

**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 West
Coast Huron Energy for an Order or Orders
approving or fixing just and reasonable rates and
other charges for the distribution of electricity
commencing May 1, 2009.**

**INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

Smart Meters

1. Ref: Ex 1/1/6/pg1
 - (a) Please provide the accumulated dollar amount collected through Smart Meter Rate Adder at the end of 2008 rate year.
 - (b) Please advise the status of WCHE's application for its Smart Meter Plan.

Rate Base

2. Ref a: Ex 2/2/2/pg4
Ref b: Ex 2/2/1/pg 3-6
 - (a) Per Ref a, gross asset closing balances for 2007, 2008 and 2009 were shown as \$4,964,953, \$5,417,953, and \$6,172,953 respectively. Per Ref b, gross asset closing balances for 2007, 2008 and 2009 were shown as \$4,967,110, \$5,420,110, and \$6,175,110 respectively. Please confirm the correct balances and make adjustments if necessary.

3. Ref a: Ex 2/2/2/pg1—Account # 1860 Meters

Ref b: Ex 2/2/4/pg1 – Account # 1860 Meters

- (a) In Ref a, the 2007 gross asset closing balance for account # 1860 (Meters) is shown as \$ 69,241 lower than the 2006 closing balance. Please confirm whether the reduction represents asset (meter) retirement or disposal. If yes, please explain why.
- (i) If the reduction of gross asset closing balance does represent asset retirement or disposal, there should be a corresponding reversal of accumulated depreciation shown in the same account for the year 2007. However, the accumulated depreciation balance for 2007 as shown in Ref b for account # 1860 (meters) is increased by \$14,189. Please explain.

Customer Forecast

4. Ref: Ex3/2/1/pg2: The company states that for its residential and GS<50 rate classes, it has used the annual average growth rate for 2002 – 2007 as the percentage change for 2008. However, it appears from the table at Ex 3/2/1/pg2 that the simple trend growth rate used to forecast customer connections by class is based on 2006 actual number of connections.

- (a) Please confirm.
- (b) Please provide the forecasted number of customer connections by rate class using 2002-2007 average growth rate and comment on the differences.
- (c) Has the company considered utilizing information and data related to the regional residential and industrial development plans in the analysis of its forward test year forecast? If yes, how different would the forecasted result be?

Load Forecast

5. Ref: Ex 3/2/1/pg4

WCHE's load forecast was developed using retail NAC (normalized average use per customer) by customer class which was based on the 2004 weather-normalized load values developed by Hydro One using Hydro One's weather normalization model for the cost allocation initiative.

- (a) Was the impact of conservation and demand management activities included in the forecast? If so, how?

OM&A Costs

6. Ref: Ex4/2/3 – Materiality Analysis on OM&A Costs

The overall operating expense decreased by 24% in 2007, 11% in 2008, and then up by 60% in 2009.

The overall maintenance expense decreased by 63% in 2007, up by 153% in 2008, and down by 16% in 2009.

The overall billing & collections expense was up by 15% in 2007, 5% in 2008, and 9% in 2009.

The overall community relations expense was down 46% in 2007, 35% in 2008, and up by 30% in 2009.

These are significant year over year variations.

The company has provided very brief explanations on the year over year OM&A cost variances on an account by account basis. Explanations such as "increased due to planned maintenance schedule cycle changes", "cost of material increases", "increases in wages", "increases in salaries and supply costs" are not adequate to prove the need for an expenditure request in the test year.

- (a) Please provide informative explanations on the company's past OM spending. In particular, please identify:
 - (i) Cost drivers (if possible),
 - (ii) One-time or ongoing ,
 - (iii) If one-time, please also identify whether the expense covers a single year of a multi-year period.

Employee Compensation

7. Ref: Ex 4/2/7/

- (a) It appears that the average salary for the executives is about one-seventh that of unionized staff. Please explain.
- (b) The average salary and wages for unionized staff increased by 33% in 2007, and then decreased by 7% in 2008. Please explain the variations.
- (c) The average total benefits increased by 43% in 2007 for unionized staff and 50% for management. Please explain.

Cost of Debt

8. Ref: Ex 6/1/1/

The long-term debt is the note payable to the Town of Goderich, shareholder of the company. It is due upon demand and bears interest at 7.25% per annum (2007 audited financial statements).

The Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors (December 20, 2006) states that for “all affiliate debt that is callable on demand the Board will use the current deemed long-term debt rate”.

- (a) Please explain why WCHE proposes to use the nominal interest rate of 7.25% rather than the Board’s deemed long-term debt rate.

Cost Allocation

9. Exhibit 8/1/2:

- (a) please provide the proposed revenue to cost ratios for each class for 2009. It is not clear from the evidence what they are. (For example, at Ex. 1/2/1, pg. 3 the evidence states the revenue to cost ratio for Residential customers be 101%. It appears as though that reference should be GS<50, but in any case none of the rate classes at Ex. 8/1/2, pg. 5, under the column "Applied for RC%" show a revenue to cost ratio of 101%.)
- (b) if the revenue to cost ratio for any rate class remains outside of the target range set out in the Board's guidelines, please provide an explanation as to why.

10. Ex. 9/1/1: the evidence at Ex. 1/2/1 states that WCHE is proposing to reduce the fixed monthly charge by \$8.56. It is not clear what rate class is being referred to, but in any case in the table at Ex. 9/1/1, pg. 1, which shows the current and proposed monthly fixed monthly charge, none of the rate classes show a decrease in the fixed monthly charge. Please clarify.

11. Ref: Ex 9/1/6/pg1

The company has chosen to freeze the fixed service charge component and attempted to increase the volumetric rate for residential and GS<50 classes. The company has also stated that the decision of not changing the currently approved fixed charge and recovering the increase in distribution revenue through variable rates is to “allow the customers to control their costs through reduced consumption”.

The proposed distribution volumetric rate for GS<50 class has been increased from \$0.0052 to \$0.0153 per KWh, an increase of 194%.

As a result of the proposed change, a GS<50kW customer with 16,000KWh per month on average would have to pay \$161 more per month on distribution component only, representing an increase of 138% on its distribution bill. By contrast, customers with 1,000 or 2,000 kWh/month consumption face distribution rate impact of 27% and 47% respectively [see Ex. 9/1/8, p. 4]

- (a) Please provide the distribution bill impacts for the GS<50kW rate class assuming there was no changes in the revenue to cost ratio from the 2008 level (i.e. showing the impact of the increase in revenue requirement alone and not including the impact of changes in cost allocation.)
- (b) Please provide the percentage of revenue from each rate class that is derived from the fixed charge and the volumetric charge for 2008 and 2009.
- (c) Are the "Floor", "Ceiling" and "120% Ceiling Value" set out in the table at Ex. 9/1/1, pg. 1 based on existing (2008) costs or on the costs or 2009 costs? If the former, please state what the values would be using 2009 costs.
- (d) Contrary to WCHE's assertion that users can "control their costs through reduced consumption", many commercial or institutional users cannot reduce their consumption to a significant degree in the short term. As a result, recovering the additional revenue from a rate class entirely through the variable rate means that large users within the class are paying most of the additional cost. Please explain why that is appropriate.

- (e) Please explain whether the company has considered other alternatives by adjusting both fixed and variable rates to a reasonable level to mitigate the rate impact.
- (f) Please restate the distribution bill impacts for the GS<50kW rate class assuming the fixed monthly charge was moved to \$36.