

**BY E-MAIL**

December 15, 2023

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

Dear Ms. Marconi:

**Re: Wasaga Distribution Inc. (Wasaga Distribution)  
Application for 2024 Distribution Rates  
Ontario Energy Board File Number: EB-2023-0055**

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

Wasaga Distribution's responses to interrogatories are due by 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*.

Yours truly,

Tyler Davids  
Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

**OEB Staff Interrogatories**  
**2024 Electricity Distribution Rates Application**  
**Wasaga Distribution Inc. (Wasaga Distribution or WDI)**  
**EB-2023-0055**  
**December 15, 2023**

\*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**

Preamble:

N/A

Question(s):

Upon completing all interrogatories from 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. Within the models, please update LEAP, cost of capital parameters, RRRP, RTSRs, TOU, and OER parameters.

**1-Staff-2**

**Customer Survey Feedback**

**Ref 1: Exhibit 1, page 40**

Preamble:

Wasaga Distribution noted that it conducted customer surveys with the results being used to support internal discussions surrounding what is currently being done well as well as to identify areas of improvement.

Question(s):

- a) Please expand on what was identified as being done well and what needs improvement. Please explain how Wasaga Distribution is addressing areas identified as needing improvement.

**1-Staff-3**

**Customer Priority Survey**

**Ref 1: Exhibit 1, page 40**

Preamble:

Wasaga Distribution had a customer priority survey conducted in 2022 for residential customers. Results of the survey showed that customers care most about maintaining and upgrading equipment, affordable cost of electricity, investing in modern technologies, and vegetation management, followed by decarbonization goals.

Question(s):

- a) Please describe how Wasaga Distribution considered decarbonization goals as part of this application.
- b) Wasaga Distribution noted that 81 residential customers responded to the survey. Were other customer classes also given this survey but did not respond?

**1-Staff-4**

**Digitization**

**Ref 1: Exhibit 1, pages 64-65**

Preamble:

Wasaga Distribution noted that it is a paper-based organization but has implemented projects to reduce manual paper processes.

Question(s):

- a) What processes are still paper-based and what steps is Wasaga Distribution taking to digitize these processes, if any?

### **1-Staff-5**

#### **Staff Retention**

**Ref 1: Exhibit 1, page 65**

Preamble:

Wasaga Distribution stated that it has seen significant turnover in staff over the past five years and is working towards retaining employees, launching its first Employee Satisfaction Survey in 2023, followed by smaller focus groups. A Wellness Program is being rolled out in Q4 2023.

Question(s):

- a) If the Employee Satisfaction Survey is now available, please include the survey results. If Wasaga Distribution has a plan to address the concerns identified from the survey, please summarize those action items.
- b) Why does Wasaga Distribution believe there has been significant turnover over the past five years?

### **1-Staff-6**

#### **Process Improvement**

**Ref 1: Exhibit 1, page 65**

Preamble:

Wasaga Distribution stated that its management team has experienced a complete turnover since 2020. The new management team has started developing new processes/process improvements, including in the areas of budgeting, forecasting, work order evaluation, and rate application.

Question(s):

- a) Please expand upon what process changes were made in these areas, especially if there have been major process changes with respect to Wasaga Distribution's last Cost of Service application. In particular, please explain how Wasaga Distribution has improved its budgeting and forecasting methodology.

### **1-Staff-7**

#### **Achieved Return on Equity**

**Ref 1: Exhibit 1, page 49, Table 1.17**

Preamble:

Wasaga Distribution return on equity (ROE) is included in the following table along with the OEB’s deemed annual ROE.

**Table 1.1: Wasaga Distribution ROE (2017-2022)**

ROE	2017	2018	2019	2020	2021	2022
Deemed	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%
Achieved	8.88%	9.38%	7.14%	6.72%	10.70%	10.85%
ROE delta	-0.31%	0.19%	-2.05%	-2.47%	1.51%	1.66%

Question(s):

- a) Please explain the ROE being over 200 basis points less than deemed in 2019 and 2020.
- b) Please explain how Wasaga Distribution managed to earn an ROE 151 and 166 basis points above the deemed rate in 2021 and 2022 respectively despite increased capital expenditures.

**Exhibit 2 – Rate Base**

**2-Staff-8  
2023 Bridge Year Actual and 2024 Updates  
Ref 1: Appendix 2-AA and Appendix 2-AB**

Question(s):

- a) Please update capital expenditures for the 2023 bridge year and the 2024 test year in Appendix 2-AA format and Appendix 2-AB format (and update other related tabs in Chapter 2 Appendices accordingly) with the latest forecasts. Please specify for which months actual data has been used and which months are forecast data for 2023.

**2-Staff-9  
Useful Life Ranges**

**Ref 1: Exhibit 2 – Section 2.2.7, page 31, PDF Page 31 of 345  
Ref 2: Chapter 2 Appendices – 2-BB Service Life**

Preamble:

Wasaga Distribution noted in reference 1 that it used the same useful life values that were approved in its last COS. While that is true, according to reference 2, there are several assets with useful lives outside of the Kinectrics Report standard.

Question(s):

- a) Please explain why Wasaga Distribution uses 45-year depreciation for underground conductors and devices instead of 50-75 years. Would Wasaga Distribution be willing to adopt a 50-75 year cycle?
- b) Please explain why Wasaga Distribution uses 10-year depreciation for computer software instead of 5 years. Would Wasaga Distribution be willing to adopt a 5-year cycle for software?
- c) Please explain why the capital leases – towers are depreciated over 50 years instead of within the range of 60-70 years. Would Wasaga Distribution be willing to adopt a 60-70 year cycle?
- d) Please explain why system supervisor equipment is depreciated over 20 years instead of the recommended 2-10 years for wireless communication. Would Wasaga Distribution be willing to adopt a 2-10 year cycle?

## **2-Staff-10**

### **Advanced Capital Module (ACM)**

**Ref 1: Exhibit 2 – Section 2.2.7, page 48, PDF Page 48 of 345**

Preamble:

Wasaga Distribution noted that it may consider submitting an Incremental Capital Module (ICM) in a future Price Cap IR filing or an ACM in a future COS filing in relation to the two new substations proposed for 2026 and 2028.

Based on the capital plan provided, the net average annual capital expenditure is \$3.70 million over 2024-2028. When removing the two proposed substations in 2026 and 2028, the average net annual capital expenditure decreases to \$2.89 million. The 2024 Test Year capital expenditure amount is \$3.35 million.

Question(s):

- a) Why did Wasaga Distribution choose not to file ACMs for its forecasted 2026 and 2028 station builds?
- b) What factors would drive Wasaga Distribution to file for an ICM for these substations?

- c) Did Wasaga Distribution pace its five-year plan assuming that an ICM would not be filed?

