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,

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# Contents

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

# Exhibit 4 – Operating Expenses (OEB STAFF)

## 4-Staff-53 Please refile Appendices 2-JA, 2-JB, 2-JC, 2-K, and 2-L using 2017 actuals and compare to 2016.

a) Please explain any variances between the 2017 actual and forecasted amounts.

WPI Response:

a)
Appendix 2-JA

| Reporting Basis | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS |
|---|---|---|---|---|---|---|---|
| | 2013 Board Approved | 2013 | 2014 | 2015 | 2016 | 2017 Bridge Year | 2018 Test Year |
| Operations | $440,000 | $381,172 | $278,333 | $264,131 | $390,384 | $380,124 | $580,760 |
| Maintenance | $2,298,000 | $1,769,218 | $1,574,688 | $1,398,823 | $1,720,696 | $1,919,539 | $1,386,773 |
| Sub Total | $2,738,000 | $2,150,390 | $1,853,021 | $1,662,954 | $2,111,080 | $2,299,663 | $1,967,533 |
| % Change (year over year) | | -21.5% | -13.8% | -10.3% | 26.9% | 8.9% | -0.7% |
| % Change (Test Year vs Last Rebasing Year - Actual) | | | | | | | -28.1% |
| Billing and Collecting | $1,191,000 | $1,268,735 | $1,224,007 | $1,131,494 | $1,043,796 | $1,103,677 | $1,202,000 |
| Community Relations | $46,000 | $11,983 | $15,351 | $34,398 | $29,681 | $41,233 | $31,000 |
| Administrative and General | $2,194,200 | $2,278,629 | $2,132,273 | $2,380,340 | $2,547,440 | $2,743,886 | $2,760,500 |
| Property Tax | $33,000 | $36,453 | $35,704 | $34,605 | $34,097 | $35,034 | $35,000 |
| Subtotal | $3,464,200 | $3,595,800 | $3,407,335 | $3,580,836 | $3,655,014 | $3,923,830 | $4,028,500 |
| % Change (year over year) | | 3.8% | -5.2% | 5.1% | 2.1% | 7.4% | 7.3% |
| % Change (Test Year vs Last Rebasing Year - Actual) | | | | | | | 16.3% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total | $6,202,200 | $5,746,190 | $5,260,356 | $5,243,790 | $5,766,094 | $6,223,493 | $5,996,033 |
| % Change (year over year) | | -7.4% | -8.5% | -0.3% | 10.0% | 7.9% | 4.5% |

Operations do not have a significant change from 2016 to 2017 actuals.

Maintenance costs have increased by $242,433 from 2016 to 2017. The accounts that have changed by significant amounts are 5125 Maintenance of Overhead Conductors and Devices (increase of $108,898), 5135 Overhead Distribution Lines and Feeders – Right of Way (decrease of $68,684), 5150 Maintenance of Underground Conductors and Devices (increase of $110,318), 5175 Maintenance of Meters (increase of $60,452). Billing and collecting increased by $59,881 from 2016 to 2017. $57,876 of this change was driven by account 5335 Bad Debt Expense. This expense is a calculation of aged receivables pooled by age and multiplied by the likelihood of collectability. The increase in this account will, therefore, be due to larger pools of aged receivables which will be driven largely by the moratorium on disconnections and inability to go through then normal collections procedures with customers.

Community relations increased by $11,552 from 2016 to 2017, no significant changes in this account year over year.

Administration and General Expenses increased by $217,864 from 2016 to 2017. The significant changes in this category are 5605 Executive Salaries and Expenses (Increase of $276,586), 5610 Management Salaries and Expenses (Increase of 171,159), 5620 Office Supplies and Expenses (Decrease of $65,971), and 5630 Outside Services Employed (Decrease of $150,537). The reason for the increase in Executive Salaries and Expenses is due to a one-time HR adjustment. The reason for the increase in Management Salaries and Expenses of $171,159 is due to the position of Accounting Supervisor being filled for all of 2017, a position that was vacant for all of 2016, as well as the Customer Service Manager position being filled for all of 2017 while it was only filled for 8 months of 2016. The reason for the decrease in Office Supplies and Expenses was due to 2016 expenses being high due to computer maintenance costs that had previously been capitalized being corrected in 2016 resulting in higher expenses in the year. 2017 shows the return of a normalized level of spending in this account. The reason for the decrease in Outside Services Employed from 2016 to 2017 is that in 2016 there was approximately $71,000 spent on Management Training in the year in an effort to better train and retain management staff; this training was not duplicated in 2017. There was also approximately $50,000 spent on recruitment for the position of Accounting Supervisor and CFO in 2016 while no recruitment costs were incurred in 2017.

No significant changes in property tax from 2016 to 2017.

Appendix 2-JB

| Reporting Basis | Last CoS | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS |
|---|---|---|---|---|---|---|
| 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 | $6,223,493 |
| Customer Focus | | | | | | |
| Customer Service, Mailing Costs, Billing and Collections, LEAP | -$71,942 | $70,019 | -$34,025 | -$19,688 | -$34,474 | $139,610 |
| Bad Debts | $11,822 | $87,589 | -$75,936 | -$26,820 | $57,876 | -$23,531 |
| Meter Reading | $139,367 | -$202,583 | $16,703 | -$11,210 | $11,479 | -$4,756 |
| Operational focus | -$31,319 | -$662 | $148,872 | $19,698 | $74,385 | -$23,474 |
| Operational Effectiveness | | | | | | |
| Municipal Transformer Station -operating and maintenance costs | $75,050 | -$62,258 | -$95,963 | $44,178 | -$13,813 | $14,310 |
| Meters maintenance | -$1,987 | -$89,999 | -$8,703 | $183,682 | -$46,465 | -$89,569 |
| Overhead lines | $73,656 | -$31,946 | -$39,192 | $117,779 | $177,317 | -$136,180 |
| Distribution Transformers | -$42,163 | $12,840 | -$2,738 | -$33,478 | $46,841 | $52,698 |
| Services | -$292,635 | -$19,777 | -$16,825 | $77,824 | -$14,976 | -$21,573 |
| Tree trimming | -$309,569 | -$64,090 | $6,435 | $2,401 | -$68,684 | -$43,598 |
| Underground conduit | -$51,488 | -$2,987 | -$17,021 | $33,133 | $99,681 | -$116,318 |
| Poles Towers & Fixtures | -$5,590 | -$26,807 | -$27,864 | $67,241 | -$15,370 | -$51,186 |
| Administrative Wages, Financial, Legal, Professional and Insurance Services | $179,229 | -$101,443 | -$64,228 | -$82,759 | $261,394 | -$15,393 |
| IT, software, telecommunications, office supplies | -$70,476 | -$40,112 | $170,684 | $147,173 | -$64,971 | -$19,298 |
| Other | -$31,372 | -$12,592 | $11,061 | -$27,156 | $24,052 | $44,286 |
| Public and Regulatory Responsiveness | | | | | | |
| Regulatory & Compliance | -$26,593 | -$1,026 | $12,174 | $30,306 | -$36,873 | $66,512 |
| Closing Balance | $5,746,190 | $5,260,356 | $5,243,790 | $5,766,094 | $6,223,493 | $5,996,033 |

Bad Debts have increased by $57,876 from 2016 as a result of larger pools of overdue bills being incurred. The main reason for the increase in these pools of overdue bills is due to the moratorium resulting in Utilities inability to disconnect customers or having overdue accounts sent to collections agencies.

Operational Focus has increased by $74,385. While none of the accounts that make up this increase were individually material the main accounts that drove this increase was 5665 Miscellaneous General Expenses which increased by $25,598 and 5675 Maintenance of General Plant which increased by $29,428. The reason for the increase in 5665 was due to an additional $12,043 being spent on training courses in 2017 compared to 2016 and an increase of approximately $12,000 in board compensation as more frequent meetings were required in 2017 due to the board acting as interim CEO in the year and having additional meetings specifically related to the Cost of Service Application. The increase in Maintenance of General Plant is due to repairing the pole holders in the yard at the cost of $9,140. The pole holders had their steel ends which keep the poles on the concrete holders falling off and posed a safety risk. The yard was also graded as it had been several years since this had been completed and drainage was becoming a problem in many locations.

Overhead lines increased by $177,317 from 2016 to 2017. The reason for the increase was that in 2017 an additional 292 hours were spent performing line maintenance (2,139 hours in 2017 vs. 1,847 hours in 2016) and an additional 255 hours were spent on line-inspections (702 in 2017 vs. 447 in 2016). There was also $23,169 in pole rental costs that were included in 2017 while in 2016 the pole rental expenses had been netted against pole rental income.

Tree trimming expenses decreased by $68,684 from 2016 to 2017. The reason for the decrease was that less tree trimming expenses were required to be contracted out in 2017.

Underground Conduit increased by $99,681 from 2016 to 2017 due to increases in the number of underground line failures and increased boring costs.

Administrative Wages, Financial, Legal, Professional and Insurance Services increased by 261,394 from 2016 to 2017. The main reason for the increase in this account is due to account 5605 Executive Salaries and Expenses increasing by $276,586 due to a one-time HR adjustment. Account 5610 Management Salaries and Expenses increased by $171,159. The reason for the increase will be due to the position of Accounting Supervisor being filled for all of 2017 which was vacant for all of 2016 as well as the Customer Service Manager position being filled for all of 2017 while it was only filled for 8 months of 2016. Partially offsetting these 2 increases is a decrease in account 5630 Outside Services Employed of $150,537. The reason for the decrease is that in 2016 there was approximately $71,000 spent on Management Training in the year in an effort to better train and retain management staff, this training was canceled in 2017. There was also approximately $50,000 spent on recruitment for the position of Accounting Supervisor and CFO in 2016 while no recruitment costs were incurred in 2017.

## Appendix 2-JC

| | | | | | | | | Test Year Versus Most Current Actuals | Test Year Versus Last Rebasing |
|---|---|---|---|---|---|---|---|---|---|
| Reporting Basis | COS | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS | | |
| Programs | 2013 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Variance ($) | Variance ($) |
| | | | | | | | | | |
| Customer Focus | | | | | | | | | |
| Customer Service, Mailing Costs, Billing and Collections, LEAP | $840,500 | $768,558 | $838,577 | $804,552 | $784,864 | $750,390 | $890,000 | $139,610 | $49,500 |
| Bad Debts | $69,000 | $80,822 | $168,411 | $92,475 | $65,655 | $123,531 | $100,000 | -$23,531 | $31,000 |
| Meter Reading | $276,000 | $415,367 | $212,784 | $229,487 | $218,277 | $229,756 | $225,000 | -$4,756 | -$51,000 |
| Operational focus | $196,000 | $164,681 | $164,019 | $312,891 | $332,589 | $406,974 | $383,500 | -$23,474 | $187,500 |
| Sub-Total | $1,381,500 | $1,429,428 | $1,383,791 | $1,439,406 | $1,401,385 | $1,510,651 | $1,598,500 | $87,849 | $217,000 |
| | | | | | | | | | |
| Operational Effectiveness | | | | | | | | | |
| Municipal Transformer Station - operating and maintenance costs | $269,000 | $344,050 | $281,792 | $185,829 | $230,007 | $216,194 | $230,504 | $14,310 | -$38,496 |
| Meters maintenance | $254,000 | $252,013 | $162,014 | $153,311 | $336,993 | $290,528 | $200,959 | -$89,569 | -$53,041 |
| Overhead lines | $251,000 | $324,656 | $292,710 | $253,518 | $371,297 | $548,614 | $412,434 | -$136,180 | $161,434 |
| Distribution Transformers | $215,000 | $172,837 | $185,677 | $182,939 | $149,461 | $196,302 | $249,000 | $52,698 | $34,000 |
| Services | $585,000 | $292,365 | $272,588 | $255,763 | $333,587 | $318,611 | $297,038 | -$21,573 | -$287,962 |
| Tree trimming | $580,000 | $270,431 | $206,341 | $212,776 | $215,177 | $146,493 | $102,895 | -$43,598 | -$477,105 |
| Underground conduit | $115,000 | $63,512 | $60,525 | $43,504 | $76,637 | $176,318 | $60,000 | -$159,908 | -$55,000 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Poles Towers & Fixtures | $220,000 | $214,410 | $187,603 | $159,739 | $226,980 | $211,610 | $160,424 | -$51,186 | -$59,576 |
| Administrative wages, Financial, Legal, Professional and Insurance Services | $1,428,200 | $1,607,429 | $1,505,986 | $1,441,758 | $1,358,999 | $1,620,393 | $1,605,000 | -$15,393 | $176,800 |
| IT, software, telecommunications, office supplies | $507,000 | $436,524 | $396,412 | $567,096 | $714,269 | $649,298 | $630,000 | -$19,298 | $123,000 |
| Other | $231,000 | $199,628 | $187,036 | $198,097 | $170,941 | $194,993 | $239,279 | $44,286 | $8,279 |
| Sub-Total | $4,655,200 | $4,177,855 | $3,738,684 | $3,654,330 | $4,184,348 | $4,569,354 | $4,187,533 | -$425,411 | -$467,667 |
| Public and Regulatory Responsiveness | | | | | | | | | |
| Regulatory & Compliance | $165,500 | $138,907 | $137,881 | $150,055 | $180,361 | $143,488 | $210,000 | $66,512 | $44,500 |
| Sub-Total | $165,500 | $138,907 | $137,881 | $150,055 | $180,361 | $143,488 | $210,000 | $66,512 | $44,500 |
| | | | | | | | | | |
| TOTAL OM&A | $6,202,200 | $5,746,190 | $5,260,356 | $5,243,790 | $5,766,094 | $6,223,493 | $5,996,033 | -$271,050 | -$206,167 |

Please see answers above under appendix 2-JB for an explanation of variances from 2016 to 2017.

