Keeping Your Future Bright!

January 12, 2011

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: 2011 IRM Rate Application
EB-2010-0145
Interrogatory Responses

Enclosed please find Woodstock Hydro Services Inc. responses to the interrogatories filed by Energy Probe Research Foundation in the above noted proceeding.

The Interrogatory Responses are being filed through the Board's web portal (PDF) and also sent by email and 2 paper copies.

Any confidential documents have been filed under separate cover.

Should there be any questions, please do not hesitate to contact me. Thank you.

Respectfully submitted,

Original Signed By:

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WOODSTOCK HYDRO SERVICES INC.
2011 RATES REBASING CASE
EB-2010-0145
RESPONSE TO
ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES
JANUARY 13, 2011

Interrogatory # 1

Ref: Exhibit 1, Tab 1, Schedule 11

Is Hydro One still a GS > 50 kW customer on the WHSI system? If yes, when is this situation expected to change?

Response:

Hydro One is no longer a GS>50kW customer on the WHSI system. Further to Exhibit 1 Tab 1 Schedule 11, the rebuild of Hydro One's M4 27kW circuit to supply the Woodstock East DS was completed May 14, 2008. Prior to deregulation and the incorporation of the respective LDC's, Woodstock Hydro supplied power to Ontario Hydro through the Woodstock M6 feeder. At that time, this load attracted wheeling charges. However Ontario Hydro was not considered embedded.

At market opening and following the IESO registration of metering points, the PME metering unit owned by Hydro One, registered by IESO was netted out of Woodstock Hydro load through the settlement process. In 2004, Hydro One was required to de-register the PME as a metering unit and requested customer account status as a GS>50 account, to be supplied and invoiced by WHSI pending the rebuild of a Hydro One owned 27 KV circuit to supply the Woodstock East DS.

Interrogatory # 2

Ref: Exhibit 1, Tab 1, Schedule 13

Are any costs associated with the Board of Directors of Woodstock Hydro Holdings Inc. included in the revenue requirement for WHSI in the test year? If yes, please provide the amount.

Response:

There are no costs associated with the Board of Directors of Woodstock Hydro Holdings Inc. included in the revenue requirement for the WHSI test year.

Interrogatory # 3

Ref: Exhibit 2, Tab 1, Schedule 2

When did/will the Commerce Way Transmission Station owned by Hydro One go into service?

Response:

The original in-service date was projected to be December 31 2011, however due to recent developments which are beyond WHSI's control, it is likely that the Commerce Way Transmission Station will not be in service for 2011. WHSI plans to come forward with an ICM application as part of its 2012 IRM application to address this matter. At the request of Hydro One Networks Inc, WHSI has submitted further details in a confidential filing, herein named as Appendix A.

Interrogatory # 4

Ref: Exhibit 2, Tab 2, Schedule 1

a) On page 1 WHSI indicates that it has used the half year rule for the 2010 bridge and 2011 test years in accordance with the Filing Requirements. Please indicate where in the Filing Requirements the bridge year use of the half year rule is mandated.

b) WHSI is using a life of 25 years for the depreciation of the contribution to Hydro One for the transmission station. Is this consistent with the expected life of this asset as used by Hydro One for their depreciation of this asset? If not, what is the life used by Hydro One?

c) Please provide a revised Table 2-9 and Table 2-11 to show the application of the same depreciation methodology used in 2005 through 2009 for assets added in 2010 (i.e. full year of depreciation) and the half year methodology applied to the assets added in the 2011 test year. Please also calculate the impact on the 2011 rate base of this change.

d) Table 2-10 indicates that smart meter assets have been included in the 2010 fixed asset continuity schedule so the model calculates a full year depreciation in 2011. Please confirm that for accounting purposes, WHSI will include the smart meter assets in its fixed assets rather than in regulatory assets. If this cannot be confirmed, please explain.

e) Please explain why the hardware additions shown in Table 2-11 are included in CCA Class 10 rather than Class 50 and/or 52.

Response :

a. WHSI refers to Appendix 2-M, of the OEB Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, (June 28, 2010) where Note (2) at the bottom of the page states:

> *"(2) Applicable for the standard Board policy of the "half-year" rule, that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application."*

WHSI's understanding is that Appendix 2-M is to be completed "for all applicable years". As noted in Exhibit 2 Tab 2 Schedule 1 Page 1, the historical years 2005 to 2009 reflect the actual amounts which were based on a full year of depreciation for new additions in the year. The remaining years, the 2010 bridge, and 2011 test year, were presented based on the half-year depreciation expense rule for additions made in the year.

