Ontario Energy Board

Commission de l'energie de l'Ontario

Ontario

EB-2008-0248

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 Inc. for an order approving or fixing just and reasonable rates and other charges for the distribution of electricity to be effective May 1, 2009.

BEFORE: **Cathy Spoel**
Presiding Member

Pamela Nowina
Member and Vice-Chair

DECISION AND ORDER

June 17, 2009

BACKGROUND

West Coast Huron Energy Inc. ("WCHE" or the "Applicant") filed an application with the Ontario Energy Board on September 11, 2008, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that it charges for electricity distribution to be effective May 1, 2009. WCHE is the licensed electricity distributor serving the Town of Goderich.

WCHE is one of about 80 electricity distributors in Ontario that are regulated by the Board. In 2006, the Board announced the establishment of a multi-year electricity distribution rate-setting plan for the years 2007-2010. In an effort to assist distributors in preparing their applications, the Board issued the *Filing Requirements for Transmission and Distribution Applications* on November 14, 2006. Chapter 2 of that document outlines the filing requirements for cost of service rate applications, based on a forward test year, by electricity distributors.

On January 30, 2008, as part of the plan, the Board indicated that WCHE would be one of the electricity distributors to have its rates rebased for the 2009 rate year. Accordingly, WCHE filed a cost of service application based on 2009 as the forward test year.

The Board assigned file number EB-2008-0248 to the application and issued a Notice of Application and Hearing dated September 26, 2008. The Board approved four interventions: the Association of Major Power Consumers in Ontario (AMPCO), School Energy Coalition (SEC), and the Vulnerable Energy Consumers Coalition (VECC). Board staff submitted interrogatories and also made submissions. AMPCO did not make final submissions. The Board determined that this application would be decided by way of a written hearing.

Two rounds of written interrogatories were undertaken as well as a short telephone conference call which resulted in the filing of a number of updated interrogatory responses by the Applicant. The hearing closed with filing of WCHE's reply argument on March 31, 2009 and a supplementary reply argument on April 3, 2009.

The full record is available at the Board's offices.

In its original application, WCHE requested a revenue requirement of $2,684,672 to be recovered in new distribution rates effective May 1, 2009. The resulting requested rate increase was estimated as a 50% increase over 2008 on the delivery component of the bill for a residential customer consuming 1,000 kWh per month.

The following aspects of WCHE's application for rates were accepted by all parties:

- Asset Management
- Service Reliability
- Transformer Ownership Allowance
- Revenue Offsets

The Board accepts the Applicant's evidence on these matters and the resultant rate consequences.

THE ISSUES

The issues listed below were raised in the submissions filed by Board staff, SEC and VECC and are addressed in the following sections of the Decision:

- Load Forecast
- Operating, Maintenance & Administrative Expenses
- Payments in Lieu of Taxes
- Capital Expenditures and Rate Base
- Long-term Debt Rate
- Smart Meter Rate Adder
- Cost Allocation and Rate Design
- Deferral and Variance Accounts

LOAD FORECAST

In the original pre-filed evidence, WCHE determined the 2008 Bridge Year and 2009 Test Year customer count by class. It also determined the kWh forecast and the kW forecast for appropriate classes by customer class and presented variance analyses in support of the forecasts.

WCHE provided additional information in response to two rounds of forecasting interrogatories. On January 16, 2009, the Applicant filed a revised load forecasting exhibit that utilized an expanded methodology; this provided both a modified forecast and additional clarification.

In reply to VECC Interrogatory #2, the Applicant provided data that showed that the 2008 year-end customer count forecast was noticeably higher than the November 2008 actual customer count.

In reply to Board staff supplementary Interrogatory #3, the Applicant noted that the effect of a “rounding error” it had made was to increase the forecasted number of customers by a small margin.

WCHE stated in Exhibit 3/Tab2/Schedule1/page 2 and confirmed in VECC Supplementary Interrogatory #4, that the *average* weather-normalized consumption over the 2002-2007 period was calculated for each of the three weather-sensitive classes. These three values were then used to forecast the 2008 and 2009 kWh forecasts for the appropriate classes.

In response to Board staff Supplementary Interrogatory #2, the Applicant acknowledged that it had not considered broader economic effects. In the same interrogatory and in response to the SEC Interrogatory #5, WCHE acknowledged that it had it had not taken into account the impact of Conservation and Demand Management (CDM).

Methodology and Model

For the weather sensitive classes, WCHE projected the annual average growth in the number of customers during the 2002-2007 period to continue for 2008 and 2009. For the other classes, it essentially maintained the 2007 actual customer count for 2008 and 2009.

The weather-normalized load forecast was developed using a variation of the established Normalized Average Consumption (NAC) approach. For each of the weather sensitive classes, the Applicant weather-corrected each of the 2002 to 2007 kWh loads using the weather-normalization factors available from the IESO website. It then determined the overall average annual consumption by class over the 2002 to 2007 period. The forecast loads for 2008 and 2009 were determined by multiplying the average NAC value by the forecasted number of customers in that class. A somewhat similar but non-weather normalization approach was used for the other classes. The kW demand forecast was established in a similar manner.

The Applicant took two significant customer events - the Volvo plant closure and the Sifto Salt expansion - into account in the development of its customer count and energy forecasts.

Results

Customer count historical growth was 0.8% per annum and the forecast growth for the test year is 0.75% per annum. The 2009 forecast customer count is 5,285. The historical energy growth was 2.0% per annum with a forecast growth of 2.2% per annum. The 2009 forecast load is 144.3 GWh.

In its submission, Board staff noted that the Applicant's methodology does not take into account future economic conditions, characterized the methodology as a "rear-view mirror" approach and expressed reservations about the methodology's ability to produce an accurate forecast. Board staff also expressed reservations about the overestimated customer count. Board staff stated that it plotted the annual NAC values and found a pronounced downward slope in each of the three weather-sensitive NAC streams. Staff observed that had WCHE used the trend values rather than average values, this would have resulted in a lower kWh forecast - perhaps as much as 5% lower for these classes. Board staff also noted that the inclusion of broader economic effects and/or CDM would likely have further reduced the energy forecast.

VECC's primary concern was the Applicant's use of the IESO weather normalization factors and the consequential lower load forecast these factors produce. VECC noted that the IESO factors were the Province-wide average of weather impacts and weather sensitive loads and there was absolutely no basis on which to assume that the IESO factors were appropriate to the Applicant's locality. VECC also expressed concern with the adjustment which the Applicant had made for the delayed closure of the Volvo facilities. It went on to submit that either the forecast should be adjusted or some mechanism be established to correct the expected revenue over recovery (such as a deferral account). VECC submitted that the 2009 customer count by rate class and the method it proposed for calculating load should be adopted by the Board.

