

BY E-MAIL

February 2, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Westario Power Inc. (Westario Power)
Application for 2024 Distribution Rates
Ontario Energy Board File Number: EB-2023-0058**

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

Westario Power's responses to interrogatories are due by February 22, 2024. Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Andrew Frank
Senior Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

OEB Staff Interrogatories
2024 Electricity Distribution Rates Application
Westario Power Inc. (Westario Power)
EB-2023-0058
February 2, 2024

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1 – Administration

1-Staff-1

Updated Revenue Requirement Work Form (RRWF) and Models

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

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2024 Electricity Distributor Rate Applications webpage.

When preparing this updated, please update to include the current 2024 cost of capital parameters.

1-Staff-2

Green Button

Ref 1: Exhibit 1, page 31

Ref 2: Distribution System Plan, page 96

Preamble:

Distributors were required to implement Green Button by November 1, 2023. The OEB has approved the establishment of a generic deferral account for rate regulated distributors to record the incremental costs directly attributable to the implementation of the Green Button initiative. Westario Power indicates it is working with a third-party vendor to meet Westario Power's needs and the regulatory requirements by Q4 of 2023.

Question(s):

- a) Please describe Westario Power's progress towards Green Button implementation.
- b) Please clarify if Westario Power recorded any incremental costs directly attributable to the implementation of the Green Button in the generic deferral account.
- c) Please confirm whether Synergy North has proposed any capital or OM&A costs associated with the implementation of Green Button initiative for the 2023 bridge and 2024 test year.

1-Staff-3

Productivity

Ref 1: Exhibit 1, page 33

Question(s):

- a) Please discuss if Westario Power has implemented any specific productivity initiatives over the 2013-2022 period to improve cost efficiency. If productivity initiatives have been implemented, please provide details of these initiatives as well as associated cost savings (for both capital and OM&A).

1-Staff-4

Ref 1: 2022 Audited Financial Statements (AFS), Exhibit 1 / Appendix 1B

Ref 2: WPI_2024 Chapter 2 Appendices_20240106.xls

Preamble:

OEB staff reviewed the net book value and work-in-progress (WIP) amounts per the 2022 financial statements and fixed assets continuity schedule (Appendix 2-BA) and calculated the differences as below:

Reference	Cost (NBV) \$	WIP \$
Appendix 2BA	59,288,859 (cell M343 less cell M342)	1,669,167
AFS (see subtable below for calculation)	66,083,693	1,547,427
Difference	6,794,834)	121,740

NBV calculation from AFS	\$
Note 7 of AFS - PPE - cost	81,456,650
Less: WIP	(1,547,427)
Less: Acc dep	(14,707,369)
Note 8 - Intangible	3,096,161
Less: Goodwill	(2,214,322)
AFS Cost (NBV)	66,083,693

Question(s):

- a) Please explain and reconcile the \$6,794,834 difference between the 2022 net book values for property, plant, equipment and intangibles.
- b) Please explain and reconcile the \$121,740 difference in WIP.
- c) Please explain what the amount of \$2,214,322 relating to goodwill is for in note 8 of the AFS.
 - a. Please confirm that the goodwill was not included in rates of the current application.

Exhibit 2 – Rate Base

2-Staff-5

Electrification

Ref 1: Asset Management Plan, page 2

Question(s):

- (a) How has Westario Power planned for vehicle electrification, given that Canada's Emissions Reduction Plan mandates that all new light-duty vehicle sales will be net-zero emission vehicles by 2035?¹ What challenges will the uptake of EVs bring to Westario Power during the DSP period? Has Westario Power considered the use of Level 1 versus Level 2 EV chargers and the difference in load associated with each?
- (b) Through the federal Greener Home Initiative, residents are being encouraged to switch to cold climate heat pumps for space heating.² Has Westario Power considered the uptake of cold climate heat pumps over the coming years? What challenges has this brought to Westario Power, and how has it affected planning during the DSP period?
- (c) When replacing distribution transformers, what does Westario Power do to determine if upsizing is warranted for future potential electrification needs?
- (d) How will future increases in electrification affect the capital expenditure plan?

