

Board Staff Supplemental Interrogatories
2009 Electricity Distribution Rates
West Coast Huron Energy Inc. ("West Coast Huron")
EB-2008-0248

As per Procedural Order #3 dated January 21, 2009.

Load Forecast

1. Ref: Exh3/Tab2/Sch1/pp 1 to 13 (*Revised January 16, 2009*)

Please provide a detailed description of the methodology the Applicant employed in developing its 2008 and 2009 load forecasts including identification (and rationale for the identification) of the weather sensitive and non-weather sensitive classes, differentiating any differences in the approach(es) used for weather sensitive and non-weather sensitive classes, the process for the separate development of the kWh vs. kW forecasts, description of the checks employed to ensure the correct kWh vs. kW relationship has been maintained, etc.

2. Ref: Exh3/Tab2/Sch1/p 2 (*Revised January 16, 2009*)

On page 2, the Applicant states that "The annual trend growth is used to project customer growth into 2008 and 2009." Please:

- a) Explain how the Applicant's forecasting methodology is differentiated from a "rear view mirror" approach that relies solely (or substantially) on the future being an extrapolation of the past and ignores both broader economic effects that would impact the Province as a whole and energy consumption changes as a result of CDM.
- b) Compare the economic assumptions made in the application with economic forecasts prepared by national economic forecasting institutions (e.g. Canadian chartered banks) and regional equivalents (e.g. Boards of Trade or regional councils).

3. Ref: Exh3/Tab2/Sch1/pp 1 to 13, Exh3/Tab2/Sch4/p1 and Exh3/Tab3/Sch4/p 2 (*Revised January 16, 2009*)

At Tab 2, Schedule 1, page 2, in discussing Residential and GS<50 customer classes, the Applicant states that "The annual trend growth is used to project customer growth into 2008 and 2009." Also on Tab 2, Schedule 1, page 2, in discussing the GS>500 to 4999 customer classes, the Applicant states that "...an annual growth rate of 0% was assumed for 2007 and 2008 and Volvo was removed from the customer forecast as a result of its impending closure."

On Tab 2, Schedule 1, pages 4 and 5; on Tab 2, Schedule 4, page 1; and on Tab 3, Schedule 4, page 2; the Applicant displays tables containing customer count for the various customer classes. The data in the various tables are not consistent. (For example, on Tab 2, Schedule 1, page 4, the 2008 GS<50 customer count is 517 and the 2009 GS>50 to 499 customer count is 51; the corresponding values on page 5 are 521

and 49 respectively. Discrepancies also exist among the other tables referenced.)
Please:

- a) Verify that in the first unnumbered table in Exhibit 3/ Tab 2/ Schedule 1/ page 4, the Residential class customer count growth from 3,166 in 2002 to 3,290 in 2007 corresponds to an approximate 0.8% p.a. growth whereas the 2007 to 2008 growth (3,290 to 3,323) and 2008 to 2009 growth (3,323 to 3,356) each correspond to an approximate 1.0% p.a. growth.
- b) Reconcile the percentage increases in a) above with the statement: "The annual trend growth is used to project customer growth into 2008 and 2009."
- c) Clarify if the statement "...an annual growth rate of 0% was assumed for 2007 and 2008..." is meant to also refer to 2008 to 2009 growth.
- d) Explain why on page 4, the four Volvo accounts are added back in to the 2009 forecasts giving the appearance that the 2009 customer count continues to include the Volvo customer and, also, why the sum of the accounts in the GS>500 to 4999 customer classes for 2007 is 49 (i.e. 46+3), for 2008 is 51 (i.e. 48+3) and for 2009 is 56 (i.e. 51+4) while the statement was made for those classes on page 2 that "...an annual growth rate of 0% was assumed for 2007 and 2008 and Volvo was removed from the customer forecast as a result of its impending closure."
- e) Re-file the four referenced tables with consistent data based on consistent assumptions.

4. Ref: Exh3/Tab2/Sch1/pp 3 to 5 (Revised January 16, 2009)

On page 3, the Applicant provides the non-normalized consumption history and forecast. Assuming that the values have been derived using the normalized average consumption method, Board staff is able to reproduce some of the forecast values but not others. Also, there is some uncertainty if the values in pages 3 to 5 are billing (retail) data or wholesale data. In addition, the application does not appear to contain a clear indication as to which of the tables of values in the application the Applicant is relying on for the development of its distribution rates. Please:

- a) Verify that the values in the table on page 5, form the forecast on which the Applicant is relying for the development of its distribution rates.
 - b) Explain the role the values on page 3 play in the development of the Applicant's forecast given that the values on page 3 are not weather corrected whereas the values in the forecast on page 5 are weather corrected.
 - c) Verify that the data on pages 3 to 5 are billing (retail) data.
 - d) Provide a live Excel spreadsheet (i.e. one where the formulae are visible) showing the development of the 2008 and 2009 values – both kWh and kW – that are presented in *page 3*.
-

- e) Provide a live Excel spreadsheet (i.e. one where the formulae are visible) showing the development of the 2008 and 2009 values – both kWh and kW – that are presented in *page 5*.

