

**IN THE MATTER OF the Ontario Energy Board Act
1998, S.O. 1998, c. 15, (Schedule B);**

**AND IN THE MATTER OF an Application by
Welland Hydro Electric System Corp. for an Order
or Orders approving or fixing just and reasonable
rates and other charges for the distribution of
electricity commencing May 1, 2009.**

**WELLAND HYDRO ELECTRIC SYSTEM CORP
RESPONSE TO:**

**Supplemental
INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

1. Ref.: SEC IRs #'s 11-13, Exhibit B

- (a) Exhibit B shows that the major driver for the increase in spending in the various accounts are labour costs. For each account, please specify what portion of the increase is due to:**
- (i) wage escalation- please provide the annual % increases. If possible, please also identify the portion of the increase due to wage progression (as opposed to annual inflationary increases);**

Response:

Exhibit B would have to be updated to reflect the reductions in labour expenses proposed by Welland Hydro in the supplemental filing on January 20, 2009. This would effect all accounts with the exception of 5315 Customer Billing and 5320 Collections. In addition to inflationary changes, a labour analysis of all accounts from 2006 to 2009 would be affected by wage progression and the pension expense which came into effect May 1, 2006. All operations and maintenance accounts would also be affected by additional manpower (line and engineering), overtime, and changes in the amounts capitalized and charged to third party. An analysis at this level of detail would be difficult and time consuming.

Welland Hydro has taken the approach to explain increases in Wages & Benefits on a summary basis as included in the table on page 1 of Exhibit 4 Tab 2 Schedule 3. A revised version of this table was submitted to the OEB on February 3, 2009 in order to reflect the reduced expenses proposed in the January 20, 2009 supplemental filing. This table divides the increase in wages & benefits between 2006 and 2009 into new positions, other adjustments, and inflation. In response to the above question Welland Hydro will provide additional information as to the make up of the \$331,167 identified as inflation between 2006 and 2009 (14.0% over three years).

1) Base Inflation

As indicated previously the union has received a 3% increase per year over the above period. Using 3% would result in the following amount of base inflation.

		<u>2007</u>	<u>2008</u>	<u>2009</u>
2007	\$2,366,991@ 3%	\$71,010	\$71,010	\$71,010
2008	\$2,438,001@ 3%		\$73,140	\$73,140
2009	\$2,511,141@3%			<u>\$75,334</u>
Total Base Inflation				\$219,484

2) Stand By Pay

As indicated previously Welland Hydro increased the number of linepersons on call from one to two in 2008 for both safety reasons as per the change to E&USA rules requirements and improved response time/reliability improvements. This results in increased costs as follows:

2006 Stand By Wages	\$20,466
2009 Stand By Wages	<u>\$33,100</u>
Increase	\$12,634
Variable Benefits 11%	<u>1,390</u>
Total Increase Stand By	\$14,024

3) Wage Progression Union

Meter Technician (3rd to 1 st class)	\$10,962
Motor Vehicle Mech (2 nd to 1 st class)	<u>4,930</u>
Increase	\$15,892
Variable Benefits 11%	<u>1,748</u>
Total Wage Progression	\$17,640

4) Management Performance and Compensation Study

As indicated previously Welland Hydro concluded a Management Performance and Compensation study in 2006 in which pay levels for salaried employees were compared to other LDCs in the province of Ontario with the help of an outside consulting firm. The implementation of this compensation study has resulted in wage increases beyond the 3% base used in 1) above.

Wage Increases Beyond 3%	\$50,018	(2006 to 2009)
Variable Benefits 11%	<u>5,502</u>	
Total Compensation Study	\$55,520	

Summary

Base Increase 3%	\$219,484
Stand By Pay	14,024
Wage Progression	17,640
Compensation Study	<u>55,520</u>
Total	\$306,668
Balance	<u>24,499</u>
Total Inflation	\$331,167

The balance is due mainly to the additional use of student labour to replace customer service and accounting staff during vacations in the summer months and other small adjustments both increases and decreases. In addition, 2006 was without a Director of Finance for a period of time.

- (ii) increase in staff- please explain the reason for the increase in staff.

Response:

The revised table in Exhibit 4 Tab 2 Schedule 3 page 1 identifies the new positions added by Welland Hydro. The following table provides references to the original application or responses to the first set of interrogatories which explain the reason for the staff increases.

Regulatory Analyst

Exhibit 4 Tab 2 Schedule 6 Page 3 of 9

Conservation & Demand Analyst

Board Staff #26

Energy Probe #22

Exhibit 4 Tab 2 Schedule 6 Page 4 of 9

GIS Analyst

Exhibit 4 Tab 2 Schedule 6 Page 3 of 9

2 Lineman (Apprentice)

Board Staff #28 & #29