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November 3, 2008

ONTARIO ENERGY BOARD

BY EMAIL & BY COURIER

Ms. Kirsten Walli *31/1/08*

Board Secretary

Ontario Energy Board

2300 Yonge St, Suite 2701

Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2008-0247

**Welland Hydro-Electric System Corp. – 2009 Rates Rebasing Application
Energy Probe Interrogatories**

Pursuant to Procedural Order #1, issued by the Board on October 29, 2008, Energy Probe Research Foundation (Energy Probe) encloses two hard copies of its Interrogatories to Welland Hydro-Electric System Corp. in the EB-2008-0247 proceeding. An electronic version of this communication will be forwarded in PDF format.

Should you have any questions, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh

Case Manager

cc:

Wayne Armstrong, Welland Hydro-Electric System Corp. (By email)

James C. Sidlofsky, Borden Ladner Gervais LLP (By email)

Randy Aiken, Aiken & Associates (By email)

Intervenors of Record (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Welland
Hydro-Electric System Corp. for an order approving just and
reasonable rates and other charges for electricity distribution
to be effective May 1, 2009.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

November 3, 2008

**WELLAND HYDRO-ELECTRIC SYSTEM CORP.
2009 RATES REBASING CASE
EB-2008-0247**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit 1, Tab 1, Schedule 15

Has Welland Hydro completed its review related to recent changes in the Affiliate Relationships code? If yes, are any changes to the corporate and/or operational structures required? If no, when does Welland Hydro expect to complete its review and determine if any changes are required?

Interrogatory # 2

Ref: Exhibit 1, Tab 2, Schedule 2

- a) How many months of actual revenue have been included in the 2008 bridge year forecast? Have these actual figures been weather normalized?**
- b) How many months of actual OM&A costs have been included in the 2008 bridge year forecast?**
- c) How many months of actual capital expenditures have been included in the 2008 bridge year forecast?**

Interrogatory # 3

Ref: Exhibit 2, Tab 1, Schedule 1, page 6

- a) Please explain how a minimum capital expenditure target of 10% above depreciation ensures future reliability.**
- b) How was the figure of 10% arrived at?**
- c) Please confirm that the timing of capital expenditures related to capital asset replacements is driven in large part by the age of the asset to be replaced.**

Interrogatory # 4

Ref: Exhibit 2, Tab 1, Schedule 1, page 6

Please provide a copy of the most recent year-to-date review and tracking of the 2008 bridge year actual-to-budget presentation materials.

Interrogatory # 5

Ref: Exhibit 2, Tab 2, Schedule 1

- a) Welland Hydro has recorded a number of asset disposals in 2005, 2006 and 2007. Please explain the difference in the figures shown for disposals in the cost category from the figures shown in the disposals column in the accumulated depreciation category.**
- b) Please explain why no disposals have been forecast for either 2008 or 2009.**
- c) Has Welland Hydro recorded any disposals for 2008 to date? If yes, please provide the disposal amount for both the costs and for accumulated depreciation by account. Please also explain any difference between the cost and the accumulated depreciation disposal amounts.**
- d) Which account or accounts is the contribution & grants received primarily associated with in 2008 (Table 8) and in 2009 (Table 9)?**
- e) Please explain the significantly higher level of contribution & grants recorded in 2007 compared to the other years shown.**

Interrogatory # 6

Ref: Exhibit 2, Tab 3, Schedule 2, Table 15

For each of the 2008 bridge year projects shown in Table 15, please provide the following:

- a) Whether or not the project is completed and in service based on the most recent information available.**
- b) If the project is completed, the actual cost of the project.**
- c) If the project is not completed, the expected in service date of the project.**

- d) Any projects that have been deferred to 2009 or later based on Welland Hydro's latest analysis.**

Interrogatory # 7

Ref: Exhibit 2, tab 3, Schedule 2, Table 14 & 15

- a) Please confirm that all the projects listed in Table 14 will be in service before the end of 2009.**
- b) Has Welland Hydro updated its capital expenditure forecast for 2009 since preparing the capital budget used in this filing? If yes, please provide the updated forecast for both 2008 and 2009.**

Interrogatory # 8

Ref: Exhibit 2, Tab 3, Schedule 3, page 8

- a) Please confirm that the single bucket truck has been delivered to Welland Hydro. If this cannot be confirmed, please confirm that the truck is still expected to be received by Welland Hydro before the end of 2008.**
- b) Please provide a break down of the \$210,000 forecast cost or the actual cost if available associated with the purchase of the vehicle.**
- c) The evidence states that this new vehicle will be used to replace an aging vehicle. Please provide the original cost of the vehicle being replaced and the accumulated depreciation associated with this vehicle.**
- d) Why has the vehicle that is to be replaced not been shown as a disposal for both costs and accumulated depreciation in 2008?**
- e) What is the resale or scrap value of the vehicle that is being replaced?**
- f) Please indicate how the retirement of this vehicle will be handled for accounting purposes by Welland Hydro.**