In Reply, WCHE acknowledged the potential over estimation of load resulting from using the averaging calculation and submitted that the Board-approved rates should be based on the trending calculation. The Applicant also submitted that given the absence of localized weather normalization data, the IESO data is the best available and is most appropriate for use in this application. The Applicant supported VECC's submission that a variance account should be established to track the expected over recovery from the delayed closure of the Volvo accounts. It also supported VECC's submission that the customer count forecast is sufficiently accurate and does not require adjustment.

Board Findings

The Board is prepared to accept the Applicant's load forecasting methodology and its utilization of IESO data. The Board accepts the use of the IESO data as the best available in the absence of local weather normalization data. In future cases, the Board would prefer that WCHE use specific local data.

To address the removal of Volvo load from the load forecast and the acknowledgement that the Volvo plant has not entirely ceased operation, the Board directs the Applicant to track the over-recovery associated with the delayed closure of the Volvo facilities in Account 1572.

While the Board notes that customer count may be overestimated and the absence of broader economic and CDM effects, the Board accepts the Applicant's customer count and load forecast for the purpose of setting rates in this application.

OPERATING COSTS

Operating costs include OM&A expenses, depreciation and amortization expenses, payments in lieu of taxes ("PILs"), and the cost of debt. PILs are proxies for capital and income taxes that, otherwise, would have to be paid if the distributor were not owned by a municipality.

The final PILs allowance for ratemaking purposes is determined after the Board makes its findings on other relevant parts of the application.

Operating costs also include interest charges on the distributor's debt. These are dealt with in the cost of capital section of the Decision. The Board deals with OM&A expenses and PILs below.

OM&A Expenses

The table below shows the components of WCHE's proposed OM&A expenses for 2009 and compares them with previous years.

OM&A Expenses ($)

	2006 Board Approved	2007 Actual	2008 Bridge Year	2009 Forecast
Operations	355,584	266,504	237,000	380,750
Maintenance	2,821	43,195	109,300	91,800
Billing & Collecting	300,181	378,933	399,324	436,800
Community Relations	35,976	30,797	20,000	26,000
Administrative & General (excl. LV)	419,717	652,188	641,900	870,900
TOTAL	1,114,279	1,371,617	1,407,524	1,806,250

The Board notes that the increase in total OM&A expenses is 31.7% over 2007 actual levels.[1] The issues raised by Board staff and the intervenors were related to the areas of: One-Time Costs (post-retirement benefits and regulatory costs), Charitable Expenses, Purchased Services and IT costs and the overall level of O&M costs.

[1] Total OM&A excludes PILs and property taxes.

One Time Costs

i) Post Retirement Benefits

Board Staff, SEC and VECC pointed out that WCHE had included a one-time cost associated with post-retirement non-pension benefits of $150,000 in the 2009 Operating Cost forecast. Board staff noted that WCHE auditor's report to the 2007 Financial Statements stated that the auditor could not support the reasonableness of this estimate. According to the Applicant, the $150,000 was a management estimate supported by a draft report from MEARIE Actuarial Services and Dion, Durrell + Associates Inc. on the actuarial valuation of the utility's exposure to future benefit liabilities. A copy of the Executive Summary of this report was submitted in response to SEC Supplemental Interrogatory #5.

Intervenors and Board staff raised concerns over the appropriate amount to reflect this obligation in the test year. Board staff suggested an amortization of 4 years to yield an annual amount of $37,500.

VECC submitted that it was not clear if the estimate of $150,000 was in terms of present value, and if it was, what discount rate was used, what time horizon was used and what the future costs were. VECC concluded that due to a lack of evidentiary support, intervenors had no basis upon which to test management's estimate as to the reasonableness of this cost claim. VECC stated that it believed that the onus is on the Applicant to support costs claimed, but in this case, denial of any amount did not seem appropriate and suggested $30,000, an amount lower than the Board staff amount, to recognize the poor support in the record for the total $150,000 claim.

SEC submitted that it was unsure what the true amount was for Post Retirement Benefits: the $150,000 amount applied for, the transitional obligation of $192,877 as stated in the MEARIE draft report or the $42,000 "benefit expense for the following 12 months", also from the MEARIE report. SEC concluded that there does not appear to be any justification for the $150,000 cost in 2009 for post-retirement benefits and that the proper amount appeared to be $42,000.

In Reply, WCHE stated that it agreed that the one-time cost of $150,000 should be amortized over 4 years as Board staff suggested, for an expense of $37,500. WCHE also pointed out that the actuarial report detailed an additional on-going annual cost of $42,000. Therefore, the total annual amount requested by WCHE in this application was amended to $79,500.

Board Findings

The Board is concerned with the lack of a reliable record regarding this aspect of the Operating Cost budget. The $150,000 initially appeared in the application as a management estimate, an amount which was not endorsed by WCHE's auditor. Then the Applicant produced excerpts of a draft MEARIE report that provided some evidence as to the origins of the original amount. Then in reply argument, WCHE adopted the suggestion of Board staff that if this item is approved, it should be amortized over 4 years. In addition, WCHE then added the annual amount of $42,000 from the report excerpt, for an annual total of $79,500. WCHE's responses on this issue seemed to evolve as the proceeding progressed.

The Board finds that the evidence presented and submissions provided by the Applicant are not sufficient on this issue. The Board agrees with the VECC submission that given the lack of evidentiary support, intervenors have no basis upon which to test management's estimates as to the reasonableness of this claim. The Board has no confidence in the amount requested by WCHE, nor the basis for that claimed amount. Even WCHE's reply submission does not address the specific issues raised by VECC and Board staff in this important area. The Board finds that WCHE has not met the Board's evidentiary requirements in this area and therefore finds that the entire O&M amount of $150,000 will not be allowed for recovery in rates. The Board directs WCHE to reduce the total OM&A expenses of $1,806,250 by $150,000.

However, the Board is willing to provide WCHE with a further opportunity to address this aspect of its O&M budget. The Board will declare the rates established in this proceeding as interim for a 3 month period in order to provide WCHE with the opportunity to submit additional evidence on this specific area before finalizing the 2009 rates. The Board will establish a streamlined process to consider any new evidence on the amount to be included in rates for Post Retirement Benefits.

The Board is concerned with the apparently inconsistent and unclear evidence provided by WCHE in its original filing and interrogatory responses in this area.