## Appendix 2-K

| | Last Rebasing Year – 2013 Board Approved | Last Rebasing Year -2013 - Actual | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Bridge Year | 2018 Test Year |
|---|---|---|---|---|---|---|---|
| ***Number of Employees (FTEs including Part-Time)***[1] | | | | | | | |
| Management (including executive) | 10 | 9 | 9 | 8 | 10 | 9 | 9 |
| Non-Management (union and non-union) | 26 | 24 | 22 | 24 | 24 | 24 | 26 |
| Total | 36 | 33 | 31 | 32 | 34 | 33 | 35 |
| ***Total Salary and Wages including overtime and incentive pay*** | | | | | | | |
| Management (including executive) | $ 1,035,130 | $ 1,008,219 | $ 1,089,224 | $ 1,014,285 | $ 1,040,398 | $ 1,288,242 | $ 1,101,293 |
| Non-Management (union and non-union) | $ 1,573,067 | $ 1,583,265 | $ 1,581,417 | $ 1,627,852 | $ 1,736,978 | $ 1,807,769 | $ 1,990,859 |
| Total | $ 2,608,200 | $ 2,591,484 | $ 2,670,641 | $ 2,642,137 | $ 2,777,376 | $ 3,096,011 | $ 3,092,152 |
| ***Total Benefits (Current + Accrued)*** | | | | | | | |
| Management (including executive) | $ 244,009 | $ 289,685 | $ 265,516 | $ 252,004 | $ 257,753 | $ 255,717 | $ 297,349 |
| Non-Management (union and non-union) | $ 411,710 | $ 434,527 | $ 398,274 | $ 378,006 | $ 386,629 | $ 424,904 | $ 554,189 |
| Total | $ 655,720 | $ 724,212 | $ 663,789 | $ 630,009 | $ 644,382 | $ 680,621 | $ 851,539 |
| ***Total Compensation (Salary, Wages, & Benefits)*** | | | | | | | |
| Management (including executive) | $ 1,279,142 | $ 1,297,904 | $ 1,354,740 | $ 1,266,289 | $ 1,298,151 | $ 1,543,959 | $ 1,398,642 |
| Non-Management (union and non-union) | $ 1,984,774 | $ 2,017,792 | $ 1,979,691 | $ 2,005,858 | $ 2,123,607 | $ 2,232,671 | $ 2,545,049 |
| Total | $ 3,263,916 | $ 3,315,696 | $ 3,334,430 | $ 3,272,146 | $ 3,421,758 | $ 3,776,630 | $ 3,943,691 |

While 2016 and 2017 staff levels are showing as being similar, 2016 saw a higher turnover of staff. Many positions were not filled for portions of the year.  The longer periods of staff retention in 2017 combined with one-time HR adjustment resulted in increased salaries and wages being paid in 2017 relative to 2016.

## Appendix 2-L

| | Last Rebasing Year - 2013- Board Approved | Last Rebasing Year - 2013- Actual | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Bridge Year | 2018 Test Year |
|---|---|---|---|---|---|---|---|
| Reporting Basis | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS |
| OM&A Costs | | | | | | | |
| O&M | $2,738,000 | $2,150,390 | $1,853,021 | $1,662,954 | $2,111,080 | $2,299,663 | $1,967,533 |
| Admin Expenses | $3,464,200 | $3,595,800 | $3,407,335 | $3,580,836 | $3,655,014 | $3,923,830 | $4,028,500 |
| Total Recoverable OM&A from Appendix 2-JB [5] | $6,202,200 | $5,746,190 | $5,260,356 | $5,243,790 | $5,766,094 | $6,223,493 | $5,996,033 |
| Number of Customers [2,4] | 22,876 | 22,695 | 22,808 | 22,855 | 23,064 | 23,380 | 23,319 |
| Number of FTEs [3,4] | 36 | 31.5 | 31 | 31.5 | 33 | 34 | 34.5 |
| Customers/FTEs | 635.44 | 720.48 | 735.73 | 725.56 | 698.91 | 687.65 | 675.92 |
| OM&A cost per customer | | | | | | | |
| O&M per customer | $119.69 | $94.75 | $81.25 | $72.76 | $91.53 | $98.36 | $84.37 |
| Admin per customer | $151.43 | $158.44 | $149.40 | $156.68 | $158.47 | $167.83 | $172.76 |
| Total OM&A per customer | $271.12 | $253.19 | $230.64 | $229.44 | $250.00 | $266.19 | $257.13 |
| OM&A cost per FTE | | | | | | | |
| O&M per FTE | $ 76,056 | $68,266 | $59,775 | $52,792 | $63,972 | $ 67,637 | $57,030 |
| Admin per FTE | $ 96,228 | $114,152 | $109,914 | $113,677 | $110,758 | $ 115,407 | $116,768 |
| Total OM&A per FTE | $ 172,284 | $182,419 | $169,689 | $166,470 | $174,730 | $ 183,044 | $173,798 |

Please see above responses regarding the increase in 2017 OM&A costs over 2016.

b)

## Appendix 2-JA

| Reporting Basis | MIFRS | MIFRS | MIFRS |
|---|---|---|---|
| | 2017 Budgeted | 2017 Actual | Difference |
| Operations | $419,927 | $380,124 | -$39,803 |
| Maintenance | $1,560,909 | $1,919,539 | $402,220 |
| Sub Total | $1,980,836 | $2,299,663 | $362,417 |
| % Change (year over year) | -6.2% | 8.9% | |
| % Change (Test Year vs Last Rebasing Year - Actual) | | | |

| | | | |
|---|---|---|---|
| Billing and Collecting | $1,130,000 | $1,103,677 | -$26,323 |
| Community Relations | $30,000 | $41,233 | $11,233 |
| Administrative and General | $2,561,000 | $2,743,886 | $182,886 |
| Property Tax | $35,000 | $35,034 | $34 |
| Subtotal | $3,756,000 | $3,923,830 | $167,830 |
| % Change (year over year) | 2.8% | 7.4% | |
| % Change (Test Year vs Last Rebasing Year - Actual) | | | |
| Total | $5,736,836 | $6,223,493 | $530,247 |
| % Change (year over year) | -0.5% | 7.9% | |

Operations actuals costs were $39,803 less than the budgeted amount. The main accounts that have caused this decrease are 5017 Distribution Station Equipment – Operation Supplies and Expenses (decrease of $36,000), 5020 Overhead Distribution Lines and Feeders – Operation Labour (decrease of $34,807), 5035 Overhead Distribution Transformers – Operation (decrease of $34,739), and 5040 Underground Distribution Lines and Feeders – Operation Labour (increase of $61,131).

Maintenance actual costs are $402,220 higher than the budgeted amount. The main accounts that have caused this increase are 5114 Maintenance of Distribution Station Equipment (increase of $42,925), 5120 Maintenance of Poles, Towers, and Fixtures (increase of $86,038), 5125 Maintenance of Overhead Conductors and Devices (increase of $47,253), 5145 Maintenance of Underground Conduit (increase of $35,354), 5150 Maintenance of Underground Conductors and Devices (increase of $58,337), and 5175 Maintenance of Meters (increase of 101,666). Account 5175 was higher due to cross phase testing that was completed in the year that was a one-time expenditure and not included in the 2017 budget. Other maintenance accounts were higher due to an increased amount of storm response necessary as well as performing increased inspections and related maintenance in 2017 that was higher than the amount that had been originally budgeted. It is not expected that this level of inspections and maintenance will be performed every year going forward.

No significant variance in Billing and Collecting.

Administrative and General is higher due to a one-time HR adjustment that went through in 2017 that wasn't budgeted.

Appendix 2-JB

| | | | |
|---|---|---|---|
| Reporting Basis | MIFRS | MIFRS | MIFRS |

| OM&A | 2017 Budget | 2017 Actuals | Difference |
|---|---|---|---|
| Opening Balance | $5,766,094 | $5,766,094 | $- |
| Customer Focus | | | |
| Customer Service, Mailing Costs, Billing and Collections, LEAP | $43,136 | -$34,474 | -$77,610 |
| Bad Debts | $34,345 | $57,876 | $23,531 |
| Meter Reading | -$3,277 | $11,479 | $14,756 |
| Operational focus | $42,411 | $74,385 | $31,974 |
| Operational Effectiveness | | | |
| Municipal Transformer Station -operating and maintenance costs | -$17,182 | -$13,813 | $3,369 |
| Meters maintenance | -$147,717 | -$46,465 | $101,252 |
| Overhead lines | $149,603 | $177,317 | $27,714 |
| Distribution Transformers | $71,950 | $46,841 | -$25,109 |
| Services | -$44,312 | -$14,976 | $29,336 |
| Tree trimming | -$99,583 | -$68,684 | $30,899 |
| Underground conduit | $49,580 | $99,681 | $50,101 |
| Poles Towers & Fixtures | -$101,408 | -$15,370 | $86,038 |
| Administrative Wages, Financial, Legal, Professional and Insurance Services | $121,001 | $261,394 | $140,393 |
| IT, software, telecommunications, office supplies | -$94,269 | -$64,971 | $29,298 |
| Other | $8,825 | $24,052 | $15,227 |
| Public and Regulatory Responsiveness | | | |
| Regulatory & Compliance | -$42,361 | -$36,873 | $5,488 |
| Closing Balance | $5,736,836 | $6,267,083 | $530,247 |

Please see above explanations under 2-JA

## Appendix 2-JC

| | | | |
|---|---|---|---|
| Reporting Basis | MIFRS | MIFRS | MIFRS |
| Programs | 2017 Budget | 2017 Actuals | Difference |
| | | | |
| Customer Focus | | | |
| Customer Service, Mailing Costs, Billing and Collections, LEAP | $828,000 | $750,390 | -$77,610 |
| Bad Debts | $100,000 | $123,531 | $23,531 |
| Meter Reading | $215,000 | $229,756 | $14,756 |
| Operational focus | $375,000 | $406,974 | $31,974 |
| Sub-Total | $1,518,000 | $1,510,651 | -$7,349 |
| | | | |
| Operational Effectiveness | | | |
| Municipal Transformer Station - operating and maintenance costs | $212,825 | $216,194 | $3,369 |
| Meters maintenance | $189,276 | $290,528 | $101,252 |
| Overhead lines | $520,900 | $548,614 | $27,714 |
| Distribution Transformers | $221,411 | $196,302 | -$25,109 |
| Services | $289,275 | $318,611 | $29,336 |
| Tree trimming | $115,594 | $146,493 | $30,899 |
| Underground conduit | $126,217 | $219,908 | $93,691 |
| Poles Towers & Fixtures | $125,572 | $211,610 | $86,038 |
| Administrative wages, Financial, Legal, Professional and Insurance Services | $1,480,000 | $1,620,393 | $140,393 |
| IT, software, telecommunications, office supplies | $620,000 | $649,298 | $29,298 |
| Other | $179,766 | $194,993 | $15,227 |
| Sub-Total | $4,080,836 | $4,612,944 | $532,108 |
| Public and Regulatory Responsiveness | | | |
| Regulatory & Compliance | $138,000 | $143,488 | $5,488 |
| Sub-Total | $138,000 | $143,488 | $5,488 |
| | | | |
| TOTAL OM&A | $5,736,836 | $6,267,083 | $530,247 |

## Appendix 2-K

| | 2017 Budget | 2017 Actuals | Difference |
|---|---|---|---|
| ***Number of Employees (FTEs including Part-Time)[1]*** | | | |
| Management (including executive) | 8 | 9 | 1 |
| Non-Management (union and non-union) | 26 | 24 | -2 |
| Total | 34 | 33 | -1 |
| ***Total Salary and Wages including overtime and incentive pay*** | | | |
| Management (including executive) | $1,079,699 | $ 1,288,242 | $208,543 |
| Non-Management (union and non-union) | $1,951,823 | $ 1,807,769 | -$144,054 |
| Total | $3,031,522 | $ 3,096,011 | $64,489 |
| ***Total Benefits (Current + Accrued)*** | | | |
| Management (including executive) | $291,519 | $ 255,717 | -$35,802 |
| Non-Management (union and non-union) | $543,323 | $ 424,904 | -$118,419 |
| Total | $834,842 | $ 680,621 | -$154,221 |
| ***Total Compensation (Salary, Wages, & Benefits)*** | | | |
| Management (including executive) | $1,371,218 | $ 1,543,959 | $172,741 |
| Non-Management (union and non-union) | $2,495,146 | $ 2,232,673 | -$262,473 |
| Total | $3,866,364 | $ 3,776,632 | -$89,732 |

The difference between the budgeted and actual numbers for employees is that a position that was previously non-management was moved to become a management position. This was for an accounting clerk to become a financial analyst. The increase in Management salary and wages was to do with a one-time HR restructuring. The decrease in non-management salary and wages is to do with a position being moved from non-management to management. The benefits were calculated using an improper calculation percentage for 2017 and 2018. This improper calculation was only on this schedule and not reflected in the OM&A GL accounts.

## Appendix 2-L

| | 2017 Budgets | 2017 Actuals | Difference |
|---|---|---|---|
| Reporting Basis | MIFRS | MIFRS | MIFRS |
| OM&A Costs | | | |
| O&M | $1,980,836 | $2,343,253 | $362,417 |
| Admin Expenses | $3,756,000 | $3,923,830 | $167,830 |

| | | | |
|---|---|---|---|
| Total Recoverable OM&A from Appendix 2-JB [5] | $5,736,836 | $6,267,083 | $530,247 |
| Number of Customers [2,4] | 23,191 | 23,380 | 189 |
| Number of FTEs [3,4] | 33 | 34 | 1 |
| Customers/FTEs | 702.76 | 687.65 | -15.11 |
| OM&A cost per customer | | | |
| O&M per customer | $85.41 | $100.22 | $14.81 |
| Admin per customer | $161.96 | $167.83 | $5.87 |
| Total OM&A per customer | $247.37 | $268.05 | $20.68 |
| OM&A cost per FTE | | | |
| O&M per FTE | $60,025 | $ 68,919 | $8,894 |
| Admin per FTE | $113,818 | $ 115,407 | $1,589 |
| Total OM&A per FTE | $173,843 | $ 184,326 | $10,483 |

All variances have been described above.

## 4-Staff-54

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

WPI Response:

Westario Power does not have any major OM&A program wrapping up in the test year. Our OM&A programs have been consistent over the years and followed Westario Power's Asset Management Plan and closely follows the requirements in the OEB - the Distribution System Code. (Appendix C)

## 4-Staff-55

**Ref: Exhibit 4, page 13**

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

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

WPI Response:

a) Westario Power continues to encourage its customer base to switch to electronic billing through correspondence on our website, Twitter, Facebook and throughout phone calls. Westario Power incentivized consumers in 2017 with an electronic billing contest, which yielded an increase in new enrollments by 12.2%.

b) Currently, Westario Power has 30% of its customer base enrolled in electronic billing. Comments received from phone calls and front desk interactions provide instantaneous feedback.

c) An aging demographic appears to be a fundamental driver in the uptake of electronically billed customers. Factors include an unwillingness to change from status quo, customers wanting a paper copy to ensure they don’t miss payments as well as for their own filing purposes.

d) Westario Power will continue to encourage its customer base to switch to electronic billing through our website, social media accounts and throughout phone calls. We have recently switched to a newly formatted “Move-In” application that provides customers an opportunity to select e-billing from the account setup stage of their account process.

## 4-Staff-56

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

WPI has "changed the account allocation of its Board of Director expenses," a $145,211 amount, to Operational Focus from Wages Administrative, Financial, Legal, Professional and Insurance Services. In spite of this, the later has increased $176,800. Had the accounting not changed, the total increase would have been $322,011 (22.5%). WPI states that the increase is due to hiring two staff members, one to its finance team, and one to its customer service call center team. At Exhibit 1, WPI "expects that over the planning horizon of this report the customer base will continue to experience low growth, approximately 1% annually."

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

WPI Response:

a) Westario has not increased staff with respect to historical #'s but has just filled vacancies that were vacated in 2016 in 2017.

b) As per above, these were not net new positions.

c) Filling the vacant positions is supported by the change in Utility Pulse survey results 2015 vs. 2017.

# 4-Staff-57

**Benchmarking**

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

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

## WPI Response:

The majority of increases are dictated by the collective agreement. Increases in the collective agreement are based on a negotiated settlement and reflect historical CPI increases; management salary increases reflect historical CPI increases.

# 4-Staff-58

**Compensation Strategy**

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

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

WPI Response:

a) Compensation for union members is set out in the collective agreement. The levels of pay are designed to reflect the market in order to be competitive and therefore attract and retain qualified personnel. For Management employees' compensation is determined by the board of directors who use industry studies to determine pay levels for each management position. The board of directors also determines the amount of short-term incentive pays for management each year.

b) Appendix 2-K was filed with an incorrect estimate of the benefits amounts for 2017 and 2018. However, the amounts budgeted into the OM&A and capital accounts related to labour were reflective of the correct estimates. Appendix 2-K is included below with updated numbers in the 2017 and 2018 years. The increase in 2018 total compensation over 2013 Board Approved is $514,144 or 2.47% per year.

| | Last Rebasing Year – 2013 Board Approved | Last Rebasing Year -2013 - Actual | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Bridge Year | 2018 Test Year |
|---|---|---|---|---|---|---|---|
| ***Number of Employees (FTEs including Part-Time)[1]*** | | | | | | | |
| Management (including executive) | 10 | 9 | 9 | 8 | 10 | 9 | 9 |
| Non-Management (union and non-union) | 26 | 24 | 22 | 24 | 24 | 25 | 26 |
| Total | 36 | 33 | 31 | 32 | 34 | 34 | 35 |
| ***Total Salary and Wages including overtime and incentive pay*** | | | | | | | |
| Management (including executive) | 1,035,130 | $ 1,008,219 | $ 1,089,224 | $ 1,014,285 | $ 1,040,398 | $ 1,288,242 | $ 1,101,293 |
| Non-Management (union and non-union) | 1,573,067 | $ 1,583,265 | $ 1,581,417 | $ 1,627,852 | $ 1,736,978 | $ 1,807,769 | $ 1,990,859 |
| Total | 2,608,200 | $ 2,591,484 | $ 2,670,641 | $ 2,642,137 | $ 2,777,376 | $ 3,096,011 | $ 3,092,152 |
| ***Total Benefits (Current + Accrued)*** | | | | | | | |
| Management (including executive) | 244,009 | $ 289,685 | $ 265,516 | $ 252,004 | $ 257,753 | $ 255,717 | $ 218,056 |
| Non-Management (union and non-union) | 411,710 | $ 434,527 | $ 398,274 | $ 378,006 | $ 386,629 | $ 424,904 | $ 467,852 |
| Total | 655,720 | $ 724,212 | $ 663,789 | $ 630,009 | $ 644,382 | $ 680,621 | $ 685,908 |
| ***Total Compensation (Salary, Wages, & Benefits)*** | | | | | | | |
| Management (including executive) | 1,279,142 | $ 1,297,904 | $ 1,354,740 | $ 1,266,289 | $ 1,298,151 | $ 1,543,959 | $ 1,319,349 |
| Non-Management (union and non-union) | 1,984,774 | $ 2,017,792 | $ 1,979,691 | $ 2,005,858 | $ 2,123,607 | $ 2,232,671 | $ 2,458,711 |
| Total | 3,263,916 | $ 3,315,696 | $ 3,334,430 | $ 3,272,146 | $ 3,421,758 | $ 3,776,630 | $ 3,778,060 |

## 4-Staff-59

**Benefits from Operations Increases**

**Ref: Exhibit 4, page 23**

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

WPI Response:

a) Essentially there was no increase in the 2013 to 2017 OM&A levels; due to forecasting a full staff complement being in place for 2018 there will be an expected increase in OM&A costs. About 25% of the increase relates to expenses focused on customer interactions and creating a high-quality customer experience. About 25% of the increase relates to costs incurred to ensure that all areas of WPI operate in an efficient and organized manner and provide support for all staff and therefore ultimately flow to the customer. The other major increases are in IT, software, telecommunications and office supplies. The IT, software, telecommunications, and office supplies costs are necessary for the office staff to be able to complete their day to day activities and ensure that they have adequate supplies, equipment, and IT support to address customer needs timely and efficiently.
b) These benefits and costs have not been directly communicated to customers.

## 4-Staff-60 L

**Ref: Exhibit 4, pages 12, 17, 35**

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

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

WPI Response:

a) WPI has completed the work carry over from 2013 in the proceeding years of our tree trimming program. Westario Power is now in a comfortable position to continue cycle tree trimming every 3 years within the various communities in its service territory on budget and on time through the help of dedicated contractors who have over the years built a strong partnership with WPI.

b) WPI had not completed all the tree trimming activities in the Palmerton, Teeswater, and Walkerton in 2012 and 2013. However, the carry forward tree trimming work was finally completed in 2014 and later years and Westario is back on track with its 3 years cycle tree trimming program.

## 4-Staff-61

**Ref: Exhibit 4, page 18**

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

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

WPI Response:

a) WPI is aware of this, and it has been discussed at a high level and has been highlighted as an area for continuous improvement. Alternatives such as the broader IT market and utilization of in-house resources will be considered.

b) See a) above

c) Qualified IT staff do not reside in-house, a cost-benefit justification will have to be developed on a go forward basis.

# 4-Staff-62

**Ref: Exhibit 4, pages 17-18**

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

WPI Response:

These costs are essentially one-offs due to the costs associated with the Cost of Service and leveraging current staff is not feasible either due to time constraints or lack of expertise. All other regulatory responsibilities are conducted in-house. WPI will continue to use experienced consultants where necessary for specialized regulatory matters where the experience and expertise are not available internally. However, in areas pertaining to the Distribution System Plan (DSP) and other technical reporting requirements, Westario has a planning and design Engineer and a Vice President of Operations with 25 years of utility experience on staff that can be leveraged to perform a greater proportion of the technical, regulatory requirements. WPI also believes that it is equally important to engage with consultants that can perform specific testing and analysis of its asset conditions which can be incorporated into its overall asset management plans and DSP.

## 4-Staff-63

**Ref: Exhibit 4, page 21**

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

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

### WPI Response:

All staff that was a part of Westario at any point in the year have been included below.

| Year | Apprentices | Journeymen |
|---|---|---|
| 2013 | 1 | 9 |
| 2014 | 1 | 9 |
| 2015 | 2 | 8 |
| 2016 | 2 | 8 |
| 2017 | 2 | 8 |

## 4-Staff-64

**Ref: Exhibit 4, pages 38-39**

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

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

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

WPI Response:

The remaining difference is made up as follows

| | |
|---|---|
| 5105 – Maintenance Supervision and Engineering | $247 |
| 5110 – Maintenance of Buildings and Fixtures – Dist. Stations | ($2,570) |
| 5120 – Maintenance of Poles, Towers, and Fixtures | ($26,807) |
| 5125 – Maintenance of O/H Conductors and Devices | ($6,108) |
| 5130 – Maintenance of Overhead Services | ($9,520) |
| 5155 – Maintenance of Underground Services | ($10,257) |
| 5160 – Maintenance of Line Transformers | $9,460 |
| 5170 – Sentinel Lights – Labour | $3,031 |
| 5175 – Maintenance of Meters | ($26,425) |
| **Total:** | **($68,949)** |

The difference is spread across a number of accounts. For account 5120 approximately $21,000 was contracted out on pole testing in 2013, and none was spent in 2014. For account 5175 deferred Smart Meter OM&A costs were expensed in 2013 resulting in 2013 being higher than usual, 2014 reflects a return to a normalized level of spending.