## **2-Staff-11**

### **Development Forecast – System Access**

**Ref 1: App.2-AA\_Capital Projects**

**Ref 2: Exhibit 2 – Appendix 2 – C – Section 5.4.1.2 Historical Actual vs Planned Capital Expenditures, Page 73, PDF Page 136 of 345**

Preamble:

In reference 2, Wasaga Distribution noted that it based its System Access plan on historical actual data, but also noted that it expects a growth slowdown in 2024 with subsequent recovery in 2025 and 2026. In reference 1, Wasaga Distribution's gross development budget was \$4.8 million in 2022 and \$4.4 million in 2023. The forecasted budget in 2024 is \$4.22 million in 2024 and \$2.2-2.3 million in 2025-2028.

Question(s)

- a) Please explain how Wasaga Distribution captured the expected growth slowdown of 2024 given that the development budget is in the range of 2022-2023.
- b) Please explain how Wasaga Distribution captured the subsequent recovery in 2025 and 2026 within its budget given that the development budget decreases to \$2.2 million in 2025-2026.
- c) Please describe what constitutes development and what constitutes new/upgraded customer connections.
- d) Please provide the number of new/upgraded customer connections from 2016-2023 in a table format and forecasted new/upgraded customer connections for 2024-2028 included within Wasaga Distribution's forecasted budget.

## **2-Staff-12**

### **Criticality Multiplier**

**Ref 1: Exhibit 2 – Appendix 2 – C – Section 5.3.1.4 Capital Program Planning, Page 36, PDF Page 100 of 345**

Preamble:

*The ranking assessment procedure is integral to WDI's decision-making process for both immediate and future capital planning. It involves assigning values to projects, which are then multiplied by criticality multipliers. This multiplication process prioritizes projects with a more significant impact on a larger number of*

*customers and assets. By applying these multipliers, project placement is adjusted to reflect the extent of their influence on customers and assets.*

Please Refer to Table 14 in reference 1.

Question(s):

- a) Please indicate how the criticality multiplier values are defined or calculated by Wasaga Distribution.

## **2-Staff-13**

### **Station Capacity**

**Ref 1: Exhibit 2 – Appendix 2 – C – Section 5.3.2.4 Assessment of Existing System Capacity Page 47, PDF Page 111 of 345**

Preamble:

Wasaga Distribution states the following regarding station utilization and planning for new stations:

*Station capacity for planning purposes is based on 75% of the nameplate rating of the station transformers. Short-time fluctuations in demand load would not be expected to exceed the nameplate rating of the station transformer. When peak loading exceeds 75% of the transformer rating the excess amount would be permanently transferred to another station with available capacity whose peak loading after the transfer would be below 75% or if this is not possible, due to system constraints or other issues, new facilities would be planned to be constructed.*

Question(s):

- a) Please elaborate on whether an 85% rating could be implemented. Please indicate what is the load basis that made Wasaga Distribution consider 75%.

## **2-Staff-14**

### **Pole Line Rebuilds**

**Ref 1: Exhibit 2 – Appendix 2 – C – System Renewal Programs – SR1- Pole Line Rebuilds, Page 91-94, PDF Page 115-118 of 345**

**Ref 2: Exhibit 2 – Appendix 2 – C – 5.3.2.3 Page 45, PDF Page 109 of 345**

**Ref 3: Exhibit 1, page 58, Table 1.24**

Preamble:



Wasaga Distribution began a Pole Line Rebuild program starting in 2023 which continues throughout the forecasted period. The Pole Line Rebuild Program makes up 44% of the net Test Year capital budget. Wasaga Distribution has also historically performed miscellaneous overhead renewal.

Question(s):

- a) Wasaga Distribution noted in reference 2 that it conducted pole testing from 2015-2018 and plans to complete a second round from 2023-2025. For the pole testing done in 2015-2018 and again in 2023-2025, please describe the strategy regarding testing all poles versus sample testing.
- b) Wasaga Distribution noted that over 70 pole mounted transformers will be reviewed during the design phase of the pole line rebuild program. Does the budget for the program include the replacement of a certain number of pole mounted transformers? If so, how did Wasaga Distribution determine the number of replacements if they still require review?
- c) Please indicate the size(s) of the replacement conductor and please provide a brief description of Wasaga Distribution's overall methodology in determining the replacement size(s).
- d) Please provide the number of poles replaced for each pole line rebuild in a table format similar to that of page 91 of the DSP (including 2023). Please also provide the unit cost breakdown in a similar format (including 2023). Please explain any pole line replacement project that has a unit cost in 2024 much greater than the average unit cost for 2023-2028.
- e) Please provide the number of poles replaced or forecasted for replacement annually through the miscellaneous overhead replacement program for 2018-2028 along with unit costs per pole.
- f) How did Wasaga Distribution budget its miscellaneous pole and pole mounted transformer replacement program in the forecasted period given the addition of the Pole Line Rebuild Program starting in 2023? Was the addition of the Pole Line Rebuild Program accounted for in the budgeting of the miscellaneous programs?
- g) Please explain how Wasaga Distribution determined to start the Pole Line Rebuild in 2023, especially given that the last round of pole testing was completed in 2018.
- h) Please also explain if there is any correlation between Wasaga Distribution's low pole OM&A (which is three times less than the provincial average per unit) and the sudden need for pole line rebuilds (see Reference 3).

## **2-Staff-15**

### **Miscellaneous Underground Replacements**

**Ref 1: Exhibit 2 – Appendix 2 – C – System Renewal Programs – SR4-  
Miscellaneous Underground Replacement, Pages 99-100, PDF Pages 163-164 of  
345**

Preamble:

Wasaga Distribution noted that the Miscellaneous Underground Replacement program consists of both planned and unplanned projects and that Wasaga Distribution has planned for contingencies.

Question(s):

- a) Please provide a table dividing the forecasted budget for this program into planned and unplanned work.
- b) How did Wasaga Distribution budget unplanned work? Was this based on historical spending?
- c) What planned projects were budgeted for 2024 for this program?
- d) If the cables have infrequently failed as stated by Wasaga Distribution, please provide reasoning for increasing the budget to \$100k in 2023 onwards, especially since 1) Wasaga Distribution noted that it takes a mostly run-to-failure approach for underground assets, 2) data for this asset class is based on age only, and 3) the health index for underground cables is 76% and above according to the asset condition assessment.

## **2-Staff-16**

### **Flagged for Action Plan**

**Ref 1: Exhibit 2 – Appendix 2 – C – Appendix C-2021 Asset Condition Assessment  
Report, Page 16, PDF Pages 268 of 345**

Preamble:

The flagged for action plan in reference 1 highlights a 1<sup>st</sup> year and 10-year action plan outlining how many assets require attention.

Question(s):

- a) Please indicate any major deviation from the flagged for action plan, especially with regards to the number of poles planned to be replaced in years 1-5 as well as the number of transformers, and conductors. For any major deviation, please provide an explanation.