5. Ref: Exhibit 3(Revised January 16, 2009)

Some of the Applicant's evidence may require to be adjusted in light of responses to the preceding customer count, load and revenue forecasting interrogatories. Please re-file any Exhibit 3 tables that require to be updated as a result of changes in the Applicant's evidence as a result of these interrogatories.

OM&A

6. Ref: Exh4/Tab2/Sch7 (Revised January 16, 2009)

The number of full time equivalents reported on this schedule has changed from the original application.

- a) Please explain why the historical count has changed.
- b) What is the effect of this change on the forecast year?
- c) If staff has been reduced, have Purchased services increased?
- d) If purchased services have increased, please provide detailed cost impacts.

7. Ref: Board Staff Interrogatory Schedule #6

This schedule provided by West Coast Huron is in response to Board staff's request for a table identifying one time and on-going regulatory costs.

- a) The response indicates some costs are on-going, but is silent on costs not classified as on-going. Are the unclassified costs one time costs?
- b) Please explain the costs that comprise the \$105,000 of on-going costs itemized as Rate applications.

8. Ref: Board Staff Interrogatory #7 a)

Please explain the \$150,000 one time post retirement benefit charge that is disclosed in this interrogatory response. How was it determined and why was it not included in the original evidence?

9. Ref: Board Staff Interrogatory #7 d)

In West Coast Huron's response, it stated that there are no forecast costs in 2009 for International Financial Reporting Standards conversion.

- a) Does West Coast Huron have an estimate for the costs for International Financial Reporting Standards conversion?
 - b) What year would this expense occur?
 - c) If over more than one year, please provide yearly expenses.
-

Rate Base/Capital Expenditures

10. Ref: Board Staff Interrogatory # 17

Please provide greater detail (including rationale and costs) for the projects listed below:

- a) Upgrade of poles and conductors on M3 6 spans: How many poles will be replaced as part of this projects and what is the average cost of each pole?
- b) Purchase truck (\$33,000) – type of truck, is it a replacement or a new purchase?
- c) Transformer purchases for inventory – number of transformers being purchased, cost of each transformer
- d) Cost of connecting new customers – bridge and test year – will the utility be receiving any contributions or grants? If “yes”, please provide details.
- e) Replace danger poles within distribution system (bridge and test year) – number of poles being replaced, average costs, methodology for identifying poles for replacement.
- f) 27 kV conversion and feeder operating enhancements and relieve 31M3 27.6 kV constraints on South Loop – rationale for both projects, alternatives considered, date of completion, costs of projects included in rate base of bridge and test year.

Cost of Debt

11. Ref: Board Staff Interrogatory #26

West Coast Huron has submitted a copy of the original Promissory Note in response to Board Staff Interrogatory # 26. The original Promissory Note signed in December 2000 for the sum of approximately \$2.6 million carrying a fixed rate of 7.25% per annum, refers to retaining the Note for a period of four years and then making it subject to review after this period.

The Note was then revised/renegotiated in November 2002 and a balance of \$974,454 was fixed at a rate of 7.25% per annum under the original and current conditions.

Please answer the following questions with respect to the Promissory Note:

- a) The original conditions of the Note indicated a period of four years and a review of the Note at the end of this period. These conditions were not changed or amended in the November 2002 Note. Was the Note reviewed in 2004 or 2006? If not, please provide reasons for not reviewing the Note.
 - b) Did West Coast Huron obtain a market quote on a similar debt when it amended the Note in November 2002? Please provide details.
 - c) Has the Ontario Energy Board reviewed the original Note or the Revised Note in a prior proceeding?
-

Income Tax

12. Ref: Exh6/Tab1/Sch1

In Exhibit 6/Tab1/Schedule1, West Coast Huron requested Board approval of a deemed capital structure of 53.33% debt and 46.67% equity. Please confirm whether West Coast Huron is seeking the above or the deemed structure stated below:

Common Equity Ratio – 43.33%
Short term debt Ratio – 4.00%
Long term debt Ratio – 52.67%

Please clearly restate the deemed capital structure that West Coast Huron is requesting.

