problems in the past 12 months

Blackout or Outage Problems in the last 12 months



Base: total respondents/ (-) not a participant of the survey year

What Our Customers Say...
89%

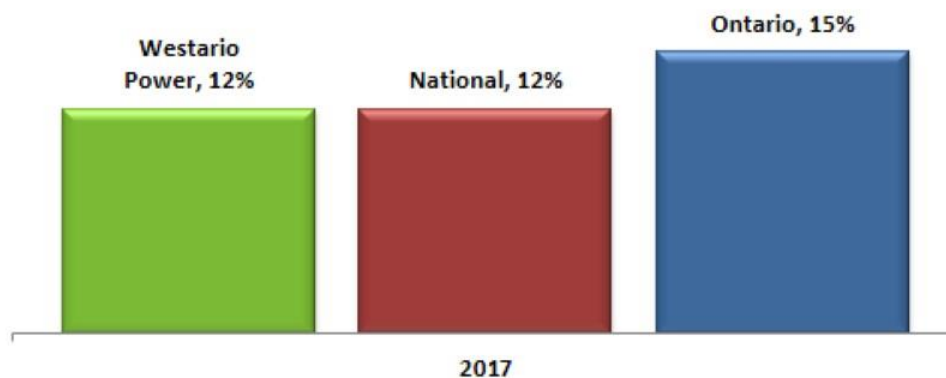
“... Quickly handles outages and restores power...”

Billing Problems (last 12 months)

Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	Westario Power	National	Ontario
2017	12%	12%	15%
2016	-	15%	25%
2015	*	9%	15%
2014	-	16%	25%
2013	-	8%	10%

Base: total respondents/ (-) not a participant of the survey year/ (*) separate data not obtained in the survey year: overall 35% had problems in the past 12 months

Billing Problems in the last 12 months



Base: total respondents/ (-) not a participant of the survey year

What Our Customers Say...

88%

"... Provides accurate billing..."

Types of billing problems

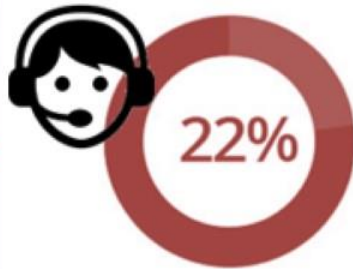
Types of Billing Problems	
	Westario Power
The amount owed was too high	59%
Complaint about rates or charges	22%
Missed payment	15%
The bill was difficult to understand	7%
The bill arrived late	4%
Payment incorrectly recorded	4%
Wrong information on bill	2%
Did not receive bill	2%
Double payment	2%
Equal billing	2%

Base: total respondents with billing problems



“... Amount owed was too high ...”

Bill Payer's Problems and Problem Resolution



22% of Westario Power respondents with an outage problem did contact the utility.



46% of Westario Power respondents with a billing problem did contact the utility.



Respondents who said they contacted the utility were also asked "Do you consider the problem solved or not solved?" 69% of your LDC's respondents said their problem was solved.

Recent Experience: Satisfaction

Overall satisfaction with most recent experience			
	Westario Power	National	Ontario
Top 2 Boxes: 'very + fairly satisfied'	83%	74%	69%

Base: total respondents



CONSISTENCY
IS THE KEY!

Every touch point with customers on the phone, website or in-person influences what customers think and feel about the organization.

Customer Service Quality

Customer Service Quality			
	Westario Power	National	Ontario
Deals professionally with customers' problems	87%	84%	81%
Customer-focused and treats customers as if they're valued	79%	72%	72%
Is a company that is 'easy to do business with'	84%	82%	79%

Base: total respondents with an opinion

“What do our
customers
want?”

- *Their problem solved quickly*
- *To have personal interaction with a customer care representative*
- *To speak with a knowledgeable and courteous customer care representative*

What
Our
Customers
Say...
79%

“... Customer-focused and treats customers as if they're valued...”

CEPr: Customer Experience Performance rating

Customer Experience Performance rating (CEPr)			
	Westario Power	National	Ontario
CEPr	86%	83%	81%

Base: total respondents



At the heart of the CEPr are 4 central questions:

- Professional Customer Care

1. Are interactions with the organization professional and productive?
2. Is the organization 'easy to deal with'?
- Quality of Services

3. Does the organization effectively meet your needs?
4. Does the organization provide high quality services?

What
Our Customers
Say...

86%

"CEPr: Customer experience rating..."