## **2-Staff-17**

### **Unacceptable or Uneconomic Level**

**Ref 1: Exhibit 2 – Appendix 2 – C – System Renewal Programs SR2 & SR3  
Miscellaneous Replacements, Pages 94, 97 & 99, PDF Pages 158, 161 & 164 of 345**

Preamble:

Regarding miscellaneous replacements undertaken under system renewal:

*“This program is reserved for poles that have reached their end of functional life and the cost of maintenance and/or the frequency of service disruptions have reached an unacceptable or uneconomic level.”*

*“This program is reserved for transformers that have reached their end of functional life and the cost of maintenance and/or the frequency of service disruptions have reached an unacceptable or uneconomic level.”*

*“This program is reserved for cables that have reached their end of functional life and the cost of maintenance and/or the frequency of service disruptions have reached an unacceptable or uneconomic level.”*

Question(s):

- a) Please clarify the unacceptable or uneconomic level.

## **2-Staff-18**

### **Health Index Results Summary**

**Ref 1: Exhibit 2 – Appendix 2 – C – Appendix C-2021 Asset Condition Assessment Report, Page 14, PDF Pages 266 of 345**

Preamble:

Please refer to Table 1 Health Index Results Summary.

Question(s):

- a) Please indicate if and how Wasaga Distribution plans to improve upon the data gaps for OH Conductors, which has a sample size of 19.8 compared to the population of 121.5. If not, why not?
- b) Besides wood poles and MS transformers, all other assets are assessed based on age information only. How does Wasaga Distribution plan to improve data gaps going forward?
- c) If an asset is approaching the age at which renewal is required, is there an inspection to be scheduled in between (for assets besides poles and stations)?

## **2-Staff-19**

### **Historical System Access**

**Ref 1: Exhibit 2 – Appendix 2 – C – Section 5.4.1.1 Historical Plan vs Actual Capital Variance Explanation, Page 71 Table 27, PDF Page 135 of 345.**

Preamble:

With reference to Table 27 and the following:

*System Access – The projected figures represent updated plans that include items with unutilized funds from a specific year, which were then incorporated into the subsequent year's plan. This inclusion pertains to projects that extend across multiple years. Additionally, certain projects did not come to fruition as intended. One project initially slated for 2021 was rolled over into 2022 but unfortunately remains unrealized.*

Question(s):

- a) Please explain why these projects were not realized in 2021 or 2022. Are these projects underway in 2023? Please also provide a list of these projects and when they are currently scheduled to be completed.

## **2-Staff-20**

### **Forecasted System Access**

**Ref 1: Exhibit 2 – Appendix 2 – C – Section 5.3.1.2.1 Pole Testing, Page 75, PDF Page 139 of 345, System Access Table 29**

Preamble:

With regards to Table 29 in reference 1 and for the line items “Upgraded Customer Connection” and “Metering” and forecasted budgets for the years 2025-2028:

Question(s):

- a) What are the forecasted costs based on?
- b) Are the costs reflective of known projects?
- c) Why are the values the same through 2025-2028? Please provide an explanation.

## **2-Staff-21**

### **Customer Affordability**

**Ref 1: Exhibit 2 – Appendix 2 – C – Section 5.4.2 Justifying Capital Expenditures, Page 84, PDF Page 148 of 345**

Preamble:

Regarding customer value, Wasaga Distribution states:

*The scope of capital investments planned in the System Renewal category has also been determined with the objective of keeping power supply reliability from deteriorating below an acceptable level while also keeping the overall investment envelope for this DSP within a range that would not result in retail rates escalations beyond the affordability of WDI's customer base.*

Question(s):

- a) What constitutes affordability for Wasaga Distribution's rate base? Is it a percentage increase? If so, how much? Is it an absolute value? If so, please provide this value.

**2-Staff-22**

**GIS Migration and Integrations**

**Ref 1: Exhibit 2 – Appendix 2 – C – SS2a-GIS Migration and Integrations, Page 105, PDF Page 169 of 345**

Preamble:

Regarding the alternatives presented in reference 1, Wasaga Distribution provided two alternatives but chose alternative 3.

Question(s):

- a) Please provide the missing alternative 3.
- b) What are the pitfalls of delaying the GIS Migration and Integration project to 2025 or beyond?

**2-Staff-23**

**Feeder Expansions and Station Redundancy**

**Ref 1: Exhibit 2 – Appendix 2 – C – SS3-Feeder Expansions and Station Redundancy, Page 108-110, PDF Page 172-174 of 345**

Preamble:

Wasaga Distribution has a budget for feeder expansions and station redundancy to complement its new stations that have been installed or are planned to be installed in 2022, 2026, and 2028.

Question(s):

- a) Please explain the high cost (\$648k) between 2023-2024 for this project in relation to lower costs in 2026 and 2028 of \$220k.
- b) Please confirm whether the costs indicated in the years 2026 and 2028 under section III. Cost Basis will only be accrued if the new stations are approved?

## **2-Staff-24**

### **Relays**

**Ref 1: Exhibit 2 – Appendix 2 – C – SS4-Station Equipment Page 110, PDF Page 174 of 345**

Preamble:

Please answer the following questions regarding the failure of new solid-state relays as per reference 1.

Question(s):

- a) Please confirm what style of relays are installed at the other Wasaga Distribution stations.
- b) Wasaga Distribution notes that the new solid-state relays have failed multiple times. It is not clear how Wasaga Distribution is proposing to remedy the problem. Please clarify how Wasaga Distribution is proposing to remedy the problem regarding the continued failure of these relays.
- c) Has Wasaga Distribution determined the root cause of the failure of the new relays? If yes, please provide the analysis. If no, why not?

## **2-Staff-25**

### **Load Growth Analysis Report**

**Ref 1: Exhibit 2 – Appendix 2 – C – Appendix D- Load Growth Analysis Report, Page 6-8, PDF Page 333-334 of 345**

Preamble:

Wasaga Distribution hired Essex Energy Corporation to conduct a load growth study. Essex Energy Corporation noted in its report that load growth was projected based on

planned and potential developments of subdivisions, and commercial and town strategies.

Question(s):

- a) Please provide a definition indicating the differentiation between planned growth and potential load growth. What forecast is used to forecast Wasaga Distribution capacity needs?

Regarding the substation loading table on page 8:

- b) Has Wasaga Distribution considered building new feeders to stations with the capacity to defer the need for new stations? If this was considered, please provide the analysis: cost and technical feasibility, if not please note why this was not considered.
- c) Please indicate the percentage of time in a year that MS4 is over its 10 MVA limit in the last 5 years, and for the next 10 years. How is the existing peak of 10.5 MVA being managed? Can the incremental load at MS4 and MS5 not be transferred to other Wasaga Distribution stations? If no, why not?

