

Welland Hydro-Electric System Corp.
(“Welland”)
EB-2008-0247
Supplemental Board Staff Interrogatories

RATE BASE / CAPITAL EXPENDITURES

1.

Ref: Response to VECC Interrogatory No. 10

A review of the budgeted/forecasted capital expenditures indicates that the Company's actual capital spending in 2006 and 2007 was below the budgeted amount. Please answer the following questions with respect to the Capital Budget:

- a) Please provide reasons for the significant difference between actual and forecasted amounts for 2007.
- b) Please provide the current status of actual versus forecasted capital expenditures for 2008.
- c) Will the Company be able to complete all its forecasted capital programs for 2008? If not, please provide details of incomplete, delayed and cancelled projects.
- d) If Welland Hydro is unable to complete some of the 2008 capital programs, will that have an impact on 2009 capital expenditures? If yes, please provide details.

COST OF DEBT

2.

Ref: Response to Board Staff Interrogatory No. 4

Welland Hydro has indicated that it is not allowed to pay back any principal on the Promissory Note without the prior consent of the City of Welland. Please answer the following questions with respect to responses provided to Board Staff Interrogatory No. 41:

- a) There is no fixed term on the Note and Welland Hydro does not have an option to pay back any principal. What benefit does the ratepayer receive if the utility is not in a position to take advantage of low market rates or pay back a portion of the principal in order to reduce the interest burden?
- b) In Note 17 to Welland's financial statements of December 31, 2007, the Company indicates that it sought a market quote on a ten year note with no principal repayment. What does the Company mean by stating, "To test the

current market place”? If Welland did not intend to refinance, why did it seek a market quote?

- c) Which institution/institutions provided the quoted rates between 5.00% and 5.25%?
- d) Please confirm that Welland Hydro is seeking to recover through rates the Board determined deemed long-term debt rate for 2009.

INCOME TAX

3.

Ref: Response to Board Staff Interrogatory No. 40

- a) Please confirm that Welland Hydro is seeking to recover a total PILs amount of \$567,770 for the 2009 Test Year (\$ 531,437 + \$ 36,333).
- b) Please provide the income tax rates that have been used in the PILs calculation, Federal and Ontario Rate. If Welland Hydro has used a Total Corporate Income Tax Rate other than 31.61%, please provide reasons for doing so.

SMART METERS

4.

Ref: Response to Supplemental Filing of January 20, 2009

Please complete the following table:

Total number of metered customers	
Total number of smart meters to be installed (in 2009 Test Year)	
Total number of smart meters to be installed (2009 & 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 number)	
Annual estimated OM&A costs (once all smart meters are installed)	

RETAIL TRANSMISSION SERVICE RATES (RTSRS)

5.

Ref: November 3, 2008, Submission responding to G-2008-0001; January 20, 2009, Supplemental Evidence

Welland provided an update to its RTSRs on November 3, 2008. Please answer the following:

- a) Please confirm that Welland's new RTSR rates do not include an adjustment to capture previous variances in RTSRs, particularly variances expected in the January 1, 2009 to April 30, 2009 period, and capture only the new Uniform Transmission Rates.
- b) Welland filed new evidence, primarily on cost allocation and rate design, which addressed the loss of two of its three major large use customers, and corresponding load. Has Welland considered the effect of changes in the load forecast in its January 20, 2009 supplemental evidence, and the appropriateness of its existing design of RTSRs as filed on November 3, 2008?

DEFERRAL AND VARIANCE ACCOUNTS

6.

Ref: Responses to Interrogatories, Staff IR #13

Welland noted that the accounting firm Deloitte would audit the balance in Account 1574 – Deferred Rate Impact Amounts, in December 2008. If complete, please file the results of this audit. If not available please explain why.

7.

Ref: January 20, 2009, Supplemental Evidence, p.3

The revenue-to-cost ratio for the Large User class drops from 100.73% to 95.56% as a result of the updated evidence. The Board's Report Application of Cost Allocation for Electricity Distributors (EB-2007-0667) indicates that no revenue-to-cost ratio should move away from unity. Please explain why Welland has made this change.

8.

Ref: January 20, 2009 Supplemental Evidence, Exhibit M – Pg 2; EB-2005-0428

Board staff provided a continuity schedule with blank cells as a framework with its IRs to Welland. In November 2006, utilities were advised by the OEB to reallocate

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

The amount stated in the column "Transfer of Board-approved amounts to 1590 as per 2006 EDR" is incorrect (cell U44). The amount stated does not match the approved amount for transfer as a result of Welland's 2006 EDR Decision.

Please update and file the continuity schedule to reflect, and reconcile with, the amounts that were approved by the Board as part of Welland's 2006 EDR Decision (RP-2005-0020/EB-2005-0428). If there are material changes that cause the discrepancy, please explain.

9.

Ref: January 20, 2009 Supplemental Evidence, Continuity Schedule -Revised

Welland is forecasting a principal balance in Account 1588. The transactions in question in this account were made in March, 2008. Usual Board practice in the electricity sector is to use audited numbers for the last fiscal year as the basis for balances in the deferral and variance accounts for disposition, with interest forecasted up to the start of the new rate year.

Please explain why Welland is not following usual Board practice, as Welland is forecasting a principal balance for disposition beyond the most recent audited year (ending December 31, 2007)?

10.

Ref: January 20, 2009 Supplemental Evidence, Pg. 4

Welland has requested disposition of the credit balance in Account 1588, excluding sub-account Global Adjustment. On what basis does Welland exclude the sub-account Global Adjustment from the requested clearance?

Regulatory Costs – Budget Breakdown

11.

Ref: Energy Probe Interrogatory No. 23

Please provide the cost categories for the revised 2009 Regulatory cost budget broken down as follows:

- Outside legal expenses
- Consultant's fees related to the preparation of the 2009 application
- Consultant's fees (other)
- Costs for oral part of the hearing

- Notice publication costs
- Costs awards for intervenors
- OEB cost assessment
- Staff overtime costs
- Travel and incidental costs (incremental)

Total Costs

- Costs amortized over 4 years

Taxes – Federal Budget

12.

The federal government introduced new tax legislation in the budget of January 27, 2009. For qualifying computer hardware and system software acquired after January 27, 2009 and before February 2011 that can be classified as CCA Class 50, there is a deduction of 100% in the tax year of acquisition. In addition, the ½ year rule will not apply; the taxpayer will be able to take the full deduction.

Welland used Class 55, 55% CCA rate, in the bridge year Table 14 in Exh4/Tab 3/Sch3/Page2. In test year 2009, Welland has shown Class 45.1, 55% CCA rate, as the class in which expenditures of \$28,500 were added. The correct class for these expenditures is Class 50 and Welland will be eligible to deduct 100%, or \$28,500, in the tax return for 2009.

Please provide an updated 2009 test year Table 15 to reflect the new tax legislation. Please also adjust Table 13, Tax Calculations for 2009.