Interrogatory # 9

Ref: Exhibit 2, Tab 3, Schedule 3, page 8

- a) Please confirm that the replacement generator is in service, or is still expected to be in service before the end of 2008.**
- b) Please provide a break down of the \$231,570 forecast cost or the actual cost if available associated with the purchase of this generator.**
- c) Please provide the original cost of the generator being replaced and the accumulated depreciation associated with this generator.**
- d) Why has the generator that is to be replaced not been shown as a disposal for both costs and accumulated depreciation in 2008?**
- e) What is the resale or scrap value of the generator that is being replaced?**
- f) Please indicate how the retirement of this generator will be handled for accounting purposes by Welland Hydro.**

Interrogatory # 10

Ref: Exhibit 2, Tab 4, Schedule 1, Table 19

Please provide the cost assumptions used related to the cost of power components of the working capital calculations.

Interrogatory # 11

Ref: Exhibit 3, Tab 1, Schedule 3, page 4

- a) Please provide the interest income for 2006 and 2007, along with the average cash balances for both of these years and the average interest rate earned on these balances in those years.**
- b) Please provide the average forecasted cash balances and interest rates used to forecast the lower interest income in both 2008 and 2009.**
- c) What is the average cash balance held year-to-date in 2008 and the amount of interest earned in the most recent year-to-date period available? Please also provide the interest earned in the same year-to-date period in 2007.**

- d) Part of the reason given for a decrease in interest income in 2009 is the forecasted operating loss in 2009. If the Board approves the recovery of the projected revenue deficiency, what is the impact on the cash balances and the amount of interest earned in 2009?

Interrogatory # 12

Ref: Exhibit 3, Tab 1, Schedule 3, page 3

For each of the two large volume customers which border the 5000 kW demand line between Large User and General Service please:

- a) Confirm that each of these customers has been forecast as Large Users in the 2009 test year.
- b) Please provide the distribution revenue generated by these customers (in aggregate) under the Large User rates and under the General Service rate.

Interrogatory # 13

Ref: Exhibit 3, Tab 2, Schedule 2, Table 2

Please provide the actual number of customers/connections for each class shown in Table 2 for the most recent month available for 2008. Please provide the corresponding number of customers/connections for each class for the same month in 2007. Please also show the increase in 2008 over 2007 based on the most recent actual month of data.

Interrogatory # 14

Ref: Exhibit 3, Tab 2, Schedule 2, page 3

- a) Please explain how the “result is a 1.4% increase in the annual usage per Residential customer” if the residential volumes are calculated by multiplying the forecast number of customers by the retail NAC, which is a constant number based on 2004 data?
- b) Please confirm that the 1.4% figure is actually the difference between the actual and normalized actual usage per residential customer.
- c) Please confirm that the residential revenue forecast is based on forecast of 0% increase in normalized average annual residential usage.

Interrogatory # 15

Ref: Exhibit 3, Tab 2, Schedule 2, page 2 & 3

Please provide the 2004 weather actual kWh and loss factors or weather sensitive load and the 2004 weather normal wholesale kWh, number of customers and retail NAC for the GS<50 kW, GS 50 to 4,999 kW and Large Use classifications in the same format as is provided for the residential class.

Interrogatory # 16

Ref: Exhibit 3, Tab 3, Schedule 1

- a) Please provide the most recent year-to-date revenue from late payment charges for 2008 that is available and provide the corresponding figure for the same year-to-date period in 2007.**
- b) Please explain the rationale for the \$11,198 aggregate decline in revenues forecast for 2008 in misc. service categories of occupancy related, disconnect/reconnect and mark up on work orders following an increase of nearly \$23,000 in 2007.**
- c) For the three miscellaneous service categories noted in (b) above, please provide the most recent year-to-date revenues that are currently available for the 2008 bridge year and the corresponding revenues for the same period in 2007.**
- d) Please explain why there is no gain on disposition of utility and other property shown in 2008 or 2009 despite gains shown in both 2006 and 2007. Please explain the source the gains recorded in 2006 and 2007.**
- e) Based on the most recent year-to-date information available, is there any revenue in the gains on disposition of utility and other property category for the bridge year? If so, what is the amount?**
- f) Based on the most recent year-to-date information available, is there any revenue in the capital gains for the bridge year? If so, what is the amount?**
- g) Please explain why there are no capital gains shown for 2008 or 2009 despite gains shown for both 2006 and 2007. Please explain the source of the capital gains in 2006 and 2007.**