This is especially important for an item as significant as Post Retirement Benefits. The Applicant has the onus to demonstrate that any material spending proposals are appropriately supported by accurate, verifiable and compelling evidence. This is particularly true for an extraordinary item of this magnitude. This evidence should form part of the original filing; related interrogatory responses should be consistent with the original filing, and with each other. This standard has not been met on the issue of Post Retirement Benefits.

The Board expects WCHE's filings on all matters in subsequent proceedings to meet a higher standard.

ii) Regulatory Costs

Evidence on regulatory costs was updated by WCHE as discovery proceeded. During the interrogatory phase, changes to on-going costs were made to correct for the omission of intervenor costs in the original application, and a decrease reflecting the lack of an oral hearing in the current proceeding. The response to Board staff Interrogatory #6 established the total on-going costs to be $105,000 but possibly $165,000 if $60,000 in legal expenses is included. In the final February 27, 2009 evidence update, the total was amended to $178,000. This included one-time costs of $140,000, (including a new item of $28,000 for intervenor costs) and on-going costs of $38,000.

VECC submitted that oral hearing costs of $35,000 (as established in the response to SEC Supplemental Interrogatory #1) should be removed from the total and that these reduced costs should be amortized over a four year period. SEC argued the one-time costs of $140,000 should be amortized over 4 years at $35,000 per year. SEC also argued that the regulatory cost amount in the O&MA totals was actually $145,000 not $140,000 so the reduction to the total OM&A should be $110,000.

In Reply, WCHE adopted the one-time cost total of $140,000 and submitted that this be recovered over 4 years for a charge of $35,000 per annum. The Applicant also pointed out that in addition to these one time costs, it had on-going annual regulatory costs of $38,000 for a revised total of $78,000.

Board Findings

The Board is also concerned with the changing and unclear record regarding this aspect of the Operating Cost budget. It appears that the Applicant's initial estimate of $105,000 was adjusted to $165,000, items added and a final number calculated of $178,000 (including one time costs of $140,000).

However, the Board finds that the one-time costs of $140,000 are comparable to other applicants and reasonable and therefore will permit recovery over 4 years at $35,000 per year.

In addition, the Board is concerned by the increase in on-going regulatory costs to $38,000 in the test year when the evidence (Response to Board staff Interrogatory #6, Schedule 6) indicated that on-going rate application costs (including accounting costs) were $23,995 in 2006, $29,177 in 2007 and $8,163 in 2008. Therefore, the Board deems it reasonable that the on-going regulatory costs be limited to $30,000 for the test year.

This yields an annual amount of $65,000 to be included in 2009 rates. Therefore, WCHE is to reduce its O&M budget of $1,806,250 by $100,000 ($165,000 – 65,000).

Charitable Expenses

Board staff pointed out that WCHE had budgeted $11,900 for charitable costs, and that these costs are not related to a winter warmth program. Board staff also pointed out that non winter warmth program charitable expenses are not permitted by the Board and they should be removed from the cost of service. SEC supported this position. WCHE did not respond to these submissions.

Board Findings

The Board finds that these costs are not appropriate for rate recovery and directs WCHE to reduce its O&M budget of $1,806,250 by $11,900.

Purchased Services

Board staff, VECC and SEC all made submissions on the topic of Purchased Services. Board staff focused on the increase in costs from $40,000 in 2006 to

$110,000 in 2009 in purchased Administrative and Environmental Services from the Town of Goderich. VECC supported staff's submission on this aspect.

SEC's submissions focused on the growth in services purchased from the Town of Goderich and expressed concern over explanations provided in interrogatory responses. SEC suggested that, as a result, total O&M be reduced by $70,000, which is the 2006 to 2009 increase in Town of Goderich purchases.

VECC focused on the confusing evidence presented, when the total Purchase of Services amount grew from $525,450 in the original application to $625,950 (or $671,959, depending on what was included) in interrogatory responses. VECC was concerned with the apparent increase in these costs. VECC also specifically mentioned what it termed to be the double digit percentage increases for IT support, billing and data processing costs since 2006 with a 30% increase from 2009 over 2008. VECC submitted that an appropriate increase would be one that approximates the rate of inflation.

In Reply, WCHE stated that it had updated the total purchased services amount as a response to Board staff Interrogatory #8b) and that the increase was due to the inclusion of amounts previously omitted that should have been considered purchased services in the original evidence: Exhibit 4/Tab 2/Schedule 6. WCHE also stated that this exhibit also should have been updated in the revised Application to reflect the response to Board staff Interrogatory #8b).

With regard to the specific purchased services form the Town of Goderich, WCHE indicated that the 2009 amount was the 2008 actual amount with a 3% increase for inflation.

In dealing with VECC's concern about IT costs, WCHE responded that the increase in IT support, billing and data processing was due to items that were included in this line item for 2009 being omitted from the 2006, 2007 and 2008 analysis. WCHE then presented a table that indicated that these costs have increased approximately $30,000 since 2006.

Board Findings

The Board is again concerned with the apparently inconsistent and unclear evidence provided by WCHE in its original filing and interrogatory responses in this area. Board staff and intervenor submissions underlined the difficulty in understanding this area of the evidence. The Board again reminds the applicant that it has the onus to demonstrate that any material spending proposals are appropriately supported by evidence. This evidence should form part of the original filing; related interrogatory responses should be consistent with the original filing, and with each other. Again, this standard has only marginally been met in this case.

At this time, and with reference to this specific area of proposed spending, the Board is prepared to accept the Applicant's explanations made in its final submissions and will make no specific adjustment for these items. The Board expects WCHE's filings in subsequent proceedings to meet a higher standard.

Total OM&A Costs/OM&A Costs per Customer

SEC submissions included a table that indicated that the cost per customer for WCHE had increased significantly from 2007 to 2009. This table showed that OM&A per customer had increased from $356 in 2007, to $362 in 2008 (1.7 %); and to $461 in 2009 (27.3%). SEC submitted that the 2009 figure placed WCHE among the highest in the province. Board staff also mentioned their concern with increasing OM&A costs per customer.

The Applicant did not specifically respond to Board staff and intervenor submissions on total O&M costs and the cost per customer figures.

Board Findings

The Board is concerned with the total O&M costs and the increase in these costs as presented by WCHE in this application. In this Decision, the Board has directed the Applicant to reduce its O&M budget by a total of $261,900 which leaves a total O&M budget for the test year of $1,544,350.

