

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 West
Coast Huron Energy for an Order or Orders
approving or fixing just and reasonable rates and
other charges for the distribution of electricity
commencing May 1, 2009.

**INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

1. Ref. Schedule 6 to Board Staff Interrogatory responses:
 - (a) It appears that WCHE has budgeted \$165,000 for the 2009 rate application- \$60,000 for legal fees and \$105,000 for what appear to be internal costs (row entitled "Rate applications");
 - (i) Please provide a breakdown of these costs and, where the costs provided are estimates, state all assumptions used to determine the estimate. If those assumptions now appear to be incorrect (for example, if an oral hearing was assumed) please provide a revised estimate.
 - ***The costs of \$105,000 are not internal costs they are external and are built into outside services. The ongoing portion of these costs is \$20,000 to \$30,000. The additional amount estimated for the 2009 application are for the rebasing process and would be considered one time in nature. The assumptions are still correct for this portion as it was based on preparation of the application and the written interrogatory and argument process.***

- ***The \$60,000 in legal costs for regulatory matter costs are ongoing, however are estimated to be higher in 2009 due to the rate rebasing process. It was assumed that the rate rebasing application process would have greater potential for appeal given the scope of the application. Based on previous appeals to rate applications and further consideration by management and the board, the dollar estimate was increased to \$75,000.***
- ***Should this application process continue in written format and not require an oral hearing WCHE would expect this cost to be \$40,000 which is what WCHE would spend in a typical year.***

(ii) With respect to internal costs, please state what incremental staff or other costs are associated with the application.

- ***There are no internal incremental costs allocated in the amount of \$165,000.***

2. Ref. Schedule 6 to Board Staff IRs:

(a) WCHE has labelled as "on-going" items which, though they may be technically on-going, see significant, one-time increases in 2009. Please confirm that, for these items, WCHE proposes to include one third of the total costs for the 2009 rate application in its cost of service for 2009. In particular, please confirm that WCHE proposes to include one third of the costs associated with the 2009 rate application (which currently appear to be forecast at \$165,000) in its 2009 cost of service.

- ***Confirmed.***

3. Ref: Schedule 4C to Board Staff interrogatories:

(a) The table does not appear to be a true "cost driver" table since it is not clear that one-time items in one year are deducted in subsequent years. For example, there is an entry for \$22,500 in 2007 for "General Plant- replace garage doors and floor repair", which appears to be a one-time expenditure. However, there is no corresponding reduction in 2008. The same is true for the entry entitled "increase in bad debt expense", which shows a \$10,000 increase in 2008 which is not reversed in 2009. In other cases, cost drivers that would be expected to appear in every year appear only in some years- for example, "inflationary increase to salary/benefits" for General Admin appears for the first time in 2008, and it is not clear why there would not be inflationary increases in 2006 and 2007. Therefore:

- (i) Please examine Schedule 4C and confirm that cost drivers in a properly recorded in each year. In particular, please confirm that cost drivers that are one-time events do not re-appear in subsequent years. If necessary, please make the necessary corrections to the Schedule.

- ***Please see attached Schedule # 3 included in this response.***

4. Ref: Schedule 4C to Board Staff interrogatories:

- (a) The schedule lists as a cost driver in 2008 \$10,000 for "increase in bad debt expense". The entry is not corrected for 2009, implying the increase continues in 2009 as well. However, Exhibit 4, Tab 2, Schedule 1, pg. 8 of the pre-filed evidence shows the balance in account 5335 ("Bad Debt Expense") to be \$0 in 2007, 2008 and 2009. Please explain the apparent discrepancy between Schedule 4C and the pre-filed evidence.

- ***There is no apparent discrepancy. Please see response to Board Staff Interrogatory # 7, which details that there was in fact \$10,000 per year budgeted for Bad Debt Expense that was input into the model in the wrong general ledger account.***

5. Ref: SEC IR#7 and Board Staff IR#9:

- (a) The response to SEC #7 (which asked for an explanation for the large percentage increase in average base salary for unionized staff in 2007) indicates that there was an error in 2007 in that \$150,000 in post employment benefits was included as wages. However, Board Staff #9 states, as a means of explaining the large percentage increase in base wages in 2007, that "2007 had significant increases due to the recording of \$150,000 post employment liability allocation". Please:

- (i) Provide an explanation for the post employment liability expense. Should it be included in wages (as suggested in response to Board Staff #9) or not (as suggested in response to SEC #7b)?

- ***The post employment expense of \$150,000 recorded in 2007 is management's estimate of the liability of the Post-Retirement Non-Pension benefit plan, which includes for eligible retirees: lifetime post-retirement life insurance, extended health care, and vision and dental until age 65.***
- ***These costs should be included in benefits cost, not wages. The post retirement benefit is currently an obligation of the utility.***

(ii) Is the post employment liability expense on-going or one-time? (According to Schedule 9C to Board Staff interrogatories, for example, there was no post-employment allocation in 2008, but there is in 2009.)

