Board Staff Supplemental Interrogatories, June 3, 2013
West Coast Huron Energy Inc.
EB-2012-0175

Z-Factor

9 Staff 57 New Assets Related to the Tornado

Reference: Exhibit 9 Tab 1 Schedule 5

WCHE is proposing a four year rider to collect $352,482 related to the tornado.

a) Please show the derivation of the $352,482, explaining the nature of the costs and reasons for including them.

b) Is the proposed rate rider designed to recover the NBV f the stranded meters? If so, please state the date associated with the value being recovered.

Board staff views the regulatory treatment for the new assets should be based on the fact that the existing rates have no component associated with the storm costs. The replaced assets were placed into service in 2011 and therefore, from then up to rebasing for 2013, WCHE is out of pocket. To overcome this, Board staff developed the following table to calculate the revenue requirement in 2011 and 0212 that WCHE should have recovered that are associated with the replacement assets. (Please note: Green boxes are input cells. Line 1 is the Capital that is part of rate base ($565,777 is simply a placeholder). Line 13 is the approved PILs that underpin the 2009 rates, lines 23 and 26 are the average interest rates set by the board for deferral and variance accounts for the years 2011 and 1012. Lines 29 to 31 are self-explanatory. Board staff has entered $1 in line 32. This line item was provided in the event that there are additional costs that WCHE wishes to claim. If WCHE has additional costs, please explain in detail what the costs are and why they would qualify for the storm damages rider. If there are no additional costs, please enter zero.)

c) Please complete the table with the appropriate data (Board staff has provided the table in an open Excel document.)

Revenue Requirement 2012 & 2013 from Storm Damages

	Depreciation	
1	Storm CAPEX	$ 565,777
2	Amort (years)	45
3	Dep 2012	$ 12,573
4	1/2 year rule	50.0%
5	Dep 2011	$ 6,286
6	Sub-total (Line 3 & 5)	$ 18,859.23
	Return on Rate Base	
7	Storm CAPEX	$ 565,777
8	2009 Allowed Return	7.52%
9	2012 Return	$ 42,546
10	1/2 year rule	50.0%
11	2011 Return	$ 21,273
12	Sub-total (Line 9 & 11)	$ 63,820
	PILS/Incomer Taxes	
13	2009 PILs Rate	26.33%
14	2011 Return	$ 21,273
15	2011 Deened PILs	$ 5,601
16	2012 Return	$ 42,546
17	2012 Deemed PILs	$ 11,202
18	Sub-total (Line 9 & 11)	$ 16,804
	Revenue Requirement by Year	
19	2011	$ 33,161
20	2012	$ 66,322
21	Total Revenue Requirement	$ 99,483
	Carrying Costs	
22	2011 Revenue Requirment	$ 33,161
23	2011 Average Interest Rate	1.47%
24	2011 Interest	$ 487.46
25	2012 Revenue Requirment	$ 66,322
26	2012 Average Interest rate	1.47%
27	2012 Interest	$ 975
28	Total Interest	$ 1,462
	Other Costs	
29	Incremental OM&A	$ 24,379
30	Lost Revenue	$ 130,000
31	Scrap	-$ 10,355
32	Other Related Costs	$ 1
33	Total for Collection	$ 125,324.99

d) If WCHE is not in agreement with the table, please modify the table to be and explain the differences that WCHE is proposing from that of Board staff.

Board staff is of the opinion that Line 33, T*otal Cost for Collection* should be allocated to the respective rate classes based on factors from the 2009 cost allocation model that underpins the current rates. Please develop dollar weighted allocators from the 2009 cost allocation study from those used to apportion the respective distribution costs (the allocators for line, pole, transformers, etc.).

e) Please allocate Line 35, *Total for Collection* accordingly.

f) Please establish a term over which the rider will be in place, stating the reason for the term.

g) Please calculate class specific rates.

Depreciation

9 Staff 58 Proposed Depreciation rates

Reference: Appendix 2-CH

WCHE has provided amended depreciation rates that should reflect the remaining useful lives of the assets. However WCHE did not provide any explanation for the establishment of the rates.

a) Please explain:
   i. The analysis to develop each depreciation rate separately; and
   ii. Why the depreciation rates are reasonable rates going forward, given the mixed ages of WCHE's assets.

Some assets may have a longer physical life than other assets, but have an economic life equal to the asset to which it is associated. As an example, Overhead conductors and devices have a life of 54.89 years, and poles have a life of 45 years, but theye are typicaly retired at the same time, giving equal lives.

b) Please review the referenced appendix and adjust any rate that has an economic life shorter than its physical life.