## **2-Staff-26**

### **Electrification**

**Ref 1: Exhibit 2 – Appendix 2 – C – Appendix D- Load Growth Analysis Report, Page 12, PDF Page 339 of 345**

Preamble:

In Reference 1, Essex Energy Corporation provided electric vehicle adoption forecasted until 2033.

Questions(s):

- a) Please explain in more detail how the EV growth per year was calculated.
- b) Has Wasaga Distribution considered the use of Level 1 versus Level 2 EV chargers and the difference in load associated with each?
- c) Through the federal Greener Home Initiative, residents are being encouraged to switch to cold climate heat pumps for space heating.<sup>1</sup> Has Wasaga Distribution considered the uptake of cold climate heat pumps over the coming years? What challenges has this brought to Wasaga Distribution, and how has it affected planning during the DSP period?

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<sup>1</sup> [NRCan, Canada Greener Home Initiatives](#)

## **2-Staff-27**

### **Station Utilization**

**Ref 1: Appendix 2 – C, Section 5.3.2.3 Station Utilization, Page 47, PDF Page 111 of 345**

Preamble:

Wasaga Distribution noted the following regarding the energization of MS6:

*Load exceeding planning guidelines will be reviewed through grid maximization studies once MS6 is operational in 2023. While MS6 implementation will result in a reduction in station utilization on MS3 and MS5, MS4 will remain unaffected by MS6's energization.*

Question(s):

- a) Please provide an updated version of Table 19 in reference 1 indicating station utilization values once MS6 is completed and associated feeders reconfigured.

## **2-Staff-28**

### **System Voltage**

**Ref 1: Appendix 2 – C-Appendix D- Load Growth Analysis Report, Page 9, PDF Page 336 of 345**

Preamble:

The system voltage table indicated voltage drop to 0.94 pu for MS3 at the Planned +Potential Load Growth (100%). The report notes that a new substation would alleviate this drop.

Question(s):

- a) Did Wasaga Distribution consider any other alternatives to mitigate this voltage drop (for example, a switched capacitor)?

## **2-Staff-29**

### **CDM Activities**

**Ref 1: Exhibit 2, Section 5.3.5**

**Ref 2: 2021 CDM Guidelines, Chapter 3.1**

Preamble:



Wasaga Distribution noted that it is currently not aware of any CDM initiatives that would significantly impact its planning process for the 2024-2028 investment period. However, Wasaga Distribution noted that it is committed to staying informed and will initiate investigations if new information about CDM initiatives arises. Wasaga Distribution also noted that it will conduct a comprehensive cost/benefit analysis of these potential initiatives to assess the effectiveness and impact on their capital investment program.

Question(s):

- a) Please describe how Wasaga Distribution determined that there are no viable CDM alternatives to any of Wasaga Distribution's planned investments. Has Wasaga Distribution identified which of its planned investments are driven by peak demand and could therefore potentially be addressed through CDM?
- b) Has Wasaga Distribution considered developing CDM activities on its own initiative (outside of any provincial CDM Framework) to address a system need?

## **2-Staff-30**

### **Appendix 2H**

**Ref 1: 2024 Chapter 2 Appendices, App. 2-BA and App. 2-H**

**Ref 2: Accounting Procedures Handbook for Electricity Distributors (APH),  
December 2011, Article 430**

**Ref 3: 2024 RRWF**

Preamble:

Reference 2 provides guidance on the regulatory treatment of contributions in aid of construction:

*For regulatory reporting and ratemaking purposes, the deferred revenue arising from customer contributions is to be included as an offset to rate base and amortized to income over the useful life of the property plant and equipment to which it relates...Amounts recognized in Account 2440 should be amortized to income over the useful life of the related property, plant and equipment by debiting Account 2440 and crediting Account 4245, Government and Other Assistance Directly Credited to Income. The deferred revenue amortized to income is an offset to the depreciation expense of the related item of property, plant and equipment. This treatment eliminates any inclusion of contributions in aid of construction in the distributor's revenue requirement. The balance in*

*Account 2440 is offset against the property, plant and equipment balance (net of accumulated depreciation) in the determination of rate base.*

OEB Staff notes that Wasaga Distribution did not include Account 4245 in Appendix 2-H Other revenues for the period 2016 - 2024. OEB staff also notes that the depreciation of the Deferred Revenue has not been removed from the Net Depreciation amounts recorded in Appendix 2-BA and Wasaga Distribution appears using sub-accounts under Account 1995 (legacy account for the customer contribution) in Appendix 2-C to offset the depreciation expense by the amortized portion of the customer contribution.

Question(s):

- a) Please confirm OEB Staff's observations.
- b) Please provide the updated Appendix 2-H, 2-BA, and RRWF by removing the amortization portion of the customer contribution from the depreciation expense and adding it to the other revenues through the use of Account 4245.

### **Exhibit 3 – Operating Revenue**

#### **3-Staff-31**

##### **Customer Forecast**

**Ref 1: Exhibit 3, page 13**

Preamble:

Wasaga Distribution 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-32**

##### **Energy Forecast**

**Ref 1: Exhibit 3, page 8**

Preamble:

Wasaga Distribution 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-33**

#### **COVID-19**

**Ref 1: Exhibit 3, page 30**

Preamble:

Wasaga Distribution states:

*In 2020 there was an increase in residential consumption and a decrease in commercial demand and consumption (excluding the WMP customer - a grocery store). It is assumed that this is related to COVID-19 shut-downs.*

Question(s):

- a) Did Wasaga Distribution 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-34**

#### **Electric Vehicles**

**Ref 1: Exhibit 3**

**Ref 2: Exhibit 2 – Appendix 2 – C – Appendix D- Load Growth Analysis Report, Page 12, PDF Page 339 of 345**

Preamble:

Wasaga Distribution provided a load forecast in Exhibit 3.

Question(s):

- a) How has EV penetration been factored into load growth expectation over the forecast period?
  - a. If EV penetration was factored into load growth expectations, were the same assumptions used in Exhibit 3 as were included in the load growth

analysis report included in Exhibit 2 (reference 2)? If different assumptions were used in Exhibit 3, why?

- b) Has Wasaga Distribution considered the impact of Distributed Energy Resources or other emerging technologies on its load forecast? Please explain your response.

### **3-Staff-35**

#### **Customer Count**

**Ref 1: Exhibit 3, page 6**

**Ref 2: Load forecast model excel file, Tab 4.Customer Growth**

Preamble:

Wasaga Distribution states,

“The total customers and connections provided in the tables above are annual averages calculated by adding the beginning counts as of January 1 and the ending counts as of December 31 and then dividing them in half.”

Question(s):

- a) Please provide customer counts as annual average calculated by averaging across the 12 months for each year.
- b) Please provide the basis for adjusting the 2023 and 2024 customer forecast in reference 2.