Regarding cost per customer comparisons as raised in the SEC submission, until this measure is further refined and developed, the Board does not consider these to be particularly useful as they can be significantly affected by such factors as customer mix and type of service area, which can vary substantially, especially for smaller distributors.

General Comments on the Operations and Maintenance Evidence

The Board has already mentioned its difficulty in dealing with the evidence and interrogatories in this proceeding. Submissions indicated that intervenors and Board staff had considerable difficulty with the evidence in this area. VECC's submission stated that they found the evidence to be confusing and not internally consistent. SEC pointed out their difficulty with the evidence due to lack of narrative. Board staff noted that there were inconsistencies in specific areas of the OM&A evidence.

The Board takes note of the problems that the intervenors and Board staff have had in reviewing and responding to WCHE's application. The original application was limited in details. The Applicant revised numbers, addressed budgeting errors, provided scant explanations, and changed descriptions through the steps in processing the application which has increased the difficulty in understanding the evidence.

The Board also wishes to express its concern regarding the corrections, clarifications and restating of evidence which were included in WCHE's reply submission in both the O&M and other areas of the application. While there is pressure on the applicant to proceed expeditiously with its application, it must do so with a view to filing complete, timely and accurate information. As the Board relies upon the information filed by the applicant, and benefits from the testing of that information by intervenors and Board staff, amending the evidence in the reply submission does not properly allow the testing of this evidence and reduces the effectiveness of the evidence which the Board must ultimately rely upon in making its Decision.

As stated before, the Board expects WCHE to improve its OM&A filing in future cases.

PAYMENTS IN LIEU OF TAXES ("PILs")

Board staff submitted that WCHE should use the 2009 applicable tax legislation including the revised deemed equity component of 43.33% and the recently released Return on Equity of 8.01%[2] in determining its PILs tax allowance for inclusion in 2009 rates. Both SEC and VECC did not comment on taxes.

In their reply argument, WCHE agreed with the Board staff submission and submitted that it will make the appropriate changes in the draft rate order.

Board Findings

The Board directs WCHE to reflect the appropriate changes in its PILs calculation using the deemed equity of component of 43.33% and a ROE of 8.01% in its Draft Rate Order.

RATE BASE AND CAPITAL EXPENDITURES

WCHE requested approval of a rate base of $5,056,336 for the 2009 Test Year. This represents an increase of 7.7% ($363,069) over 2007 and an increase of 4.8% ($230,859) over 2006.

Capital Expenditures

As noted in the table below, WCHE forecasted capital expenditures of $755,000 in 2009. This represents an increase of 67% over 2008 capital expenditures.

Summary of Capital Expenditures 2007-2009

	2007 Actual	2008 Bridge	2009 Test
Capital Expenditures	$282,356	$453,000	$755,000
% change from prior year		60%	67%

The issues addressed in this section are Capital Expenditures and Working Capital.

[2] As per Cost of Capital Parameter Updates for 2009 Cost of Service Applications released on February 24, 2009

WCHE planned increased capital investments for 2008 and 2009, using an engineering study conducted in 2007 that identified the requirements of a multi-year plan to address system constraints. A majority of the proposed spending for 2009 relates to the upgrade of infrastructure and replacement of vehicles, in particular a purchase of a new bucket truck costing $290,000.

VECC and SEC submissions noted a discrepancy in the Applicant's numbers with respect to 2007 capital spending. In response to Board staff Interrogatory #12, WCHE provided a 2007 capital spending number of $209,808 while capital spending as originally filed in Exhibit 2/Tab2/Schedule 2/Page 2 showed an amount of $172,026 for 2007. At the same time, the January 16, 2009 Revised filing shows 2007 capital spending to be $282,356 (Exhibit 2/Tab2/Schedule 2). In Reply, WCHE clarified that all the corrected data was not available at the time of filing responses to interrogatories. WCHE submitted that the number quoted in the January 16, 2009 revised filing is the correct number.

VECC further noted that despite the increased levels of projected spending for 2008 and 2009, actual Contributions and Grants for these two years have remained at the same level as 2007. In Reply, WCHE submitted that its budget for projects are completed net of expected contributions and while no specific figures were forecast for 2008 and 2009, those amounts had been incorporated in the Application.

VECC also noted that the amount for the new bucket truck had not been adjusted in the revised Application despite a cost increase of $12,337 since the initial filing. In Reply, WCHE submitted that the increase in costs was revealed after filing the revised Application in response to VECC Supplemental Interrogatory #14a and requested that the increased cost of the bucket truck be included in WCHE's rate base in the decision.

VECC further submitted that WCHE should submit a more robust multi-year capital spending plan as part of its next cost of service application that includes other elements apart from an engineering assessment. VECC submitted that the Board direct the Applicant to provide actual 2008 capital expenditures net of contributions along with an explanation of all inconsistencies. In Reply, WCHE noted Net 2008 Additions to be $373,400.99 which is calculated as $420,735.87 (2008 Capital Additions) - $47,334.88 (Contributed Capital). WCHE did not provide an explanation for the inconsistencies referred to by VECC.

With respect to proposed capital spending for 2009, VECC submitted that absent a convincing rationale, 2009 expenditures excluding the cost of the bucket truck should not exceed actual 2008 capital expenditures. As an alternative, VECC proposed the setting up of a rate base variance account to hold ratepayers harmless in the event of significant capital under-spending on behalf of the utility. In Reply, WCHE submitted that the 2009 capital budget net of the cost of the bucket truck is only $12,000 greater than the 2008 budget and should therefore be approved as applied for. WCHE further highlighted its planned upgrade of the south loop (representing $305,000 of the net budget) as an essential project to relieve system constraints in the Town of Goderich. WCHE submitted that it does not anticipate under-spending in 2009 and setting up a rate base variance account was not necessary considering that the next rebasing window was 2013. In case WCHE did under-spend in 2009, it would catch up in 2010 and would not anticipate adding capital to its rate base under the 3rd Generation IRM Application process.

The SEC submission expressed concerns with respect to spending on 27kV Conversion and Feeder Operating Enhancements. The feeder enhancement project is a multi-year project requiring approximately $300,000 - $350,000 per year over the next 5 years. SEC failed to understand why WCHE was adding expenditures to rate base in each year of the project when the entire project would not be used and useful until 2013, the project completion date. SEC submitted that an appropriate approach would be to provide WCHE an allowance for funds until the project is completed. In Reply, WCHE submitted that each phase of the total project would be put into service annually and provide benefits to the distribution system and ratepayers in a particular year. WCHE therefore submitted that the project cost should be included in the rate base as it occurs.