Additionally, the third bullet point of Section 2.5.7 states:

"In particular, the Board's general policy for electricity distribution rate setting is that capital additions would normally attract six months (i.e. half-year) of depreciation expense in the year that they enter service. The applicant should identify its historical practice and its proposal for the test year."

b) The 25 year depreciation life for the Hydro One Transmission Station Capital Contribution is consistent with the 25 year horizon used in Hydro One's economic evaluation used to calculate WHSI's contribution towards the Hydro-One owned TS. As confirmed with Hydro One Staff,

" *under Canadian GAAP (which is in effect for us until Dec. 31 2011), assets are depreciated by USofA. GFOr CGAAP, the depreciation rate for all Transmission Station equipment is 2.19%. Buildings are depreciated at a rate of 1.88%.*

Beginning Jan. 1 2012, Hydro One will adopt modified IFRS in place of CGAAP and will depreciate equipment by asset class (Transformers, breakers, etc.)"

c) Revised Table 2-9 reflects a full year depreciation expense on 2010 additions.

Table 2-9 Fixed Asset Continuity Schedule
Table 2-9 Revised (EP IR #4)

		2010		Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Depreciation Rate	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land		21,836			21,836	0			0	21,836
1/47	1808	Buildings	25 & 60	190,774	0		190,774	67,337	7,581		74,919	115,855
13	1810	Leasehold Improvements		0			0	0			0	0
47	1815	Transformer Station Equipment >50 kV		0			0	0			0	0
1/47	1820	Substation Equipment	30	622,658	24,902		647,560	291,941	33,296		325,238	322,322
1/47	1830	Poles, Towers & Fixtures	25	7,703,317	395,605		8,098,922	2,865,963	390,578		3,256,542	4,842,380
1/47	1835	OH Conductors & Devices	25	3,527,922	250,203		3,778,126	1,387,094	178,334		1,565,427	2,212,698
1/47	1840	UG Conduit	25	3,569,058	556,283		4,125,341	1,170,238	171,634		1,341,871	2,783,469
1/47	1845	UG Conductors & Devices	25	4,662,011	357,489		5,019,501	1,863,562	213,630		2,077,192	2,942,309
1/47	1850	Line Transformers	25	6,776,071	575,018		7,351,088	1,737,080	322,165		2,059,246	5,291,843
1/47	1855	Services (OH & UG)	25	2,293,421	323,530		2,616,951	383,974	104,734		488,708	2,128,243
1/47	1860	Meters	15 & 25	4,280,382	141,845		4,422,227	2,449,859	220,688		2,670,547	1,751,680
1/47	1861	Smart Meters	15	0	1,384,779		1,384,779	0	92,319		92,319	1,292,460
N/A	1905	Land		17,530			17,530	0			0	17,530
1/47	1908	Buildings & Fixtures	25 & 60	904,723	79,000		983,723	182,904	39,250		222,154	761,569
8	1915	Office Furniture & Equipment	10	206,391	34,550		240,941	137,434	16,525		153,959	86,983
10/45/46/52	1920	Computer - Hardware	5	1,009,475	150,697		1,160,172	790,325	114,530		904,855	255,318
12/52	1925	Computer Software	5	1,219,036	123,087		1,342,123	958,835	139,593		1,098,428	243,695
10	1930	Transportation Equipment	5 & 8	1,355,849			1,355,849	1,034,739	89,194		1,123,933	231,916
8	1935	Stores Equipment	10	51,839	25,000		76,839	31,988	5,391		37,380	39,459
8	1940	Tools, Shop & Garage Equipment	10	245,236	25,000		270,236	175,458	17,911		193,368	76,867
8	1945	Measurement & Testing Equipment	10	111,963	10,000		121,963	78,159	5,853		84,012	37,951
8	1955	Communications Equipment	10	27,869	1,890		29,759	9,813	2,954		12,766	16,993
8	1960	Graphics Equipment	10	485	1,420		1,905	485	142		627	1,278
1/47	1980	System Supervisor Equipment	15	336,973	0		336,973	86,172	22,396		108,568	228,405
1/47	1996	Hydro One T/S Contribution	25	0	2,500,000		2,500,000	0	100,000		100,000	2,400,000
1/47	1995	Contributions & Grants	25	-3,412,745	-435,531		-3,848,275	-492,846	-154,414		-647,260	-3,201,015
94	2055	Work in Process		87,708		87,708	0	0				0
		Total		35,809,781	6,524,767	87,708	42,246,841	15,210,513	2,134,284	0	17,344,797	24,902,044

Less: Fully Allocated Depreciation

10		Transportation	Transportation	89,194
8		Stores Equipment	Stores Equipment	5,391
			Net Depreciation	2,039,699

Revised Table 2-11 reflects the cumulative impact of depreciation 2010 additions on a full year basis.