2-Staff-6

Ref 1: Distribution System Plan page iii

Page iii of the DSP contains a list of Appendices that are to accompany the DSP and several of them are not in the Exhibit 2 - Rate Base filing. Please provide copies of:

Appendix B - UtilityPULSE Electric Utility Customer Survey

Appendix C - 2017 RIP

Appendix D - 2019 Needs Assessment and the 2022 Regional Infrastructure Planning reports

Appendix E - Asset Condition Assessment Report

Appendix F - Kincardine System Study

¹ [2030 Emissions Reduction Plan – Canada's Next Steps for Clean Air and a Strong Economy](#)

² [NRCAN, Canada Greener Home Initiatives](#)

2-Staff-7

2023 Bridge Year Actual

Ref 1: Appendix 2-AA and Appendix 2-AB

Ref 2: Material Investment Narrative - SA-01 through SA-07

Preamble:

The expenditures provided in the material investment narratives in reference 1 do not match the values provided in Appendix 2-AB.

Question(s):

- (a) Please update actual capital expenditures for 2023 bridge year in Appendix 2-AA format and Appendix 2-AB format (and update other related tabs in Chapter 2 Appendices accordingly). Please specify for which months actual data has been used versus forecast.
- (b) Please review Appendix 2-AA and Appendix 2-AB to verify accuracy of the forecast years and revise as necessary.

2-Staff-8

Ref 1: Distribution System Plan pages 13, 40, 53

Ref 2: Chapter 2 Appendix 2-R

Preamble:

Westario Power states that losses as a percentage of purchased energy have remained above 5% over the historical period. Westario Power also states that it plans to continue to upgrade its SCADA capabilities and Utilismart's SmartMAP software which will allow for near-real time analysis of the network to manage overloading, under/over voltage, outages, and line losses. In Table 5.3-1 Westario Power states that one of its asset management objectives is to design the distribution system with the intent of maximizing the reduction in electrical losses.

Question(s):

- (a) What actions are Westario Power taking over the DSP forecast period to reduce line losses to below the 5% threshold?
- (b) Does Westario Power plan to file a line loss study?
- (c) Please provide insights into the cause of the distribution losses trending upwards since 2020?
- (d) Please provide Westario Power's projections of annual lines losses for each of the forecast years.

2-Staff-9

Ref 1: Distribution System Plan page 16

Preamble:

A UtilityPULSE customer survey was conducted from October 13 - 21, 2021. One of the key responses related to Strategy - Priority Planning. 89% of respondents supported investing to ensure that more frequent and severe weather events will cause less damage to distribution system.

Question(s):

- (a) What distribution system hardening activities are being undertaken in the DSP forecast period to address this customer preference.

2-Staff-10

Ref 1: Distribution System Plan page 35, 37, 53, 74

Ref 2: Exhibit 4

Preamble:

Westario Power states that it has been experiencing an increased number of storms in recent years and projects like tree trimming are especially important in preventing vegetation from interfering with distribution lines and causing outages. Westario Power states that vegetation maintenance is conducted on a three-year cycle.

Question(s):

- (a) Does Westario Power perform any additional out of cycle vegetation management for faster growing tree species that the 3-year cycle cannot accommodate?
- (b) Has Westario Power reviewed the root causes of the increasing number of tree related outages each year and considered any additional measures that would mitigate the number and impacts of vegetation related outages?

2-Staff-11

Ref 1: Distribution System Plan pages 33 - 38

Preamble:

Tables 5.2-9 and 5.2-10 show an increasing trend to outages within Westario Power's service territory. Defective Equipment represents the top contributing cause for outages experienced by Westario Power. Table 5.2-13 shows that the highest number of occurrences of equipment failure is due to switch cutout/arrestor failure.

