

**West Coast Huron Energy Inc.**

**EB-2008-0248**

**2009 Electricity Distribution Rates**

**REPLY SUBMISSIONS**

**March 31<sup>st</sup>, 2009**

1. West Coast Huron Energy Inc. (“WCHE”) filed its application (the “Application”) for its 2009 distribution rates on September 11, 2008 for rates effective May 1, 2009. WCHE, Distributor License ED-2002-0510, distributes electricity to approximately 4,000 customers within the Town of Goderich Ontario.
2. The Notice of Application was issued on September 26<sup>th</sup>, 2008 and was published on October 8<sup>th</sup>, 2008 in the Goderich Signal Star. The Vulnerable Energy Consumers Coalition (“VECC”), The School Energy Coalition (“SEC”) and the Association of Major Power Consumers in Ontario (“AMPCO”) intervened in the Application and actively participated to varying degrees throughout the process. No individual ratepayers of WCHE participated in the proceeding.
3. Board Staff filed submissions on March 12<sup>th</sup>, 2009 and VECC filed submissions on March 18<sup>th</sup>, 2009, no other interveners filed submissions. These submissions of WCHE are intended to respond to the submissions of each of these parties.
4. In the initial Application filed with the OEB, WCHE had requested a rate increase based upon a forecasted deficiency of \$549,687. As indicated herein, WCHE concurs with the position of Board Staff and VECC on a number of the issues. For example, WCHE agrees that the Cost of Capital calculations be updated to utilize the correct debt equity split and recently approved rates of return for long term and short term debt and the associated equity rate, given the letter issued by the Board on February 24<sup>th</sup>, 2009 regarding the cost of capital parameters for 2009 Cost of Service Applications.

5. However, there are still some issues where WCHE, Board Staff and VECC are not in agreement (Load Forecasting, OM&A, Cost Allocation, and Rate Design) and given such disagreement, WCHE has not completed a comprehensive review of the various scenarios because of the numerous and varying potential outcomes. WCHE proposes to provide a comprehensive analysis and the proposed rates based upon the Board's decision within 14 days of such decision being made.

### **Load Forecasting**

6. Board Staff has reservations regarding the methodology employed for WCHE's load forecast. Specifically, the use of average normalized consumption for the 2002 to 2007 period as opposed to the trend values over the same period for the three weather sensitive load classes.
7. Especially given the uncertain economic times and its potential impact on load, WCHE recognizes the potential over estimation of load due to the use of average calculation as opposed to trending, and WCHE submits that a trending approach to the weather normalized consumption forecast should be utilized in its comprehensive analysis in support of proposed rates resulting from the Board's decision.
8. Unlike Board Staff, VECC submits that the load forecast presented by WCHE is underestimated based on WCHE's reliance on IESO weather normalization factors to determine historical weather normalized data.
9. WCHE submits that the Hydro One analysis focusing on one single year (2004) is not applicable to every other year in the load forecast analysis. Given the absence of appropriate weather normalization data throughout the Province, WCHE is of the opinion that the IESO data is the best available and is appropriate in its use in the Application.
10. VECC also submits that the forecast should be adjusted to reflect the closure of the Volvo plants midway through 2009 or some mechanism (such as a deferral) should be credited back to customers in the future.

11. WCHE agrees with VECC regarding the mechanism to credit back the revenues collected from Volvo to WCHE's customers in the future. WCHE submits that a deferred liability account be utilized to track the revenues collected from the Volvo accounts and that these amounts would be credited back to all other customers at some point in the future as determined by the Board.
12. VECC submits that there is no need for the Board to adjust the forecast customer count by rate class citing the fact that 2008 customer growth detailed in VECC IR #2, if replicated in 2009, would result in the customer count forecast filed in WCHE's Application.
13. WCHE submits that the customer count forecast in the Application is sufficiently accurate and that the over estimation of load is a direct result of the use of averaging normalized data versus following the trend in customer load.