### **Exhibit 4 – Operating Costs**

### **4-Staff-36**

#### **Compounded Growth Rate**

**Ref 1: Exhibit 4, page 6, Table 4.3**

Preamble:

Wasaga Distribution provided a table with the Ontario CPI from 2016-2022 and the OEB approved IPI for 2023-2024 (Reference 1).

Question(s):

- a) Please provide a similar table to Reference 1 using Wasaga Distribution’s approved PCI values from 2016-2024 instead of the Ontario CPI.

### **4-Staff-37**

## **Executive Salaries and Expenses**

**Ref 1: Chapter 2 Appendices – 2-JD\_OM&A Programs**

**Ref 2: Exhibit 4, page 41, Table 4.19**

Preamble:

According to Reference 1, Executive Salaries and Expenses was the greatest driver of the increase in OM&A since the 2016 OEB Approved OM&A amount.

Question(s):

- a) From 2016 to 2022, Executive Salaries and Expenses have increased from \$60k to 292k. Please explain the largest drivers for this change besides hiring a CEO/President, including what major expenses were incurred. Please also describe why the category spiked in 2020 to \$427k compared to the 2022 value of \$292k.
- b) Between 2022 and 2023, the category increased from \$292.4k to \$342.1k (an increase of 17%). Please explain the large increase in Executive Salaries and Expenses between 2022 and 2023 and how that affected the forecasted expense for the 2024 Test Year.
- c) Do executive salaries increase at the same rate as management salaries as outlined in Table 4.19 of Reference 2?

## **4-Staff-38**

**CEO/President Role & Vice President of Engineering and Operations**

**Ref 1: Exhibit 4, page 4**

Preamble:

According to Reference 1, Administration and General Expenses increased by 54% since the 2016 COS application. The main driver was due to hiring a President/CEO in 2019, a position vacant since 1999. Wasaga Distribution explained that the hiring segregated the Board of Directors from the Organization.

Question(s):

- a) Please expand upon the need for the President/CEO role for Wasaga Distribution and the benefits to having a President/CEO compared to Wasaga Distribution's operation before 2019. How did the role segregate the Board of Directors from the Organization?

According to Reference 1, the Vice President of Engineering and Operations was split among two FTEs.

- b) Please expand on the benefits that have arisen from splitting the role among two FTEs. What was the incremental cost of doing so? What was the incremental cost to OM&A of doing so?

#### **4-Staff-39**

##### **Management Salaries and Expenses**

###### **Ref 1: Chapter 2 Appendices – 2-JD\_OM&A Programs**

Preamble:

According to Reference 1, Management Salaries and Expenses are increasing from \$334.8k in 2023 to \$455.6k in 2024 despite no increase in the number of management employees.

Question(s):

- a) Please explain the increase in the Management Salaries and Expenses program between 2023 and 2024.

#### **4-Staff-40**

##### **Test Year Administrative Costs**

###### **Ref 1: Exhibit 4, page 37**

Preamble:

According to Reference 1, Wasaga Distribution anticipates a \$247k increase in Administrative and General costs between 2023 and 2024 due to wage progressions, cost of living adjustments, and inflationary impacts on annual contracts. Wasaga Distribution also noted that the increase was due to a wellness program, employee satisfaction survey, and focus group, as well as cyber security measures.

Question(s):

- a) What are the costs per year associated with the Employee Satisfaction Survey, focus groups, and Wellness Program? Do all associated costs fall under Outside Services Employed? If not, what programs do the associated costs fall under?
- b) What are the cybersecurity costs per year? In what program in App.2-JD OMA Programs does cybersecurity fall under? Do all associated costs fall under Outside Services Employed? If not, what programs do the associated costs fall under?

#### **4-Staff-41**

##### **Maintenance of Underground Services, Conductors and Devices**

**Ref 1: Exhibit 4, page 7**

**Ref 2: Chapter 2 Appendices – 2-AA\_Capital Projects**

**Ref 3: Chapter 2 Appendices – 2-JD\_OM&A Programs**

**Ref 4: Exhibit 2 – Appendix 2 – C – System Renewal Programs – SR4-Miscellaneous Underground Replacement, Pages 99-100, PDF Pages 163-164 of 345**

Preamble:

According to Reference 1, Wasaga Distribution notes that it anticipates that maintenance costs for underground assets will not decrease until its direct buried assets become old and are replaced. Though, according to Reference 2, Wasaga Distribution plans to increase its investments in underground asset renewal starting in 2023 and has also increased its maintenance budget for underground assets according to Reference 3.

Question(s):

- a) Why do underground maintenance costs continue to increase given that Wasaga Distribution notes that cables have infrequently failed as per Reference 4?
- b) Why does Wasaga Distribution not believe underground maintenance costs will decrease in 2024 given the additional capital investment in 2023 and 2024?
- c) When does Wasaga Distribution believe underground maintenance costs will see a decreasing trend?

#### **4-Staff-42**

##### **Maintenance of Poles, Towers, Fixtures, Overhead Conductors & Devices**

**Ref 1: Chapter 2 Appendices – 2-AA\_Capital Projects**

**Ref 2: Chapter 2 Appendices – 2-JD\_OM&A Programs**

Preamble:

According to Reference 1, Wasaga Distribution plans to increase investments in overhead asset renewal, especially its pole line rebuilds in 2023 onwards. However, according to Reference 2, the maintenance of poles, towers, fixtures, overhead conductors, and overhead devices continues to trend upward in 2024.

Question(s):

- a) Why does Wasaga Distribution not believe overhead maintenance costs will decrease in 2024 given the additional capital investment in 2023 and 2024?
- b) When does Wasaga Distribution believe overhead maintenance costs will see a decreasing trend?
- c) Please explain the underspend in the Maintenance of Overhead Conductors and Devices program between the 2016 OEB approved amount and historical actuals as shown in Reference 2.

#### **4-Staff-43**

##### **Number of FTEs**

**Ref 1: Exhibit 4, pages 36-37, 39-41**

Preamble:

According to Reference 1, Wasaga Distribution stated there has been discussion about hiring a new lineman in 2024 or 2025. Wasaga Distribution also plans to add a HR or IT professional and potentially a second professional depending on the needs of the organization.

Question(s):

- a) According to Reference 1, the number of full time equivalent (FTE) employees is 23.26 in 2023 and 23.68 in 2024. Has Wasaga Distribution accounted for a new lineman and/or a new IT/HR professional in its Employee Compensation breakdown?
- b) Has Wasaga Distribution decided on whether it will hire the HR or IT professional in 2024?
  - a. If so, please provide the specific need for the additional professional.
  - b. If not, please provide the specific need for each role.
- c) Throughout Exhibit 4, Wasaga Distribution refers to employees as “WDI employees.” Please confirm that these are Wasaga Resource Services Inc. (WRSI) employees providing services to Wasaga Distribution.
- d) Wasaga Distribution notes that “[Wasaga Distribution’s] Collective Agreement with unionized staff provides for annual pay increases and employee step progressions.” Does Wasaga Distribution bargain on behalf of WRSI for its employees?