Question(s):

- (a) Please clarify how an outage has been classified as Equipment failure yet the nature of the equipment that failed is Unknown.
- (b) Has Westario Power determined the root cause(s) of the high number of switch cutout/arrestor failures?
- (c) Does Westario Power have a specific program in place to address switch cutout/arrestor failure?
- (d) What are the causes of Fuse failures noted in table 5.2-13?

2-Staff-12

Ref 1: Distribution System Plan pages 37

Preamble:

Westario Power states that customers are being affected by more Adverse Weather .

Question(s):

- (a) Has Westario Power determined or studied what the impact of increased adverse weather events will have on its distribution system?
- (b) What steps is Westario Power taking to limit the impact of increased adverse weather on distribution system performance?

2-Staff-13

Ref 1: Distribution System Plan page 39

Preamble:

Westario Power states that the fixed performance baseline targets for SAIDI and SAIFI over the historical period were set based on the average performance over the 2013-2017 period, excluding LOS and MEDs.

OEB staff observes that the SAIDI and SAIFI measures, adjusted for LOS and MEDs have been trending higher through the 2017-2021 period with the 2020 and 2021 results indicating more controllable outages than 2017-2019. The 2021 SAIFI, adjusted for LOS and MEDs 0.73 missed the OEB target of 0.62.

Question(s):

- (a) What are the performance baseline targets for SAIDI and SAIFI for the forecast period?
- (b) Please provide the SAIDI and SAIFI results for 2022 and 2023
- (c) Please indicate measures Westario Power is taking to improve reliability.

2-Staff-14

Ref 1: Distribution System Plan pages, 41, 45-48

Preamble:

Westario Power has documented its Asset Management Objectives in Table 5.3-1. Westario Power states that the Asset Management Objectives have been integrated/linked into Westario Power's capital investment process to prioritize investments.

Question(s):

- (a) How are the Asset Management objectives specifically integrated into the prioritization process and prioritization matrix?
- (b) The prioritization matrix has 9 Criteria with maximum scores that add up to 90 in total. The matrix summary states a maximum score of 100. Why is there a 10 point difference?
- (c) Please provide an example of the prioritization matrix being used to prioritize a project or program.

2-Staff-15.

Ref 1: Distribution System Plan page 45

Preamble:

Westario Power states that as part of Step 1 of its Asset Management process, it gathers data including data on data on EV uptake which is assessed in the development of a load forecast. Westario Power states that it will need to make additional decisions to accommodate potential capacity and grid impacts.

Question(s):

- (a) Please provide the EV uptake data that was used in the most recent load forecast.
- (b) In the 2018 – 2023 period has there been any EV uptake on transformers and cable that has resulted in new build design standards and equipment replacement sizing?

2-Staff-16

Ref 1: Distribution System Plan pages 69-70, 72

Preamble:

Westario Power states that it assesses whether an asset should be refurbished or replaced on a case-by-case basis. Some assets are not considered for refurbishment at

all. Table 5.3-8 indicates which assets Westario Power considers for refurbishment and which are not. Table 5.3-8 indicates that UG cables are not considered for refurbishment. Page 72 indicates that the option of rehabilitation through the use of silicone injection for UG cable is considered.

Question(s):

- (a) Please confirm that Westario Power considers cable injection as a potential refurbishment mechanism for UG cables.
- (b) What quantity of cables has Westario Power had injected each year?

2-Staff-17

Ref 1: Distribution System Plan page 75

Preamble:

Westario Power states that System Renewal investments are paced for implementation. Maintenance and inspections identify issues that are placed into a five-level “priority assessment criteria”. Some issues may be prioritized to be done immediately or sometime within the current budget year.

Question(s):

- (a) Are these identified issues generally outside the “planned” work for the current budget year?
- (b) Which budget program covers the cost of issues, identified through inspection and maintenance, as requiring action in the current budget year and not prioritized for later years?

2-Staff-18

Ref 1: Distribution System Plan pages 82-85

Ref 2: Chapter 2 Appendix 2-AB

Preamble:

Tables 5.4-3 to 5-4.7 provide Variance Explanations for the historical Planned vs. Actuals expenditures. All expense categories are labelled “Net”, but this only appears to be the case for the System Access Plan values. The remainder are all appear to be presented on a Gross Capital basis. Subsequently, Capital Contributions are removed to produce a net capital amount.

