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VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
EB-2008-0247
Welland Hydro-Electric System Corp. – 2009 Electricity Distribution Rate Application

Please find enclosed the supplemental interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding. We have also directed a copy of the same to the Applicant. We inadvertently failed to file the IR's yesterday, please accept our apologies.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

WELLAND HYDRO-ELECTRIC SYSTEM CORP. (“Welland”)
2009 RATE APPLICATION
(EB-2008-0247)

VECC INTERROGATORIES – ROUND #2

Question #17

Reference: I) VECC #3

a) Please reconcile the 1.0599 loss factor reported at Sheet I6 of the Cost Allocation Run with the 1.037 loss factor used in the calculation of the Retail NAC for Residential (per Exhibit 3/Tab 2/Schedule 2, page 2)

Question #18

Reference: i) January 20, 2009 Update, page 1

a) Please explain why average residential use per customer from 2002-2007 is considered to be a good reflection of the conservation effect between 2004 and 2009.

b) Exhibit 3/Tab 2/Schedule 1, pages 1-2

Question #19

Reference: i) January 20, 2009 Update, Exhibits C and I
ii) Exhibit 3/Tab 2/Schedule 2, page 5
ii) Energy Probe #12 a)

a) Please confirm how the GS<50 kWh sales originally forecast for 2008 (per Reference (ii)) were determined.

b) Please confirm that the adjustment in kWh sales to the GS<50 class made in reference (i) was based on the change in number of customers times the average 2008 use per customer originally forecast for the class. If not, please explain how the 709,192 value was determined.

c) Please confirm how the GS>50 kWh sales originally forecast for 2008 (per Reference (ii)) were determined.

d) Please explain how the 5,400 kW of reduced billing load due to the loss of 9 customers in the GS>50 class (per Reference (i)) was determined.

e) Please explain how the 52,800 kW of increased billing load in 2009 for the GS>50 class due to customer re-classification was determined.

f) Please explain how the 62,055 kW reduction in billing demand in 2009 for the Larger Use class due to customer down sizing was determined.

g) Please explain how the 68,948 kW reduction in billing demand for 2009 due to a Large Use customer closure was determined.

h) Exhibit I of the Update appears to assume that the Large Use customer is shut down for all of 2009 (i.e., the annualized # of customers is 12 – representing only the remaining customer). However, Probe #12 a) indicates that the customer will be shut down by the end of 2009. Please indicate what load, if any, is included in the updated 2009 Large Use forecast for the customer that is to close.

<u>Question #20</u>

Reference: i) SEC #8
ii) Exhibit 3/Tab 2/Shedule 2, page 5
iii) January 20, 2009 Update, Exhibit C

a) Please update SEC #8, Exhibit C based on revised forecast per reference (iii).

<u>Question #21</u>

Reference: i) January 20, 2009 Update, page 2

a) Please confirm that the Working Capital included the 2009 Rate Base should also be adjusted to account for:
- The reduction in OM&A
- The reduction in Cost of Power due to the lower load forecast.

Please indicate the impact of these items and update Exhibit A accordingly.

Question #22

Reference: i) VECC #3 c)
ii) VECC #4 b)

a) Please re-do VECC # 3 c) using, as starting point, the Cost Allocation run results provided in VECC #4 b)

Question #23

Reference: i) VECC #5 a)

a) Why in Exhibit D (which deals with Revenue Requirement allocation) is the transformer allowance subtracted from the specific classes it is charged to when (per VECC #3 b)) the cost allocation methodology allocated it to all customer classes?

b) Would it not be more appropriate to remove the transformer ownership allowance in a manner similar to that done in response to VECC # 3 c)? If not, why not?

Question #24

Reference: i) VECC #5 e)

a) The response does not address the question as initially posed. That is that Table #3 suggests that the current revenue to cost ratio for residential is 132.2%. Similarly, it also suggests that the current revenue to cost ratio for GS>50 is only 50.4% (i.e., 765,151.61/1,516,973.36) and not 65.22%. If correct, this would suggest a different degree of adjustment is required to meet the Board's Guidelines. Please reconcile the apparent differences.

Question #25

Reference: i) January 20, 2009 Update, pages 3-4

a) Why is it reasonable to pro-rate the reduction in revenues to the other classes (excluding Large Use)? Why wouldn't it be more appropriate to allocate the revenue shortfall to all customer classes on a pro-rata basis?

b) Why wouldn't it be more appropriate to allocate the costs attributable to the lost Large Use load to all customer classes?

c) The cost of the transformer credit is allocated to the same class that receives the credit and therefore just results in a revenue shift between customers in the class. If the discount level is not increased this just reduces the amount by which the rates for other customers in the class must be increased. It does not affect the overall revenue to cost ratio. Please explain more fully why it is necessary to reduce the Large Use revenue to cost ratio to 95.56%.

d) Please explain more fully why the Large Use revenue to cost ratio should be reduced further to 85% in 2010. Isn't the ultimate objective to increase the GS revenue to cost ratios up towards 100% as opposed to moving the Large Use ratio away from 100%?

Question #26

Reference: i) VECC # 10a) and Exhibit K

a) The table provided in Exhibit K lists a group of projects in the first section at the top and indicates that the total amount forecast to be spent on items in this category in 2010, 2011, and 2012 are $1,821,000, $1,826,000, and $1,666,000 respectively. However, no breakdown of this total is provided for 2010 and only partial breakdowns of the totals for 2011 and 2012 are provided. Please provide a high-level breakdown of the totals shown for capital spending in this category for the years 2010, 2011, and 2012.

b) When totalling the spending for each year, VECC is unable to arrive at the totals shown at the bottom of the schedule for any of the five years. Taking 2010 as an example, adding the $1,821,000 shown as the total for the first category to (i) the $16,000 total for Engineering, (ii) the $30,000 total for Garage & Vehicle, (iii) the $125,000 for Meter Department/Service Center, and (iv) the $50,000 for Capitalized Subdivision Assets Transferred, results in a Total Capital Spending for 2010 of $2,042,000 rather than the figure of $2,098,500 shown at the bottom of the schedule (a variance of $56,500). Please reconcile the totals shown at the bottom of this schedule with the numbers shown for the years 2010, 2011, and 2012.

c) Please confirm that the total $5,000 shown for 2011 spending on Garage & Vehicle is incorrect and should be $30,000.

d) Please indicate how Exhibit K takes into account customer contributions, i.e., have forecasted contributions already been removed from the amounts shown? .

Question #27

Reference: i) VECC #15 a) and b)

a) Please explain the rationale for choosing mark-ups of 7% for services provided to third party customers and the 3% additional markup for WHESC. That is, why 7% for the former and 3% for the latter as opposed to different markup percentages.