SEC also expressed concern about ratepayers having to incur expenses for the project should Sifto's expansion plans not materialize or if its load profile were to change. SEC further noted that the need for the project was being driven exclusively from the expansion plans of Sifto Salt without Sifto making any capital contributions to the project. In Reply, WCHE highlighted that the south loop project is designed to provide operational flexibility and reduce constraints that exist in the system. WCHE maintained that all customers will benefit from this project in terms of improved performance, reliability and ability to connect future load growth for years to come.

Board Findings

The Board accepts WCHE's proposed capital spending for 2008 and 2009 and approves the cost increase of the bucket truck amounting to $12,337 to be added to the rate base of 2009.

The Board rejects SEC's suggestion of allocating an allowance for funds until WCHE's proposed feeder enhancement project is completed. The project will be completed in several phases with each phase being put into service annually. Since each phase will provide benefits to ratepayers, adding the expenditure to the rate base is an appropriate approach.

The Board reject's VECC's suggestion of setting up of a rate base variance account to hold ratepayers harmless in the event of significant capital under-spending by WCHE. Expenditures in forward test year applications are approved on a forecast basis and are not subject to true up in future years.

Working Capital

VECC submitted that despite the large relative magnitude of the working capital allowance[3], it was ready to accept the use of the formulaic method as long as it uses the most recent estimate of the wholesale power costs and Board approved OM&A. WCHE agreed with VECC's submission and proposed that the update take place when recalculating proposed rates after the Board's decision.

VECC however expressed concern that the use of a 15% level to determine actual working capital requirements may not accurately reflect a given utility's need for working capital. Consequently, VECC urged the Board to direct WCHE to undertake a lead-lag study and file it with their next rebasing application. WCHE did not respond to VECC's suggestion in Reply.

Board Findings

When preparing its draft Rate Order, the Board directs WCHE to use the commodity price of $0.06072/kWh contained in the Board's April 2009 RPP price report, and the latest Board approved Hydro One charges to calculate the

[3] Board staff Interrogatory #16 noted that the working capital allowance amounts to about 24% of the rate base.

Transmission Network and Connection charges appropriate for the Working Capital allowance.

The Board notes that WCHE has followed the Board's Filing Requirements for Transmission and Distribution Applications dated November 14, 2006 which allows the utility to apply a 15% factor to derive the allowance for working capital. The Board will not require WCHE to prepare a lead lag study for its next rebasing application. In making this finding, the Board is mindful of the significant costs of such studies to smaller utilities. It is to be noted that this issue has been raised in other 2009 Cost of Service proceedings. Other similar sized utilities have cited the prohibitive costs of such a study, but have supported a generic approach to this issue under the auspices of the Board. The Board therefore finds the approach of using a 15% factor to derive working capital allowance as reasonable.

SMART METERS

WCHE requested a rate rider of $1.00 per customer per month to fund Smart Meter activities. WCHE has indicated that it is authorized to install smart meters pursuant to and compliant with, the London RFP process. Accordingly, it expects to begin deployment of smart meters in the Test Year. WCHE intends to install 1,678 meters during 2009 at an estimated cost of $135 per installed meter.

WCHE confirmed that its Smart Meter Plan does not include costs to support functionality that exceeds the minimum functionality adopted in Ontario Regulation 425/06 and has not incurred nor expects to incur, any costs associated with functions for which the Smart Metering Entity has the exclusive authority to carry out pursuant to Ontario Regulation 393/07.

VECC supported WCHE's request for the $1.00 per customer smart meter rate adder.

Board Findings

The Board approves WCHE's request for a smart meter funding adder of $1.00 per month per metered customer in accordance with the Board Guideline on Smart Meter Funding and Cost Recovery.

COST OF CAPITAL

With the exception of long-term debt, parties agreed that WCHE's proposed cost of capital was consistent with the Board's guidelines and the recent Cost of Capital Parameter Updates for 2009 Cost of Service Applications.

WCHE's proposed capital structure and cost of capital is outlined in the following table:

Capital Component	% of Total Capital Structure	Cost Rate (%)
Long-Term Debt	52.67	7.25
Short-Term Debt	4.00	1.33
Equity	43.33	8.01
Total	100.00	

Long Term Debt

WCHE's current long-term debt is funded by way of a Promissory Note (the "Note") payable to the Town of Goderich. The original Promissory Note signed in December 2000 was renegotiated in November 2002 and a balance of $974,454 was fixed at a rate of 7.25% per annum under the original and current conditions.

Board staff submitted that the Note was not reviewed in 2002 when the utility renegotiated the loan. WCHE also confirmed that no market quote was obtained in November of 2002[4]. The original conditions of the Note indicated that the Note would be reviewed after four years. In other words, the terms of the Note were not reviewed on two separate occasions, when the Note was renegotiated in 2002 and in 2004.

[4] Board staff Supplemental Interrogatory #11

Board staff submitted that a prudent approach on the part of the Applicant would have been to obtain a competitive rate for the benefit of ratepayers. Board staff also invited other parties to comment upon whether WCHE's proposed 7.25% long term debt rate was appropriate.

VECC in its submission noted that one of the conditions of the Note was that the lender could keep the Note as a perpetual instrument and only the lender had the right to call the Note. This means that the utility could not unilaterally pay back any of the principal even if the utility wanted to refinance part of the debt or seek alternate financing arrangements.

In Reply, WCHE submitted that the Promissory Note met the definition of renegotiable debt in section 2.2.1 of the Board Report.[5] WCHE further submitted that since the Note had expired, the debt rate should be embedded in distribution rates at market rates as defined by the Board.

Board Findings

In the Board's Report on Cost of Capital and 2nd Generation IRM, the Board explicitly determined that callable or demand notes held by an affiliate (or a shareholder) were to be subject to a deemed rate, which could change from time to time depending on market conditions at the relevant time. On page 13 of that report, the Board noted:

> "For all variable-rate debt and for all affiliate debt that is callable on demand the Board will use the current deemed long-term debt rate. When setting distribution rates at rebasing these debt rates will be adjusted regardless of whether the applicant makes a request for the change."

The policy underpinning of this approach is that ratepayers, who cover the costs associated with these notes, are entitled to a measure of objectivity with respect to the notes, an element impossible to guarantee without the application of some external factor. The Board recognizes that the note holder in this case - the Township - has indicated that it has no intention of calling the Note, or otherwise

[5] Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors

disturbing what is seen by it, and the utility, as an ongoing financing arrangement.

