

**Board Staff Interrogatories for  
West Coast Huron Energy Inc.  
2009 Electricity Distribution Rates Application  
Supplemental Evidence, September 17, 2009  
EB-2008-0248**

As identified in the Procedural Order No. 6 issued on September 18, 2009, the Board has determined that the review of supplemental evidence filed by the West Coast Huron Energy Inc. ("West Coast Huron") on September 17, 2009 on the specific issue of post-retirement non-pension benefits ("PRNPB") will begin with a series of interrogatories or questions to the applicant on the supplemental evidence. The following Board Staff interrogatories contain questions relating to specific aspects of the application.

**1 Ref: Exhibit(s) General**

West Coast Huron is requesting the Board to approve for the inclusion in rates an obligation related to PRNPB. Of the total \$343,000 being claimed, \$150,000 is for prior fiscal periods for which Board decisions have been issued.

- a. Please state if any PRNPB have been included in the compensation and benefits being paid for by rate payers in current and past rates as part of payroll burden in OM&A using the cash accounting method?
- b. If these costs have been so included, what was the expense in the 2006 rates?
- c. If these costs have been so included, please explain why PRNPB need to be adjusted now.
- d. If these costs have not been included using the cash accounting method, were the cost for PRNPB expensed using the accrual accounting method?
- e. If the accrual method was used what expense was built into the 2006 rates?
- f. If these costs have not been included as expenses in the past in any form, please explain why they now should be.

- g. Was any of the \$150,000 for PRNPB expensed in 2007 for existing retired employees?
- h. If management has already expensed the \$150,000 in 2007, please state why this amount should now be collected in electricity rates over 4 years starting in 2009.
- i. Is the \$150,000 expense out-of-period for rate making purposes?

2 Ref: Exhibit(s) Report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits prepared by Dion Durrell + Associates Inc. page 1

In the Executive Summary on page 1, it states:

“As per our discussion with the Corporation, we understand that CICA Section 3461 is being implemented for the first time as at January 1, 2008 in respect of post-retirement non-pension benefits. Furthermore, the recommendations under CICA Section 3461 are being applied on a prospective basis, giving rise to a transitional obligation as at January 1, 2008”

- a. Please explain the purpose of CICA Section 3461 accounting standard.
- b. The CICA Section 3461 accounting standard has existed since 2000. Please explain why it is just now being applied.
- c. Please confirm that by using the accrual accounting method, rate payers will be paying for an item that has no actual current cost.

3 Ref: Exhibit(s) Report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits prepared by Dion Durrell + Associates Inc. page 2

Board staff would like to make the record clear as to the evidence supporting West Coast Huron's request to include the PRNPB costs in rates. On page 2 of the actuary's report is a table. Please explain in detail the meaning and purpose of each line and the resulting impacts on the costs for the 2009 test year.

4 Ref: Exhibit(s) Report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits prepared by Dion Durrell + Associates Inc. page 11

Board staff would like substantiation for Management's Best Estimate Assumptions, found on page 11 of the actuary's report.

- a. Please provide supporting data and the reasons for selecting a consumer price index of 2.3%.
- b. Please explain why choosing the long term yield on bonds is an appropriate indicator for the Discount Rate.
- c. Please provide the source(s) and explain the rationale for determining 5% as the Discount Rate.
- d. What were the sources and please provide rational for developing the table of Claims Cost Trend Rate
- e. For the Withdrawal Rate please provide an explanation of the appropriateness of a 2% rate.
- f. The electricity sector is concerned about staff retirements and the lack of skilled replacements, suggesting that utilities should consider retaining employees nearing traditional retirement age. Recognizing this is not just a problem in the electricity sector; the Canada Pension Plan penalizes those that retire before age 65 with a reduced pension while it also provides an incentive to work longer by increasing pension income after 65. Given these facts, please comment on the appropriateness of assuming a normal retirement age of 60.

5 Ref: Exhibit(s) Report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits prepared by Dion Durrell + Associates Inc. page 3

Dion Durrell + Associates Inc. state in their Actuarial Certification that the next actuarial evaluation should be performed no later than January 1, 2011. Will West Coast Huron comply with this advice?

6 Ref: Exhibit(s) Estimated Benefit Expense (CICA 3461) prepared by Dion Durrell + Associates Inc.

Attached to the letter from Dion Durrell + Associates Inc. dated February 9, 2009 are schedules determining the estimated benefit expense. Board staff

would like a better conceptual understanding of this exhibit. Please explain the meaning and purpose of the “expected\*” value for the Assumed Increase in Employer Contribution.

7 Ref: Exhibit(s) Supplemental Evidence pertaining to the Decision,  
Page 4

On page 4 of the supplemental evidence, West Coast Huron explains their proposed treatment of the PRNPB. It appears that the same obligation, totalling \$343,000 is being treated in two separate ways. West Coast Huron is requesting that the \$150,000, which was estimated by management and claimed on the 2007 financial statements, be collected over 4 years at \$37,500 per year, and that the residual amount, \$193,000 to collected over 9 years. Nine years is the actuary’s estimate of the Average Working Lifetime of Current Active Employees.

- a. Please define Average Working Lifetime of the Active Employees.
- b. Please explain why the entire amount of the future obligation of \$343,000 should not be amortized over 9 years.

8 Ref: Exhibit(s) Supplemental Evidence pertaining to the Decision,  
Page 12

Please show the derivation of Net Income for 2009 Test Interim, and 2009 Test Final.