Question(s):

- (a) For Tables 5.4-3, 5.4-4, 5.4-5, 5.4-6 and 5.4-7 please correct the System Access Plan values, "Net" labels where Gross is provided, Variance % values and Variance explanations accordingly.
- (b) For Tables 5.4-3, 5.4-4, 5.4-5, 5.4-6 and 5.4-7 please correct Total Gross, Total Net, Variance % values and Variance explanations accordingly.

2-Staff-19

Ref 1: Distribution System Plan page 86

Preamble:

Table 5.4-8 provides Westario Power's Forecast Gross Expenditures for the 2024-2028 period.

2024-2028 System Access forecast expenditures are \$9.5M compared to the 2018 – 2022 historical amount of \$8.8M. 2024-2028 System Renewal forecast expenditures are \$26.3M compared to the 2018 – 2022 historical amount of \$13.7M. System Service forecast expenditures are \$1.9M compared to the 2018 – 2022 historical amount of \$1.2M. General Plant forecast expenditures are \$3.1M compared to the 2018 – 2022 historical amount of \$2.7M. Overall 2024 – 2028 forecast expenditures are \$40.8M compared to the 2018 – 2022 historical amount of \$26.4M, an increase of 54%.

Question(s):

- (a) Please confirm that Westario Power have the internal and external resources in place to perform this increased amount of spend?
- (b) What specific steps is Westario Power taking to secure internal and external resources to perform this increased level of work.

2-Staff-20

Ref 1: Distribution System Plan page 89

Preamble:

Table 5.4-10 provides numbers for System Access expected volume of work over the Forecast Period. Over the 2018-2022 historical period capital contributions totaled \$2.1M representing approximately 24% of actual spend. Over the 2024 – 2028 forecast period capital contributions total \$4.5M representing approximately 47% of forecast spend.

Question(s):

- (a) Please provide the actual volume of work, per Table 5.4-10 format, for the 2018 – 2022 historical period.

- (b) Why has the capital contribution increased from 24% in historical actual spend to 47% in forecast spend?

2-Staff-21

Ref 1: Distribution System Plan page 91

Preamble:

Table 5.4-12 provides numbers for System Renewal expected volume of work over the Forecast Period.

Question(s):

- (a) Please provide the actual volume of work, per Table 5.4-12 format, for the 2018 – 2022 historical period.

2-Staff-22

Ref 1: Distribution System Plan page 93

Preamble:

Table 5.4-14 provides numbers for System Service expected volume of work over the Forecast Period.

Question(s):

- (a) Please provide the actual volume of work, per Table 5.4-14 format, for the 2018 – 2022 historical period.

2-Staff-23

Ref 1: Distribution System Plan page 95

Preamble:

Table 5.4-15 provides forecast Gross General Plant Expenditures by category. Table 5.4-16 provides numbers for vehicle replacement volume of work over Forecast Period

Question(s):

- (a) Please provide the actual category expenditures, per Table 5.4-15 format, for the 2018 – 2022 historical period.
- (b) Please provide the actual number of vehicles obtained/replaced, per Table 5.4-16 format, for the 2018-2022 historical period.

2-Staff-24

Ref 1: Distribution System Plan page 102

Preamble:

Table 5.4-17 indicates an average O&M cost of \$2.72M per year over the forecast period. This is 23% higher than the yearly average of \$2.21M over the 2018 – 2022 historic period. Westario Power's average annual System Renewal capital expenditure over the forecast period is \$5.3M compared to \$2.7M average annual System Renewal capital spend over the 2018 – 2022 period.

Question(s):

- (a) Please explain the substantial increase in forecast O&M over historical O&M spend considering the forecast focus on System Renewal spending.