However, the fact is that in all of its relevant particulars the Note meets the description used in the Board's 2nd Generation IRM Report, and therefore, without compelling evidence to the contrary, it should be subject to the deeming provision. In this case, there is no such contrary evidence. The Note is a loan from the sole shareholder, callable on demand.

The Board acknowledges that this finding results in a modest current disadvantage to ratepayers. But it is the principle that is important here; a principle that has been applied consistently in the Board's consideration of rebasing applications within the Incentive Regulation regime.

Accordingly, the Board requires WCHE to apply the deemed rate of 7.62% to this embedded debt.

The Board accepts all other aspects of the utility's proposal with respect to capital structure and cost of capital.

COST ALLOCATION AND RATE DESIGN

The following issues are addressed in this section:

- Line Losses
- Revenue to Cost Ratios
- Rate Design - Monthly Fixed Charges
- Retail Transmission Rates

Line Losses

WCHE proposed a decrease in its total loss factor ("TLF") from the current approved 1.0726 to 1.0467 for secondary metered customers < 5000 kW. For primary metered customers the TLF would decrease from 1.0619 to 1.0362. For customers larger than 5000 kW, the factors would remain unchanged at 1.0145 and 1.0045 for secondary and primary-metered customers.

Board staff and VECC submitted that the proposed factors are reasonable.

Board Findings

The Board approves the Total Loss Factors proposed by WCHE.

Revenue to Cost Ratios

WCHE filed the results of its Informational Filing (EB-2007-0001) shown in the column 2 in the table below.

In response to VECC Interrogatory #7b and VECC Supplementary Interrogatory #9, WCHE provided an alternative run of the cost allocation model that reflects the removal of costs and revenues associated with $124,726 related to the transformer ownership allowance. The resulting R/C ratios are found in the column 3 below.

WCHE’s proposal is to move the revenue to cost ratio for the GS 500 – 4999 kW class to 180% (the upper boundary of the policy range) and Streetlights to 72% (above the lower boundary), and to move the ratio of other classes half-way from their current position to 100%. More accurately, the latter ratios are slightly higher than the half-way point, enabling the specific outcome of 180% for the GS 500 – 4999 kW class. The ratios that result from the proposed rates are shown in column 4 of the table below. The Board’s range of R/C ratios for each class is found in the final column.

Revenue to Cost Ratios [%]

1	2	3	4	5
Customer Class	**Informa-tional Filing Run 2**	**Revised 2006 Study ***	**Proposed Revenue to Cost Ratios****	**Board Policy Range**
Residential	82.39	89.44	92.70	85 – 115
GS < 50 kW	81.66	88.20	92.33	80 – 120
GS 50 - 499 kW	169.08	175.11	136.76	80 – 180
GS 500 -4999 kW	371.28	318.54	179.56	80 – 180
Large Use	108.03	63.35	105.73	85 – 115
Street Lights	27.82	31.94	72.10	70 – 120
Sentinel Lights	81.15	93.68	92.07	70 – 120
USL	63.57	64.67	83.14	80 – 120

*** Response to VECC Supplementary Interrogatory #9**
**** Responses to Board staff Interrogatory #40 and SEC Supplementary Interrogatory #6**

VECC and Board staff submitted that the ratios calculated in response to VECC's interrogatory are a more accurate portrayal of the current R/C ratios. SEC did not make a submission on this matter. WCHE agreed that the modification corrects an inconsistency in the model and the results in the original study.

VECC submitted that the relative amounts of consumption and customer numbers have shifted to some extent in WCHE's service territory since 2006, and that the proportion of cost allocated to the respective classes is out of date as a result. VECC submitted calculations of the proportions of revenue with the 2009 forecast billing amounts and 2008 rates, compared with revenue at the 2006 loads and rates, as an indication of how much the relative size of the classes has shifted. VECC also submitted calculations of the share of cost that is allocated to each class, and alternatively the share that would be allocated after allowing for the shifts in the relative size of the classes. If the relative size of the classes were to be updated, the noticeable differences would be that the costs allocated to the Large Use and the General Service 50 – 499 kW classes would be increased, and the costs allocated to the General Service 500-4999 kW class and Street Lights would decrease.

WCHE's proposal for re-balancing is to move each class in the first year to be within the policy range, and for the classes already in their respective ranges to move half-way to 100%. WCHE confirmed in its Reply Submission that it intends to then maintain the ratios unchanged until the next re-basing. Board staff submitted that this approach is reasonable. SEC did not make a submission on re-balancing amongst the classes.

VECC made several submissions on re-balancing:

- First, it indicated that the preponderant pattern of decisions on this matter have approved ratios that move toward the policy range from outside the range, but do not move toward the 100% point in the middle of the range if already in the range. VECC submitted that this pattern is justified by factors that the Board has cited from its report on cost allocation, including the quality of data and the limited experience in doing cost allocation studies amongst all distributors. Following the pattern, the proposed increases for the Residential, General Service < 50 kW, and Sentinel Lights classes would not be approved, and the proposed decrease in the ratio of the General Service 50 – 499 kW class would not be approved.

- Second, the ratios for the Large Use, Street Light and Unmetered Scattered Load classes should be increased to levels halfway between the current amount (column 4 in the table) to their respective lower boundaries, and should be increased over the course of the IRM period before the next rebasing.

- Third, the General Service 500 – 4999 kW class should benefit from the increased revenue from the three classes whose ratios are increased, but the resulting ratio should be decreased only to the extent possible rather than to the upper boundary of the range which may require an increase from classes already in their range.

WCHE disagreed with the VECC submissions. WCHE maintained that its proposed adjustments are consistent with Board guidelines, and that it has not given undue emphasis to the 100% mark in proposing ratios that move halfway toward it from a point within the range. Further, WCHE submitted that the ratio for the General Service 500-4999 kW class should be moved to the upper boundary in 2009 because costs have historically been over allocated to this class.

Board Findings

The Board finds that the starting point for adjusting revenue to cost ratios should be the ratios calculated in the response to VECC's Supplementary Interrogatory #9, shown as "Revised 2006 Study" in the table above.

Given that the ratios describing the status quo are changed, the Board recognizes that WCHE's proposed revenue to cost ratios are no longer consistent with its strategy of adjusting most ratios to the half-way point from the status quo to 100%. With the exception explained in the following paragraph, the proposed ratios are consistent with the Board's policy range, and the Board finds them to be reasonable.