Table 2-11 Fixed Asset Continuity Schedule

Table 2-11 Revised (EP IR #4)

		2011		Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Depreciation Rate	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land		21,836			21,836	0			0	21,836
1/47	1808	Buildings	25 & 60	190,774	0		190,774	74,919	7,581		82,500	108,274
1/47	1820	Substation Equipment	30	647,560	0		647,560	325,238	33,296		358,534	289,026
1/47	1830	Poles, Towers & Fixtures	25	8,098,922	602,927		8,701,849	3,256,542	396,693		3,653,235	5,048,614
1/47	1835	OH Conductors & Devices	25	3,778,126	529,765		4,307,891	1,565,427	186,523		1,751,951	2,555,940
1/47	1840	UG Conduit	25	4,125,341	472,513		4,597,854	1,341,871	177,699		1,519,570	3,078,284
1/47	1845	UG Conductors & Devices	25	5,019,501	373,275		5,392,776	2,077,192	214,280		2,291,473	3,101,304
1/47	1850	Line Transformers	25	7,351,088	507,727		7,858,815	2,059,246	327,719		2,386,964	5,471,851
1/47	1855	Services (OH & UG)	25	2,616,951	199,814		2,816,764	488,708	108,731		597,439	2,219,326
1/47	1860	Meters	15 & 25	4,422,227	126,991		4,549,218	2,670,547	196,501		2,867,048	1,682,170
1/47	1861	Smart Meters	15	1,384,779			1,384,779	92,319	92,319		184,637	1,200,142
N/A	1905	Land		17,530			17,530	0			0	17,530
1/47	1908	Buildings & Fixtures	25 & 60	983,723	90,000		1,073,723	222,154	41,050		263,204	810,519
8	1915	Office Furniture & Equipment	10	240,941	25,000		265,941	153,959	15,912		169,870	96,071
10	1920	Computer - Hardware	5	1,160,172	140,000		1,300,172	904,855	110,274		1,015,129	285,044
12	1925	Computer Software	5	1,342,123	60,000		1,402,123	1,098,428	125,185		1,223,613	178,510
10	1930	Transportation Equipment	5 & 8	1,355,849	450,000	178,962	1,626,888	1,123,933	117,319	178,962	1,062,291	564,597
8	1935	Stores Equipment	10	76,839	40,000		116,839	37,380	7,391		44,771	72,068
8	1940	Tools, Shop & Garage Equipment	10	270,236	20,000		290,236	193,368	15,948		209,316	80,919
8	1945	Measurement & Testing Equipment	10	121,963	10,000		131,963	84,012	6,355		90,367	41,596
8	1955	Communications Equipment	10	29,759	20,000		49,759	12,766	3,684		16,450	33,309
8	1960	Graphics Equipment	10	1,905	0		1,905	627	142		769	1,136
1/47	1980	System Supervisor Equipment	15	336,973	20,000		356,973	108,568	23,063		131,631	225,342
1/47	1996	Hydro One T/S Contribution	25	2,500,000	1,600,000		4,100,000	100,000	132,000		232,000	3,868,000
1/47	1995	Contributions & Grants	25	-3,848,275	-442,913		-4,291,188	-647,260	-171,983		-819,243	-3,471,945
		Work in Process		0			0	0			0	0
		Total		42,246,841	4,845,100	178,962	46,912,979	17,344,797	2,167,682	178,962	19,333,518	27,579,461

			Less: Fully Allocated Depreciation	
10		Transportation	Transportation	117,319
8		Stores Equipment	Stores Equipment	7,391
			Net Depreciation	2,042,972

A Reconciliation of the original COS 2011 Test Year and Revised 2011 Test Year balances is summarized:

	Cost				Accumulated Depreciation				
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
2011 Test COS	42,246,841	4,845,100	178,962	46,912,979	17,169,245	2,156,092	178,962	19,146,375	27,766,603
2011 Revised	42,246,841	4,845,100	178,962	46,912,979	17,344,797	2,167,682	178,962	19,333,518	27,579,461
Variance	**0**	**0**	**0**	**0**	**175,552**	**11,590**	**0**	**187,142**	**(187,142)**

The net impact on the 2011 Rate Base is a reduction of $181,348.