#### **4-Staff-44**

##### **Vegetation Management**

**Ref 1: Distribution System Plan, page 60**



## **Ref 2: App.2-JD\_OMA Programs**

Preamble:

According to Reference 1, Wasaga Distribution noted that it opted to move into a four-year cycle for its vegetation management cycle rotation rather than five.

Question(s):

- a) When did Wasaga Distribution change to a four-year cycle?
- b) Please explain how the vegetation management process has changed which drove increased costs in 2023 (aside from catching up in work from 2022) and 2024.
- c) Does Wasaga Distribution have additional plans for out-of-cycle vegetation management for faster-growing tree species or do these remain reactive?
- d) Does Wasaga Distribution use methods of vegetation management other than trimming, such as chemical vegetation management? If not, please explain why.

## **4-Staff-45**

### **Maintenance Supervision and Engineering**

**Ref 1: Exhibit 4, page 35**

**Ref 2: App.2-JD\_OMA Programs**

Preamble:

Wasaga Distribution stated that at the end of 2022 there was a review of how the Engineering department was coding their time between O&M and Capital (Reference 1), which resulted in an increase in costs from \$61k in 2022 to \$168k in 2023 (Reference 2).

Question(s):

- a) Please describe what prompted the reallocation of hours.
- b) How was the review conducted? Was a third-party involved? Please expand upon the results of the review.
- c) What were the effects on the capital budget as a result of this reallocation for 2023 and 2024?
- d) Why was the reallocation of hours not completed when the Master Service Agreement was revised in 2019?

## **4-Staff-46**

### **Master Service Agreement**

**Ref 1: Exhibit 4, Aird Berlis Memorandum, page 1**

**Ref 2: Affiliate Relationship Code (ARC), pages 7, 11**

Preamble:

According to the Affiliate Relationship Code, a utility shall not share with an affiliate that is an energy service provider employees that are directly involved in collecting, or have access to, confidential information.

In the Aird Berlis Memorandum, Aird Berlis noted that there are potential concerns about sharing of information and employees between WRSI and Wasaga Distribution given that WRSI is considered an “energy service provider.”

According to the ARC:

*Where a reasonably competitive market does not exist for a service, product, resource or use of asset that a utility sells to an affiliate, the utility shall charge no less than its fully-allocated cost to provide that service, product, resource or use of asset. The fully-allocated cost shall include a return on the utility’s invested capital. The return on invested capital shall be no less than the utility’s approved weighted average cost of capital.*

Question(s):

- a) Please explain how Wasaga Distribution addressed the ARC with this in mind.
- b) Please confirm that fully allocated costs to WRSI are inclusive of a return on the utility’s invested capital no less than the utility’s approved weighted average cost of capital as per Reference 2.

## **Exhibit 5 – Cost of Capital**

**5-Staff-47**

**Infrastructure Loan**

**Ref 1: Exhibit 5, page 9**

Preamble:

Wasaga Distribution noted that it entered an agreement to secure \$13 million from an Infrastructure Ontario loan starting in 2020.

Question(s):

- a) Did Wasaga Distribution consider going to a bank instead of through Infrastructure Ontario? If so, how was the decision made to enter this variable loan instead?
- b) Was the option available to borrow more in 2020 and/or 2022 when interest rates were lower?

## **Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency**

### **6-Staff-48**

#### **Other Operating Revenue**

**Ref 1: Exhibit 6, page 24**

Preamble:

Wasaga Distribution noted that Other Operating Revenue saw a decrease of \$208k from 2020 to 2021 as a result of booking a provision for the billing proration error.

Question(s):

- a) Please provide further details on the billing proration error.

### **6-Staff-49**

#### **Other Income or Deductions**

**Ref 1: Exhibit 6, page 27**

Preamble:

Wasaga Distribution noted that Other Income or Deductions saw a decrease of from \$60.2k in 2023 to \$1.4k in 2024.

Question(s):

- a) Please explain the decrease in Other Income or Deductions.

### **6-Staff-50**

#### **PILs**

**Ref 1: 2024 PILs Workform**

**Ref 2: 2024 Chapter 2 Appendix 2-BA**

Preamble:

In Reference 1, Wasaga Distribution has reported total PP&E additions of \$3,226,355 in Cell F532 and total additions of \$3,330,684 in the 2024 PILs Workform for 2024.

Question(s):

- a) Please reconcile the total PP&E additions for 2024 in Reference 1 with those in Reference 2.

## **6-Staff-51**

### **PILs**

**Ref 1: 2024 PILs Workform**

**Ref 2: Exhibit 6, page 14**

**Ref 3: Chapter 2 Filing Requirements for Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications, December 15, 2022**

Preamble:

According to Reference 2, Wasaga Distribution has modified the 2024 PILs Workform to remove the Small Business Tax Deduction (SBD). Wasaga Distribution states that it doesn't qualify for this reduction for actual tax filing purposes because the associated companies increase Wasaga Distribution's taxable capital above the \$50M threshold.

Section 2.6.2 of the Filing Requirements states that distributors must make use of the stand-alone principle when determining the Payment in Lieu of Taxes (PILs) amounts.

Question(s):

- a) Please confirm whether Wasaga Distribution's view is that the stand-alone principle as referenced in the Filing Requirements, should not apply for tax sharing purposes. If so, please explain the rationale and any OEB precedent where the stand-alone principle was not applied.
- b) Please comment on why Wasaga Distribution believes it is reasonable that the SBD threshold should be based on the gross book value of capital assets of the associated companies rather than Wasaga Distribution's own book value.
- c) Please provide the PILs Workform by removing the modification made by Wasaga Distribution.
- d) Please quantify the revenue requirement impact of the removal of the SBD rate in the PILs model.

## **Exhibit 7 – Cost Allocation**

N/A

## **Exhibit 8 – Rate Design**

### **8-Staff-52**

#### **RTSRs**

**Ref 1: Exhibit 8, page 9**

**Ref 2: RTSR Workform**

**Ref 3: 2024 Preliminary UTR letter, September 28, 2023**

#### **Preamble:**

On September 28, 2023, the OEB issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates<sup>2</sup>. The preliminary UTRs are Network: \$5.76, Line Connection: \$0.95, Transformation Connection, \$3.21. The OEB determined the use of preliminary UTRs to calculate 2024 Retail Service Transmission rates (RTSR) to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. The OEB also directed distributors to update their 2024 application with Hydro One Network Inc.'s proposed host RTSRs. These are Network: \$4.9103, Line Connection: \$0.6537 and Transformation Connection: \$3.3041.