For the Large Use class, the starting point for re-balancing is changed very significantly from the initial application. The Board agrees with VECC's thoughtful submission with respect to this class, and finds that the revenue to cost ratio should be increased to 75% in 2009, and in two equal increments in the following two years to reach 85% which is the lower boundary of the Board's range. The Board also accepts VECC's recommendation that the increased revenue that this change yields shall be used initially to lower the proposed rates for the General Service 500 – 4999 kW class. The ratio for this class is to be lowered, consistent with the increased ratios of other classes, to the point where it would be equal to the ratio of the General Service 50 – 499 kW class. If the re-balancing permits even further relative rate reductions, the ratios of the General Service 500 – 4999 kW class and the General Service 50 – 499 kW class should then be lowered together.

WCHE is directed to provide documentation with its Draft Rate Order, consisting of the proportion of distribution revenue (net of rate adders) that will come from each class, and calculations of the revenue to cost ratios. The revenue to cost ratios should show that the proposed ratios are attained for the Residential, General Service < 50 kW and the various unmetered classes, that the ratio for the Large Use class is 75%, and the ratio for the General Service 500 – 4999 kW class that results from the Board's finding.

RATE DESIGN

Monthly Fixed Charges

WCHE proposed to maintain Monthly Service Charges at their current approved amounts, except for the General Service 500 – 4999 kW and Street Light classes. Volumetric rates are proposed to increase by various percentages to yield the respective class revenue requirements.

For the General Service 500 – 4999 kW class, the proposal is to maintain the volumetric rate near its current amount while decreasing the Monthly Service Charge to yield the class revenue requirement that results from the lower revenue to cost ratio. For Street Lights, the fixed charge would be increased but by a lower percentage than the volumetric charge.

The following table summarizes the evidence filed on Monthly Service Charges. The table also includes the fixed:variable revenue ratios provided by WCHE in response to SEC Interrogatory # 11b).

WCHE Monthly Service Charges

1	2	3	4	5	6
Customer Class	**Ceiling (2006)**	**Current**		**Proposed**	
		Approved Charge	**F:V Ratio**	**Monthly Charge**	**F:V Ratio**
Residential	$13.80	$14.09	70:30	$14.09	45:55
GS < 50 kW	$31.48	$33.46	71:29	$33.46	45:55
GS 50 - 499 kW	$80.36	$402.56	71:29	$402.56	70:30
GS 500 - 4999 kW	$204.53	$3,476.42	74:26	$3,476.42	64:36
Large Use	$262.82	$8,652.72	63:37	$8,652.72	30:70
Street Lights	$9.41	$0.71	59:41	$1.95	41:52
Sentinel Lights	$3.55	$5.64	76:24	$5.64	48:52
USL	$19.80	$33.47	82:18	$33.47	39:61

Board staff noted that the fixed:variable split is decreased in WCHE's proposed rate design for all classes except the General Service 500-4999 class. In that class the proposed volumetric rate for the GS 500 – 4999 kW class is lower than the current rate, which would result in an increase in the fixed:variable split. It pointed out that the current fixed rates have been higher than the respective ceilings for all classes, except for Street Lights. Overall, Board staff supported the WCHE's rate design principle of leaving the fixed rates at their current approved amounts.

VECC submitted that WCHE should maintain its fixed:variable split in each class. It pointed out that the proposed rate design does not result in balanced impacts within the various classes.

SEC submitted that the rate design results in higher bill impacts on the larger customers within a class, and that the impacts are unacceptably high in some cases. SEC cited the example of a General Service < 50 kW customer using 15,000 kWh per month, which would experience a bill impact of over 30%. SEC submitted that the Monthly Service Charge should be increased to the ceiling amount from the cost allocation study, escalated by the increase in the distribution revenue requirement, with a corresponding decrease in the volumetric rate.

SEC pointed out that the situation for the General Service 50 – 499 kW class is the opposite, because the Monthly Service Charge is above the cost allocation study ceiling, and the applicant is proposing to decrease the revenue to cost ratio for the class. SEC submitted that the Monthly Service Charge should be lowered to the ceiling amount, escalated by the increase in the distribution revenue requirement, with a corresponding increase in the volumetric rate.

In support of its proposal, WCHE replied that its Monthly Service Charges are at or above the ceilings for all of its classes In particular, in its Interrogatory Evidence Clarification submission it declined to increase its proposed Monthly Service Charge for the General Service 50 – 499 kW class.

Board Findings

The Board finds that the Applicant's proposal to leave all of its Monthly Service Charges unchanged is reasonable in its circumstances, with the exception of the General Service 500-4999 kW class. For that class, the Board agrees with VECC's submission, and finds that the Monthly Service Charge and the volumetric rate should be adjusted by the same percentage amount, thereby keeping the fixed:variable split at the same amount.

The Board notes SEC's concern for higher bill impacts that will be experienced by the larger customers in the various classes in which the fixed:variable split is lower. However, the Board notes that the example of a very high bill impact cited by SEC in its final argument is inconsistent with the same example provided in the Application. SEC's assumption about the cost of power appears to be incorrect. While the bill impact by WCHE's estimate is also quite high, the Board notes that the current approved volumetric rate is low by industry standards, and it approves WCHE's proposal to increase the volumetric rate while leaving the Monthly Service Charge unchanged.

The Board directs WCHE to provide updated bill impacts for the various representative customers in each class as part of the documentation of its Draft Rate Order.

Retail Transmission Rates

On October 22, 2008, the Board issued a guideline (Electricity Distribution Retail Transmission Service Rates, G-2008-0001) indicating the process to be used by distributors to adjust RTS rates that reflect changes in the Ontario Uniform Transmission ("UT") rates. The changes in the UT rates are shown in the following table.

Ontario Uniform Transmission Rates

	Rate effective before January 1, 2009	**Rate effective on January 1, 2009**	**Effective increase**
	($/kW/month)		**%**
Network Service Rate	2.31	2.57	11.3%
Line Connection Service Rate	0.59	0.70	18.6%
Transformation Connection Service Rate	1.61	1.62	0.6%

In its initial application WCHE did not propose to change its Retail Transmission Service Rates (RTSRs) from those that were previously approved effective May 1, 2008. In response to interrogatories, WCHE provided data on monthly costs and revenues January 2007 – November 2008. It confirmed that if the current wholesale rates (Uniform Transmission Rates approved effective January 2009) had been in effect during the period June – November 2008, the current rates would have resulted in deficits of 7.6% and 11.1% with respect to Network and Connection costs respectively.

In response to Board staff Supplemental Interrogatory #15e), WCHE provided a set of RTSRs that are higher than the current approved rates by 7.6% (Network) and 11.1% (Connection). Board staff submitted that these rates calculated by WCHE would be reasonable RTSRs for the test year. There were no other submissions on this matter from the intervenors or the Applicant.