## 4-Staff-65

**Ref: Exhibit 4, pages 39-42**

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

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

WPI Response:

a) The remaining difference is made up as follows

| | |
|---|---|
| 5105 – Maintenance Supervision and Engineering | $744 |
| 5110 – Maintenance of Buildings and Fixtures – Dist. Stations | $3,068 |
| 5120 – Maintenance of Poles, Towers, and Fixtures | ($27,864) |
| 5125 – Maintenance of O/H Conductors and Devices | ($34,945) |
| 5130 – Maintenance of Overhead Services | ($3,757) |
| 5135 – Overhead Distribution Lines and Feeders – Right of Way | $6,435 |
| 5145 – Maintenance of Underground Conduit | ($1,376) |
| 5150 – Maintenance of Underground Conductors and Devices | ($15,645) |
| 5155 – Maintenance of Underground Services | ($13,069) |
| 5160 – Maintenance of Line Transformers | ($5,320) |
| 5170 – Sentinel Lights – Labour | ($361) |
| 5175 – Maintenance of Meters | $14,141 |
| **Total:** | **$77,949** |

Account 5125 had a decrease due to an IFRS reclassification.

b) After further analysis it has been determined that the amount of spending in this account reflects emergency work that is to be completed. The actual required emergency spending in 2014 was lower than what had been budgeted and therefore did not result in any backlog of work being left incomplete.

## 4-Staff-66

**Ref: Exhibit 4, pages 39-42**

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

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

WPI Response:

a) No. It carried forward to 2015.

b) There was a decrease of $20K in 2015 vs. 2014

## 4-Staff-67

**Ref: Exhibit 4, pages 43-44**

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

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

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

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

WPI Response:

a) $92K of directors' fees were charged in 2015 to agree with the USoA; these were not recorded in that account in 2014.

b) $60K was due to the inclusion of bank fees in 2015 that had previously been grouped with interest expense This change was made in 2015 to agree with the uniform system of accounts. There was also an increase in communication expense of $10K.

## 4-Staff-68

**Ref: Exhibit 4, pages 45**

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

WPI Response:

Bad debt expense decreased by $27K and due to temporary vacancies in staff positions labour related expenses decreased by $58K.

# 4-Staff-69

**Ref: Exhibit 4, page 47**

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

WPI Response:

The year over year changes for 2016 vs 2017 Operations accounts are as follows:

| | |
|---|---|
| 5016 – Distribution Station Equipment – Operation Labour | $13,759 |
| 5017 – Distribution Station Equipment – Operation Supp. and Exp | $36,000 |
| 5020 – Overhead Distribution Lines and Feeders – Operation Lab. | $80,056 |
| 5035 – Overhead Distribution Transformers – Operation | $44,883 |
| 5040 – Underground Distribution Lines and Feeders – Ops. Lab. | ($38,372) |
| 5065 – Meter Expense | ($126,385) |
| 5085 – Miscellaneous Distribution Expense | $11,700 |
| 5095 – Overhead Distribution Lines and Feeders – Rental Paid | $7,902 |
| **Total:** | **$29,543** |

Only accounts that had year over year variances exceeding materiality had been explained.

## 4-Staff-70

**Ref: Exhibit 4, page 51**

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

WPI Response:

The year over year changes for 2017 vs 2018 Operations accounts are as follows:

| | |
|---|---|
| 5005 – Operation Supervision and Engineering | $20,000 |
| 5016 – Distribution Station Equipment – Operation Labour | ($1,000) |
| 5017 – Distribution Station Equipment – Operation Supp. and Exp | $4,000 |
| 5020 – Overhead Distribution Lines and Feeders – Operation Lab. | $59,225 |
| 5035 – Overhead Distribution Transformers – Operation | $6,117 |
| 5040 – Underground Distribution Lines and Feeders – Ops. Lab. | $35,003 |
| 5055 – Underground Distribution Transformers – Operation | $38,000 |
| 5065 – Meter Expense | ($2,610) |
| 5095 – Overhead Distribution Lines and Feeders – Rental Paid | $2,098 |
| **Total:** | **$160,833** |

The other accounts with non-material changes that have driven this change are:

5005 – Increase as WPI will start tracking supervision and engineering time separately so that it is not included in other operations accounts. This account is offset by decreases allocated to all other accounts where the time would have been allocated before.
5040 – The 2018 level of spending is consistent with 2016 and lower than 2017 actual spending of $188,407.
5055 – Increase in planned inspections of underground transformers.

## 4-Staff-71

**Ref: Exhibit 4, page 51**

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

WPI Response:

The year over year changes for 2017 vs 2018 Maintenance accounts are as follows:

| | |
|---|---|
| 5105 – Maintenance Supervision and Engineering | $15,000 |
| 5110 – Maintenance of Buildings and Fixtures – Dist. Stations | ($6,664) |
| 5114 – Maintenance of Distribution Station Equipment | $24,343 |
| 5120 – Maintenance of Poles, Towers, and Fixtures | $34,852 |
| 5125 – Maintenance of O/H Conductors and Devices | ($169,789) |
| 5130 – Maintenance of Overhead Services | $4,960 |
| 5135 – Overhead Distribution Lines and Feeders – Right of Way | ($12,699) |
| 5145 – Maintenance of Underground Conduit | ($2,688) |
| 5150 – Maintenance of Underground Conductors and Devices | ($63,529) |
| 5155 – Maintenance of Underground Services | $2,803 |
| 5160 – Maintenance of Line Transformers | ($16,528) |
| 5170 – Sentinel Lights – Labour | ($490) |
| 5175 – Maintenance of Meters | $14,293 |
| **Total:** | **$176,136** |

Other than accounts 5215 and 5150, the following accounts affected the variances.

5105 - Increase as WPI will start tracking supervision and engineering time separately so that it is not included in other maintenance accounts. This account is offset by decreases allocated to all other accounts where the time would have been allocated before.
5114 – More maintenance planned in accordance with increased inspections.
5120 – More maintenance planned in accordance with increased inspections.

## 4-Staff-72

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

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

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

WPI Response:

Bad debt expense is forecast to increase $35K, filling a vacant position in customer service for a full year +$30K and a customer service manager for a full year of $40K.

## 4-Staff-73

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

OEB staff notes that the 2018 test year PILs provision incorporates a taxable income of $1,809,788. However, the taxable income amount has not been updated to reflect the OEB's November 23, 2017 letter for updated 2018 cost of capital parameters.

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

WPI Response:

The PILs model filed along with these responses has been updated accordingly.

# 4-Staff-74

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

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

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

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

WPI Response:

a) The PILs model had an incorrect amount of amortization expense entered. These figures have been updated in the PILs model.

b) PILs model has been updated to reflect the correct 2017 and 2018 figures.

# 4-Staff-75

**Ref: Exhibit 4, Pension & OPEB**

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

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

WPI Response:

a) The Pension amount included in the 2018 revenue requirement is approximately $295K; there is no amount in the revenue requirement for OPEB.

b) There is no actuarial adjustment in rates.

c) The amounts included in rates for pension are the company portion of contributions only, there are no OPEB amounts in rates.

d) There are no OPEB amounts in rates.

# Exhibit 4 – Operating Expenses (SEC)

## 4-SEC-25

[Ex.4, p.17] With respect to tree trimming:

a. Ex.1, p.39] Please confirm that the only items surveyed by UtilityPulse in which a majority of customers were willing to pay more was for tree trimming.
b. Please confirm that the Applicant is reducing its tree-trimming budget in the test year.

WPI Response:

a) Customers (70%) also indicated that they were willing to pay more for replacing aging equipment to improve safety and reliability and the majority indicated they would pay more for upgrading equipment.

b) Yes, the tree trimming budget is being reduced in the test year due to a planned program with a new vendor in 2017. The amount of tree trimming is not significantly different from the previous plan

# 4-SEC-26

[Ex.4, p.21] Please breakout Table 4 to show for each year, how many employees who vacated a position retired, left for another position, or left for other reasons.

## WPI Response:

a) Updated tables are as follows:

| *Management* | | | | | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Opening Balance | 7 | 9 | 7 | 9 | 6 |
| Hired | 2 | 2 | 5 | 2 | 3 |
| Left for other reasons | - | -4 | -3 | -3 | -1 |
| Retired | - | - | - | -2 | - |
| Change in Position | - | - | - | - | 1 |
| Other | - | - | - | - | - |
| Closing Balance | 9 | 7 | 9 | 6 | 9 |

| *Trades* | | | | | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Opening Balance | 7 | 9 | 8 | 9 | 9 |
| Hired | 3 | 1 | 2 | 1 | 1 |
| Left for other reasons | -1 | -2 | - | -1 | - |
| Retired | - | - | -1 | - | - |
| Other | - | - | - | - | - |
| Closing Balance | 9 | 8 | 9 | 9 | 10 |

| *Office* | | | | | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Opening Balance | 16 | 16 | 15 | 15 | 15 |
| Hired | - | 3 | 1 | 1 | 3 |
| Left for other reasons | - | -4 | - | - | -1 |
| Retired | - | - | -1 | - | -1 |
| Change in Position | - | - | - | - | -1 |
| Other | - | - | - | -1 | - |
| Closing Balance | 16 | 15 | 15 | 15 | 15 |

## 4-SEC-27

[Ex.4, p.26] How has the Applicant included the impact of the Fair Hydro Plan on the test year bad debt expense?

WPI Response:

a) The impact of the Fair Hydro Plan was incorporated net of the impact of the planned moratorium on disconnection. Bad debt expense increased by $35K from 2016 – 2017 and remained the same as 2017 in 2018. The impact of the Fair Hydro Plan on bad debt expense is forecast to be minimal initially due to Westario's bad debt write off policy.

## 4-SEC-28

[Ex.4, p.68, Appendix 2-K] Please confirm the Number of Employees (FTE) information provided in Appendix 2-K is as of the end of the calendar year, please revise the table to show the Number of Employees on a full year basis. For example, an employee who was with the company for a half year would represent 0.5 FTEs.

WPI Response:

a) The number of employees (FTE) in Appendix 2-K is an average of the number of employees in each position rounded to the nearest whole unit. No revised table prepared as this table already reflects this.

# 4-SEC-29

[Ex.4, p.73] With respect to the Short-Term Incentive (STI) Compensation:

a. Please provide the documents provided to employees that outline the STI compensation program
b. What percentage of an eligible employee's compensation is made up of STI compensation?
c. What percentage of STI compensation is made up of personal versus corporate goals?
d. Please provide a copy of the 2016-2018 'corporate goals' and the targets.
e. For each of the last 3 years, please provide the maximum potential STI pay, and the amount awarded.

WPI Response:

a) Annual Incentive Goals and Metrics are presented at Appendix J

b) Management employee's compensation from STIs is based off a percentage of their annual salary. While the ranges will vary for different levels of management for the years 2013-2016 the maximum STI compensation for any employee was 30%. For 2017 and forward the maximum is 25%.

c) For the years 2013 to 2017 in order for STI compensation to be paid the corporate goal of achieving 90% of profitability must have been met. If this corporate goal was met employees were eligible for STI compensation based on their short-term incentive plan targets which they would set up each year. A template of Performance Measures).
Is presented at Appendix K.

d) The corporate goal for 2016 and 2017 was to meet 90% of budgeted profitability. 2018 corporate goals and targets are outlined in part a) above.

e) Maximum and actual payouts for 2015-2017 are as follows:

2015 maximum = $82,800, actual = $86,400. Actual exceeded maximum due to vacancies in the executive team that year resulting in a member of management covering multiple roles and therefore they were deemed eligible for the STI compensation for the additional role they were covering.
2016 maximum = $117,787.50, actual = $102,387.50
2017 maximum = $155,422.51, actual = $155,422.51

## 4-SEC-30

[Ex.4, p.51] Please explain any material variances between 2017 forecast and actual OM&A expenses.

WPI Response:

Refer to 4-Staff 53

## 4-SEC-31

[Ex.4, p.51] Please provide a full breakdown of the difference in 2017 and 2018 costs for both operations and maintenance.

WPI Response:

Please refer to 4-Staff-53.

# 4-SEC-32

[Ex.4, p.68-69] With respect to staffing:

a. Please provide a job description and justification for all new positions created since 2013.
b. Please confirm that the 35 employees currently forecast for the test year represent the full complement of staff.
c. How many FTEs does the Applicant currently have?
d. If there are current vacancies, please provide details regarding the position and when the Applicant forecasts to fill the position.

WPI Response:

a) The Metering Technician Description is presented at Appendix L
The Financial Analyst Description is presented at Appendix M

b) 35 employees forecasted for 2018 represents the full complement of staff.

c) Westario currently has 34 employees.

d) The CEO position is currently being filled by the VP Operations. There are no plans to fill the VP Operations position during 2018, this position will be filled in 2019. Ccurrently there is a position posted for a new Health and Safety Coordinator, this is a new position for WPI and is planned to be filled mid 2018.

## 4-SEC-33

[Ex.4, p.85] Please provide a breakdown of consultants' costs by consultant.

### WPI Response:

| | |
|---|---|
| Application Consulting Tandem Energy | $45,000 |
| Application DSP Costello associates | $112,000 |
| Interrogatories – Consulting (TESI) | $12,000 |
| Interrogatories – DSP Costello | $2,500 |
| Settlement – Consulting (TESI) | $7,000 |
| Total Cost of Service Filing Costs | $178,500 |

## 4-SEC-34

[Ex.4, p.88] Please confirm that the charitable donations have not been included in the OM&A costs for the historic and bridge years?

WPI Response:

a) Charitable donations have not been included in the OM&A costs for the historical and bridge years.

# Exhibit 4 – Operating Expenses (VECC)

## 4.0-VECC-24

Reference: Exhibit 4

a) Please revise Appendix 2-JA and Appendix 2-JC to show 2017 actual (unaudited) results.

WPI Response:

a) Please see 4-Staff-53 for an updated Appendix 2-JA and 2-JC with 2017 actual results.

## 4.0-VECC-25

Reference: Exhibit 4, page 14

a) Please provide the actual bad debt cost in 2017.
b) Please explain how the bad debt cost for 2018 was derived.
c) At page 14 of the evidence WPI states: "*With the OEB's new disconnect policy customers that do not require electricity in the summer can request WPI to reconnect them every November and keep them connected for the entire Winter without ever paying a bill.*" Over the past 2 years how many customers have requested disconnection in summer and then asked to be reconnected in the following winter?

WPI Response:

a) The actual 2017 bad debt expense was $123,531.

b) The 2018 bad debt expense was forecast based on historical numbers plus an allowance for the impact of the disconnection moratorium.

c) No customers have requested this in the past 2 years.

## 4.0-VECC-26

Reference: Exhibit 4, page 14.

a) With the full implementation of smart and interval meters please explain what the meter reading costs remain in the 200k + range.

WPI Response:

a) With the adoption of Smart and Interval meters comes a necessity for management of the head-end system. A third-party Sync-Operator manages the AMI system and provides the data to an ODS system. Separate systems are required for Smart metered customers, and Interval metered customers.

## 4.0-VECC-27

Reference: Exhibit 4, pages 58-

a) It is unclear from the explanation at page 58 as to why the tree trimming spending was significantly less (more than 50%) in each year since the original allocation of 580k in 2013. The vegetation study referenced in evidence appears to have been undertaken in 2011 or roughly 2 years prior to seeking 580k for this activity in 2013. Please explain the significantly lower spending in each year than originally anticipated.
b) Please provide the referenced tree trimming study.
c) Please provide the number of outages due to tree contact in each year 2013 through 2017.
d) Please provide the kilometers of vegetation managed in each year 2013 through 2017.

WPI Response:

a) WPI has been able to reduce the costs through the tendering process. WPI has been successful in transitioning its tree trimming program to meet the recommendations of the 2011 vegetation study and has been able to negotiate the cost of its tree trimming contract lower than estimated budgets going forward.

b) WPI has provided a summary of the results of its 2011 Tree Trimming Vegetation Study on Table 18, Exhibit 4 Pg. 59 of the 2017 CoS Application.

c) The following table provides the number of outages caused by tree contact in each year from 2013 to 2017.

| Cause Code | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|---|
| Tree Contact | 19 | 8 | 4 | 21 | 13 | 2 | **67** |

d) The following table provides the kilometers of vegetation managed in each year from 2013 through 2017

| Years | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|---|---|---|
| Total km of Vegetation Managed | 38.2 | 46.9 | 73.3 | 25.9 | 51.3 | 54.3 | **71.8** | **362** |

# 4.0-VECC-28

Reference: Exhibit 4, page 68

a) Please amend Table 20 (Appendix 2-k) to show
   i. the amount of total compensation capitalized in each year,
   ii. the actual 2017 amounts.

## WPI Response:

a) See table below

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Number of Employees (FTEs including Part-Time)1 | | | | | | |
| Management (including executive) | 9 | 9 | 8 | 10 | 8 | 9 |
| Non-Management (union and non-union) | 24 | 22 | 24 | 24 | 24 | 26 |
| Total | 33 | 31 | 32 | 33 | 32 | 35 |
| Total Salary and Wages including ovetime and incentive pay | | | | | | |
| Management (including executive) | $ 1,008,219 | $ 1,089,224 | $ 1,014,285 | 1,040,398 | $ 1,288,242 | $ 1,101,293 |
| Non-Management (union and non-union) | $ 1,583,265 | $ 1,581,417 | $ 1,627,852 | 1,736,978 | $ 1,807,769 | $ 1,990,859 |
| Total | $ 2,591,484 | $ 2,670,641 | $ 2,642,137 | $ 2,777,376 | $ 3,096,011 | $ 3,092,152 |
| Total Benefits (Current + Accrued) - | | | | | | |
| Management (including executive) | $ 289,685 | $ 265,516 | $ 252,004 | $ 257,753 | $ 255,717 | $ 218,056 |
| Non-Management (union and non-union) | $ 434,527 | $ 398,274 | $ 378,006 | $ 386,629 | $ 424,904 | $ 467,852 |
| Total | $ 724,212 | $ 663,789 | $ 630,009 | $ 644,382 | $ 680,621 | $ 685,908 |
| Total Compensation (Salary, Wages, & Benefits) | | | | | | |
| Management (including executive) | $ 1,297,904 | $ 1,354,740 | $ 1,266,289 | $ 1,298,151 | $ 1,543,959 | $ 1,319,349 |
| Non-Management (union and non-union) | $ 2,017,792 | $ 1,979,691 | $ 2,005,858 | $ 2,123,607 | $ 2,232,673 | $ 2,458,711 |
| Total | $ 3,315,696 | $ 3,334,430 | $ 3,272,146 | $ 3,421,758 | $ 3,776,632 | $ 3,778,060 |
| | | | | | | |
| Compensation Capitalized | $ 720,663 | $ 598,091 | $ 786,341 | $ 859,379 | $ 948,407 | $ 1,049,869 |

## 4.0-VECC-29

Reference: Exhibit 4, page 83

a) Please update Table 26 to show in a separate column the actual spending to date on this application.

### WPI Response:

| | |
|---|---|
| Application - Training | $7,419.45 |
| Application Consulting | $53,475 |
| Application DSP | $160,212 |
| Application – Focus Group Study | $30,099 |
| Application – Legal Review | $26,112 |
| Interrogatories – Consulting (TESI) | $0 |
| Interrogatories – DSP | $0 |
| Interrogatories – Auditor | $0 |
| Interrogatories – Legal Review | $0 |
| Settlement – Consulting (TESI) | $0 |
| Settlement – Legal Assistance | $0 |
| Public Notice | $0 |
| Settlement/ Oral Hearing (1 Day) | $0 |
| Reply Submission | $0 |
| Intervener Costs (x3) | $0 |
| Total Cost of Service Filing Costs | $277,317 |

# 4.0-VECC-30

Reference: Exhibit 4, page 78

a) Please provide any membership fees paid to the Electricity Distribution Association (EDA) for each of the years 2013 through 2018 (forecast).

## WPI Response:

| | |
|---|---|
| 44,300.00 | EDA MEMBERSHIP FOR 2013 |
| 46,200.00 | EDA MEMBERSHIP FOR 2014 |
| 47,800.00 | EDA MEMBERSHIP FOR 2015 |
| 48,300.00 | EDA MEMBERSHIP FOR 2016 |
| 48,800.00 | EDA MEMBERSHIP FOR 2017 |
| 49,800.00 | EDA MEMBERSHIP FOR 2018 |

## 4.0-VECC-31

Reference: Exhibit 4, page 96

a) Please confirm that WPI elected to use the deemed cost election under IFRS for opening balance sheet values for its capital assets upon transition to IFRS in 2015.
b) Please confirm that no material changes were identified upon the adoption of IFRS that impact the application. If material changes were identified, please explain the changes and the impact to the application.

WPI Response:

a) Yes, WPI elected the deemed cost election upon transition to IFRS.

b) There are no material changes that impact the application.

## 4.0-VECC-32

Reference: Exhibit 4, page 105-106

a) Please provide a table showing the actual PILs paid for each year 2013 through 2017.

WPI Response:

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| 6110-Income Taxes | $146,000 | $100,000 | $308,000 | $102,000 | NIL |

## 4.0-VECC-33

Reference: Exhibit 4, LRAMVA Work Form
Exhibit 4, pages 109-112
DVA Continuity Schedule – Excel Work Form

a) To date, has WPI applied for and receive approval for recovery of any lost revenues arising from CDM programs implemented in 2011 or later years? If so, please indicate the Application file number(s) and the CDM program years/rate years for which recovery has already been approved.
b) Please explain why the total and individual class values for the LRAMVA set out in the LRAMVA Summary Tab of the LRAMVA Work Form don't match the totals and class values set out in the DVA Continuity Schedule (Allocation of Balances Tab).
c) Please confirm that WPI does not propose any recovery of LRAMVA balances as part of the current Application.

WPI Response:

a) WPI's last LRAMVA claim was as part of their 2013 Cost of Service application (EB-2012-0176).

> *"For the purposes of settlement, the Parties agree the 2013 LRAMVA amount of 6,476,174 kWh and 1,293 kW has been calculated using the OPA's 2011-2014 CDM targets assigned to Westario, which reflects the actual 2011 CDM results and the persistence of 2011 into 2013. The LRAMVA amount differs from the CDM adjustment of 4,456,345 kWh and 872 kW, as the persistent savings from 2011 must be included in the calculation in order to capture the correct number of targets assigned to Westario for 2013. Therefore, the 2013 LRAMVA includes the 2011 persistent savings of 1,603,142 kWh as provided by the OPA's 2011 Final Annual Report, 2012 persistent savings of 2,436,516 kWh and the full year 2013 forecasted savings of 2,436,516 kWh. Settlement Table #6: LRAMVA calculation, below provides details of the2013 kWh and kW savings which will be used in the calculation of the LRAMVA account."*

b) This can be attributed to an error in transposing from the LRAMVA model to the DVA model. The error was corrected in the models filed with these responses.

c) WPI is proposing to recover balances as calculated in the LRAMVA model.

# Exhibit 4 – Operating Expenses (ENERGY PROBE)

## 4.0 IR #30

**Reference:** Exhibit 4 Page 7

**Preamble:** The evidence indicates WPI engaged its customers to complete a survey wherein they could express their needs and wants in relation to the service they receive from WPI. The feedback from this survey was used to determine a spending plan that was in line with customer's expectations moving forward.

a) Please provide the date the survey was issued and a breakdown of the number and type of customers that responded.
b) Please provide a copy of the survey.
c) Please provide details on how the 2018 OM&A budget was lowered in response to some customers concerns regarding increasing bills and quantify the amount the budget was lowered.

WPI Response:

a) The survey was issued early to Mid August, feedback was required by Aug 31, 2017.

b) Please see Appendix C Exhibit 1 –pg. 190.

c) The OM&A budget was reduced from $6.5M to $5.9M, the change mostly affected budgeted O&M expenditures such that they now are lower than 2016 actual by approximately $150K.

## 4.0 IR #31

**Reference:** Exhibit 4 Page 10

**Preamble:** The evidence indicates the lower levels of spending in 2015 had to do with an extremely high staff turnover rate and the high management turnover resulted in difficulties in managing planned expenditures and for multiple years not all planned work was completed.

a) Please explain the reason for the high staff turnover rate since 2013.
b) Please explain the reason for the high management turnover.
c) Please itemize the key planned work that was not completed as a result of high staff turnover.

WPI Response:

a) Individuals have not specifically provided reasons for their departure. However, turnover has decreased since a restructuring occurred in 2017.

b) Individuals have not specifically provided reasons for their departure. However, turnover has decreased since a restructuring occurred in 2017.

c) Key planned work that was not completed was inspections and patrols of substations, pole lines, and transformers along with the associated maintenance

## 4.0 IR #32

**Reference:** Exhibit 4 Page 13

**Preamble:** The evidence states “WPI has been able to find efficiencies in its processes since its last Cost of Service application that it has flowed through its 2018 test year to reflect these savings.”

a) For each year, please identify and quantify all efficiencies in processes and the associated savings.
b) Please confirm the total cost savings embedded in 2018 rates.

WPI Response:

a) See 1-SEC-6 and 1-SEC-7.

b) See 1-SEC-6 and 1-SEC-7.

## 4.0 IR #33

**Reference:** Exhibit 4 Page 14

a) Please compare the Board of Director expenses for 2013 and 2018.

WPI Response:

a) Board expenses for the 2018 Test year are budgeted at $145,211; the 2013 actual costs were $115K.

# 4.0 IR #34

**Reference:** Exhibit 4 Page 21 Table 4

a) For each of the years 2013 to 2017, please identify the specific positions in each category (management, trades, office) that have been hired or vacated in each year.

WPI Response:

a) Please refer to 4-SEC-26 for a breakdown of Exhibit 4 Table 4 by category of employee.

# 4.0 IR #35

**Reference:** Exhibit 4 Recoverable OM&A Cost Drivers

a) Page 26: Please discuss how WPI has increased the number of members of its customer service department since 2013 and explain why.
b) Page 27: Please discuss where WPI has changed the frequency or methodology to inspect or test its assets since the 2013 Cost of Service application and explain the need for each change.

WPI Response:

a) Customer Service department number of employees has not changed from the 2013 Board Approved amounts to the 2018 Test year requested amounts.

b) WPI has continued to follow the requirement of the OEB – Distribution System Code (Appendix C) for the frequency of inspection of distribution assets. WPI has over the years conducted yearly substation inspections and oil testing to understanding the rate of degradation of the cellulose insulation in our power transformers. The Dissolve Gas Analysis of our power transformer oil insulation helps predict imminent failures and help Westario to put measures in place to mitigate the impact. In 2016 through 2017 Westario started pole testing on its utility poles to determine the remaining strength of its poles so that Westario can better prioritize its pole replacement program using test results and the health index from the asset condition assessment report.

# 4.0 IR #36

**Reference:** Exhibit 4 Page 28

a) Please discuss the current tree trimming cycle compared to 2013.
b) Please provide the tree trimming unit accomplishments for the years 2013 to 2017 and planned for 2018.
c) Please provide the number of customer interruptions from tree contact for each of the years 2013 to 2017.
d) Please provide the number of customer interruption hours from tree contact for each of the years 2013 to 2017.

WPI Response:

a) WPI implemented the recommendation of the vegetation study completed in 2011. In the subsequent years, to ensure that vegetation management within WPI's service territory was maintained on a five-year growth cycle, a systematic approach to tree trimming was adopted. Since 2016, Westario has been implementing a 3-year tree trimming cycle; the reason was to complete each area at least once in a three-year cycle to help improve reliability and customer satisfaction. Westario has found that a 3-year cycle is most effective and is aligned with WPI asset management plan and Appendix C of the DSC.

b) Please refer to the response to the VECC interrogatory 4-VECC-27 part (d), Westario plans to complete 71.8 km of tree trimming clearance in 2018.

c) The following table provides the number of an outage caused by tree contact in each year from 2013 to 2017:

.

| Cause Code | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|---|
| 3 - Tree Contact | 19 | 8 | 4 | 21 | 13 | 2 | **67** |

d) The following table provides the number of customer interruption hours from tree contact for each of the years from 2013 to 2017:

| Cause Code | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| 3 - Tree Contact | 11402 | 3316 | 1327 | 6188 | 3634 | 14 |

| Cause Code | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|---|
| 3 - Tree Contact | 19 | 8 | 4 | 21 | 13 | 2 | **67** |

e) The following table provides the number of customer interruption hours from tree contact for each of the years from 2013 to 2017

| Cause Code | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| 3 - Tree Contact | 11402 | 3316 | 1327 | 6188 | 3634 | 14 |

# 4.0 IR #37

**Reference:** Exhibit 4 Page 32 Table 9

Please update Table 9 with 2017 actuals.

## WPI Response:

a) See table below

Overhead Expense – Appendix 2-D[1]

| Description | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Bridge Year | 2018 Test Year |
|---|---|---|---|---|---|---|
| Distribution Expenses | 2,150,390 | 1,853,021 | 1,662,954 | 2,111,080 | 2,299,663 | 1,967,533 |
| Billing Collecting | 1,268,735 | 1,224,007 | 1,131,494 | 1,043,796 | 1,103,677 | 1,202,000 |
| Community Relations | 11,983 | 15,351 | 34,398 | 29,681 | 41,233 | 31,000 |
| Administration & General Expenses | 2,324,744 | 2,167,977 | 2,414,945 | 2,581,537 | 2,778,920 | 2,795,500 |
| **Total** (After Capitalization) | **5,755,852** | **5,260,356** | **5,243,790** | **5,766,094** | **6,223,493** | **5,996,033** |
| OM&A Capitalized | 563,305 | 438,532 | 537,224 | 511,932 | 576,473 | 587,867 |
| **OM&A Before Capitalization** | **6,319,157** | **5,698,888** | **5,781,014** | **6,278,026** | **6,799,966** | **6,583,900** |
| | | | | | | |
| **Detail of Capitalized OM&A** | **2013 Actual** | **2014 Actual** | **2015 Actual** | **2016 Actual** | **2017 Bridge Year** | **2018 Test Year** |
| Operation Costs (Stores/Inventory) | 17,590 | 14,640 | 32,473 | 24,968 | 42,235 | 43,302 |
| Operation - Fleet | 237,191 | 171,438 | 208,838 | 194,786 | 216,458 | 217,826 |
| Engineering & Design Costs | 308,524 | 252,454 | 295,913 | 292,178 | 317,780 | 326,739 |
| **Total** | **$563,305** | **$438,532** | **$537,224** | **$511,932** | **$576,473** | **$587,867** |

# 4.0 IR #38

**Reference:** Exhibit 4 Page 48

**Preamble:** Maintenance of overhead conductors has increased by $62K due to increased maintenance being performed on overhead conductor and devices in relation to the increased number of inspections resulting identifying an increase in the amount of maintenance work for these items. The increased level of work performed in this account (#5125) is not expected to continue long term.

Please explain the need for increased maintenance being performed on overhead conductor and devices.

WPI Response:

a) WPI budgeted and completed inspections and patrols for a larger section of overhead conductor and devices. Also, the maintenance work conducted to repair any defects found in previous inspections including the repairs completed as a result of emergency trouble calls caused by trees, storms, and other factors.

## 4.0 IR #39

**Reference:** Exhibit 4 Page 65

**Preamble:** WPI indicates the Other category has increased due to a higher level of inspections and maintenance work being done in the year as a result of the planned increase in preventative maintenance.

Please provide the rationale for the planned increase in preventative maintenance.

WPI Response:

a) WPI is currently implementing a more routine inspection and maintenance program for all its assets now that a full complement of staff is available to undertake this work. This spending all represents work that will be done by WPI staff. A more targeted inspection and maintenance of its assets will enable Westario to identify defects and deteriorated conditions. As a result, Westario is better able to mitigate potential failures before they can happen and prioritize capital investments based on good historical asset condition data captured in the field.

# 4.0 IR #40

**Reference:** Exhibit 4 Page 68 Table 20 Appendix 2-K

a) Please provide an excel version of the table that shows a breakdown of executive, management, non-union, union and temporary FTEs, and overtime and incentive costs.
b) Please update the table for 2017 actuals.
c) Please show the percentage of costs per year allocated to OM&A and Capital.

WPI Response:

a) Executive OT = Nil for 2013-2017
Management OT 2013 = $20,808
Management OT 2014 = $10,363
Management OT 2015 = $10,640
Management OT 2016 = $13,850
Management OT 2017 = $14,377
Union OT 2013 = $133,180
Union OT 2014 = $134,862
Union OT 2015 = $108,561
Union OT 2016 = $126,079
Union OT 2017 = $171,748
Management Incentive Costs 2013 = $111,375
Management Incentive Costs 2014 = $116,055
Management Incentive Costs 2015 = $120,319
Management Incentive Costs 2016 = $161,876
Management Incentive Costs 2017 = $150,863

b) Please refer to 4-Staff-53 for Appendix 2-K updated with 2017 actuals.

| | | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Number of Employees (FTEs including Part-Time)1 | | | | | | |
| Management (including executive) | 9 | 9 | 8 | 10 | 8 | 9 |
| Non-Management (union and non-union) | 24 | 22 | 24 | 24 | 24 | 26 |
| Total | 33 | 31 | 32 | 33 | 32 | 35 |
| Total Salary and Wages including ovetime and incentive pay | | | | | | |
| Management (including executive) | $ 1,008,219 | $ 1,089,224 | $ 1,014,285 | 1,040,398 | $ 1,288,242 | $ 1,101,293 |
| Non-Management (union and non-union) | $ 1,583,265 | $ 1,581,417 | $ 1,627,852 | 1,736,978 | $ 1,807,769 | $ 1,990,859 |
| Total | $ 2,591,484 | $ 2,670,641 | $ 2,642,137 | $ 2,777,376 | $ 3,096,011 | $ 3,092,152 |
| Total Benefits (Current + Accrued) - | | | | | | |
| Management (including executive) | $ 289,685 | $ 265,516 | $ 252,004 | $ 257,753 | $ 255,717 | $ 218,056 |
| Non-Management (union and non-union) | $ 434,527 | $ 398,274 | $ 378,006 | $ 386,629 | $ 424,904 | $ 467,852 |
| Total | $ 724,212 | $ 663,789 | $ 630,009 | $ 644,382 | $ 680,621 | $ 685,908 |
| Total Compensation (Salary, Wages, & Benefits) | | | | | | |
| Management (including executive) | $ 1,297,904 | $ 1,354,740 | $ 1,266,289 | $ 1,298,151 | $ 1,543,959 | $ 1,319,349 |
| Non-Management (union and non-union) | $ 2,017,792 | $ 1,979,691 | $ 2,005,858 | $ 2,123,607 | $ 2,232,673 | $ 2,458,711 |
| Total | $ 3,315,696 | $ 3,334,430 | $ 3,272,146 | $ 3,421,758 | $ 3,776,632 | $ 3,778,060 |
| | | | | | | |
| Compensation Capitalized | $ 720,663 | $ 598,091 | $ 786,341 | $ 859,379 | $ 948,407 | $ 1,049,869 |

c) Draft Response here…

| | | | | | | |
|---|---|---|---|---|---|---|
| % of Compensation Capitalized | 21.7% | 17.9% | 24.0% | 25.1% | 25.1% | 27.8% |
| % of costs allocated to OM&A | 78.3% | 82.1% | 76.0% | 74.9% | 74.9% | 72.2% |

## 4.0 IR #41

**Reference:** Exhibit 4 Page 67

**Preamble:** The evidence indicates that positions that were vacant for the entire year were not accounted for in Table 20.

a) Please provide the number of management and non-management vacancies for the entire year by year for each of the years 2013 to 2017 and include the corresponding total vacancy dollars by year.
b) Please provide a list of the positions that are currently vacant and include the length of time for each vacancy.

WPI Response:

a) The vacancies that lasted for an entire calendar year are as follows:
2013 – Planning and Design Coordinator and Line Supervisor
2014 – Line Supervisor
2015 – Line Supervisor
2016 – Accounting Supervisor
2017 – None

For Management the total vacancy dollars by year is as follows:
2013 = $113,965
2014 = $68,794
2015 = $186,174
2016 = $253,829
2017 = $163,541

For non-management staff: regular wages the total vacancy dollars by year is as follows:
2013 = $244,261.95
2014 = $306,801.35
2015 = $270,735.64
2016 = $214,799.77
2017 = $168,046.36

b) Please see response to 4-SEC-32

# 4.0 IR #42

**Reference:** Exhibit 4 Page 69

**Preamble:** WPI's 2013 Board-Approved FTEs of 36 includes permanent staff, co-operative and summer students and contract positions. CDM personnel are excluded.

a) Please provide a breakdown of the number of permanent staff, co-operative and summer students and contract positions for each of the years 2013 (Board-Approved and Actual) to 2018.
b) Please provide the number of CDM personnel excluded by year.
c) Please confirm how CDM personnel is paid for.

