

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

**Introduction:**

West Coast Huron Energy Inc. ("WCHE") claimed as an expense for rate making purposes an Accrued Benefits Obligation ("ABO") for Post Retirement Non-Pension Benefits ("PRNPB") of \$150,000 in their 2009 test year. This was an out of period liability that was reported in the financial statements in the 2007 year. The \$150,000 was based on management's estimate of a future obligation and was not supported by an actuarial valuation. The evidence on this matter was both insufficient and unclear.

The Board in its Decision and Order dated June 17, 2009 disallowed this claim of \$150,000, finding the total O&M budget for the test year as \$1,544,350. The Board also declared the rates interim and allowed a 3 month period for WCHE to submit additional evidence in support of this specific claim. WCHE filed supplemental evidence on September 17, 2009. Responses to interrogatories were completed and filed with the Board by October 5, 2009. Board staff and interveners filed submissions that all respectively addressed similar aspects of the supplemental evidence. These aspects are as follows:

- The amount of the ABO to be recovered in rates
- The amortization period of the ABO

- The inclusion of costs in the calculation of Working Capital Allowances

### **The Amount of the ABO to be Recovered in Rates:**

WCHE understands that its delay in applying CICA section 3461 has resulted in the under collection of the appropriate obligation to those employees now retired. Given the rapid change of the industry from 2000 to 2006 WCHE submits that a Utility of its limited size and resources could very easily have overlooked the application of this accounting standard. Having said that WCHE also recognizes that the application of accounting standards and its application in rates is its own responsibility.

Consequently, WCHE submits that one half of the \$191,000 to be collected over the four years of the IRM process (the same manner as proposed by Board Staff in its submission), or \$23,875. WCHE's rationale for this proposal is that while the CICA standard was overlooked in the early days of deregulation, it should not have been missed during the 2006 EDR process. The timing of the 2006 EDR process occurred approximately at the midpoint of the nine year amortization detailed in the actuarial report, had the liability been determined in 2000.

Secondly, the original unbundling rate process at the onset of deregulation was executed utilizing 1999 financial data which would not have included the ABO since the CICA standard was not yet in effect for these statements. The years that followed saw rate freezes and rate applications that did not utilize updated financial data. Consequently, even if WCHE had applied the CICA standard in 2000 the first opportunity to have these amounts included in rates would have been the 2006 EDR Process.

**Amortization of the ABO:**

WCHE feels that the treatment of the amortization of the current employees ABO, consistent with the 9 years in the actuary's recommendation, is appropriate and submits that the Board Staff's proposal of \$16,889 for 8 years is appropriate.

Similarly, WCHE submits that any portion of the ABO for its retired employees that The Board deems allowable should be collected over the four years of the IRM process, consistent with Board Staff's recommendation.

**Revenue Requirement Determination:**

Board staff and interveners submit that the working cash requirement should not be adjusted from the already approved levels.

WCHE included these additional costs in the general ledger accounts for employee expenses. In doing so the rate model included these additional costs in the calculation of working capital.

WCHE concurs that these costs are non cash items and as a result should not be included in the calculation of working capital allowance. Similarly, any cash expenditures incurred for PRNPB would have already been accounted for in WCHE's 2009 budget utilized in the calculation of its 2009 Test Year rates. Therefore, WCHE also submits that the working capital requirement should not be adjusted from the already approved level.

All of which is respectfully submitted this 16<sup>th</sup> day of October, 2009.