#### **Rate Base and Capital Expenditures**

14. Board Staff noted a discrepancy between WCHE's interrogatory responses for Board Staff Supplemental IR #10 and Board Staff IR #17 in relation to the estimated cost of the third feed to relieve constraints on South Loop and 27kV conversion and feeder operating enhancements, and invited WCHE to clarify the two responses.
15. As noted in Exhibit 2/Tab 3/Schedule 1/page 1 of the revised Application submitted January 16<sup>th</sup>, 2009 it appears that there was confusion between the bridge and the test year in terms of the projects. In the 2008 bridge year, WCHE spent \$175,000 on 27 kV conversion and feeder operating enhancements. In the 2009 Test Year, WCHE is proposing to spend \$305,000 to relieve 31M# 27.6 kV constraints on the south loop by introducing 31M4 27.6 kV Circuit. While these projects are linked as part of WCHE's multi year plan, they are separate and distinct within the Application.
16. VECC submits that WCHE provide variance explanations for various discrepancies with 2007 capital spending data provided in its Application, interrogatory responses and revised Application.
17. WCHE notes that in response to Board Staff Interrogatory #3C and #10 adjustments were made to Exhibit 2/Tab 2/Schedule 2 that corrected the

continuity statements provided in the original Application. Given that the interrogatory responses were completed prior to the updated refilling of the Application, all of the corrected data was not available at the time the interrogatory responses were submitted. The revised amount filed in the revised Application of January 16<sup>th</sup> is correct and were simply rectifying errors noted in the Board Staff interrogatories. WCHE submits that given the above explanation no further variance explanation should be required and that the 2007 capital spend amount detailed in the revised Application is correct.

18. VECC notes that the revised filing for actual contributions and grants for 2007 was \$273,091, as per revised Exhibit 2/Tab 2/Schedule 1.
19. WCHE points out that the figure referenced for actual contributions and grants for 2007 by VECC is the actual to date amount, which includes all historical amounts for contributions as well as those for the current period. WCHE submits that, since its budget for projects are completed net of expected contributions and that while no figure for 2008 and 2009 capital contributions has specifically been forecast, those amounts have in fact been incorporated in the Application.
20. VECC notes that the revised Application did not adjust for the increase in the cost of the new bucket truck by \$12,337.
21. WCHE points out that VECC Supplemental IR #14a was responded to subsequent to the filing of the revised Application and therefore submits that the increased cost for the bucket truck be included in WCHE's rate base in the decision.
22. VECC questions whether WCHE can spend the amounts proposed in the Test Year given its plans with respect to smart meter activity.
23. WCHE has ordered meters from its supplier and will be installing them utilizing both internal and external resources which will not impact WCHE's ability to complete its capital plan proposed for its Test Year.
24. VECC is requesting that the Board require that WCHE provide actual 2008 capital expenditures net of contributions.

25. WCHE agrees to provide the actual capital expenditures for 2008 net of contributions in this response as illustrated in the following table.

2008 Capital Additions	\$ 420,735.87
Contributed Capital	\$ 47,334.88
Net 2008 Additions	\$ 373,400.99

26. VECC submits that the 2009 approved capital expenditures net of the cost of the bucket truck should not exceed actual 2008 capital expenditures absent of a convincing rationale provided by WCHE.

27. Given that WCHE's 2009 budget (net of the cost of the bucket truck) is only \$12,000 greater than the 2008 budget WCHE submits that its 2009 budget is already within a reasonable range when compared to its 2008 actual results and should be approved as applied for. Notwithstanding, WCHE provides as rationale that it has already begun its 2009 capital program which was approved by its Board of Directors in 2008, and that embedded in the \$465,000 capital budget (net of the bucket truck) is the upgrade of the south loop (representing \$305,000 of the net budget) and this project has been determined as an essential project to relieve constraints on the distribution system in the Town of Goderich. This project will also allow for the connection of distributed generation which is a key component in the proposed *Green Energy and Green Economy Act, 2009* (the "Act"). Given that the Minister of Energy expects that there will be increased infrastructure costs in order to facilitate the Act, WCHE submits that its 2009 capital budget be approved as filed in its Application.

28. VECC submits that the Test Year contributions should be forecasted to be equal or greater than 2008 actual contributions absent a convincing rationale provided by WCHE.

29. WCHE has included \$60,000 in its 2009 budget for the cost of connecting new customers. This amount is the only figure in WCHE's 2009 budget that could attract capital contributions. As stated in paragraph 19 of this reply submission, WCHE budgets all capital projects net of anticipated capital contributions. Given this fact, WCHE submits that its 2009 capital budget should not have further capital contributions applied against it.

30. VECC suggests that a rate base variance account could be employed to hold ratepayers harmless in the event of significant capital under spending on behalf of WCHE.
31. WCHE does not anticipate that it will under spend its 2009 capital budget given the system need. WCHE submits that this rate base variance account is unnecessary given the fact its next rebasing window is not until 2013. Should WCHE under spend in 2009, it will catch up in 2010 and would not anticipate adding capital to its rate base under the 3<sup>rd</sup> generation IRM Application process.
32. VECC submits that working capital calculations at 15% be updated using the most recent estimate of wholesale cost of power and Board approved OM&A.
33. WCHE agrees with VECC's submission and would expect that this update would take place within the recalculation of proposed rates resulting from the Board's decision.

### **Cost of Capital and Capital Structure**

34. The Board has recently updated its Cost of Capital Parameters in a letter dated February 24, 2009. The Short-Term Debt rate for use in the 2009 rate year cost of service applications is 1.33%. Board Staff submits that WCHE should use the revised rate in its cost of capital calculation.
35. WCHE agrees with Board Staff's submission on the short term debt rate.
36. In addition, the Board has recently updated its Cost of Capital Parameters in a letter dated February 24, 2009. The Return on Equity ("ROE") for use in the 2009 rate year cost of service applications is 8.01%. Accordingly, Board Staff submits that WCHE should use the revised ROE rate in its revenue requirements and PILs calculation.
37. WCHE agrees with Board Staff's submission on the ROE for use in 2009 rate year cost of service Application.
38. Board Staff invite parties to the proceeding to comment upon whether or not they view WCHE's proposed 7.25% long term debt rate as appropriate.

39. WCHE submits that its promissory note held with the Town of Goderich meets the definition of renegotiable debt in section 2.2.1 of the Board Report and in fact had expired and therefore submits that it be embedded in rates at market rates as defined by the Board.

### **Operating, Maintenance & Administrative Expenses**

40. Board Staff submits that the \$150,000 in post retirement benefits estimate be amortized over 4 years, similar to the treatment of regulatory costs.

41. VECC submits that \$30,000 be included in the Test Year OM&A for this component of cost of service.

42. WCHE agrees that the one-time cost of \$150,000 should be amortized over 4 years as Board Staff suggests for an expense of \$37,500, however the actuarial report as filed detailed the \$150,000 of initial costs as well as \$42,000 of on-going annual costs. Therefore, WCHE also submits that the annual costs, along with one fourth of the one-time costs, should be allowed in rates for a total of \$79,500.

43. Board Staff and VECC submit that WCHE explain the change in its regulatory costs and how this change is reflected in the total OM&A budget.

44. In response to interrogatories and evidence clarification, WCHE has attempted to more accurately project its one-time costs to complete its Cost of Service Application. WCHE attempted to recognize the fact that its Application would not be heard by oral hearing by reducing its initial legal cost estimate in the evidence clarification process, and coupled that reduction with the inclusion of intervener costs that WCHE had not originally estimated in its Application. WCHE submits that the costs filed in the evidence clarification process are accurate reflections of its regulatory costs and that the one-time costs be recovered over four years, or \$35,000 plus the ongoing annual costs of \$38,000 for a revised total of \$73,000 embedded in rates, as opposed to the \$165,000 included in the total OM&A budget for regulatory costs that is proposed in the current Application.

45. Board Staff and VECC submit that, in summary, purchased services from the Town of Goderich have increased without clear rationale and invites WCHE to

clarify this evidence in the context of the total OM&A budget for the 2009 Test Year.

46. First and foremost, the amounts detailed in Board Staff IR #9C include the \$150,000 in post retirement benefits which should not have been included. If this amount were to be removed the amount of labour charged to OM&A is \$573,584 or a 3% increase over 2008 amounts. This change is the direct result of the President and Treasurer being charged to WCHE by the Town of Goderich beginning in 2008 regardless of the headcount reported (for an explanation of headcount changes see paragraph #55). The following tables details the impacts of these changes to Board Staff IR schedule #9C, and supports the fact that wages have not increased along with the change in fees paid to the Town of Goderich.

	<b>2007</b>	<b>2008</b>	<b>Filed 2009</b>	<b>Revised 2009</b>
Total Compensation	921,374.54	751,053.68	963,583.68	813,583.68
Less Capital asset labour	(84,941.06)	(200,000.00)	(240,000.00)	(240,000.00)
Less Billable	(26,418.32)			
Less Post employment costs	(150,000.00)			
Compensation for OM & A	<u>660,015.16</u>	<u>551,053.68</u>	<u>723,583.68</u>	<u>573,583.68</u>

2009 Total Compensation has been revised to remove the \$150,000 post employment amounts.

**Summary of the compensation cost changes**

2007 Actual wages per T4	585,183.24
Deduct	
President & Treasurer -2008 changed to transfer charge from Town	(39,000.00)
Secretary - retired	(55,578.92)
Add	
New lineman in 2008	45,000.00
Benefits estimate for lineman	15,000.00
Training estimate in 2008	10,000.00
additional part time person start in 2008	40,000.00
CPI for 2008 on total wages portion	14,718.12
CPI for 2009 on total wages portion	17,259.00
Benefits including a 3% CPI increase for 2008 adjusted for retirement of Secretary	175,731.24
CPI on benefits for 2009	5,271.00
<b>Estimated 2009 compensation costs</b>	<b>813,583.68</b>

**Details of 2007 compensation costs**

Wages per T4	585,183.24
Benefits	186,191.30
Post employment benefits	150,000.00
	<u>921,374.54</u>

The \$150,000 post employment should be completely removed for this comparison

47. Secondly, the Town of Goderich amount detailed in Board Staff IR #8B of \$106,500 for 2008 includes: \$39,000 for the President and Treasurer, \$40,000 annual administration fees, a CPR increase of \$500 on the \$40,000 annual administration fee, plus \$27,000 for the Environmental Services Technician. The increase in 2009 is merely a 3% CPI increase calculated on the amount of \$106,500. The environmental services costs charged to WCHE are specifically for the management of the various OPA and regulatory programs which will continue in the 2009 test year, and not specifically to the third tranche CDM amount as referenced by Board Staff. CDM was used as a means of describing the position in question more as a conservation reference and not as reference to the one time amounts collected in rates.

48. VECC had concerns regarding the filed evidence regarding the "Purchase of Services". VECC points out that this amount increased from \$525,450 to

\$625,950 (or \$671,959 depending on whether wholesale settlement services for \$44,000 are included or not.) VECC also point out that the difference between the two prior amounts does not equal \$44,000.

49. WCHE updated the purchase of services amount as a response to Board Staff IR #8B. The increase was simply due to the inclusion of amounts previously omitted that should have been considered purchased services in the original Exhibit 4/Tab 2/Schedule 6. This exhibit also should have been updated in the revised Application to reflect the response to Board Staff IR #8B. The fact that the amount detailed in this response increased does not mean that the OM&A costs filed for within the Application increased, since they in fact did not. The only change was the identification of costs already included in the Application as purchased services. The fact that the difference between \$625,950 and \$671,959 is not \$44,000 but is actually \$46,009 is simply due to a summation error. Once corrected, the difference between these two amounts is \$44,000.
50. VECC is concerned that there was an increase in costs since filing the Application in excess of \$100,000 for the Test Year with respect to purchased services and that this increase has impacted the total OM&A.
51. WCHE submits that there has been no increase in costs due to the update purchased services in Board Staff IR #8B. WCHE points out that the OM&A amount applied for in the Application has not changed through the course of the Application process. The increases that VECC is concerned about are simply costs already included within the OM&A amount were identified as purchased services in response to interrogatories. The following table details the change in the purchased services table for 2009 and the associated OM&A change (\$15,000) that was explained as part of VECC Supplemental IR#8A.

	<b>IR #8B</b>	<b>Application</b>	<b>Difference</b>
IT Support, Billing, Data Processing	\$ 128,900	\$ 131,000	\$ (2,100)
Rate Rebasing	\$ 100,000	\$ 100,000	\$ -
Operational and Asset Management	\$ 72,000	\$ 72,000	\$ -
Admin and Environmental Services	\$ 110,000	\$ 69,500	\$ 40,500
After Hours Call Service	\$ 7,200	\$ 7,200	\$ -
Audit, Rate Filing, Consultation	\$ 40,000	\$ 40,000	\$ -
Legal	\$ 75,000	\$ 15,000	\$ 60,000
Memberships	\$ 36,650	\$ 36,650	\$ -
Insurance Premiums	\$ 33,900	\$ 33,900	\$ -
Customer Notifications	\$ 13,000	\$ 13,000	\$ -
OPG Rebate	\$ 2,100	\$ -	\$ 2,100
Telephone, Fax, Photocopier	\$ 7,200	\$ 7,200	\$ -
	<b>\$ 625,950</b>	<b>\$ 525,450</b>	<b>\$ 100,500</b>

	<b>Original Application</b>	<b>Revised Application</b>	<b>Difference</b>
Operations	\$ 380,750	\$ 380,750	\$ -
Maintenance	\$ 91,800	\$ 91,800	\$ -
Billing and Collecting	\$ 436,800	\$ 436,800	\$ -
Community Relations	\$ 26,000	\$ 26,000	\$ -
Administrative and General	\$ 885,900	\$ 870,900	\$ 15,000
	<b>\$ 1,821,250</b>	<b>\$ 1,806,250</b>	<b>\$ 15,000</b>

52. VECC submits that WCHE has projected double digit increases in IT support, billing and data processing in each year since 2006 and that a satisfactory explanation is required, without which an inflationary increase should be applied.

53. WCHE responds that the increase in IT support, billing and data process is with regard to items that were included in this line item for the 2009 calculation being omitted from the 2006, 2007 and 2008 analysis. The following table creates an “apples to apples” comparison that details the fact that these costs have increased approximately \$30,000 since 2006. WCHE has included a second table detailing the Billing and Collecting line item in the OM&A summary in Exhibit 4 of the Application. In this table the purchased services line for billing fees charged by its third party provider matches the amount in the first table. Included in this line item is an allocation of the post employment benefit allocation in 2007 and 2009 that has already been discussed in detail elsewhere in this submission.