RATE BASE CALCULATION FOR 2011 - Revised EP IR # 4c		**RATE BASE CALCULATION FOR 2011 - Original COS**		**NET IMPACT**	
Fixed Assets Opening Balance 2011	24,902,044	Fixed Assets Opening Balance 2011	25,077,596	Fixed Assets Opening Balance 2011	-175,553
Fixed Assets Closing Balance 2011	27,579,461	Fixed Assets Closing Balance 2011	27,766,604	Fixed Assets Closing Balance 2011	-187,143
Average Fixed Asset Balance for 2011	26,240,752	**Average Fixed Asset Balance for 2011**	26,422,100	**Average Fixed Asset Balance for 2011**	-181,348
Working Capital Allowance	5,213,494	Working Capital Allowance	5,213,494	Working Capital Allowance	0
Rate Base	31,454,246	**Rate Base**	31,635,594	**Rate Base**	-181,348
Regulated Rate of Return	6.90%	Regulated Rate of Return	6.90%	Regulated Rate of Return	6.90%
Regulated Return on Capital	2,168,835	**Regulated Return on Capital**	2,181,339	**Regulated Return on Capital**	-12,504
Deemed Interest Expense	929,538	Deemed Interest Expense	934,897	Deemed Interest Expense	-5,359
Deemed Return on Equity	1,239,297	Deemed Return on Equity	1,246,442	Deemed Return on Equity	-7,145

d. WHSI confirms that for accounting purposes, it will include the smart meter assets in its fixed assets rather than in regulatory assets.

e. Table 2-11 incorrectly lists hardware additions as CCA Class 10, instead of Class 50, which would apply to computer equipment acquired on or after March 19, 2007 and is not included in Class 52.

According to the Income Tax Act, Class 52 applies to eligible new computers and system software used in Canada, acquired after January 27, 2009, and before February 2011, and a CCA rate of 100% applies with no half-year rule. WHSI assumes that new computer hardware additions for the 2011 Test year will be purchased after February 2011.

Interrogatory # 5

Ref: Exhibit 2, Tab 2, Schedule 1, Table 2-11 &
Exhibit 4, Tab 3, Schedule 1, Table 4-27

a) Please show how the depreciation expense of $396,693 is calculated for account 1830 based on an opening balance of $8,098,922, a net amount for depreciation of $4,850,293, additions of $602,927 and a 25 year life.

b) Please provide a copy of Appendix 2-N of the Filing Requirements in the format prescribed for 2011.

Response:

a. The depreciation expense of $396,693 is the net depreciation expense remaining after the regulatory ½ year depreciation adjustment for 2011 additions.

WHSI's Depreciation Schedule for Account 1830 calculates depreciation on a 25 year straight line basis. As highlighted in the following condensed schedule, this amount is $408,752 for 2011.