- ***Subsequent to remitting the previous rate application the actuarial calculation for the post retirement benefits was completed by MEARIE Actuarial Services and Dion Durrell and Associates Inc.***
- ***Relevant copies of the subject report are provided.***
- ***In the rate application, West Coast Huron Energy included an estimated liability of \$125,000 and allocated the costs to 2009. This number was estimated given the information available at the time, and represented the balance of the total estimated liability.***
- ***West Coast Huron Energy will be incurring a \$42,000 expense for each year on an ongoing basis to pay for the post retirement benefit.***

(iii) With respect to benefits costs, the text in response to SEC IR#7(c) indicates that the apparent increase in the pre-filed evidence was a result of having erroneously recording \$150,000 in post employment benefits in wages and that an update is provided in Schedule 7B. However, Schedule 7B still shows a large percentage increase in average benefits costs in 2007, which is carried through to subsequent years. The same is true for the data provided in Table 5 to Board Staff interrogatory responses. Therefore, please clarify the reasons for the increase in average benefits costs. Please note: it would be helpful to have a more comprehensive narrative response rather than just a table with numbers.

	2006	2007	
OMERS	\$ 24,563	\$ 35,117	\$11804 in OMERS premiums was deferred onto the Balance Sheet in 2006' Cash pension contributions were authorized for inclusion in account 1508 per Board letters of Dec. 20/04 and Feb. 15/05.
Occ. Health and Safety	\$ 6,440	\$ 9,592	additional time allocated to Health and Safety training.

- ***The averaging of compensation and benefit costs does not produce an accurate reflection in year to***

year changes. The utility has a very small staff. In the years 2006 and 2007, there were retirements of two full time personnel. The Line Superintendant in March of 2006 and the Executive Secretary in September of 2007. Post retirement benefits continue to be paid for these two employees, however, the number of employees has been reduced, and yet the majority of the benefit expenses remain.

- Also, the President and Treasurer were part time employees until the end of 2007. In 2008, the costs previously recorded as wages are now paid as a management fee.*
- An apprentice was hired the end of November 2007 and resigned in March 2008. A replacement for the apprentice was hired in May of 2008 and remains employed.*
- Due to the small staff and changes that have occurred since 2006, the calculation to produce an average cost is skewed. An “average cost” calculation would better reflect the changes given a workplace with more consistency in the numbers, mix of employees and the associated benefit costs.*

6. Ref. SEC IR#9(a):

- (a) SEC asked for a chart setting out the revenue to cost ratio for each rate class. The response was to refer to Schedule 40 to Board Staff interrogatories. It is not clear from that table what the proposed revenue to cost ratios for 2009 for each rate class are. Therefore, please complete the following table:

Rate Class	Existing R/C Ratio	Proposed R/C Ratio	2008 Revenue from Class	2009 Revenue from Class assuming no change in R/C Ratio	2009 Revenue from class at proposed R/C ratio
Residential	82.39%	92.70%	\$819,910	\$1,085,644	\$1,221,536
GS<50kW	81.66%	92.33%	\$300,938	\$398,472	\$450,535
GS>50 to 499kW	169.08%	136.76%	\$297,853	\$394,388	\$319,012
GS>500 to 4999kW	371.28%	179.56%	\$226,072	\$299,342	\$144,768
Large Use	108.03%	105.73%	\$202,488	\$268,115	\$262,421
Sentinel	81.15%	92.07%	\$1,192	\$1,578	\$1,791
Street lighting	27.82%	72.10%	\$21,519	\$28,493	\$73,834
Unmetered	63.57%	83.14%	\$5,243	\$6,942	\$9,079

7. Ref. SEC #11(d):

- (a) The pre-filed evidence and WCHE's response to SEC IR#11(f) show that the percentage increase in distribution rates for the GS<50 increases as consumption increases. This is alleviated somewhat when the fixed rate is assumed to be set at \$36.00 instead of \$33.46 as proposed. This suggests that the increase revenue requirement is being disproportionately recovered through the volumetric rate. In fact, the proportion of GS<50kW revenue derived from the fixed charge falls from 70.5% in 2008 to 45.5% in 2009. In view of this, will WCHE consider a fixed charge that more equitably distributes the cost of service among users in the GS<50 rate class?

- ***WCHE would consider a change to its fixed variable split that more equitably distributes the cost of service among all users in any rate class, provided the fixed rate fall within the prescribed thresholds recommended by the OEB, and the bill impacts are acceptable.***
- ***Once a decision has been made regarding revenue requirement and cost allocation a more accurate discussion and decision can be made regarding the applied fixed variable splits to be used in all rate classes.***