<b>Purchased Services - Erie Thames</b>		<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>IT Support, billing and data processing</b>				
	Billing	\$ 21,257.68	\$ 24,241.07	\$ 28,000.00	\$ 29,350.00
	Hosting and Maintenance	\$ 39,041.01	\$ 51,806.19	\$ 58,000.00	\$ 60,950.00
	Ecare			\$ 4,224.00	\$ 7,000.00
	EBT processing	\$ 17,595.70	\$ 9,955.77	\$ 11,000.00	\$ 12,000.00
	upgrade to version 6.2				\$ 5,000.00
	printing, stuffing				\$ 14,700.00
	OPG rebate				\$ 2,000.00
	sub-total -as originally reported	\$ 77,894.39	\$ 86,003.03	\$ 101,224.00	\$ 131,000.00
	Items omitted in error				
	rate adjustments	\$ 3,885.00			
	upgrade to version 6.2			\$ 19,000.00	
	printing, stuffing of bills	\$ 20,104.06	\$ 12,627.04	\$ 14,000.00	
	(2006 postage paid by Erie Thames)				
	( 2007 started to pay postage direct)				
	<b>Total</b>	<b>\$ 101,883.45</b>	<b>\$ 98,630.07</b>	<b>\$ 134,224.00</b>	<b>\$ 131,000.00</b>

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Billing, Collecting and Data Processing</b>				
Erie Thames - as above	101,883.45	98,630.07	134,224.00	131,000.00
less OPG rebate costs in Outside Services				(2,000.00)
Payroll	137,867.13	142,920.52	150,500.00	155,000.00
Payroll - post employment benefit allocation		35,006.00	-	23,750.00
Other - postage		9,429.53	12,500.00	13,000.00
Other - supplies, credit bureau	10,108.96	1,917.41	4,100.00	5,300.00
Meter Reading				
Utilismart	31,212.00	31,212.00	36,000.00	38,000.00
Payroll	43,061.69	49,667.34	52,000.00	54,000.00
Payroll - post employment allocation	-	9,694.00	-	8,750.00
Other	3,586.81	416.39	-	
Bad debts	575.08	40.00	10,000.00	10,000.00
Cash over/ short	110.00			
	<b>328,405.12</b>	<b>378,933.26</b>	<b>399,324.00</b>	<b>436,800.00</b>

54. VECC submits that WCHE's reply in regards to its Full Time Employees ("FTE") count is not satisfactory and should be clarified.

55. WCHE provides the following table in order to clarify its employee counts. VECC believes that WCHE's employee mix as stated in Board Staff Supplemental IR #6 A is not satisfactory and should be clarified. WCHE notes that since it had added a new line apprentice position in 2008 and an additional two summer students in the same year that the resulting total number of full and part time employees has only reduced by two FTE and Part Time Employees ("PTE") when stated in the

response that there was a reduction of two FTEs and 2 PTEs. The table reinforces that WCHE has in fact had two retirement in the past four years and that the two part time management positions (president and treasurer) have been removed as of 2008 since they began being charged as Purchased Services from the Town of Goderich at that point.

Full Time	2006	2007	2008	2009	
Executive	3	3	3	3	No change in Board of Directors
Management	3	2	1	1	One Retiree not Replaced in both 2007 and 2008
Non-Unionized					
Unionized	7	7	8	8	Line Apprentice added in 2008
<b>Total FTE</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>12</b>	

  

Part Time	2006	2007	2008	2009	
Executive					
Management	2	2	0	0	President & Treasurer Transfer priced from Town in 2008
Non-Unionized	2	1	3	3	Increase in summer students from 1 in 2007 to 3 in 2008
Unionized					Decrease to 1 summer student fro 2006 to 2007 as well
<b>Total PTE</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	
<b>Total Employees</b>	<b>17</b>	<b>15</b>	<b>15</b>	<b>15</b>	

**Payments in Lieu of Taxes**

56. Board Staff submitted that WCHE should use the 2009 applicable tax legislation including the revised deemed equity component of 43.33% and the recently released Return on Equity rate of 8.01% in determining its PILs tax allowance for inclusion in 2009 rates.

57. WCHE concurs with this submission and submits that it will utilize this methodology to calculate PILS in its calculation of proposed rates following the Board’s decision.

**Cost Allocation**

58. Board Staff and VECC submit that the modification for the change in treatment of Transformer Ownership Allowance does correct an inconsistency with the cost allocation informational filing.