Poles, Towers and Fixtures			**1830**							**25 YEARS**	
	Balance at										
Date	**1-Oct-00**	**31-Dec-00**	**1-Sep-01**	**31-Dec-06**	**31-Dec-07**	**31-Dec-08**	**31-Dec-09**	**31-Dec-10**	**31-Dec-11**		
Bal Fwd	$ -	$4,617,457	$4,631,721	$ 5,560,378	$ 6,096,252	$ 6,324,833	$ 6,639,344	$ 7,703,317	**$ 8,098,922**		
Additions	$4,617,457	$ 14,264	$ 125,539	$ 535,874	$ 228,581	$ 314,511	$ 1,063,973	$ 395,605	**$ 602,927**		
Gross Additions	$4,617,457	$4,631,721	$4,757,261	$ 6,096,252	$ 6,324,833	$ 6,639,344	$ 7,703,317	$ 8,098,922	$ 8,701,849		
Accumulated Dep'	$ -	$ (44,870)	$ (250,612)	$(1,820,010)	$(2,148,193)	$(2,487,567)	$(2,865,963)	$(3,256,542)	$(3,665,293)	Depreciation	Accumulated
Net Book Value	$4,617,457	$4,586,851	$4,506,649	$ 4,276,241	$ 4,176,640	$ 4,151,777	$ 4,837,354	**$ 4,842,380**	$ 5,036,555	Expense	Depreciation
01/10/2000	$ -									$ -	$ -
31/12/2000	$ 44,786	$ 84								$ 44,870	$ 44,870
31/12/2006	$ 262,499	$ 571	$ 5,022	$ 21,435						$ 321,652	$ 1,820,010
31/12/2007	$ 259,887	$ 571	$ 5,022	$ 21,435	$ 9,143					$ 328,183	$ 2,148,193
31/12/2008	$ 258,497	$ 571	$ 5,022	$ 21,435	$ 9,143	$ 12,580				$ 339,373	$ 2,487,567
31/12/2009	$ 254,961	$ 571	$ 5,022	$ 21,435	$ 9,143	$ 12,580	$ 42,559			$ 378,396	$ 2,865,963
31/12/2010	$ 251,319	$ 571	$ 5,022	$ 21,435	$ 9,143	$ 12,580	$ 42,559	$ 15,824		$ 390,578	$ 3,256,542
31/12/2011	$ 245,376	$ 571	$ 5,022	$ 21,435	$ 9,143	$ 12,580	$ 42,559	**$ 15,824**	**$ 24,117**	**$ 408,752**	**$ 3,665,293**
31/12/2012	$ 240,989	$ 571	$ 5,022	$ 21,435	$ 9,143	$ 12,580	$ 42,559	$ 15,824	$ 24,117	$ 404,365	$ 4,069,659
31/12/2033							$ 42,559	$ 15,824	$ 24,117	$ 82,500	$ 8,637,790
31/12/2034								$ 15,824	$ 24,117	$ 39,941	$ 8,677,731
31/12/2035									$ 24,117	$ 24,117	$ 8,701,848
Gross Additions	$4,617,457	$ 14,264	$ 125,539	$ 535,874	$ 228,581	$ 314,511	$ 1,063,973	$ 395,605	$ 602,926	$8,701,848	

For regulatory purposes, depreciation expense on the 2011 additions are adjusted for the ½ year rule.

Full Year Depreciaton Expense for 2011 Additions $602,927 / 25 Years	
Full Year Depreciation Expense	$24,117
1/2 Year Depreciation Expense Adjustment	($12,059)

2011 Accounting depreciation expense is reconciled to regulatory depreciation expense:

Depreciation Expense	
2011 Depreciation Expense Per Schedule	$408,752
Add: 1/2 Year Depreciation Expense Adjustment on 2011 Additions	($12,059)
Adjusted Depreciation	**$396,693**

Using this same basis, Table 4-27 is reconciled to the WHSI depreciation schedule in the following steps. The amounts highlighted in yellow reference amounts in WHSI's depreciation schedule. The amounts noted in **bold** refer to the amounts included in this question. For the purposes of this application, WHSI applied the ½ year rule to the 2010 additions as well.

Account 1830 Poles, Towers and Fixtures	
Gross Assets December 31, 2010	**$8,098,922**
Less: Accumulated Amortization Dec 31 2010	($3,256,542)
NBV Dec 31 2010	$4,842,380
Add: 1/2 Year Depreciation Expense Adjustment on 2010 Additions*	$7,912
Regulatory NBV Dec 31, 2010	**$4,850,293**
Add: 2011 Additions	**$602,927**
Less: Depreciation Expense per Depreciation Schedule	($408,752)
Add: 1/2 Year Depreciation Expense Adjustment on 2011 Additions	$12,059
Regulatory NBV Dec 31 2011	$5,056,526

Reconcile NBV:

Regulatory NBV Dec 31 2011	$5,056,526
Less: Regulatory Adjustments	($19,971)
NBV per Schedule Dec 31, 2011	$5,036,556

*Full Year Depreciaton Expense for 2010 Additions $395,605 / 25 Years	
Full Year Depreciation Expense	$15,824
1/2 Year Depreciation Expense Adjustment	($7,912)

b) As clarified with Energy Probe, a copy of Appendix 2-**M** of the Filing Requirements in the format prescribed for 2011 follows:

Depreciation Expense

2011

Account	Description	Opening Balance	Less Fully Depreciated	Net for depreciation	Additions	Total for Depreciation	Years	Depreciation Expense
1805	Land	21,836	0	21,836		21,836		
1808	Buildings	190,774	74,919	115,855	0	115,855	60	7,581
1820	Substation Equipment	647,560	324,823	322,737	0	322,737	30	33,296
1830	Poles, Towers & Fixtures	8,098,922	3,248,629	4,850,293	602,927	5,453,219	25	396,693
1835	OH Conductors & Devices	3,778,126	1,560,423	2,217,702	529,765	2,747,468	25	186,523
1840	UG Conduit	4,125,341	1,330,746	2,794,595	472,513	3,267,108	25	177,699
1845	UG Conductors & Devices	5,019,501	2,070,042	2,949,458	373,275	3,322,734	25	214,280
1850	Line Transformers	7,351,088	2,047,745	5,303,343	507,727	5,811,070	25	327,719
1855	Services (OH & UG)	2,616,951	482,237	2,134,714	199,814	2,334,527	25	108,731
1860	Meters	5,807,006	2,732,333	3,074,673	126,991	3,201,664	25	196,501
1861	Smart Meters	0	0	0	1,384,779	1,384,779	15	92,319
1905	Land	17,530	0	17,530		17,530		
1908	Buildings & Fixtures	983,723	220,574	763,149	90,000	853,149	60	41,050
1915	Office Furniture & Equipment 10yr	240,941	152,231	88,710	25,000	113,710	10	15,912
1920	Computer - Hardware	464,244	464,244	0	0	0	5	0
1921	Computer - Hardware post Mar 22/04	279,721	270,394	9,327	0	9,327	5	9,327
1921	Computer - Hardware post Mar 19/07	416,209	153,008	263,201	140,000	403,201	5	98,808
1925	Computer Software	1,342,123	1,076,668	265,455	60,000	325,455	5	115,734
1930	Transportation Equipment	1,355,849	1,123,933	231,916	450,000	681,916	5&8	117,319
1935	Stores Equipment	76,839	36,130	40,709	40,000	80,709	10	7,391
1940	Tools, Shop & Garage Equipment	270,236	192,118	78,117	20,000	98,117	10	15,948
1945	Measurement & Testing Equipment	121,963	83,512	38,451	10,000	48,451	10	6,355
1950	Power operated Equipment	0	0	0		0	10	
1955	Communications Equipment	29,759	12,672	17,087	20,000	37,087	10	3,684
1960	Graphics Equipment	1,905	556	1,349	0	1,349	10	142
1980	System Supervisor Equipment	336,973	108,568	228,405	20,000	248,405	15	23,063
1996	Hydro One S/S Contribution	2,500,000	50,000	2,450,000	1,600,000	4,050,000	25	132,000
1995	Contributions & Grants	-3,848,275	-647,260	-3,201,015	-442,913	-3,643,928	25	-171,983
	Total	**$42,246,842**	**$17,169,245**	**$25,077,597**	**$6,229,879**	**$31,307,476**		**$2,156,092**

Interrogatory # 6

Ref: Exhibit 2, Tab 2, Schedule 3, page 41

a) Please confirm that $2.5 million (plus taxes) has been paid to Hydro One. If this cannot be confirmed, please confirm that this amount will be paid to Hydro One by the end of 2010.

b) Please provide the expected timing of the payments that total $1.6 million.

c) Is there any impact on the amounts to be paid as a capital contribution to Hydro One as the result of the elimination of the provincial sales tax on July 1, 2010? If yes, please quantify.

d) What is the planned date when work will actually start on the construction of the TS?

Response:

a. WHSI provided a security deposit of $150,000 plus taxes to Hydro One in 2008. The first installment of $2.5million (plus taxes) has not yet been paid to Hydro One. As noted in our response to Interrogatory #3 above, due to recent developments which are beyond WHSI's control this amount was not paid to Hydro One by the end of 2010.

b. Please refer to WHSI's response to Interrogatory #3 above and WHSI's response to OEB Staff Interrogatory # 5.

c. The total capital contribution of $4.1 million is exclusive of all taxes, therefore there would be no impact on the net amount to be paid as a result of the elimination of the provincial sales tax on July 1, 2010. WHSI expects that it will be able to claim the full HST amounts applicable to the contribution.

d. Please refer to WHSI's response to Interrogatory #3 above and WHSI's response to OEB Staff Interrogatory # 5.

Interrogatory # 7

Ref: Exhibit 2, Tab 2, Schedule 3, Table 2-19

Please update Table 19 to reflect the actual capital expenditures for 2010 for all projects/expenses that were in service at the end of 2010. If this information is not available when the interrogatory responses are due to be filed, please provide the most recent year-to-date capital expenditures available for 2010, along with any additional amount that is expected to be put into service before the end of 2010.

Response:

Table 2-19 below is updated to reflect the 2010 preliminary capital expenditures. Final year end adjustments are still required.