CCEI: Customer Centric Engagement Index

Customer Centric Engagement Index (CCEI)			
	Westario Power	National	Ontario
CCEI	83%	78%	76%

Base: total respondents



What Our Customers Say...
83%

"... CCEI: Customer Centric Engagement Index..."

Credibility and Trust Rating:

Demonstrating Credibility and Trust

Knowledge

The utility is seen as being knowledgeable about the services it provides, about what is happening in the industry, and how customers can reduce costs or create more value.

Integrity

The utility is seen as an organization that will act in the best interests of its customers and can be counted on to provide services and resolve problems in a professional manner.

Involvement

The utility is actively involved in the industry, in the community and in things that affect the customer.

Trust

The utility is an organization that can be trusted and is worthy of respect.

Overall Westario Power 84%
[Ontario 78%; National 80%]



**What
Our
Customers
Say...**

83%

"Keeps its promises to customers and the community..."

Base: total respondents

UtilityPULSE Report Card® : **A**

Westario Power's UtilityPULSE Report Card®		
Category	Westario Power	Ontario
1 Customer Care	B+	C+
Price and Value	B+	C
Customer Service	A	B
2 Company Image	A	B
Company Leadership	A	B
Corporate Stewardship	A	B
3 Management Operations	A	A
Operational Effectiveness	A	A
Power Quality and Reliability	A	A
OVERALL	A	B

“B+ ... Customer Care”

“A ... Company Image”

“A ... Management Operations”



LDC Attributes

Low scoring			
Top 2 Boxes: 'Strongly + Somewhat agree'	Westario Power	National	Ontario
Spends money prudently	80%	71%	66%
Operates a cost effective electricity system	75%	71%	60%
Provides good value for your money	76%	62%	57%
Cost of electricity is reasonable when compared to other utilities	62%	62%	52%

Base: total respondents with an opinion

High Scoring			
Top 2 Boxes: 'Strongly + Somewhat agree'	Westario Power	National	Ontario
Provides consistent, reliable electricity	91%	90%	89%
Makes electricity safety a top priority for employees and contractors	86%	87%	87%
Quickly handles outages and restores power	89%	87%	85%
Has a standard of reliability that meets expectations	89%	88%	86%

Base: total respondents with an opinion



Technology & the Future



The effect of technological changes on people's lives will lead to a future that is ...				
Top 2 Boxes: 'Strongly + Somewhat agree'	Overall	< \$30k	\$30k < \$75k	\$75k+
Mostly better	56%	47%	49%	66%
Mostly worse	8%	14%	9%	4%
Neither	28%	30%	31%	25%
Don't know	8%	9%	9%	4%

Base: total respondents

The effect of technological changes on people's lives will lead to a future that is ...				
Top 2 Boxes: 'Strongly + Somewhat agree'	Overall	18-34	35-54	55+
Mostly better	56%	64%	55%	52%
Mostly worse	8%	8%	7%	8%
Neither	28%	26%	34%	25%
Don't know	8%	2%	4%	13%

Base: total respondents

What Our Customers Say...

56%

"The effect of technological changes on people's lives will lead to a future that is ... MOSTLY BETTER"



Use of Technology



82%

- Access the internet for information



57%

- Have a social media account



72%

- Use online banking



59%

- Shop online

What Our Customers Say...

72%

"Use online banking"

Importance of Online Access

Importance of online access for the following features:		
Top 2 Boxes: 'very + somewhat important'	Westario Power	UtilityPULSE Database
Reporting or inquiring about an issue	73%	74%
Researching information about energy conservation	72%	79%
Having a web chat feature on the website	45%	51%
Automated alerts when electricity usage exceeds a prearranged threshold	68%	72%
Review and pay your bill online (through utility's website)	67%	69%
Power outage alerts	84%	81%
Tools and calculators to help you manage your electricity consumption	63%	68%
Comparison of your electricity consumption with your neighbours	45%	51%
Automated alert to predict your upcoming bill	52%	59%
Automated alert to remind you of your bill due date	54%	61%

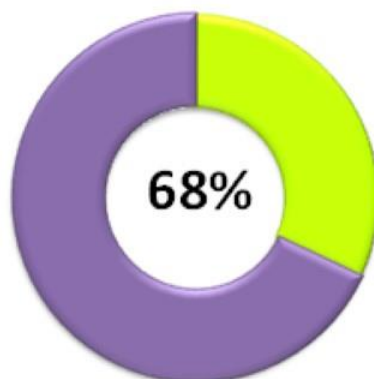
Base: total respondents / total respondents from the 2017 UtilityPULSE Database



“Feel it is ‘important’ to have Power Outage alerts ...”