2-Staff-25

Ref 1: Material Investment Narrative - SR-06- Infrastructure Upgrade

Preamble:

Westario Power states that the Infrastructure Upgrade program involves the proactive replacement of overhead and underground infrastructure. Projects can include:

- Replacement of inaccessible rear lot infrastructure with standard front lot overhead or underground supply.
- Replacement of obsolete and end of life rear lot infrastructure with standardized assets.
- Specific, one-off projects to replacement of overhead or underground infrastructure in a street or location that are at risk of failure and have reached end of life, and/or are obsolete assets.

Question(s):

- (a) What are the specific projects that are planned for each of the 2024 – 2028 forecast years?

2-Staff-26

Ref 1: Material Investment Narrative - SS-02- Meters

Preamble:

The SS-02 Metering program includes annual expenditures related to the supply and installation of revenue meters that are installed at each customer service point for retail settlement and billing purposes for all customers connected to Westario Power's distribution system.

Question(s):

- (a) Why has this program been placed in the System Service Investment Category instead of the System Access Investment Category as per OEB Chapter 5 requirements?
- (b) Over what years were the smart meters first installed in Westario Power?
- (c) What is the expected life of the smart meters?
- (d) What is Westario Power experiencing in terms of smart meter failure rates and/or issues with resealing meters?

2-Staff-27

Ref 1: Material Investment Narrative - GP-02 – Fleet Replacement

Preamble:

Westario Power states that it is planning to replace multiple fleet vehicles that will be at the end of their useful life and in poor condition over the forecast period. Westario Power has provided a fleet listing of their vehicles. Vehicles #52 and #62 are being replaced in the 2024 test year.

Question(s):

- (a) Which specific vehicles are being replaced in the 2023 bridge year?
- (b) Which specific vehicles are being replaced in the 2025 – 2028 forecast years?
- (c) Did the 2021 and 2022 maintenance costs for vehicles #52 and #62 provide any useful life extension beyond 2024?

2-Staff-28

Ref 1: Chapter 2 Filing Requirements for Cost of Service

Ref 2: Exhibit 2 / page 19

Ref 3: WPI_2024 Chapter 2 Appendices_20240106.xls, tab 2BB

Preamble:

Distributors are required to provide explanations for any useful lives of an asset that are proposed that are not within the ranges contained in the Kinectrics Report.

Question(s):

- a) Please confirm whether any useful lives of an asset are not within the ranges contained in the Kinectrics Report. If there are any, please explain why and provide the details of these assets.

2-Staff-29

Ref 1: Exhibit 2 / Material Investment Narrative Projects / Program: GP- 01 – Technology

Preamble:

In Reference 1, Westario Power states that:

Westario Power is not proposing any innovative solutions in delivering this program at this time. Westario Power will continue to assess any new innovations as they arise.

Question(s):

- a) Please confirm that the current system/software (for example, the customer information system) are on-premise solutions, rather than cloud-based solutions.
- b) Please explain why Westario Power is not proposing any innovative solutions in this application.
- c) Please explain if Westario Power has evaluated the cloud-based solutions in the test year. If not, why not.

Exhibit 3 – Operating Revenue

3-Staff-30

Customer Forecast

Ref 1: Exhibit 3, page 19

Preamble:

Westario Power has used historical customer/connection usage from 2013 to 2022 to forecast future usage.

Question(s):

- a) Please provide customer numbers for all rate classes for the most recent historical months available for 2023.
- b) Please provide a scenario using historical actual data for 2023 for the customer forecast for each rate class where available.

3-Staff-31

Energy Forecast

Ref 1: Exhibit 3, page 6

Preamble:

Westario Power has used 2013-2022 as historic years in preparing its forecast.

Question(s):

- a) Please provide historic actual 2023 monthly consumption.
- b) Please prepare an updated forecast using actual 2023 historic input data. If this cannot be done, please explain why and provide as much of the input data as possible.

3-Staff-32

COVID-19

Ref 1: Exhibit 3, page 7

Preamble:

Westario Power states:

“The utility found that the first pandemic-related shutdowns in 2020 had a slight impact on the overall load but not enough to warrant any adjustments to the regression calculations.”

Question(s):

- a) Did Westario Power undertake any analysis to test the impact of COVID-19 on the load forecast (e.g., including a Covid variable in the regression model)? If so, please provide the results. If not, please explain why not.
- b) Please indicate how COVID-19 impacted the rate classes differently, and how this influenced the proposed rate class energy forecasts.

3-Staff-33

Electric Vehicles

Ref 1: Exhibit 3, page 3

Preamble:

Westario Power provided a load forecast in Exhibit 3. In Table 2 at reference 1, Electric Vehicles (EVs) were not factor that impacted load growth.

Question(s):

- a) How has EV penetration been factored into load growth expectation over the forecast period?
- b) Has Wasaga Distribution considered the impact of Distributed Energy Resources or other emerging technologies on its load forecast? Please explain your response.

Exhibit 4 – Operating Costs

4-Staff-34

Executive Leadership

Ref 1: Exhibit 4, pages 9, 24

Preamble:

Westario Power has had three CEOs or Acting CEOs since the 2018 Cost of Service proceeding. Executive compensation has fluctuated significantly during that time. The current CEO has been hired on an interim basis starting May 2023 until October 2024.

Question(s):

- a) What steps is Westario Power taking to ensure that the CEO position is filled following the end of the Interim CEO's term?
- b) Please provide the measures used determine compensation for the CEO and executive leadership, including any incentive compensation.

4-Staff-35

Non-Management Compensation

Ref 1: Exhibit 4, page 36, 42

Preamble:

Westario Power's collective agreement expires on April 30, 2024.

Question(s):

- a) Please provide an update on the status of any collective bargaining with unionized employees.
- b) If Westario Power is able, without impacting any current collective bargaining, please provide updated forecasts on compensation.

4-Staff-36

Overhead right-of-way

Ref 1: Exhibit 4, pages 21

Preamble:

Westario Power transitioned to a new tree trimming contractor in 2020.

The tree trimming expense increased in 2022 by \$100K from \$278K to \$379K, \$86K of which is attributed to storm-related damages and reactive maintenance. In 2023, the costs increased a further \$29K to \$408K, which is attributed to inflation and weather events. In 2024 the expense is forecast to increase another \$9K to \$417K.

Question(s):

- a) Did the use of the new external contractor impact internal resourcing allocated to vegetation management, if so, please provide details of the incremental change on internal resourcing.
- b) How much of the expense in 2023 is related to weather events?
- c) How much expense is forecast in 2024 related to weather events?
- d) How much of the increase from \$278K in 2021 to \$417K 2024 is attributed to inflation?

4-Staff-37

Ref 1: Exhibit 4 / page 26

Ref 2: Appendix 4A ActuaryRpt_WPI_20231103

Preamble:

Data on year-over-year employee pensions and benefits from table 16 in reference 1 is reproduced below:

	Annual Increase 2018-2019	Annual Increase 2019-2020	Annual Increase 2020- 2021
5645 - Employee Pensions and Benefits	47,591	12,850	40,028

Question(s):

- a) Please explain the increase in employee pensions and benefits in the above and why, if the increase in OMERS contributions is the main driver of variances over the historical and forecast framework, the 2019-2020 increase was significantly lower than the preceding or following periods.
- b) Please confirm any capitalized amounts relating to pension and OPEBs for the years 2018 through 2024 and provide a breakdown between capital and OM&A.
- c) Please provide the OPEB amounts from 2018 through 2024 reconciled to the actuarial report in reference 2.

Exhibit 5 – Cost of Capital

5-Staff-38

Debt

Ref 1: Exhibit 5, pages 7-14

Preamble:

Westario Power has debt instruments with CIBC with various start dates from 2011 to 2023. These debt instruments are all denoted as “Fixed Rate” and all carry an interest rate of 3.54% in 2023. The outstanding instruments in 2021 had interest rates of 3.94%, and in 2020 had interest rates of 3.631%.

Westario Power notes that the fixed interest rates will fluctuate and are expected to be competitive with other banks, in the 4.5%-8% range.

A new loan is for \$7.5 million sought at 4.7% interest rate.

Question(s):

- a) Please explain how these debt instruments are “Fixed Rate” if the interest rate is fluctuating.
- b) Why does Westario Power expect interest rates to be in the 4.5 – 8% range when historic interest rates, as recently as 2023 have been 3.54%
- c) Please explain what underpins the 4.7% interest rate on the new loan.
- d) Does Westario Power have updated information on the expected rate of the new loan?

Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

6-Staff-39

Ref 1: 2024 PILs model

Preamble:

OEB staff notes that Westario Power has a negative taxable income of \$930,325 in the historical year of 2022 but Westario Power did not fill out the loss carry forward tabs in the PILs model.

Question(s):

- a) Please confirm that Westario Power is not going to carry forward the loss to offset the taxable income in bridge year and test year. If not, why not.

6-Staff-40

Ref 1: WPI 2024 PILs 20231103.xls

Ref 2: WPI_2024 Chapter 2 Appendices_20240106.xls, tab 2BA

Preamble:

OEB staff reviewed tab H1 Schedule 1 in reference 1 and tab 2BA of reference 2 and the additions to accumulated depreciation and noted the following:

Reference	2020	2021	2022
2BA	1,762,411	1,858,929.23	1,976,122
PILS - Sch1	1,830,436	2,181,129	2,409,135
Difference	-68,025	-322,199	-433,013

Question(s):

- a) Please reconcile and explain the differences between the additions noted above.

6-Staff-41

Ref 1: WPI 2024 PILs 20231103.xls

Preamble:

OEB staff notes that there is an issue with the CCA model that may impact utilities who are claiming CCA under the accelerated investment incentive program (AIIP). The AIIP provides an enhanced first-year allowance for certain eligible property equal to three times CCA for the years of 2018 (stub period) to 2023. The AIIP is phasing out from 2024 so that the enhanced first-year allowance is reduced to two times the normal first-year CCA deduction.

OEB staff noted that in the schedule 8 tabs in reference 1, Westario Power has eligible property for which it claims the accelerated CCA factor in 2024 test year. OEB staff notes that the relevant factor for the eligible property is set to 0.5 whereby CCA is calculated on UCC reflecting the full effect of the AIIP rather than the phased out effect of the AIIP, in which case, the relevant factor should be set to 0.

Question(s):

- 1. Please use the attached updated PILs model and provide the updated PILs calculation.

6-Staff-42

Ref 1: Exhibit 6 / Section 6.2

Preamble:

Westario Power notes in its application that it does not pay property taxes as its office space is leased. Property Taxes on the distribution system are recorded in OM&A.

In table 5 of Exhibit 6, Westario Power shows the trend in revenue requirement from 2018 to 2024 including an amount for property taxes, which is forecasted to be \$49,008 in 2024.

Question(s):

- a) Please describe the nature of the \$49,008 costs as it relates to the distribution system.
- b) Please explain the difference in regulatory and accounting treatment for distribution system property taxes and other property taxes (as mentioned under section 6.2 – PILS and other taxes).

Exhibit 7 – Cost Allocation

7-Staff-43

Load Profiles

Ref 1: Exhibit 7, page 13

Preamble:

Westario Power states that due to the time-consuming data mining exercise and its relatively new workforce, it was unable to update load profiles for all rate classes.

Question(s):

- a) Please explain why Westario Power believes it is appropriate to rely on load profiles prepared in 2004.
- b) Does Westario Power commit to having plans in place to update load profiles for all rate classes for its next rebasing application?

7-Staff-44

Revenue-to-cost ratio

Ref 1: Exhibit 7, page 21

Preamble:

Westario Power states that the calculated revenue-to-cost ratios for all rate classes fell within the OEB approved range except for the GS 50-4999 kW class.

Westario Power further states,

“The Residential class shows a level of cross-subsidization; therefore, WPI proposes to apply the shortfall of approximately 500K in the GS 50-4999 kW to offset its over contribution in terms of revenues to costs.

The revenue to cost ratios for the other classes were marginally adjusted in accordance with board policy. The collective adjustments of the non-weather sensitive classes were relatively small; therefore, the impact on rates is minimal.”

Question(s):

- a) Please provide details on the marginal adjustments that were made to other classes and why they were adjusted if they were already within the OEB policy range
- b) Please provide the bill impacts if the marginal adjustment in part a) is not made.

7-Staff-45

Cost Allocation

Ref 1: Cost Allocation Model, Tab I8 Demand Data

Ref 2: CoS Load Profiles, Revised Input to CA model

Preamble:

The Non-Coincident Peak (NCP) Sanity Check is not passed in the first reference. The second reference, row 27, columns K to P is picking the January NCP, which is not the largest NCP for four rate classes.

OEB Staff noted the above discrepancy during error checking. Westario Power requested additional time to investigate the issue.

Question(s):

- a) Please provide additional details and correct the discrepancy noted.

Exhibit 8 – Rate Design

8-Staff-46

RTSRs

Ref 1: Exhibit 8, page 12

Ref 2: RTSR Workform

Preamble:

On January 18, 2023, the OEB approved the 2024 UTR³ and on December 14, 2023, OEB approved 2024 Hydro One Network Inc.'s host RTSRs⁴.

Question(s):

- a) Please confirm which historic year of RRR data has been used at reference 2.
- b) Please confirm which year of wholesale purchase volumes have been used.
- c) Please update the RTSR model using the 2024 approved UTRs and RTSRs.

8-Staff-47

Low Voltage

Ref 1: Exhibit 8, page 10

Preamble:

Westario Power has used the most recent Hydro One Charges of \$1,699,897 as a forecast for its 2024 Low Voltage Rates.

Question(s):

- a) Please provide the low voltage expense that would result if Hydro One rates excluding rate riders were applied to a 5-year average of 2018-2022 volumes

Exhibit 9 – Deferral and Variance Accounts

9-Staff-48

Ref 1: Exhibit 9 / page 5

Preamble:

Westario Power states that it is not proposing to smooth the impact of the CCA rules changes and disposition over the IRM period. In addition, the utility is proposing not to continue using Account 1592 unless there are new changes to the CCA rules.

³ Decision and Rate Order EB-2023-0222

⁴ Partial Decision and Rate Order EB-2023-0030

Question(s):

- a) Given that the accelerated CCA program will be phased out starting 2024 and that Westario Power has claimed accelerated CCA for the test period, the utility should expect to have differences accumulate in sub account 1592 in its incentive period before the next rebasing application. Please confirm that Westario Power will continue to track and record such variances to sub account 1592.

9-Staff-49

Ref 1: Exhibit 9 / page 5

Ref 2: Exhibit 9 / Appendix 9B

Preamble:

Westario Power hired a third-party auditor (Baker-Tilly) to review its processes and verify the accuracy of its calculations prior to attempting to dispose of account balances 1588 and 1589.

In Appendix 9B, memo by Baker-Tilly, Baker-Tilly states that it observed a pattern of substantial debit balances accumulating in account 1588 over the last few years. They stated that this pattern is logically inconsistent with expectations for balances in 1588, primarily due to the monthly 1598 filings with the Independent Electricity System Operator (IESO).

Further, Baker-Tilly stated that they had identified errors in the 1598 filings with the IESO. These errors have a direct impact on the balances in Account 1588 and could have an indirect impact on the balances in Account 1589. The auditor recommended postponing the disposition of Accounts 1588 and 1589 in Westario Power's upcoming COS application. In Baker-Tilly's view, additional time would enable the utility to conduct a comprehensive review of these accounts, rectify any errors, and align them with regulatory standards.

Westario Power is not seeking disposition of accounts 1588 and 1589 in this application.

Question(s):

- a) Please provide an update of the audit and please provide an estimated timeline for the audit to be completed.