Project Description	Total Project	Distn Stn Equip Pr <50kW 1820	Poles, Towers & Fixtures 1830	OH Cond-uctors & Devices 1835	UG Conduit 1840	UG Cond-uctors & Devices 1845	Trans-formers 1850	Services 1855	Meters 1860	Buildings & Fixtures 1908	Office Furn & Equip 1915	Computer HW 1920	Computer SW 1925	Transpor-tation Equip 1930	Stores Equp 1935	Tools, Shop & Garage Equip 1940	Measure-ment & Testing Equip 1945	Commun-ication Equip 1955	Misc Equip 1960	Contributed Capital 1995	Hydro One TS-Cont Capital 1996	CWIP 2055
Hydro One Substation - Capital Contribution	0																					
Karn Pavey, Bee Conversion	578,530		30,991	9,800	257,314	65,394	128,831	86,201													0	
Subdivisions and New Services	373,896		10,441	13,922	313,234	149,656	208,823	113,350												-435,531		
Lansdowne MS Extension	172,277		107,458	51,609			8,226	4,984														
Danger Pole Replacements	60,450		46,309	6,953		3,743		3,444														
MS11 & 4KV - Substation Elimination	49,803		36,803		5,670	883	6,330		117													
Workstations, servers & printers	140,048											140,048										
Norwich @ Parkinson Extension	144,840		108,846	10,000		5,301	7,000	9,779	3,915													
Cedar Slopes Conversion Phase 2	141,937				48,686	24,323	68,231	527	172													
Equipment Replacements	100,000		14,000	14,000	14,000	14,000	28,000	9,336	6,664													
Long Term Load Transfer Elimination on Dundas St	60,000		40,000	56	19,944																	
Office Building Renovations	110,836									110,836												
Billing, LAN & Misc Software	76,627												76,627									
GS>50 Meter Retrofits	45,000								45,000													
Smart Meters	0																					
Woodstock General Hospital - Athlone Ave	74,658		42,751	36,576	119,500	347,400	28,487	304	19,640											-520,000		
Nova Scotia 4 to 28 KV Conversion	45,275				1,765	6,909	36,601															
Devonshire Extension	50,000		35,000	15,000																		
Office Furniture & Equipment	34,438										34,438											
Underground Vault Lid Betterment	13,000				8,000	5,000																
Pole / Duct Clean up	20,000		9,775			10,225																
Racking & Measuring Tools	8,808														8,808							
Shop and Garage Tools	20,353															20,353						
Dranetz Equipment	8,137																8,137					
Telephone Equipment	1,424																	1,424				
Replace Telephone System	21,195																	21,195				
Lunchroom Appliances	1,404																		1,404			
Trailer	6,248													6,248								
Bower Hill/Mill Street	11,418		303,462	85,643			9,548	1,151	5,614											-394,000		
CWIP	200,000																					$200,000
Total 2010 Capital Expenditures	**$2,570,602**	**$0**	**$785,836**	**$243,558**	**$788,113**	**$632,833**	**$530,077**	**$229,075**	**$81,123**	**$110,836**	**$34,438**	**$140,048**	**$76,627**	**$6,248**	**$8,808**	**$20,353**	**$8,137**	**$22,619**	**$1,404**	**-$1,349,531**	**$0**	**$200,000**
*Smart Meter Capital - added to 2010 FA Schedule	1,442,731								$1,384,779			$10,697	$47,255									
Total Capital per FA Continuity Schedule	**$4,013,334**	**$0**	**$785,836**	**$243,558**	**$788,113**	**$632,833**	**$530,077**	**$229,075**	**$1,465,902**	**$110,836**	**$34,438**	**$150,745**	**$123,882**	**$6,248**	**$8,808**	**$20,353**	**$8,137**	**$22,619**	**$1,404**	**-$1,349,531**	**$0**	**$200,000**

Interrogatory # 8

Ref: Exhibit 2, Tab 2, Schedule 3, pages 51-53

Are the County Road 4 Extension, Commerce Way TS Wholesale Metering and Commerce Way Universal to County Rd 4 projects dependent on the TS being built by Hydro One? Can any of these projects be placed in service prior to the completion of the TS being put into service? Please explain.

Response:

The County Road 4 project is not dependant on the Commerce Way TS, but will provide 27.6KV supply from the new TS running north. This project can be placed in service prior to the completion of the TS being put into service, will facilitate the elimination of the final Long Term Load Transfer customers in Woodstock and will provide a Joint use feeder for Hydro One.