Confidence in the industry

'Customers are well served by the electricity system in Ontario' – do you agree?

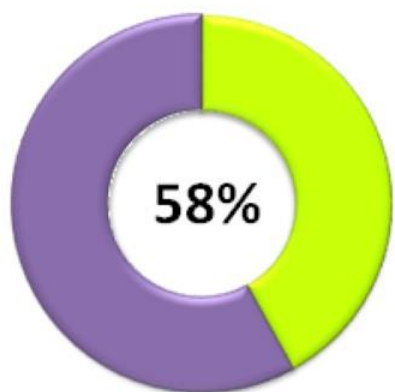


- 68% Agree ('strongly + somewhat') customers are well served by the electricity system in Ontario
- 8% neither agree or disagree
- 21% Disagree ('strongly + somewhat') they are well served
- 2% did not render an opinion or did not know

'Customers are well served by the electricity system in Ontario' – do you agree?			
	Westario Power	Ontario	UtilityPULSE Database
Top 2 Boxes: 'Strongly + Somewhat Agree'	68%	58%	60%

Confidence in the industry

‘Customers are confident in the electricity industry’s ability to meet their future expectations regarding quality, reliability and price’ – do you agree?



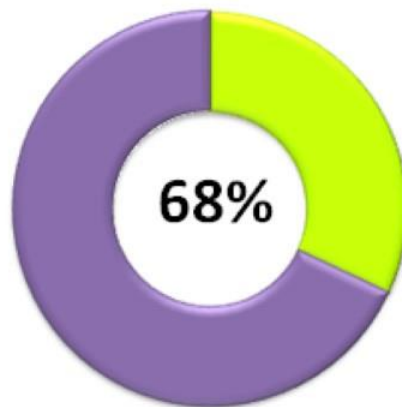
- 58% Agree ('strongly + somewhat') customers are confident that the electricity industry has the ability to meet future expectations regarding quality, reliability and price
- 13% neither agree or disagree
- 24% Disagree ('strongly + somewhat') that the industry can deliver on future expectations
- 4% did not render an opinion or did not know

‘Customer are confident in the electricity industry’s ability to meet future expectations regarding quality, reliability and price’ – do you agree?

	Westario Power	Ontario	UtilityPULSE Database
Top 2 Boxes: ‘Strongly + Somewhat Agree’	58%	48%	54%

Confidence in the industry

'Customers are confident in the electricity industry's ability to keep up with technological changes' – do you agree?