#### **Question(s):**

- a) Please confirm which historic year of RRR data has been used.
- b) Please confirm which year of wholesale purchase volumes have been used.
- c) Please update the RTSR model using the preliminary UTRs and the most recent proposed RTSRs.

### **8-Staff-53**

#### **RTSRs**

**Ref 1: Exhibit 8, page 6**

#### **Preamble:**

Wasaga Distribution states,

“WDI proposes to slightly modify the fixed/variable proportions assumed in the current rates to design the monthly proposed service charges for each class.”

#### **Question(s):**

- a) Please provide an explanation for modifying the current fixed/variable proportion.

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<sup>2</sup> OEB Letter, EB-2023-0222, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, issued September 28, 2023

**Exhibit 9 – Deferral and Variance Accounts**

**9-Staff-54**

**Account 1592 CCA Changes**

**Ref 1: Exhibit 9, Section 2.9.1.5, pages 17-19**

**Ref 2: Exhibit 6, Appendix 6 (B)**

**Ref 3: Exhibit 9, Appendix 9 (C)**

**Ref 4: OEB Letter, Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019**

**Ref 5: 2024 Chapter 2 Appendix 2-BA**

**Ref 6: 2024 PILs Workform, B8 Sch 8 and T8 Sch 8 Tabs**

**Preamble:**

In Reference 4, the OEB has provided accounting directions regarding Bill C-97. It states that all Utilities are expected to “record the full revenue requirement impact of any changes in CCA rules that are not reflected in base rates. The impacts should be recorded as of the effective date of the changes in CCA rules, which for the Bill C-97 changes is November 21, 2018.”

In Reference 1, Wasaga Distribution states that it has reflected the impacts of Bill C-97 in its calculation of PILs for the 2024 Test Year and does not intend to record amounts related to Bill C-97 in the future. Wasaga Distribution has provided calculations of the CCA changes impact provided in Appendix 9 (C) and has included a table (as shown below) in the application to summarize the cumulative CCA impact.

**Table 9.1: Account 1592 – PILs and Tax Variances – CCA Changes**

<b>1592 PILS CCA</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
CCA – Deferred Tax Impact	0	29,049	29,713	34,657	56,571
Cumulative CCA Impact	0	29,046	58,758	93,415	149,986

Based on the calculations mentioned above, Wasaga Distribution states that a future tax liability of \$149,986 exists. This future tax liability would be eventually recovered from the ratepayers. In Appendix 9 (C), Wasaga Distribution has calculated the Present Value (PV) of the future tax liability to be \$82,672. Furthermore, the LDC compares a benefit of \$133,272 resulting from an unrealized tax credit of \$12,500 for Scientific Research and Experimental Development (SRED) claims to the PV of the accumulated

CCA impact of \$82,672. The LDC states that the benefit from the unrealized SRED claim exceeds the PV of the future payback of \$82,672 over the same rate-setting period.

Additionally, Wasaga Distribution states its actual PILs paid have been greater than what was approved in the 2016 COS. The LDC has provided a table (as shown below) in the application outlining the year-over-year PILs variances for 2016 to 2022.

**Table 9.2: Year-over-year PILs Variance to 2016 Board Approved Recovery Amount**

	Approved 2016	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022
Grossed up PILs	57,457	190,365	194,565	253,273	121,929	132,026	132,018	179,475
Variance to Approved		132,908	137,108	195,816	64,472	74,569	74,561	122,018
Total Variance to 2016 Approved								801,452

Lastly, Wasaga Distribution states that the impacts on tax rates underpinning the 2024 PILs include the phase-out of accelerated capital cost allowance (CCA) beginning in 2023. The Account 1592, Sub-Account CCA Changes is requested to be closed as no disposition is required.

According to Wasaga Distribution's 2022 tax return in Reference 2, the utility has applied the Accelerated Investment Incentive (AII) in calculating the CCA for eligible additions in Schedule 8. OEB staff notes the ending UCC balances reported for the historical year in Reference 6 align with the 2022 tax return. OEB staff further notes the normal CCA rate, and the legacy half-year rule have been applied to the capital asset additions in the CCA calculations for the bridge year and the test year in the 2024 PILs Workform.

Additionally, the OEB staff notes that the disposals recorded in Appendix 9 (C) for the period 2018 – 2022 are not aligned with the disposal amounts reported in Appendix 2-BA. Furthermore, the additions recorded in Appendix 9 (C) for 2019 do not match the total additions reported in Appendix 2-BA.

Question(s):

- a) Please confirm that the AII has been claimed in Wasaga Distribution's tax filings for the period 2019 to 2022.

- b) Please confirm OEB staff’s observation that Wasaga Distribution has applied the legacy half-year rule and normal CCA rates on the capital additions in the 2023 bridge Year and 2024 test Year, instead of applying the CCA rates using the AIPP.
- c) If a) and b) are confirmed, please explain why Wasaga Distribution elects not to claim the CCAs using the AIPP for the bridge year and test year. Please also confirm that Wasaga Distribution will not claim the CCAs under the AIPP going forward in future tax filings.
- d) If a) and/or b) are not confirmed, please explain in detail regarding Wasaga Distribution’s practice and plan for the CCA claim.
- e) OEB staff has compiled the CCA schedule for Class 47 in the table below, based on the information provided in Reference 6, assuming the application of All:

**Table 9.3: CCA Calculation**

	A. Beginning UCC as provided in Reference 6, Column E	B. Cost of acquisitions during the year as provided in Reference 6, Column F	C. Adjustments and transfers as provided in Reference 6, Column H	D. Relevant factor	E. CCA Rate %	CCA: (A+C)xE + (BxDxE)
Class 47						
2023	11,410,434	3,176,355	(46,470)	1.5	8%	\$1,290,279.72
2024	13,546,900	3,330,684	(46,470)	1	8%	\$1,346,489.13

- i. Please confirm OEB staff’s calculation.
  - ii. Please update the Schedule 8 CCA in Reference 6 for the bridge year and test year following OEB staff’s approach.
  - iii. Please provide the revenue requirement impact from the updated PILs workflow.
- f) Please confirm that the cumulative CCA impact of \$149,986 “future tax liability” in Table 9.6 of Wasaga Distribution’s application represents the following:
    - i. The sum of the CCA differences for the years 2019 to 2022 between the CCA calculated and claimed on the actual capital additions in the actual tax filings and the CCA calculated using the legacy half-year rule.
  - g) Please provide the supporting schedule for the actual CCA claimed in Wasaga Distribution’s tax return filings from 2019 to 2022.
  - h) Please confirm that Wasaga Distribution did not claim the AIPP for the stub period in 2018. If not confirmed, please provide the assets claimed under the AIPP and quantify the impact.