59. WCHE agrees with the Board Staff submission on the change for transformer ownership.

60. Board Staff pointed out that WCHE did not articulate its intentions for cost allocation in the years beyond 2009 and suggest that WCHE confirm its intentions in this submission.
61. WCHE intends to maintain the approved cost allocation in its rates during this Application process for the years beyond 2009 until its next rebasing period.
62. Board Staff submits that the new ratios are reasonably accurate as shown in the table, and that the proposed re-balancing of WCHE's distribution rate revenues amongst its classes is also reasonable.
63. WCHE agrees with the Board Staff submission, but further submits that the re balancing of revenue to cost ratios must move each customer class to within the Board's required range, which will change WCHE's original methodology with respect to the Large Use class.
64. VECC made several submissions regarding how costs should be allocated between rate classes and if the Board's recommended thresholds should be relied upon when determining revenue to cost ratios. VECC believes that WCHE's is inconsistent with the Board's November Cost Allocation Guidelines.
65. WCHE submits that its approach to cost allocation in its Application (once the transformer allowance issue is corrected) is consistent with the Board's guidelines and moves each customer class within the Board recommended thresholds. WCHE has not proposed to move the classes to 100% revenue to cost ratio levels in this Application and in so doing has sufficiently recognized the inconsistencies of changes of load and the impact of the change for the transformer allowance.
66. VECC further submits that the GS>500 to 4,999 kW class be reduced over the 3<sup>rd</sup> generation IRM period to get to the 180% Board recommended threshold.
67. WCHE submits that this class has been historically over allocated costs and that the methodology proposed in the Application sufficiently balances the need to move this customer class to its recommended threshold with the resulting changes to the remaining rate classes. All customer classes in WCHE's methodology reach their minimum, while none in turn have been moved beyond 100% revenue to cost ratio as a result of this movement. WCHE submits that it

would be unfair to allow the GS>500 to 4,999 kW class to remain above the recommended threshold simply to wait for the USL, Large Use and Street Lighting classes to reach comparable revenue to cost ratios as the remaining classes.

### **Rate Design**

68. Board Staff supports WCHE's proposal to maintain fixed rates at their current level as it avoids moving the rate further outside the maximum range calculated in WCHE's cost allocation study.

69. VECC submits that WCHE should generally maintain the current fixed/variable split for residential customers and modify only to the extent to balance the range of total bill increase experienced as consumption levels change.

70. VECC submits that bill impacts are not balanced within the rate class because of the resulting change to the fixed variable split. WCHE points out that given changes to its OM&A, expressed earlier in this submission, due to the change for post retirement benefits and the one time rate Application costs being applied as one third or one fourth of the current amount (to name but a few changes), that the impacts VECC is referencing will already be minimized.

71. WCHE submits that the fixed charge should be maintained for all rate classes including residential since the currently approved charge for all rate classes are already above the ceiling value calculated by the cost allocation study.

### **Loss Factors**

72. Both Board Staff and VECC have submitted that the Loss Factors submitted by WCHE are reasonable and supported by the evidence.

73. WCHE submits that the DLF of 1.0420 and TLF of 1.0467 should be approved as supported in the Application.

**Deferral and Variance Accounts/Rate Riders**

74. Board Staff submits that, despite the fact that WCHE has not requested disposition, the deferral and variance account balances should be disposed of through a rate rider over two years.

75. VECC made no submission on Deferral and Variance Accounts and rate riders.

76. WCHE accepts the submission of the Board Staff and submits that its Deferral and Variance accounts be disposed of in the manner proposed by Board Staff in its submission on the Application.

**Recovery of Reasonably Incurred Costs**

72. VECC has submitted that its participation has been focused and responsible and requests an award of costs in the amount of 100% of its reasonably incurred fees.

73. WCHE submits that while VECC has been a focused and responsible intervener in this Application that the relatively small size of WCHE's customer base and revenue requirement should be taken into consideration upon approval of intervener costs.

**-All of which is respectfully submitted this 31<sup>st</sup>, day of March 2009-**