- h) Please explain the decrease of nearly \$16,000 in scrap metal sales shown for the 2008 bridge year as compared to 2007.**
- i) Please provide the most recent year-to-date revenue from scrap metal sales for 2008 that is available and provide the corresponding figure for the same year-to-date period in 2007.**
- j) Please provide the most recent year-to-date revenue from miscellaneous non operating revenues for 2008 that is available and provide the corresponding figure for the same year-to-date period in 2007.**
- k) Please explain why there is no dividend income shown for 2008 and 2009 despite revenues recorded in both 2006 and 2007.**
- l) Please provide the most recent year-to-date revenue from dividend income for 2008 that is available and provide the corresponding figure for the same year-to-date period in 2007.**

Interrogatory # 17

Ref: Exhibit 3, Tab 3, Schedule 1

The evidence shows the inclusion of costs associated with interest on variance accounts as part of the overall other operation revenue.

- a) Please explain why this is a cost that offsets other revenues in 2008 and 2009.**
- b) Why is there no cost shown in 2006 or 2007 associated with interest on variance accounts?**
- c) Will these interest costs be recovered when the balances in the accounts that these interest costs are associated with are recovered? Please explain fully.**

Interrogatory # 18

Ref: Exhibit 4, Tab 1, Schedule 1, Table 1

Please provide a copy of Table 1 that excludes amortization expenses in both the table and change the total to the total OM&A. Please also add a line to the table showing the percent change in the total OM&A expense for each year.

Interrogatory # 19

Ref: Exhibit 4, Tab 2, Schedule 1, page 6

- a) Please explain how the adjustment for escalating gasoline prices for meter reading works.**
- b) What assumptions related to gasoline prices has Welland Hydro used to forecast these expenses for 2008 and 2009?**
- c) What is the impact of a 5 cent per litre change in gasoline prices on the meter reading costs?**

Interrogatory # 20

Ref: Exhibit 6, Tab 1, Schedule 1

The Auditors Report for the 2007 financial statements indicates that the long term debt payable to the City of Welland bears interest at 6.25% effective May 1, 2006 and that this note is due 12 months after official demand by the City.

- a) Does Welland Hydro make regular principle payments to the City of Welland, or is interest only payable?**
- b) Please provide the relevant sections from the "prior Board decisions" that approved a rate of 6.25% for this long term debt.**
- c) Please provide a copy of the original long term loan agreement and any and all subsequent amendments made to the agreement.**

Interrogatory # 21

Ref: Exhibit 4, Tab 2, Schedule 3, page 1

- a) When was the bad debt of \$492,555 that was recovered in 2006 written off?**
- b) Please confirm the following:**
 - i) The annual percentage increase in OM&A Wages and Benefits is 17.6%, 9.1% and 9.1% for 2007, 2008 and 2009, respectively.**
 - ii) The annual percentage increase in OM&A Expenses is 4.9%, (2.1%) and 6.5% for 2007, 2008 and 2009, respectively.**
 - iii) The annual percentage increase in the Adjusted OM&A Expenses is 12.4%, 4.8% and 8.2% for 2007, 2008 and 2009, respectively.**

Interrogatory # 22

Ref: Exhibit 4, Tab 2, Schedule 3, page 10

- a) Please explain the nature and role of the conservation and demand analyst.**
- b) What CDM programs does Welland Hydro expect to be involved in beyond those provided by the OPA?**
- c) Does Welland Hydro incur any costs associated with delivering or managing CDM programs from the OPA?**

Interrogatory # 23

Ref: Exhibit 4, Tab 2, Schedule 2, page 4

- a) Please provide a breakdown of the 2009 regulatory expense of \$66,500.**
- b) Please provide a breakdown of the regulatory expenses associated with the 2009 cost of service rates application.**
- c) Over what period does Welland Hydro propose to recover the regulatory costs associated with the 2009 cost of service rate application?**

Interrogatory # 24

Ref: Exhibit 4, Tab 2, Schedule 2

- a) Please provide the most recent year-to-date figure available for the 2008 bridge year for the OM&A costs for each of the aggregate categories of Operation, Maintenance, Billing and Collecting, Community Relations, Administrative and General Expense, and Taxes Other Than Income Taxes, as well as the Total OM&A expenses.**
- b) Please provide the figures for the same year-to-date period in 2007 in the same level of detail.**

Interrogatory # 25

Ref: Exhibit 4, Tab 2, Schedule 3, page 7

The evidence indicates that account 5150 (Ref D) increased by nearly \$65,000, partly due to material costs increases of \$17,678 as a result of a major repair needed.