Board Findings

The Board finds that WCHE should file Retail Transmission Rates that correspond to the rates filed in the interrogatory response, as part of the Draft Rate Order.

DEFERRAL AND VARIANCE ACCOUNTS

WCHE did not initially request disposition of any deferral or variance accounts.

WCHE filed information on its deferral and variance accounts in a continuity schedule in response to Board staff Supplemental Interrogatory #16). The table below shows the balances at year-end 2007, inclusive of projected interest up to April 30, 2009.

Deferral and Variance Accounts

Account Number	Account Description	Total ($)
1508	Other Regulatory Assets – Sub-Account – OEB Cost Assessments	
1508	Other Regulatory Assets – Sub-Account – Pension Contributions	57,649
1518	Retail Cost Variance Account – Retail	
1525	Miscellaneous Deferred Debits	102
1548	Retail Cost Variance Account – STR	
1555	Smart Meter Capital and Recovery Offset	(19,259)
1565	CDM Expenditures and Recoveries	(15,376)
1566	CDM Contra Account	15,376
1580	RSVA – Wholesale Market Service Charge	(166,352)
1582	RSVA - One-time Wholesale Market Service	
1584	RSVA – Retail Transmission Network Charge	(20,839)
1586	RSVA – Retail Transmission Connection Charges	(65,652)

1588	RSVA – Power (net of Global Adjustment)	(369,577)
1590	Recovery of Regulatory Asset Balances	174,811
	Total (excluding shaded rows)	**(564,669)**

WCHE also provided a calculation of two hypothetical regulatory asset rate riders in its Interrogatory Evidence Clarification filed with the Board on February 27, 2009.

In the first scenario, the balance in Accounts 1508 and 1525 would be recovered by means of a rate rider. In the second scenario, the balance in those accounts plus Accounts 1580, 1582, 1584, 1586, and 1588 net of Global Adjustment, i.e. all of the accounts in the table except those that are shaded would be refunded to customers. The following table shows (in column 3) the amounts of the refunds that would result in the second scenario, assuming the total was refunded over one year.

Class	**units**	**Volumetric Rate**		**Rate Rider**	
		Existing	**Proposed (Exh9/Tab1/ Sch6)**	**1 year ***	**2 years (Col 3 / 2)**
		Col 1 ($/unit)	**Col 2 ($/unit)**	**Col 3 ($/unit)**	**Col 4 ($/unit)**
Residential	kWh	0.0084	0.0233	(0.0099)	(0.0050)
GS < 50 kW	kWh	0.0052	0.0148	(0.0063)	(0.0032)
GS 50 – 499 kW	kW	1.0695	1.3698	(0.9226)	(0.4613)
GS 500 – 4999 kW	kW	1.4725	1.3867	(1.3131)	(0.6565)
Large Use > 5 MW	kW	0.7592	1.6219	(0.3846)	(0.1723)
Street Lights	kW	2.6563	14.7460	(6.3479)	(3.1740)
Sentinel Lights	kW	4.2206	14.1964	(5.7976)	(2.8988)
USL	kWh	0.0052	0.0328	(0.0124)	(0.0062)

* Response to Board staff Supplemental Interrogatory # 16 (updated February 27, 2009)

Board staff submitted that WCHE should be directed to refund the amounts in the second scenario, effectively clearing the accounts in the un-shaded rows in the table. Staff submitted that the rate rider (refund) should be calculated to return the balance over two years.

WCHE agreed with Board staff's submission and there were no other submissions on this matter.

Board Findings

The Board approves Regulatory Asset Recovery rate riders (refund) to be applied over two years. The rate riders are designed to dispose of the balances in accounts 1508, 1525, 1580, 1584, 1586, and 1588 as of December 31, 2007 plus interest accrued to April 30, 2009.

IMPLEMENTATION

The Board has made findings in this Decision which change the Applicant's proposed 2009 distribution rates. These are to be reflected in a Draft Rate Order prepared by WCHE. This Draft Rate Order is to be developed assuming an effective date of May 1, 2009 and as noted in this decision, will be interim pending further evidence from WCHE on the issue of Post Retirement Benefits.

In filing its Draft Rate Order, it is the Board's expectation that WCHE will not use a calculation of the revised revenue deficiency to reconcile the new distribution rates with the Board's findings in this Decision. Rather, the Board expects WCHE to file detailed supporting material, including all relevant calculations showing the impact of this Decision on WCHE's proposed revenue requirement, the allocation of the approved revenue requirement to the classes and the determination of the final rates. WCHE should also show detailed calculations of the revised retail transmission rates and variance account rate riders reflecting this Decision.

RATE ORDER

An interim Rate Order decision will be issued after WCHE has had opportunity to comment on any intervenor submissions to its Draft Rate Order, as set out below.

COST AWARDS

The Board may grant cost awards to eligible stakeholders pursuant to its power under section 30 of the *Ontario Energy Board Act, 1998*. When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of the Board's Practice Direction on Cost Awards. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

All filings with the Board must quote the file number EB-2008-0248**,** and be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must be received by the Board by 4:45 p.m. on the stated date. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may e-mail your documents to the attention of the Board Secretary at BoardSec@oeb.gov.on.ca. All other filings not filed via the Board's web portal should be filed in accordance with the Board's Practice Directions on Cost Awards.

THE BOARD DIRECTS THAT:

1. WCHE shall file with the Board, and shall also forward to AMPCO, Energy Probe, SEC, and VECC, an interim Draft Rate Order attaching a proposed Tariff of Rates and Charges reflecting the Board's findings in this Decision, within 14 days of the date of this Decision. The Draft Rate Order shall also include customer rate impacts and detailed supporting information showing the calculation of the final rates.

2. AMPCO, SEC, VECC and Board staff shall file any comments on the interim Draft Rate Order with the Board and forward to WCHE within 7 days of the filing of the Draft Rate Order.

3. AMPCO, SEC, and VECC shall file with the Board and forward to their respective cost claims within 26 days from the date of this Decision.

4. WCHE shall file with the Board and forward to AMPCO, SEC, and VECC responses to any comments on its interim Draft Rate Order within 7 days of the receipt of any submissions.

5. WCHE shall file with the Board and forward AMPCO, SEC, and VECC any objections to the claimed costs within 40 days from the date of this Decision.

6. AMPCO, SEC, and VECC shall file with the Board and forward to WCHE any responses to any objections for cost claims within 47 days of the date of this Decision.

7. WCHE shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

DATED at Toronto, June 17, 2009

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary