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January 9, 2023 **VIA E-MAIL**

Ms. Nancy Marconi
Registrar (registrar@oeb.ca)
Ontario Energy Board
Toronto, ON

Dear Ms. Marconi:

Re: EB-2023-0055 Wasaga Distribution Inc.
May 1, 2024 Cost of Service Rates
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Please find attached the revised interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark C. Garner
Digitally signed by Mark C. Garner
Date: 2024.01.09 13:35:41 -05'00'

Mark Garner
Consultants for VECC/PIAC

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REQUESTOR NAME	**VECC**
TO:	**Wasaga Distribution Inc. ("WDI")**
DATE:	**January 9, 2024**
CASE NO:	**EB-2023-0055**
APPLICATION NAME	**2024 Cost of Service Rate Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: Exhibit 1, Appendix C Exhibit 2, PDF page 227

a) Please update the WGI Scorecard (PDF pg. 105) to include 2022 and 2023 results.

2.0 RATE BASE AND CAPITAL (EXHIBIT 2)

2.0-VECC -2

Reference: WDI EB-2015-0103 Exhibit 2, Attachment A, DSP, pages 54-55, 91

Table 26 - Forecasted Capital Expenditures

Investment Category	2016	2017	2018	2019	2020
System Access	588,750	463,200	211,464	515,693	520,007
System Renewal	650,000	743,600	903,432	615,501	627,811
System Service	10,000	10,000	20,000	10,000	10,000
General Plant	30,000	10,000	10,000	-	-
Total Capital Spending	1,278,750	1,226,800	1,144,896	1,141,194	1,157,818

WDI's made the above commitments with respect to its last DSP.

System Renewal Projects:

- *Overhead transformer replacement program – mostly driven by the age and load impact of the asset. Total forecast includes the replacement of 225 transformers over the forecast period.*
- *Pole replacement program – mostly driven by age of the asset and stress on of the asset. WDI identified 1,900 poles to be replaced of which 725 poles are forecasted to be replaced over the forecast period.*
- *Conductor replacement – driven by pole replacement in conjunction with the age of the asset.*
- *Porcelain Insulator Replacement Program*
- *Mosley St. Pole Line – Large identifiable replacement of pole and conductors,*

driven by the age/condition of the asset.

System Service Projects:

- *There are no "material" projects in this category. WDI plans to replace their remaining porcelain insulators over the 2015, 2016, 2017 time periods. WDI intends to look at updating their GIS system and looking into an Outage Management System.*

a) Please provide the number of transformers and poles that were replaced by year-end 2020.

b) Please confirm that all porcelain insulators were replaced by the end of 2020.

c) Please confirm that the Mosley St. project was completed by year-end 2020.

d) Please explain how/if this project relates to the "Old Mosel St" projects listed for 2024 at page 91 of the DSP

e) Please explain why there was no "Pole Line Rebuild" (Appendix 2-AA, line 31) prior to 2022.

2.0-VECC -3

Reference: Exhibit 2, Appendix 2, DSP, pages 71

a) WDI's prior DSP ended in 2020. Please provide the DSP, or approved budget plans for the 2021 through 2023 capital expenditures.

2.0-VECC -4

Reference: Exhibit 2, page 49

"WDI does not have an official capitalization policy. However, the guidelines it follows when capitalizing 4 assets are in accordance with the MIFRS accounting basis."……." WDI has not changed its capitalization guidelines since its last COS Application."

a) Please explain why WDI has no formalized capitalization policies.

b) What "guidelines" are being referred to in the above reference. If WDI has no official capitalization policy then how does it know they have not changed since the last COS application?

2.0-VECC -5

Reference: Exhibit 2, Appendix 2, DSP, 5.2.3.2

a) Please update Appendix 2-G, and Tables 7, 9 and 10 with year-end 2023 data (unaudited if necessary). (see also 2-Staff-8)

2.0-VECC -6

Reference: Exhibit 2, Appendix 2, DSP Table 25, Appendix 2-AA/AB

a) Please explain how the system access capital contributions for years 2024 through 2028 were estimated. In explaining the methodology please differentiate between the different capital investment categories.

b) Please explain what system renewal projects attract capital contributions in 2023 through 2028.

c) What were the actual capital contributions in 2023.

d) Please update Table 25 for 2023 actual results and any required changes to 2024 based on 2023 in-service investments.

2.0-VECC -7

Reference: Exhibit 2, Appendix 2, DSP, pages 68-69

Table 26- Historical DSP Planned Versus Actual Capital Expenditures

Category	2016-2020 DSP PLAN		
	Plan	Actual	Variance
System Access	2,299,114	3,204,711	39.4%
System Renewal	3,540,343	2,493,904	-29.6%
System Service	60,000	138,370	130.6%
General Plant	60,000	160,221	167.0%
Grand Total	5,959,458	5,997,206	0.6%

Other notable variance triggers:

1. The system renewal plan did not contain contributed capital. Upon adding contributed capital to the overall expenditure, the variance for the historical period changes from -29.6% to -21.0%.

2. A municipal project that was delayed had an initial allocation of $100,000 for 2017 and $300,000 for 2018. When this project is reintroduced, it will be reclassified under the System Access category.

a) Leaving aside System Access investments, which are largely beyond the control of the Utility, please explain why the Utility underinvested in the other categories of spending by almost 24% during the term of its last DSP?

b) Please explain what system renewal projects included contributed capital during the last DSP period ('16-20) and provide the amounts.

c) Please identify the referenced municipal project and provide a reference in the prior DSP for this project.

2.0-VECC -8

Reference: Exhibit 2, Appendix 2, DSP, pages 101

Project	2024	2025	2026	2027	2028
SS1 - New Municipal Stations			**4,000,000**		**4,165,000**

"*Alternative 3 – This option explores a non-wires alternative in the form of a Battery Energy Storage System (BESS). Despite having a 3 MW BESS, WDI would still need a 5 MW conventional station. With an energy capacity cost of $1125 per kWh, the expense of a 3 MW BESS would total $3,375,000. That budget would cover the construction of a conventional 10 MW station*."

…

"*Alternative 3 is recommended as the preferred and cost-effective alternative 1 for addressing the need. The construction of a new station is imperative to alleviate distribution capacity constraints in the eastern region of the town*."

a) It is unclear to us whether WDI is proposing, as part of this application, an ACM or other funding for future BESS system in the service territory. Please clarify.

2.0-VECC -9

Reference: Exhibit 2, Appendix 2, DSP, page 109

Project	2024	2025	2026	2027	2028
SS3 - Feeder Expansions and Station Redundancy	100,000		220,000		220,000

"*In the 2024-2028 forecast period, this program encompasses to-be-planned System Service projects. These projects will be geared towards resolving system capacity issues and aligning with WDI's operational objectives, which encompass safety, reliability, power quality, and system efficiency***."**

a) Appendix 2-AA shows $547,631 being expended on this program in 2023. Please explain WDI's prior DSP ended in 2020. Please provide the DSP, or approved budget plans for the 2021 through 2023 capital expenditures.

2.0-VECC -10

Reference: Exhibit 2, Appendix 2, DSP/ Appendix 2-AA

a) WDI shows no capital expense for vehicles. Please explain why. If vehicles are leased or otherwise provided through WRSI or another affiliate please provide the total leasing or related costs in the period of 2016 through 2024.

2.0-VECC -11

Reference: Exhibit 2, Appendix C, Asset Condition Assessment Report

The following recommendations are made based on the study results:

a) Continue collecting asset removal records for all the asset categories, to improve the accuracy of asset degradation curves.

b) Start collecting routine inspection records for MS Transformers.

c) Start collecting Inspection records for all the asset categories outside the substations.

d) Start tracking failure records at segment level for OH Conductors and UG Cables, to improve the input granularity for better assessment of component condition status.

e) Start collecting loading data for both pole mounted and pad mounted distribution transformers.

f) For MS transformers and MS switchgear merge Inspection and test data for the individual units in one data file for each asset category.

g) Standardize inspection forms to ensure consistency of inspections records collected in the field.

a) Please explain how and when each of these Kinectrics' recommendations are to be implemented.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC -12

Reference: Exhibit 3, pages 2 & 8

Preamble: The Application states:

"*WDI used the same regression analysis methodology approved by the Ontario Energy Board (the Board/OEB) in WDI's 2016 Cost of Service (COS) application. The regression analysis has been updated to include actual data to the end of 2022." (page 2)*

"For the 2016 COS application, WDI used the CPI Index of Electricity relative to the overall CPI Index, and linear trended to create an explanatory variable that looked to identify the impact increased pricing has on power purchased. This was not considered for this application." (page 8)

a) Apart from the two variables discussed on page 8, were there any other independent variables that were used in the 2016 COS Application and that are not used in the current Application's regression analysis methodology? If yes, please explain why they were excluded from the current regression analysis methodology.

3.0-VECC -13

Reference: Exhibit 3, page 3

Preamble: The Application states:

"*The company continues to closely monitor the repercussions of electrification, receiving data from Service Ontario and the Electrical Safety Authority (ESA), while also regularly tracking transformer loads. As electrification's significance in load forecasting grows, these impacts will be taken into account*."

a) What data does WDI receive from Service Ontario and the Electrical Safety Authority that allows it to monitor the repercussions of electrification?

b) Based on this data what is WDI's understanding as to the current level of electrification activity in its service area?

3.0-VECC -14

Reference: Exhibit 3, page 3
Exhibit 2, Appendix D, page 14

Preamble: The Application states (Exhibit 3, page 3):

"*For further clarification, WDI did not factor in the effects of electrification demand or the increase in Distributed Energy Resources (DER) in its 2024 load forecasting, deeming them to be insignificant. WDI conducted a Load Growth Analysis Study, which is provided in Exhibit 2, Appendix 2 (C). WDI is committed to ongoing investments aimed at enhancing its system's visibility and its ability to support electrification effectively*."

The Application states (Exhibit 2, Appendix D, page 14):

"*With the planned and potential development of 50% completed, 5% Electrification adoption, and 40% EV growth rate the peak demand will surpass existing station capacity*."

a) With respect to the table in Exhibit 2, Appendix D, page 14:

i. The existing peak of 35.25 MVA is for what year and what were WDI's total deliver GWh (including the wholesale market participant) for the same year?

ii. What are the GWh associated with the 15 MVA of development load by 2028?

iii. What are the GWh associated with the 2.5 MVA of electrification load by 2028?

iv. What are the GWh associated with the 6.2 MVA of EV load by 2028?

v. Please restate the table so as to show the estimated impact in 2024 due to development, electrification and EV load.

3.0-VECC -15

Reference: **Exhibit 3, page 19**
Load Forecast Model, Tabs 6, 6.2 and X.1

Preamble: The Application states (page 19:

"*The total weather-corrected billed kWh is calculated from the predicted/forecasted wholesale purchase calculated from the line of best fit as determined by the regression analysis and presented earlier in this exhibit and divided by the proposed loss factor of 7.98% as presented in Exhibit 8 of this application*."

a) Please confirm that in Tab 6 (Column E) the kWh adjustment to include the WMP was based on the delivered load to that customer with no mark-up for losses.

b) Please confirm that the calculation of the 7.98% loss factor in Tab X.1) excludes the load associated with the WMP (i.e., loads associated with the WMP are not included in either the numerator or denominator of the calculation).

c) Please confirm that in Tab 6.2 (Cells C15 and C16) the 7.98% load factor is applied to the total forecast purchased load, including that portion attributable to the WMP.

d) If parts (a), (b) and (c) are confirmed, please explain why it is appropriate to apply the loss factor to the total forecast load when the WMP loads included in the historical purchased power values were not marked up for losses.

4.0 OM&A (EXHIBIT 4)

4.0 -VECC -16

Reference: Exhibit 4, pages 35-40/Table 4.18

a) Please provide a breakdown of the increase in customer billing Account 5315 from 2022 ($487k) to 2024 (647k). Please differentiate as between increases due to incremental labour costs, accounting reclassifications (if any) and other costs in each year.

4.0 -VECC -17

Reference: Exhibit 4, Appendix 2-k

a) Beginning in 2020 WDI made a significant change in the amount of labour capitalized. Is this change associated with the movement to fully allocated affiliate service costs? Please explain the reasoning and studies that support the change and provide the documentation of this new policy.

4.0 -VECC -18

Reference: Exhibit 4, Appendix 2-k

a) Please provide a list all FTE by positions/classification for each year 2016, 2023 and 2024 (forecast).
b) Please show the percentage of each FTE's time allocated to WDI in each year 2020 through 2023.

4.0 -VECC -19

Reference: Exhibit 4, 2.4.3.3, pages 45-

a) Please provide the annual membership fees for the EDA and CHEC (separately) for each year 2016 through 2024 (forecast).

4.0 -VECC -20

Reference: Exhibit 4, 2.4.3.5, pages 46-

a) Please provide a table showing the one-time costs associated with this application into the following categories: (i)legal, (ii) consulting/contractor; (iii)/intervenor; (iv) other claimed for amortized recovery – please specify).
b) For each category, please provide the amount expended to date.

5.0 COST OF CAPITAL (EXHIBIT 5)

5.0-VECC-21
Reference: Exhibit 5, Table 5.5

a) Please update Table 5.5 with the most recent Board approved (October 31, 2023) ROE and short and long term affiliated debt rates.

5.0-VECC-22

Reference: Exhibit 5, 2.5.2.6

"*Disparity from deemed capital structure is generally under the control of WDI as it may relate to the timing for debt financing for planned investments and the shareholder interest to reinvest retained earnings***."**

a) WDI's actual long-term debt is less than the deemed amount for the purpose of rate making ($11,404,444 vs $13,857,870). As such the method by which the notional debt portion's (i.e. $2,453,426) cost is determined is subject to discretion (as noted above by WDI). Please recalculate the weighted cost of long-term debt (Appendix 2-OB) using the lowest cost of actual debt (i.e. 2.83%) for the notional portion of the weighted debt calculation. What is the revenue requirement impact of making this adjustment?

5.0-VECC-23
Reference: Exhibit 5, Appendix 5(A) Promissory Note with the Town of Wasaga Beach

Interest shall be payable on the principal amount outstanding on the 30th day following December 31st of each year in which principal is owing under this promissory note. The interest rate payable in any given year shall be the Government of Canada 10 year bonc rate posted by the Bank of Canada on December 31st of each year. At the option of the Corporation, interest under this Promissory Note may be payable in cash or, in lieu thereof, in additional common shares in the capital of the Corporation.

a) Please provide the Bank of Canada rate published as of December 31, 2023. If this rate is lower than the 4.56% OEB published rate (October 31, 2023) then please explain the reason for using the higher rate.

6.0 REVENUE REQUIREMENT (EXHIBIT 6)

6.0-VECC-24

Reference: Exhibit 6, pages 17-18
Appendix 2-H

a) Please explain how WDI forecasted the 2023 and 2024 amounts for each of the following USOAs set out in Table 6.9: #4225, #4235, #4360 and 4405.

b) Please provide a schedule that sets out, for each of the USOAs set out in Appendix 2-H, the 2023 actual values. Note: If 2023 actual values are not available please provide the available 2023 year-to-date values and the values for 2022 for the same months.

6.0-VECC-25

Reference: Exhibit 6, page 17-18
Appendix 2-H
Exhibit 4, page 43

Preamble: The Application states (Exhibit 4, page 43):

"*WDI has an executed Land Lease with the Town of Wasaga Beach for the lease of the land on the Administration Building site for a Fire Hall that was built in 2012. The value of the land was appraised in 2021. The lease is paid quarterly, and each year a CPI adjustment is made to the lease price*."

"*WDI also has an agreement with WRSI to lease/rent the Administration Building. In 2021 the lease agreement between WDI and WRSI was amended based on a revaluation of the Administrative Building and the Services Building. The appraisal was completed by HG Appraisers Inc. in September 2021. The annual fee paid by WRSI is $164,200*."

a) With respect to the Land Lease with the Town of Wasaga Beach, please provide the CPI adjustments that were applied for 2021, 2022, 2023 and 2024 and the source for the CPI adjustments used.

b) Appendix 2-H provides a breakdown of USOA 4210 showing the annual revenues from the Land Lease payments. Given the payments are adjusted annually by the CPI why is the forecast amount for 2024 ($33,428) less than the forecast amount for 2023 ($33,743)?

c) Please explain why there is no annual escalation factor applied to the lease/rent payment made by WRSI for the Administration Building (i.e. the rent is a constant $164,200 since 2021).

6.0-VECC-26

Reference: Exhibit 6, pages 27-28

a) At pages 27-28 the Application includes a section titled "New Proposed Specific Charges" wherein it proposes charges of $67,151 for OEB Cost Assessment. If this is indeed a new proposed specific charge please explain where and how it is included in Appendix 2-H. If not, where and how has it been included in the Application?

7.0 COST ALLOCATION (EXHIBIT 7)

7.0-VECC-27

Reference: Exhibit 7, page 5

Preamble: The Application states:

"*Streetlight & Unmetered Scattered Load: The services weighting factor of 0 is proposed for both customer classes as the costs incurred to provide services to these classes are the responsibility of the Town of Wasaga Beach*."

a) Is the Town of Wasaga Beach the "customer" for all USL connections? If not, who are the other "customers" are they equally responsible for the costs of services for the associated connections?

b) Does the Town of Wasaga Beach actually own the services assets related to Streetlight and USL load? If not, is the Town of Wasaga Beach or WDI responsible for their maintenance?

7.0-VECC-28

Reference: Exhibit 7, page 6

Preamble: The Application states:

"*Streetlight & Unmetered Scattered Load: Both customer classes have an extremely low volume of bills issued each year. In addition, these customer classes do not give rise to any collecting activity; thus, no collecting costs were allocated. Therefore, the proposed weighting factors of 1.0 and 0.5 reflect the respective costs to track and calculate usage (kWh) and also the costs to prepare and issue the low volume of annual bills for each class*."

a) Please confirm that the Billing and Collection weighting factors are meant to reflect the relative cost per bill.

b) If confirmed please explain why the low volume of bills issued for the Streetlight and USL classes is relevant in the determination of the Billing and Collecting weighting factors for these classes.

7.0-VECC-29

Reference: Cost Allocation Model, Tabs I6.1, I6.2 and I8

a) In Tab I6.1 a portion of the GS>50 load is shown as being eligible for the transformer ownership allowance. Similarly, in Tab I6.2, twelve of the 37 GS>50 customers are shown as not using WDI owned transformers or secondary assets. However, in Tab I8 the GS>50 classes values for PNCP4, LTNCP4 and SNCP4 are all the same – suggesting that all GS>50 customers use transformers and secondary assets owned by WDI. Please reconcile.

8.0 RATE DESIGN (EXHIBIT 8)

8.0-VECC-30

Reference: Exhibit 8, page 7

Preamble: The Application states:

"*The service charge is a monthly fee, though WDI prorates the amount based on the number of days in a given month*."

a) Please confirm that the proposed 2024 monthly service charges set out in Table 8.5 were determined by maintaining the existing fixed/variable split for each class. If not confirmed, how were the charges determined?

b) Do all bills only cover a single calendar month? If not, please explain how the proration is done when the billing period covers parts of two months each with a different number of days.

8.0-VECC-31

Reference: Exhibit 8, pages 16-17
RTSR Model, Tab 9
Board Decision: EB-2023-0030
(HONI 2024 Distribution Rates)

a) If actual 2023 host LV billing determinants are available for the full year, please provide:
   i. The actual 2023 host LV billing determinants.
   ii. The actual host LV charges for 2023 based on the actual 2023 billing determinant values and the HONI's approved ST rates for 2023 per EB-2021-0110.
   iii. The forecast LV host charges for 2024 based on the HONI's approved 2024 ST rates per EB-2023-0030 and the actual 2023 billing determinants.

b) If actual 2023 LV host billing determinants are not available for the full year, please provide:
   i. The actual 2022 host LV billing determinants.

ii. An estimate of the LV host charges for 2023 based on actual 2022 billing determinants and HON's approved ST rates for 2023 per EB-2021-0110.
iii. An estimate of the LV host charges for 2024 based on actual 2022 billing determinants and HON's approved ST rates for 2024 per EB-2023-0030.

9. DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -32

Reference: Exhibit 9, 2.9.1.5 pages 16-

a) In making its proposal for retaining the benefit of the accelerate CCA WDI makes a number of arguments related to past tax adjustments including unutilized SHRED tax credits. However, over the past a number of other factors occurred to the favour of the utility shareholder. This includes overearnings (as compared to the deemed equity rate) in 2018, 2021 and 2022. What was the dollar value of those overearnings?

b) According to Appendix 2-AB WDI underspent its System Renewal DSP planned capital budget in every year between 2016 and 2020 and by as high as 51.8%. The only exception was in 2019 when the Utility overspent its Renewal budget by 5.1%. What is the net present value of the shortfall in system renewal spending as between 2016 and 2020? Please show the discount rate used and other assumptions.

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