- a) Please provide the total cost associated with this major repair in 2007.**
- b) Please explain why the costs for 2008 and 2009 forecast for this account have not returned to their 2006 level (adjusted for inflation).**
- c) Please provide the actual costs in the account recorded in 2005 and 2004.**

Interrogatory # 26

Ref: Exhibit 4, Tab 2, Schedule 3, page 1

- a) Please explain the decrease in amounts charged to third parties and associates.**
- b) Please explain the adjustment for 2006 pension costs.**

Interrogatory # 27

Ref: Exhibit 4, Tab 2, Schedule 4

- a) Please provide the actual year-to-date charges to affiliates for the 2008 bridge year based on the most recent information available in the level of detail shown in Table 3.**
- b) Please provide the corresponding year-to-date figures for 2007.**
- c) Please explain how the 7% mark up that Welland Hydro receives was determined.**
- d) Are the revenues received by Welland Hydro that cover the costs and provide the 7% mark up used to reduce the OM&A costs shown in Exhibit 4? If not, where do these revenues show up in Exhibit 3?**
- e) Please provide the actual and forecast rental revenue for 2006, 2007, 2008 and 2009 associated with the rental of space to the Welland Fire Department. How was this rental amount determined in the rental agreement? Was any market survey done to determine an appropriate rate? If yes, please provide the survey.**

Interrogatory # 28

Ref: Exhibit 4, Tab 2, Schedule 6, page 3

Have the 2 certified linemen forecast to retire in 2008 done so? If not, are they still scheduled to retire before the end of the year?

Interrogatory # 29

Ref: Exhibit 4, Tab 2, Schedule 6, page 6

Please explain the type of services that are charged to third parties.

Interrogatory # 30

Ref: Exhibit 4, Tab 3, Schedule 3

- a) Please confirm that all distribution system additions post February 22, 2005 have been posted to CCA class 47 in 2005, 2006 and 2007.**
- b) Please confirm that Welland Hydro placed all computer related capital expenditures prior to 2008 in class 45 for acquisitions on or after March 22, 2004 and prior to March 19, 2007.**
- c) Please confirm that Welland Hydro placed all computer related capital expenditures prior to 2008 in class 55 for acquisitions after March, 19, 2007.**
- d) If the response to any of (a), (b) or (c) above is not confirmed, please provide the UCC at the end of 2008 for all assets that were classified incorrectly for CCA purposes. Please transfer these UCC amounts to the correct class in 2009 and recalculate the total CCA for 2009.**

Interrogatory # 31

Ref: Exhibit 5, Tab 1, Schedule 1, page 3

- a) Please show all the calculations used to arrive at the figure of \$124,132 in deferred revenue in account 1574.**
- b) Please provide the income and capital tax rates and capital tax exemption used in determining the amount that should have been recovered in taxes.**
- c) If the actual income tax and/or capital tax rate and/or capital tax exemption were different on an actual basis from those used to estimate the amount in the deferral account, does Welland Hydro believe that the amount should be adjusted to reflect the actual tax rates? If not, why not?**

Interrogatory # 32

Ref: Exhibit 5, Tab 1, Schedule 2

- a) Please confirm that the prescribed interest rate to be used for deferral and variance accounts in the first quarter of 2008 was 5.14%, not 5.19% as indicated one line 23 of page 1.**
- b) Please recalculate the balances to be collected (Table 2) if the interest is based on the prescribed interest rates of 5.14% for the first quarter of 2008, 4.08% for the second quarter of 2008, 3.35% for the third and fourth quarter of 2008 and the first quarter of 2009.**
- c) Please confirm that the interest accrued to December 31, 2007 is all based on the prescribed interest rates that were in place.**

Interrogatory # 33

Ref: Exhibit 5, Tab 1, Schedule 3

- a) Please update Tables 3 and 4 to reflect the lower interest costs resulting from the response to Interrogatory # 32 (b).**
- b) Please explain why the 2007 data has been used to allocate the account balances rather than the forecast figures for the 2009 test year.**
- c) Please update Tables 3 and 4 to reflect the lower interest costs resulting from the response to Interrogatory # 32 (b) and to reflect an allocation based on the proposed 2009 distribution revenues.**