WPI Response:

a) Appendix 2-K at IR 4-Staff-53 shows all permanent staff for WPI from 2013 to 2018. The only summer student position was in 2017. All contract positions are as follows:

2013 Contract Positions = 2
2014 Contract Positions = 1
2015 Contract Positions = 1
2016 Contract Positions = 1
2017 Contract Positions = 0
2017 Summer Students = 1

b) WPI has had 1 CDM employee for every year from 2013 to the current date. This employee was excluded in all FTE calculations.

c) CDM personnel is paid through Westario`s normal payroll. The amounts paid to this employee are then reimbursed to WPI.

## 4.0 IR #43

**Reference:** Exhibit 4 Page 69

**Preamble:** WPI indicates overall compensation for all employees are designed to reflect the market in order to be competitive and therefore attract and retain qualified personnel.

a) For executive, management, union, and non-union staff, please provide the amount in each category that reflects pay above the 50% median.

WPI Response:

a) Executive = $80,000
Management = $22,000
Union = $161,449

# 4.0 IR #44

**Reference:** Exhibit 4 Page 69

**Preamble:** WPI indicates it utilizes third party organizations.

a) Please provide a percentage of OM&A undertaken by third-party service providers compared to internal staff for each of the years 2013 to 2017.
b) Please provide a summary of the work activities undertaken by third party service providers and the associated costs.
c) Please identify and quantify any annual savings resulting from using third party service providers for each of the years 2013 to 2018.

WPI Response:

a) WPI's large third-party service providers compared to internal staff are as follows:

Actual Spending

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Rodan | $508,331 | $388,846 | $267,683 | $371,084 | $345,903 |
| CNP | $255,091 | $376,153 | $354,386 | $271,091 | $276,482 |
| Grey Bruce Meter Service | $143,892 | $132,196 | $123,503 | $121,997 | $67,318 |

Spending as a percentage of OM&A

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Rodan | 8.8% | 7.3% | 5.1% | 6.4% | 5.5% |
| CNP | 4.4% | 7.1% | 6.7% | 4.7% | 4.4% |
| Grey Bruce Meter Service | 2.5% | 2.5% | 2.3% | 2.1% | 1.0% |

b) Rodan provided metering services, CNP provides IT services, and Grey Bruce Meter Services provides hand-delivered notices to customers and performs disconnects and reconnects. See part a) for the costs associated with these activities.

c) The services provided by Grey Bruce Meter Service have been brought in-house in 2018; the savings are projected to be approximately $40,000 per year. Metering Services provided by Rodan are not a consistent amount of work and provides specialized knowledge and equipment. Bringing these services in-house is not feasible because it would take multiple people to perform the work during the busy periods and they would not have consistent work throughout the year; they would also require specialized equipment that would result in additional cash outflows.

# 4.0 IR #45

**Reference:** Exhibit 4 Page 76

Please provide the union negotiated wage increases for the years 2013 to 2018.

WPI Response:

a) Union Negotiated wage increase are as follows:

2013 to 2014 – 3.5% increase
2014 to 2015 – 2.0% increase (3.0% increase for Lead hands)
2015 to 2016 – 2.0% increase
2016 to 2017 – 2.0% increase
2017 to 2018 – 2.0% increase

# 4.0 IR #46

**Reference:** Exhibit 4 Page 85

Please provide a breakdown of the party, activity and cost related to the following: Legal costs ($52,500), consultant Costs ($178,500) and incremental operating expenses ($20,000).

## WPI Response:

| | |
|---|---|
| Application Consulting Tandem Energy (TESI) | $45,000 |
| Application DSP Costello Associates | $112,000 |
| Interrogatories – Consulting (TESI) | $12,000 |
| Interrogatories – DSP Costello | $2,500 |
| Settlement – Consulting (TESI) | $7,000 |
| Legal – MRB Law | $40,000 |
| Legal/Auditor KPMG | $12,500 |
| Total Cost of Service Filing Costs | $332,500 |

# 4.0 IR #47

**Reference:** Appendix 2-G

a) Please update Appendix 2-G to provide the Service Reliability and Quality indicators for 2017.
b) Please provide SAIDI and SAIFI results for the years 2012 to 2017 excluding loss of supply, excluding major event days and excluding scheduled outages.

WPI Response:

a) The following is an updated Appendix 2-G to provide the Service Reliability and Quality indicators for 2017 as per EX.2 Pg. 650.

| Index | Includes outages caused by loss of supply | | | | | | Excludes outages caused by loss of supply | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| SAIDI | 4.785 | 9.454 | 6.390 | 6.914 | 5.720 | 2.09 | 0.826 | 2.644 | 3.394 | 0.879 | 2.159 | 1.315 |
| SAIFI | 1.431 | 1.526 | 1.703 | 2.296 | 1.638 | 0.711 | 0.337 | 0.654 | 0.828 | 0.369 | 0.588 | 0.365 |
| | 5 Year Historical Average | | | | | | | | | | | |
| SAIDI | | | | | 6.702 | | | | | | 2.031 | |
| SAIFI | | | | | 1.726 | | | | | | 0.563 | |

b) The following table shows the SAIDI and SAIFI results for the years 2012 to 2017 excluding loss of supply, major events days and scheduled outages;

| Reliability Index | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| SAIDI | 0.71 | 2.38 | 3.28 | 0.86 | 2.16 | 0.28 |
| SAIFI | 0.32 | 0.52 | 0.77 | 0.36 | 0.59 | 0.16 |
| | | | | | | |

# 4.0 IR #48

**Reference:** Appendix 2-H

Please update Appendix 2-H to include 2017 actuals.

WPI Response:

Please see table below

## Appendix 2-H

| | Reporting Basis | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| | USoA Description | Board Approved | | | | | | |
| **4235** | **4235-Miscellaneous Service Revenues** | $130,636 | -$20,362 | -$10,387 | -$92,445 | -$99,504 | -$97,985 | -$100,000 |
| **4225** | **4225-Late Payment Charges** | $89,685 | -$81,746 | -$90,433 | -$208,407 | -$204,775 | -$117,924 | -$200,000 |
| 4082 | 4082-Retail Services Revenues | $19,900 | -$12,372 | -$11,425 | -$10,874 | -$12,037 | -$14,249 | -$14,546 |
| 4084 | 4084-Service Transaction Requests (STR) Revenues | -$115,125 | -$451 | -$475 | -$362 | -$327 | -$195 | -$171 |
| 4086 | 4086-SSS Administration Revenue | $0 | $0 | $0 | -$65,189 | -$66,102 | -$67,143 | -$68,500 |
| 4205 | 4205-Interdepartmental Rents | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 4210 | 4210-Rent from Electric Property | -$105,000 | -$105,257 | -$105,257 | -$105,257 | -$92,373 | -$121,998 | -$124,474 |
| 4215 | 4215-Other Utility Operating Income | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 4220 | 4220-Other Electric Revenues | $0 | -$222,978 | -$223,688 | $0 | -$113,382 | -$43 | -$42 |
| 4240 | 4240-Provision for Rate Refunds | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 4245 | 4245-Government Assistance Directly Credited to Income | $0 | $0 | $0 | -$8,361 | -$57,851 | -$40,481 | -$35,747 |
| 4324 | 4324-Special Purpose Charge Recovery | $0 | $52 | $0 | $0 | $25 | $0 | $0 |
| 4325 | 4325-Revenues from Merchandise Jobbing, Etc. | -$210,938 | -$209,580 | -$698,373 | -$127,904 | -$46,084 | -$34,123 | -$10,350 |
| 4330 | 4330-Costs and Expenses of Merchandising Jobbing, Etc. | $167,000 | $56,990 | $582,679 | $61,684 | $28,050 | $44,227 | $59,500 |
| 4335 | 4335-Profits and Losses from Financial Instrument Hedges | $0 | $0 | $0 | -$13,321 | $0 | -$805 | $0 |
| 4355 | 4355-Gain on Disposition of Utility and Other Property | -$8,000 | $0 | $0 | $0 | -$3,750 | $0 | -$1,244 |
| 4360 | 4360-Loss on Disposition of Utility and Other Property | $0 | $45,079 | $12,574 | $813 | $0 | $0 | $0 |
| 4362 | 4362 - Loss from retirement of utility and other property | $0 | $0 | $0 | $201,444 | $146,493 | $103,677 | $140,000 |
| 4375 | 4375-Sub-account Generation Facility Revenues | -$200,000 | -$33,207 | -$53,970 | -$155,226 | $0 | $0 | $0 |
| 4380 | 4380-Expenses of Non-Utility Operations | $200,000 | $0 | $0 | $0 | $0 | $0 | $0 |
| 4390 | 4390-Miscellaneous Non-Operating Income | $0 | -$4,252 | $0 | $0 | -$5,021 | -$12,712 | -$20,600 |
| 4395 | 4395-Rate-Payer Benefit Including Interest | -$20,000 | $0 | -$10,561 | -$10,720 | $0 | $0 | $0 |
| 4405 | 4405-Interest and Dividend Income | -$55,000 | $16,240 | -$91,544 | -$65,638 | -$37,792 | -$48,741 | -$30,000 |
| | **Total** | -$106,842 | -$571,844 | -$700,860 | -$599,762 | -$564,430 | -$408,495 | -$406,174 |
| | | | | | | | | |
| | **Specific Service Charges** | $130,636 | -$20,362 | -$10,387 | -$92,445 | -$99,504 | -$97,985 | -$100,000 |
| | **Late Payment Charges** | $89,685 | -$81,746 | -$90,433 | -$208,407 | -$204,775 | -$117,924 | -$200,000 |
| | **Other Distribution/Operating Revenues** | -$200,225 | -$341,058 | -$340,845 | -$190,042 | -$342,072 | -$244,109 | -$243,480 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Other Income or Deductions** | -$126,938 | -$128,678 | -$259,195 | -$108,868 | $81,921 | $51,523 | $137,306 |
| | **Total** | -$106,842 | -$571,844 | -$700,860 | -$599,762 | -$564,430 | -$408,495 | -$406,174 |

## 4.0 IR #49

**Reference:** Appendix 2-JB Recoverable OM&A Cost Driver Table

Please add 2013 and 2017 Actuals to the table and provide an excel version of the table.

WPI Response:

The table below has included 2013 Board approved amounts and changed 2017 budgeted amounts to actuals. Note that the variances displayed for 2013 actual are when compared to 2013 Board Approved amounts.

## Appendix 2-JB

| Reporting Basis | Last CoS | Last CoS | MIFRS | MIFRS | MIFRS | MIFRS | MIFRS |
|---|---|---|---|---|---|---|---|
| OM&A | 2013 Board Approved | Last Rebasing Year (2013 Actuals) | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Actuals | 2018 Test Year |
| Opening Balance | | $6,202,200 | $5,746,190 | $5,260,356 | $5,243,790 | $5,766,094 | $6,223,493 |
| Customer Focus | | | | | | | |
| Customer Service, Mailing Costs, Billing and Collections, LEAP | $840,500 | -$71,942 | $70,019 | -$34,025 | -$19,688 | -$34,474 | $139,610 |
| Bad Debts | $69,000 | $11,822 | $87,589 | -$75,936 | -$26,820 | $57,876 | -$23,531 |
| Meter Reading | $276,000 | $139,367 | -$202,583 | $16,703 | -$11,210 | $11,479 | -$4,756 |
| Operational focus | $196,000 | -$31,319 | -$662 | $148,872 | $19,698 | $74,385 | -$23,474 |
| Operational Effectiveness | | | | | | | |
| Municipal Transformer Station -operating and maintenance costs | $269,000 | $75,050 | -$62,258 | -$95,963 | $44,178 | -$13,813 | $14,310 |
| Meters maintenance | $254,000 | -$1,987 | -$89,999 | -$8,703 | $183,682 | -$46,465 | -$89,569 |
| Overhead lines | $251,000 | $73,656 | -$31,946 | -$39,192 | $117,779 | $177,317 | -$136,180 |
| Distribution Transformers | $215,000 | -$42,163 | $12,840 | -$2,738 | -$33,478 | $46,841 | $52,698 |
| Services | $585,000 | -$292,635 | -$19,777 | -$16,825 | $77,824 | -$14,976 | -$21,573 |
| Tree trimming | $580,000 | -$309,569 | -$64,090 | $6,435 | $2,401 | -$68,684 | -$43,598 |
| Underground conduit | $115,000 | -$51,488 | -$2,987 | -$17,021 | $33,133 | $99,681 | -$116,318 |
| Poles Towers & Fixtures | $220,000 | -$5,590 | -$26,807 | -$27,864 | $67,241 | -$15,370 | -$51,186 |
| Administrative Wages, Financial, Legal, Professional and Insurance Services | $1,428,200 | $179,229 | -$101,443 | -$64,228 | -$82,759 | $261,394 | -$15,393 |
| IT, software, telecommunications, office supplies | $507,000 | -$70,476 | -$40,112 | $170,684 | $147,173 | -$64,971 | -$19,298 |
| Other | $231,000 | -$31,372 | -$12,592 | $11,061 | -$27,156 | $24,052 | $44,286 |
| Public and Regulatory Responsiveness | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Regulatory & Compliance | $165,500 | -$26,593 | -$1,026 | $12,174 | $30,306 | -$36,873 | $66,512 |
| Closing Balance | $6,202,200 | $5,746,190 | $5,260,356 | $5,243,790 | $5,766,094 | $6,223,493 | $5,996,033 |

# Appendix J - Annual Incentive Goal and Metrics

**2018 Annual Incentive Goals and Metrics**

| Goal Category | | Wgt | April YTD Projected | July YTD Projected | Sept YTD Projected | Dec YTD Projected | Annual Performance |
|---|---|---|---|---|---|---|---|
| 1 | No Lost Time injuries - Safety | 35% | | | | | |
| 2 | OM&A Budget | 10% | | | | | |
| 3 | Capital Budget | 15% | | | | | |
| 4 | Customer Satisfaction | 25% | | | | | |
| 5 | Technological Efficiency Improvements | 10% | | | | | |
| 6 | Business Market Improvement | 5% | | | | | |

Below Threshold At- Risk Expected Performance Excellent No Data

**Measured Performance –** Performance on these goals is in addition to the core performance listed above.

| | Metric | Wgt | Threshold Performance (50%) | Target Performance (100%) | Excellent Performance (150%) | Projected Performance |
|---|---|---|---|---|---|---|
| Health & Safety | 1. No Lost Time Injury | **35** | Greater than one – Recordable Lost time injuries (preventable) | Zero – Recordable Lost Time Injuries with less than five incidents reportable - preventable | Zero – Recordable Lost Time injuries -observe an increase in reporting near miss | |

Objective:
To ensure we have an uncompromising pursuit toward a completely injury free workplace at Westario Power. This goals supports and promotes a culture of health, safety and wellness for our employees, shareholder members, and the general public. The metric score is based on the fact that we have had zero recordable injuries in the last 2 years.
An inclusive comprehensive program that provides/promotes training, minimizes risk to both internal and external stakeholders and delivers a safe and healthy culture while taking into consideration employee physical health, mental health, and emotional health and also mindful of our environmental footprint.

| | Metric | Wgt | Threshold Performance (50%) | Target Performance (100%) | Excellent Performance (150%) | Projected Performance |
|---|---|---|---|---|---|---|
| Financial Performance | 2. OM&A Budget | **10** | ± 5.0% -10.0% budget variance | ± 3.0%-5.0% budget variance | ±2.0% budget variance | Extenuating circumstance and reasonableness will be taken in to consideration recognizing the goal is to be on budget |
| | 3. Capital Budget | **15** | ±4.0% budget<br>Less than 95% project completion | ±2-4.0% budget<br>95-98% project completion | ±0-2.0% budget<br>100 % completion and/or below budget | |

Objective:

These goals are intended to promote responsible spending and cost saving for the corporations' yearly financial budgets. The goals measures our ability to complete scheduled work at the planned (budgeted) costs. The objective is to promote and focus our attention on accurate and predictable business planning and operations. (project completion)

- Operations and Maintenance Budget for metric purposes = base Operating Costs less Incentive Compensation
- Capital Budget for metric purposes = base Capital Projects

Fiscally responsibility for cost containment utilizing key performance indicators, open discussion and benchmarks throughout the year. Reportable monthly/quarterly checkups to ensure targets are on track. Efficiencies and synergies are at the forefront of discussion and all budgets are communicated, trained and understood by key stakeholders in each department.

| | Metric | Wgt | Threshold Performance (50%) | Target Performance (100%) | Excellent Performance (150%) | Projected Performance |
|---|---|---|---|---|---|---|
| Customer Engagement | 4. Customer Satisfaction | 25 | <80% customer satisfaction survey result. | 80% - 85% customer satisfaction survey result. | >86% customer satisfaction survey results. | Utility Pulse Survey utilized |

Objective

Our focus for this goal is to continue to be a customer focus and customer centric corporation through the engagement of our employees and stakeholders. To ensure that Westario continues to perform exceptionally through operational effectiveness and demonstrate great care for our customers.

Genuine desire/aspiration to provide customer excellence to our stakeholders, community and each other (employee and departmental) though enhanced internal and external responsiveness, respect and timely and consistent resolution. Enhancing processes, open and honest communication with our customers both internal and external while regarding feedback as an opportunity to improve.

| | Metric | Wgt | Threshold Performance (50%) | Target Performance (100%) | Excellent Performance (150%) | Projected Performance |
|---|---|---|---|---|---|---|
| Innovation | 5. Technological Efficiency Improvement | 10 | Achieve an incomplete documented technology project and confirmed 0.25% cost reduction (approx. 15K) from prior year actual incurred costs through efficiency improvements.<br><br>Cost reductions will be reflected in 2018 budget. | Achieve a documented technology project and confirmed 0.5% cost reduction (approx. 30K) from prior year actual incurred costs through efficiency improvements.<br><br>Cost reductions will be reflected in 2018 budget. | Achieve greater than one documented technology project and confirmed >.5% cost reduction from prior year (greater than 30K) actual incurred costs through efficiency improvements.<br><br>Cost reductions will be reflected in 2018 budget. | |

Objective:

Westario will improve and maintain a leadership position in selecting technologies and services that are deployable, achievable, cost-effective, and create efficiencies to benefit our members. Our Technology Transformation Programs will execute key portions of a continuous process improvement initiative targeted at quality customer service delivery. The programs will target people, processes, and technology in a move to standardize best practices in each department.

The pursuit innovation (technology, project or operational improvements) with a view to seeking synergies, efficiencies and building on both new and current opportunities. The deployment of forward thinking technology in collaboration as joint ventures or potential revenue generating opportunities. Continuous improvement, leveraging existing platforms to drive WPI forward into the future.

| | Metric | Wgt | Threshold Performance (50%) | Target Performance (100%) | Excellent Performance (150%) | Projected Performance |
|---|---|---|---|---|---|---|
| Growth | 6. Business Opportunity Improvement | 5 | 50% Completion of a written business plan | Development of a written business strategic plan | Development and partially implementation of a completed business strategic plan. | |

Objective:
Westario is a rate regulated utility, we must identify and develop business opportunity outside of our regulated environment. The objective of this goal is to develop a long-term business strategy for new financial incentive within our existing innovative systems, CDM system, and external partnerships

Identify areas for economies of scale, non-regulated opportunities, CDM platforms, Mergers & Acquisitions and joint ventures. Maximize ROE for key stakeholders.

# Appendix K – Template Performance Measures

**Westario Power Holdings Inc.**

**(INSERT YEAR) Short Term Incentive Plan**

**Employee:**
**Position:**
**Minimum Corporate Performance Criterion**

Prior to any incentive payments being made, a minimum corporate performance criterion, or trigger, must be reached. The Company must achieve a minimum profitability of 90% of budgeted net income in order to achieve this minimum criterion; otherwise no incentive payments will be made.

**Payout Summary Basis**

The maximum payout is 150% of the targeted amount. There is no payout if performance falls below the 50% payout level.

| Position | % of Base Salary | |
|---|---|---|
| | Target Payout | Maximum Payout |
| INSERT POSITION | 7.0% | |

**Actual**

| Position | 2015 Salary | Target Payout | Maximum Payout |
|---|---|---|---|
| INSERT POSITION | INSERT SALARY | | |

**Targets**
**For (INSERT YEAR), the following targets and weightings have been established:**

**Basis**

| Category | Measure | Weight | (50%) Minimum | (100%) Target | (150%) Maximum |
|---|---|---|---|---|---|
| AGREED UPON CRITERIA | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

DISCRIPTION OF MEASURED CATEGORY

# Appendix L- Metering Technician Description

# METERING TECHNICIAN

An exciting and challenging opportunity is available for a results-oriented individual to be part of a customer-focused energy distribution corporation serving over 22,000 customers in fifteen communities within Grey, Bruce Huron and Wellington counties. Westario Power's headquarters are located in the Town of Walkerton.

The Metering Technician position is responsible to the VP of Operations, the successful individual will be responsible to ensure proper meter installation, testing, record keeping and trouble shooting in a quality electrical distribution and sub-transmission facility to meet customer and company needs.

To be considered, candidates must possess as a minimum:

- Experience in the Installation and Maintenance of single phase and polyphase meters and metering systems
- Completion of Ontario College Program in electrical technology (power or control) leading to registration as a certified Journeyman & Metering Technician
- Minimum of five (5) years related experience in an electrical utility
- Familiarity with Measurement Canada and IESO requirements
- Knowledge and ability to diagnose all electronic metering hardware
- Ability to Setup and support data collection systems
- Knowledge of Maintenance, installation, operation and troubleshooting of metering systems
- Set up and conduct tests of complete units and components under operational conditions
- Investigate design proposals for improving equipment performance or other factors, or to obtain data for development, standardization, and quality control.
- Ability to verify procedures, objectives, test equipment for technical problems, and determine possible solutions.
- Analyze test results in relation to rated specifications and test objectives, and modify or adjust equipment to meet specifications.
- Record test procedures and results, prepare numerical and graphical data, and make recommendations for changes in product or test method.
- Knowledge of the Electrical Safety Authority Regulation 22/04 and E&USA rule book, Occupational Health & Safety Act, Utility Work Protection Code, WHMIS, CPR, First Aid and all other applicable legislation.

In addition, the successful candidate will have a demonstrated ability to:

- Communicate effectively and concisely, both orally, electronically (e-mail), and in writing
- Execute excellent analytical and trouble shooting skills
- Microsoft programs, SAP (an asset)
- Valid Ontario Driver's License

**Interested and qualified candidates should forward a detailed resume, including work experience, education and references no later than August 15th, 2017, to:**

**Human Resources**
**Westario Power Inc.**
**24 Eastridge Rd, RR2, Walkerton ON N0G 2V0**
**Or email to: hr@westario.com**

A competitive and attractive compensation package is available to the selected candidate.
Westario Power is an equal-opportunity employer. We thank all participants for their interest, but only those selected for an interview will be contacted.

# Appendix M – Financial Analyst Description

# FINANCIAL ANALYST

## (Salaried Position)

### Westario Power Inc.

Westario Power Inc. is now accepting applications for a Financial Analyst who directly reports to the Accounting Supervisor and or designate in their absence

Westario Power's headquarters are located in the Municipality of Brockton serving over 22,000 customers in fifteen communities within Grey, Bruce, Huron and Wellington counties.

To be considered, candidates must possess as a minimum:

- Five years of professional experience in related field
- Must possess direct experience working in regulatory environment
- Experience with reporting compliance with related regulations
- Experience in research and monitoring of regulatory reporting timelines
- Business or Industry designation an asset
- Must have strong written and oral communication skills
- Must have excellent analytical skills and possess high attention to detail
- Must have minimum intermediate level of Excel, Word and Windows

In addition, the successful candidate will have a demonstrated ability to:

- Monitor and establish controls to ensure ongoing adherence to regulations, participate in internal and external assessment, streamline processes and anticipate required changes effectively
- Support the collection of data for regulatory filings, coordinate and develop reports, projects and assessment tools to verify adherence to regulations
- Preparation of financial information for filings to regulatory bodies
- Assist in the development, coordination and implementation of methods, policies and procedures to ensure that activities are compliant with deadlines and regulations
- Collaborate with stakeholders to articulate compliance requirements and analyze and report on operational metrics

**Interested and qualified candidates should forward a detailed resume, including work experience, education and references <u>NO LATER THAN MAY 5, 2017</u> to:**


Human Resources

Westario Power Inc.

24 Eastridge Rd, RR2, Walkerton ON N0G 2V0

Or email to: hr@westario.com


A competitive and attractive compensation package is available to the selected candidate. Westario Power is an equal-opportunity employer committed to an inclusive, barrier-free recruitment and selection process. . We thank all participants for their interest, but only those selected for an interview will be contacted. Please inform HR at the time of booking an interview if you require accommodation.