



# WELLAND HYDRO-ELECTRIC SYSTEM CORP.

P.O. Box 280 950 East Main Street, Welland, Ontario L3B 5P6 Telephone 905-732-1381 Fax 905-732-0123

**RECEIVED**

March 31, 2009

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Delivered by Courier and E-file

Ms. Kirsten Walli *31/3/09*  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

**ONTARIO ENERGY BD**

Dear Ms. Walli:

Re: Welland Hydro-Electric System Corp.  
2009 Distribution Rates Application  
Board File No. EB-2008-0247

In accordance with Procedural Order No.3, please find enclosed paper copies (2) and one electronic copy of Welland Hydro Reply Submission-Addendum.

Electronic copies of each response and the requested additional schedules has been filed using the OEB's E-filing services.

Yours very truly,

Wayne Armstrong  
Director of Finance  
905-732-1381 Ext 234  
905-732-0266 Fax  
Email: warmstrong@wellandhydro.com

Welland Hydro-Electric System Corp.  
2009 Rate Application  
EB-2008-0247  
Reply Submission – Addendum

### **Rate Mitigation Proposal**

Welland Hydro adjusted Revenue to Cost ratios in 2009 with the goal of bringing all rate classes within the ranges approved by the OEB. In addition to the movements for Street Light and Sentinel Lights classes, both the General Service<50kW and General Service>50kW classifications were moved beyond the low end of the approved Revenue to Cost range. Should the Board require Welland Hydro to phase in the increases to the General Service classes or reduce the ratio to the low end of the range of 80%; it would result in the Residential Class being above the high end of the range of 115% in 2009.

In order to reduce the impact of the 2009 rate increase on the Residential and General Service<50kW customer classifications, Welland Hydro is proposing to defer the increase in the Smart Meter Funding Adder until the associated variance accounts are cleared as part of the 2010 IRM rate setting process. This would result in the Smart Meter Funding Adder remaining at the current \$.27/mth instead of the requested increase to \$1.00/mth. As the Residential Class is the residual class for the increases required to the Street Light and Sentinel Lights classes in 2010 there will be reductions available to offset the impact of the increase to the Smart Meter Funding Adder at that time.

Welland Hydro has provided revised Exhibit I, Exhibit J, and Exhibit K (Response to Energy Probe Supplemental Interrogatories) with the General Service<50kW moving to 80% for 2009/2010 and the General Service>50kW moving to 80% over a two year period. This confirms that the Residential Class would have a revenue to cost ratio of 120.43% which is above the range approved by the Board. The 2009 distribution revenue requirement for the Residential Class increases from \$5,807,662 to \$6,095,865 or \$288,203. The amount of savings in 2009 as a result of deferring the increase in the Smart Meter Funding Adder is approximately \$173,606 ( $19,818 \times 12 \times \$0.73$ ) for the Residential Class. Exhibit J also shows the distribution revenue requirement for the Residential Class at \$5,782,316 (Option 1) in 2010 which is a reduction of \$313,549. This will provide an offset to the increase in the Smart Meter Funding Adder when the associated variance accounts are cleared as part of the 2010 IRM rate setting process. The Revenue to Cost Ratio is also brought within the approved ranges at 114.55% in 2010.

Welland Hydro believes that this proposal not only provides rate mitigation but also provides for rate smoothing for the Residential and GS<50kW classifications.

**Welland Hydro Electric System Corp**  
**Exhibit I - Response to Energy Probe Supplemental Interrogatories**  
**Revised for Adjustments to General Service Classification**

**2009 Test Year Class Revenue Design**

Customer Class	Outstanding Base Revenue Requirement %			Outstanding Base Revenue Requirement \$			Total Base Revenue Requirement
	Cost Allocation	Existing Rates	Rate Application	Cost Allocation	Existing Rates	Rate Application	
Residential	58.36%	77.16%	<b>71.07%</b>	5,005,780.86	6,618,204.58	6,095,864.95	6,095,864.95
GS <50 kW	14.67%	11.30%	<b>11.54%</b>	1,258,075.72	969,386.12	989,840.50	989,840.50
GS>50 kW	17.87%	8.70%	<b>12.19%</b>	1,533,038.41	746,395.82	1,045,594.08	1,045,594.08
Large Use >5MW	2.12%	1.93%	<b>2.15%</b>	182,092.48	165,821.39	184,561.51	184,561.51
Street Light	5.82%	0.36%	<b>2.21%</b>	499,324.95	31,195.83	189,562.18	189,562.18
Sentinel	0.65%	0.08%	<b>0.33%</b>	56,102.04	6,650.45	28,305.66	28,305.66
Unmetered Scattered Load	0.50%	0.46%	<b>0.51%</b>	43,059.54	39,819.81	43,745.12	43,745.12
Back-up/Standby Power	0.00%	0.00%	<b>0.00%</b>	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>8,577,474.00</b>	<b>8,577,474.00</b>	<b>8,577,474.00</b>	<b>8,577,474.00</b>
Check	OK	OK	OK				

**Revenue to Cost Analysis Per Cost Allocation Study-2009**

Customer Class	Revenue to Cost Ratios Per C.A. Study	Net Revenue Per 2009 Test Year	Addback Transformer Allowances	Gross Distribution Revenue	Miscellaneous Revenue Allocation 2009	Total Revenue Cost Allocation 2009	Updated C.A. Study Cost Proportions For 2009 Excluding Transformer	Addback Transformer Allowances	Updated C.A. Study Cost Proportions For 2009 Excluding Transformer	Revenue to Cost Ratios Per 2009 Test Year Filing	Target Ranges Low High	
Residential	127.28%	6,095,864.95		6,095,864.95	330,876.99	6,426,741.94	5,336,657.85		5,336,657.85	120.43%	85.00%	115.00%
GS <50 kW	75.23%	989,840.50		989,840.50	86,288.29	1,076,128.79	1,344,364.01		1,344,364.01	80.05%	80.00%	120.00%
GS>50 kW	65.24%	1,045,594.08	159,306.00	1,204,900.08	87,889.64	1,292,789.72	1,620,928.05	159,306.00	1,780,234.05	72.62%	80.00%	180.00%
Large Use >5MW	100.73%	184,561.51	118,687.33	303,248.84	37,993.48	341,242.32	220,085.96	118,687.33	338,773.29	100.73%	85.00%	115.00%
Street Light	12.17%	189,562.18		189,562.18	18,190.43	207,752.60	517,515.37		517,515.37	40.14%	70.00%	120.00%
Sentinel	18.71%	28,305.66		28,305.66	2,657.41	30,963.07	58,759.45		58,759.45	52.69%	70.00%	120.00%
Unmetered Scattered Load	114.93%	43,745.12		43,745.12	4,494.77	48,239.89	47,554.31		47,554.31	101.44%	80.00%	120.00%
Back-up/Standby Power												
		8,577,474.00	277,993.33	8,855,467.33	568,391.00	9,423,858.33	9,145,865.00	277,993.33	9,423,858.33			

**Option 1 - Revenue to Cost Analysis Per Cost Allocation Study 2010 - No Adjustment to Large User**

Customer Class	Revenue to Cost Ratios Per C.A. Study	Net Revenue Per 2010 Test Year	Addback Transformer Allowances	Gross Distribution Revenue	Miscellaneous Revenue Allocation 2009	Total Revenue Cost Allocation 2010	Updated C.A. Study Cost Proportions For 2009 Excluding Transformer	Addback Transformer Allowances	Updated C.A. Study Cost Proportions For 2009 Excluding Transformer	Revenue to Cost Ratios Per 2009 Test Year Filing	Target Ranges Low High	
Residential	127.28%	5,782,316.00		5,782,316.00	330,876.99	6,113,192.99	5,336,657.85		5,336,657.85	114.55%	85.00%	115.00%
GS <50 kW	75.23%	989,840.50		989,840.50	86,288.29	1,076,128.79	1,344,364.01		1,344,364.01	80.05%	80.00%	120.00%
GS>50 kW	65.24%	1,176,991.60	159,306.00	1,336,297.60	87,889.64	1,424,187.24	1,620,928.05	159,306.00	1,780,234.05	80.00%	80.00%	180.00%
Large Use >5MW	100.73%	184,561.51	118,687.33	303,248.84	37,993.48	341,242.32	220,085.96	118,687.33	338,773.29	100.73%	85.00%	115.00%
Street Light	12.17%	349,527.46		349,527.46	18,190.43	367,717.88	517,515.37		517,515.37	71.05%	70.00%	120.00%
Sentinel	18.71%	50,491.83		50,491.83	2,657.41	53,149.24	58,759.45		58,759.45	90.45%	70.00%	120.00%
Unmetered Scattered Load	114.93%	43,745.12		43,745.12	4,494.77	48,239.89	47,554.31		47,554.31	101.44%	80.00%	120.00%
Back-up/Standby Power												
		8,577,474.02	277,993.33	8,855,467.35	568,391.00	9,423,858.35	9,145,865.00	277,993.33	9,423,858.33			

**Option 2 - Revenue to Cost Analysis Per Cost Allocation Study 2010-Large User to 85%**

Customer Class	Revenue to Cost Ratios Per C.A. Study	Net Revenue Per 2010 Test Year	Addback Transformer Allowances	Gross Distribution Revenue	Miscellaneous Revenue Allocation 2009	Total Revenue Cost Allocation 2010	Updated C.A. Study Cost Proportions For 2009 Excluding Transformer	Addback Transformer Allowances	Updated C.A. Study Cost Proportions For 2009 Excluding Transformer	Revenue to Cost Ratios Per 2009 Test Year Filing	Target Ranges Low High	
Residential	127.28%	5,835,601.02		5,835,601.02	330,876.99	6,166,478.01	5,336,657.85		5,336,657.85	115.55%	85.00%	115.00%
GS <50 kW	75.23%	989,840.50		989,840.50	86,288.29	1,076,128.79	1,344,364.01		1,344,364.01	80.05%	80.00%	120.00%
GS>50 kW	65.24%	1,176,991.60	159,306.00	1,336,297.60	87,889.64	1,424,187.24	1,620,928.05	159,306.00	1,780,234.05	80.00%	80.00%	180.00%
Large Use >5MW	100.73%	131,276.49	118,687.33	249,963.82	37,993.48	287,957.30	220,085.96	118,687.33	338,773.29	85.00%	85.00%	115.00%
Street Light	12.17%	349,527.46		349,527.46	18,190.43	367,717.89	517,515.37		517,515.37	71.05%	70.00%	120.00%
Sentinel	18.71%	50,491.83		50,491.83	2,657.41	53,149.24	58,759.45		58,759.45	90.45%	70.00%	120.00%
Unmetered Scattered Load	114.93%	43,745.12		43,745.12	4,494.77	48,239.89	47,554.31		47,554.31	101.44%	80.00%	120.00%
Back-up/Standby Power												
		8,577,474.02	277,993.33	8,855,467.35	568,391.00	9,423,858.35	9,145,865.00	277,993.33	9,423,858.33			

Welland Hydro Electric System Corp  
Exhibit K - Response to Energy Probe Supplemental Interrogatories  
Revised for Adjustments to General Service Classification

Distribution Rate Allocation Between Fixed & Variable Rates For 2008 Test Year

Customer Class	Total Net Rev. Requirement	Rev Requirement %	Proposed Fixed Rate	Resulting Variable Rate	Total Fixed Revenue	Total Variable Revenue	Transformer Allowance	Gross Distribution Revenue	LV & Wheeling Charges	Total
Residential	6,095,864.95	71.07%	15.03	\$0.0152	\$ 3,574,374	\$ 2,521,490		6,095,864.95	0.00	6,095,864.95
GS <50 kW	989,840.50	11.54%	24.75	\$0.0087	\$ 509,949	\$ 479,891		989,840.50	0.00	989,840.50
GS>50 kW	1,045,594.08	12.19%	308.86	\$1.2957	\$ 633,781	\$ 411,813	\$ 159,306	1,204,900.08	0.00	1,204,900.08
Large Use >5MW	184,561.51	2.15%	12,937.41	\$0.8729	\$ 155,249	\$ 29,313	\$ 118,687	303,248.84	0.00	303,248.84
Street Light	189,562.18	2.21%	1.39	\$5.8958	\$ 111,372	\$ 78,190		189,562.18	0.00	189,562.18
Sentinel	28,305.66	0.33%	1.94	\$4.4447	\$ 16,785	\$ 11,521		28,305.66	0.00	28,305.66
Unmetered Scattered Load	43,745.12	0.51%	13.52	\$0.0093	\$ 33,746	\$ 9,999		43,745.12	0.00	43,745.12
Back-up/Standby Power										
<b>TOTAL</b>	<b>8,577,474.00</b>	<b>100.00%</b>			<b>\$ 5,035,256</b>	<b>\$ 3,542,218</b>	<b>\$ 277,993</b>	<b>\$ 8,855,467</b>	<b>\$ -</b>	<b>\$ 8,855,467</b>
Forecast Fixed/Variable Ratios					<b>56.860%</b>	<b>40.000%</b>	<b>3.139%</b>	<b>100.000%</b>		
Existing Fixed/Variable Ratios					<b>58.133%</b>	<b>38.001%</b>	<b>3.866%</b>	<b>100.000%</b>		

Fixed Charge Analysis

Customer Class	Current Volumetric Split	Current Fixed Charge Split	Total	Fixed Rate Based on Current Fixed/Variable Revenue Proportions	2008 Rates From OEB Approved Tariff	Minimum System with PLCC Adjustment (Ceiling Fixed Charge From Cost Allocation Model)	Fixed Rate Threshold @ 120% of Ceiling Charge
Residential	41.35%	58.65%	100.00%	15.03	12.88	7.98	9.58
GS <50 kW	48.48%	51.52%	100.00%	24.75	19.13	22.06	26.47
GS>50 kW	47.40%	52.60%	100.00%	308.86	191.82	97.77	117.32
Large Use >5MW	48.80%	51.20%	100.00%	12,937.41	10,646.26	258.15	309.78
Street Light	41.42%	58.58%	100.00%	1.39	0.18	5.24	6.29
Sentinel	40.65%	59.35%	100.00%	1.94	0.36	5.19	6.23
Unmetered Scattered Load	22.87%	77.13%	100.00%	13.52	9.71	6.98	8.38
Back-up/Standby Power							
<b>TOTAL</b>							