- i) Please reconcile the additions and disposals recorded in Reference 3 with those reported in Reference 5 and update the calculations of the cumulative CCA impact accordingly if applicable.
- j) Please confirm that Wasaga Distribution is not proposing the disposition of any balance (either the balance of \$149,986 or the PV value of \$82,672) in Account 1592 sub-account CCA changes in this rate application.
- k) Please confirm that Wasaga Distribution has conformed to the OEB's Accounting Guidance issued in July 2019 regarding the Account 1592 sub-account CCA changes to record the balances in this sub-account under Account 1592.
  - i. If not confirmed, please explain why not and provide the balance recalculated based on the Accounting Guidance.
  - ii. Please also provide an updated DVA continuity schedule including the updated balance in Account 1592 in accordance with the Accounting Guidance.
- l) Please explain the relevancy of the PV approach in this application, given that Wasaga Distribution is not proposing the disposition of Account 1592 sub-account balances.
- m) Please provide any OEB approved precedent that Wasaga Distribution is aware of for the PV approach.
- n) Please explain why Wasaga Distribution considers it reasonable to link the unrealized tax credit of \$12,500 for SRED claims with the tax impacts from the CCA changes.

## **9-Staff-55**

### **New DVA Request**

**Ref 1: Exhibit 9, Section 2.9.15, page 22**

**Ref 2: Chapter 2 Filing Requirements for Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications, December 15, 2022**

Preamble:

The following new deferral/variance accounts are requested to be established in this COS proceeding as stated in Reference 1.

1. Account 1595 – Disposition and Recovery/Refund of Regulatory Balances 2024 - Effective until April 30, 2025.
2. Account 1595 – Recovery of GA Rider 2024 – Effective until April 30, 2025.

Page 16 of Reference 2 states that “when approval for disposition of DVA balances is received from the OEB, the approved amounts of principal and carrying charges are transferred to Account 1595 for that rate year.”

Question(s):

- a) OEB staff notes that there is no need for the distributor to request the vintage sub-account under Account 1595. Please update Reference 1 to remove the request for the establishment of a new DVA.

**9-Staff-56**

**GA**

**Ref 1: 2024 GA Analysis Workform, GA 2022 Tab**

Preamble:

In Reference 1, the annual non-RPP Class B wholesale kWh and the annual non-RPP Class B retail billed kWh are both specified as 21,508,054. OEB staff understands that the retail billed kWh typically does not equal the wholesale kWh because the utility’s approved loss factors often do not equal the actual loss factors.

OEB staff has reproduced the table in the GA Analysis Workform for the calculation of the expected volume variance:

**Table 9.4: GA Analysis**

<b>Annual Non-RPP Class B Wholesale kWh *</b>	<b>Annual Non-RPP Class B Retail billed kWh</b>	<b>Annual Unaccounted for Energy Loss kWh</b>	<b>Weighted Average GA Actual Rate Paid (\$/kWh)**</b>	<b>Expected GA Volume Variance (\$)</b>
<b>O</b>	<b>P</b>	<b>Q=O-P</b>	<b>R</b>	<b>P= Q*R</b>
\$21,508,054	\$21,508,054	\$0	\$0.05228	\$0

As a result of the two same numbers, the expected GA volume variance is calculated as nil in Account 1589.

Question(s):

- a) Please explain why the annual non-RPP Class B wholesale kWh and the annual non-RPP Class B retail billed kWh are identical.
- b) Please confirm that Wasaga Distribution’s actual loss factors in 2022 are the same as the OEB’s approved loss factors in its last rebasing proceeding.

c) Please update the GA Analysis Workform as applicable.

**9-Staff-57**

**Pole Attachment Variance**

**Ref 1: Exhibit 9, Section 2.9.1, page 10**

**Ref 2: Accounting Guidance on Wireline Pole Attachment Charges, July 20, 2018**

**Ref 3: Exhibit 9, Section 2.9, Table 9.4**

Preamble:

Table 9.3 in Reference 1 outlines the calculation that supports the balances in Account 1508, Sub-Account Pole Attachment Variance. OEB staff has reproduced Table 9.3 below.

**Table 9.5: Pole Attachment Revenue Variance (Table 9.3 in Reference 1)**

<b>Date</b>	<b>Number of Poles</b>	<b>Total Invoice Amount</b>	<b>Total Approved in OEB Rates</b>	<b>Total Variance Amount</b>
Sept – Dec 2018	6,511	56,663	45,085	(11,579)
Jan – Dec 2019	6,601	259,219	132,790	(126,429)
Jan – Dec 2020	6,601	263,934	132,790	(131,144)
Jan – Dec 2021	6,601	264,479	132,790	(131,689)
Jan – Dec 2022	6,601	207,885	132,790	(75,095)
Total Principal as of December 31, 2022				(475,934)
Total Interest through April 30, 2024				(44,088)
<b>Total Disposition Request</b>				<b>(520,022)</b>

The OEB provides accounting guidance for the pole attachment revenue variance account in Reference 2. It states that the amount to be recorded to the variance account shall be based on the excess revenue collected/recorded on a monthly basis as a result of the difference between revenue charged to the carrier at the new rate and the existing rate of \$22.35 per pole attachment per year. The monthly amount that a distributor collects/records in the variance account shall be calculated based on 1/12th of the excess incremental revenue amount of the annual pole attachment charge multiplied by the relevant number of poles per month.

In the table below, OEB staff has calculated the principle amounts for the pole attachment revenue variance following the accounting guidance above.

**Table 9.6: Pole Attachment Revenue Variance**

Year	# of Poles	Provincial Pole Attachment Charge (\$)	Jan. – April Pole Attachment Charges Based on the Previous Year's Provincial rate (\$)	May – Dec. Pole Attachment Charges Based on the Current Year's Provincial rate (\$)	Annual Provincial Pole Attachment Charge Based on the Provincial Pole Attachment Charge (\$)	Wasaga 2016 COS Pole Attachment Charge (\$)	Annual Provincial Pole Attachment Charge Based on the 2016 COS Pole Attachment Charge (\$)	Variance
<b>2018 (Sept.1 – Dec.31)</b>	6,511	28.09	-	60,965	60,965	22.35	48,507	(12,458)
<b>2019</b>	6,601	43.63	61,807	192,001	253,808	22.35	147,532	(106,276)
<b>2020</b>	6,601	44.50	96,001	195,830	291,830	22.35	147,532	(144,298)
<b>2021</b>	6,601	44.50	97,915	195,830	293,745	22.35	147,532	(146,212)
<b>2022</b>	6,601	34.76	97,915	152,967	250,882	22.35	147,532	(103,350)
<b>Total Principal as of December 31, 2022</b>								<b>(512,593)</b>

Question(s):

- a) Please confirm the OEB staff's calculation in the table above and revise the table as applicable.
- b) Please provide an explanation for the variance of the principal balance between the OEB staff's calculation of (\$512,593) and Wasaga Distribution's calculation of (\$475,934).