13. Ref: Schedule 22 responding to Board Staff Interrogatory # 22

- a) Please confirm the total PILs amount for Rate Purposes that West Coast Huron is requesting.
 - b) What equity ratio has West Cost Huron used in its PILs calculation? If West Cost Huron has not used the deemed equity ratio in its calculation, please provide reasons for not doing so.
 - c) Please provide the income tax rates that have been used in the PILs calculation. If West Coast Huron has used a Corporate Income Tax Rate other than 16.5%, please provide reasons for doing so.
-

Smart Meters

14. Ref: Board Staff Interrogatory # 20

In Response to the Board Staff Interrogatory, West Coast Huron has indicated that it is planning to deploy smart meters in 2009 and is requesting a rate adder of \$1.00 per month. West Coast intends to install approximately 1,678 meters in the 2009 Test Year. Please complete the following table:

Total number of metered customers	
Total number of smart meters to be installed (2009 and beyond)	
Total capital cost of the Smart Meter Program	
Total installed cost per smart meter	
Approximate completion date of installing all smart meters	
Total expenditures incurred to-date	
Total balances in smart meter related deferral accounts (by account type)	
Annual estimated OM&A costs (once all smart meters are installed)	

Retail Transmission Service Rates

15. Ref: Board staff Interrogatory # 46

West Coast Huron submitted Schedule# 46 A and B in response to Board Staff Interrogatory #46a), including sub-totals highlighted for the period June-November 2008. West Coast Huron provided an analysis of monthly over- and under-collections over a twenty-two month period in response to # 46b). In response to # 46c), West Coast Huron undertook to file a revised proposal for RTSRs. However, the Revision Document notes that "WCHE was not confident that the results [of its analysis] meet the intent of the question", and the revised application in fact proposes no change from the existing approved rates for all classes.

- a) Please confirm that the wholesale cost of Network service from June to November 2008 was \$285,176, that the applicable rate at that time was \$2.31 per kW, and that the cost would have been approximately \$320,000 if the rate had been \$2.57 per kW (as recently approved in Board Order EB-2008-0113).
- b) Please confirm that the revenue from Network retail rates from June to November 2008 was \$294,911, and that the revenue would have been

approximately \$320,000 if the West Coast Huron's Retail Transmission Service Rates for Network had been 7.6% higher than West Coast Huron's currently approved rates.

- c) Please confirm that the wholesale cost of Connection service from June to October 2008 was \$257,761, that the applicable rate at that time was \$2.20 per kW, and that the cost would have been approximately \$270,000 if the rate had been \$2.32 per kW (as recently approved in Board Order EB-2008-0113).
- d) Please confirm that the revenue from Network retail rates from June to November 2008 was \$244,668, and that the revenue would have been approximately \$270,000 if the West Coast Huron's Retail Transmission Service Rates for Network had been 11.1% higher than West Coast Huron's currently approved rates.
- e) Please provide Retail Transmission Service Rates that would differ from the currently approved rates by the amounts suggested in parts b) and d), or alternatively provide other rates with a rationale for not making the adjustment suggested in parts b) and d). Note that such a rationale might involve allowing for the partial year used in those calculations or for West Coast Huron's revised load forecast.

Deferral and Variance Accounts

16. Ref: Board Interrogatories # 37 and 47

West Coast Huron provided the continuity schedule of Deferral and Variance accounts as requested. However, Board staff requests further information concerning the data in the continuity schedule:

- a) With respect to the third sub-account in account 1508 'Other Regulatory Assets', please describe the transfer of \$563,349 made in 2006 from account 1588 to 1508, and subsequent reduction of \$153,827 in 2006 and \$283,753 during 2007. Please include an explanation of why the balance of \$125,769 is described as "Recovery – court order" in note 7 to the 2007 Financial Statements.
 - b) Please provide a reference to guidance in the Accounting Procedures Handbook or other Board direction which West Coast Huron has relied on to record and dispose of a balance in this sub-account of 1508.
 - c) Please explain which of the amounts recorded in account 1508 (described in part a above) in fiscal 2006 may have already been recovered as part of the amount \$563,169 that is a component in the rate riders approved in the 2006 EDR Regulatory Asset Recovery model (part of December 31, 2004 balances).
 - d) Board staff provided a continuity schedule with blank cells as a framework with its Interrogatories to West Coast Huron. In November 2006, utilities were
-

advised by the Board to reallocate the 2006 EDR approved regulatory asset balances from their account of origin to the 1590 recovery accounts effective May 1, 2006.

Please update the continuity schedule to reflect, and reconcile with, the amounts that were approved by the Board as part of West Coast Huron's 2006 EDR Decision (EB-2005-0431).

As an example, the Board approved the transfer of \$563,169 from Account 1508 in 2006; however the amount presented in the continuity schedule attached with the response to Board Staff Interrogatory # 47 states a sum of principal and interest of \$0 transferred to account 1590. The numbers included in the column "Transfer of Board-approved amounts to 1590 as per 2006 EDR" are either incorrect, or the entries are missing entirely from the continuity schedule filed by West Coast Huron.