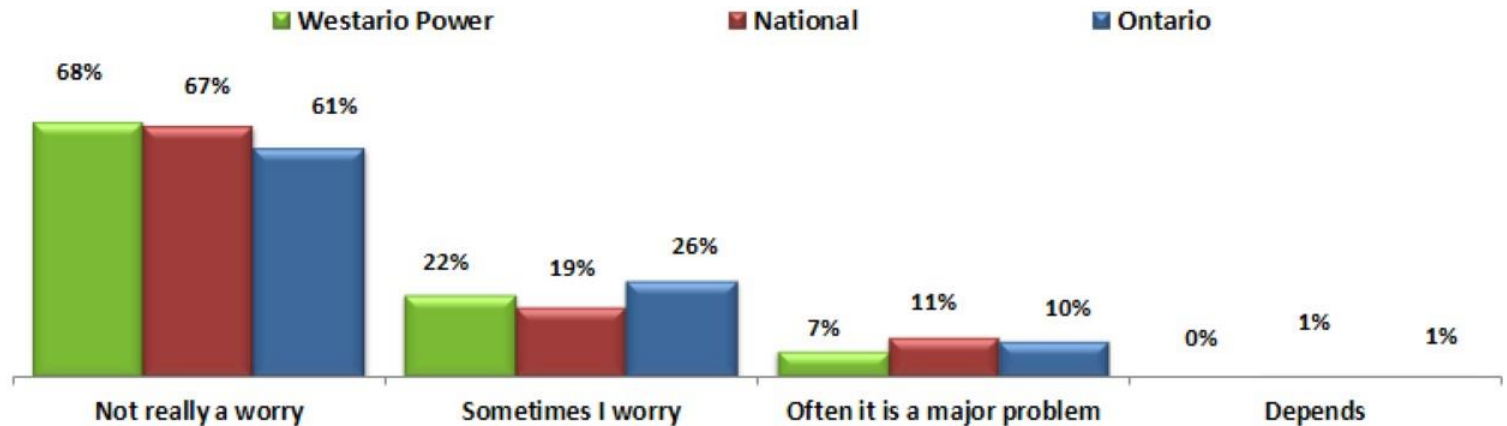


- 68% Agree ('strongly + somewhat') customers are confident that the electricity industry is able to keep up with technological changes
- 12% neither agree or disagree
- 15% Disagree ('strongly + somewhat') that the industry will keep up with changing technology
- 5% did not render an opinion or did not know

'Customer are confident in the electricity industry's ability to keep up with technological change' – do you agree?			
	Westario Power	Ontario	UtilityPULSE Database
Top 2 Boxes: 'Strongly + Somewhat Agree'	68%	59%	67%

Paying for electricity

Is paying for electricity a worry or a major problem?



Base: total respondents

Is paying for electricity a worry or a major problem?			
	kWh Group 1	kWh Group 2	kWh Group 3
Not really a worry	77%	66%	64%
Sometimes I worry	18%	22%	24%
Often it is a major problem	3%	8%	10%
Depends	0%	0%	1%

Base: total respondents

Group 1 represents 25% of the customer base derived from segmenting the customer data file into the first quartile of kWh usage.

Group 2 represents the middle 50% of the customer base; and

Group 3 represents the top quartile of kWh customers.

Group 1 uses the least amount of electricity on average, while Group 3 uses the most.

How can service be improved?

One or two most important things 'your local utility' could do to improve service	
	Westario Power
Better prices/lower rates	48%
Improve reliability of power	8%
Better outage information	6%
Staff related concerns; i.e. customer service	6%
Delivery charges	5%
Improve/simplify/clarify billing	4%
Better communication with customers	4%
Be more efficient	4%
Get involved in green energy	4%
Information & incentives on energy conservation	3%
Improve money management	3%

Base: total respondents with suggestions



"Better prices/lower rates..."

NUMBERS **at a Glance**



EXCELLENT!

	Westario Power	National	Ontario
	2017	2017	2017
Customer Satisfaction: Initial	94%	90%	85%
Customer Satisfaction: Post	92%	87%	81%
Overall Satisfaction with most recent experience	83%	74%	69%
Customer Experience Performance Rating (CEPr)	86%	83%	81%
Customer Centric Engagement Index (CCEI)	83%	78%	76%
Credibility & Trust Index	84%	80%	78%
UtilityPulse Report Card®	A	B+	B





Good things happen when work places work. You'll receive both strategic and pragmatic guidance about how to improve Customer & Employee satisfaction with leaders that lead and a front-line that is inspired. We provide: training, consulting, surveys, diagnostic tools and keynotes. The electric industry is a market segment that we specialize in.

Culture, Leadership & Performance – Organizational Development:
Leadership development, Management development, Change Leadership, Organizational Culture, Performance Management, Strategic Planning, Teambuilding

Focus Groups, Surveys, Polls, Diagnostics: Diagnostics i.e. Change Readiness, Leadership Effectiveness, Managerial Competencies, Surveys & Polls, Customer Focus Groups, Employee Focus Groups, Customer Satisfaction and Loyalty Benchmarking Surveys

Customer Service Excellence: Service Excellence Leadership, Sales Skills, Telephone Skills, Customer Care Dealing with Difficult Customers, Problem Solving

**For customer, employee or organization culture surveys,
your personal contact is:
Sid Ridgley**

**Phone: (905) 895-7900 Fax: (905) 905-895-7970
E-mail: sidridgley@utilitypulse.com or sridgley@simulcorp.com**





A Division of Simul Corporation

Electric Utility Customer Satisfaction Survey

**This is privileged and confidential material and no part may be used outside Westario Power Inc.
without written permission from Simul Corporation.**

**Copyright © 2017 Simul/UtilityPULSE. All rights reserved. Brand, logos and product names
referred to in this document are the trademarks or registered trademarks of their respective
companies.**

All comments and questions should be addressed to:

Sid Ridgley, Simul Corporation

UtilityPULSE division

Tel: 1-905-895-7900

email: sidridgley@utilitypulse.com or sridgley@simulcorp.com