The Commerce Way TS Wholesale Metering is exclusively for IESO metering of WHSI Commerce Way TS feeder loads. This project would be dependant upon the TS being built by Hydro One and may be deferred until a later date based on recent developments as it cannot be placed into service prior to the completion of the TS being put into service.

Commerce Way Universal to County Road 4 – this feeder will provide access to the Woodstock M6 feeder at Universal and Commerce Way. This project is not dependant on the TS being built by Hydro One and can be placed into service before the TS is put into service.

Interrogatory # 9

Ref: Exhibit 2, Tab 2, Schedule 3, pages 51 & 56

a) What is the projected sale/scrap value of the vehicle being disposed of in 2011?

b) What is the projected sale/scrap value of the forklift being disposed of in 2011?

c) Are the vehicles and/or forklifts being replaced in 2001 fully depreciated? If not, what is the projected net book value of these assets when they are replaced?

d) How has WHSI accounted for any revenue generated from the sale of vehicles/forklifts being disposed of?

Response:

a. The projected sale/scrap value of the vehicle being disposed of in 2011 is estimated to be $50K.

b. The projected sale/scrap value of the forklift being disposed of in 2011 is estimated to be between $5K and $8K.

c. The vehicle being replaced in 2011 is fully depreciated. The used forklift was purchased in 2006 and will have a projected net book value of $7,889 upon disposal. WHSI anticipates it will recover the net book value of the forklift upon disposal.

d. At the time the application was prepared, WHSI had anticipated a gain of $1,000 as reflected in account 4355, Gain on Disposition of Utility and Other Property.

Interrogatory # 10

Ref: Exhibit 2, Tab 3, Schedule 1

a) When were the 2011 capital and operating budgets contained in the revenue requirement filing prepared by WHSI management?

b) When were the 2010 capital and operating budgets included in the bridge year filing prepared by WHSI management?

c) Has WHSI management updated or revised either the capital or operating budgets for 2010 or 2011 since they were prepared and included in the filing? If so, please provide the details of any changes.

d) When did WHSI get Board of Directors approval for the 2010 and 2011 capital and operating budgets included in the rates filing?

e) Has the WHSI Board of Directors approved any capital and operating budgets for 2010 or 2011 subsequent to the approval noted in part (d) above? If yes, please provide details of any changes.

Response:

a. The 2011 capital and operating budgets contained in the revenue requirement filing were prepared in early July 2010.

b. The 2010 capital and operating forecast contained in the revenue requirement filing was based on the 2010 WHSI Board approved budget. The 2010 bridge year forecast, as contained in the revenue requirement filing was prepared in early July 2010.

c. Recent developments beyond our control in regard to one matter has required WHSI to revise the 2010 and 2011 capital and operating budgets. Please refer to WHSI's response to Interrogatory # 3 above. In addition, some minor revisions have been made to the capital and operating budgets overall, however they are not material in nature. These revisions were included in the 2011 capital and operating budgets approved at the WHSI Board of Directors December 2010 meeting.

   Please refer to WHSI's response to IR# 10e below, and VECC Interrogatory 20a for further details.

d. Although the WHSI Board of Directors was kept apprised of the 2011 COS rate application, they did not specifically approve of the 2011 capital and operating budgets included in the rates filing per se. In December of each year, the WHSI Board of Directors approves the capital, revenue and operating budgets so that they are based on the most up to date results, urgent and pressing projects and changes in the regulatory environment. Further, at the December 17, 2010 meeting, the WHSI Board of Directors was provided with a report on the 2011 COS application and it's current status. The report was accepted as submitted.

   A copy of this report is attached as Appendix B.

   The WHSI Board of Directors approved the original 2010 capital and operating budget on December 18, 2009 which was incorporated into the 2010 Bridge year capital and operating budget included in the rates filing. In May 2010, WHSI staff submitted a revised 2010 budget for approval in order to comply with covenants involved with Smart Meter Financing. The Revised budget deferred the purchase of a large vehicle until 2011, and included amended interest expense amounts based on the most current information at the time.

   Please refer to WHSI's response to VECC Interrogatory 20a for further details.

e. At the Board of Directors meeting held on December 17, 2010, the Board approved the 2011 capital and operating budgets under the presumption that they did not materially differ from the budgets included in the COS rate application for the 2011 test year.
The WHSI Board of Directors approved WHSI's 2011 Capital and Operating budget at their December 17, 2010 Board Meeting, which includes the 2010 Capital and Operating forecast for WHSI's fiscal year. Other than one confidential matter in reference to WHSI's response to Energy Probe IR# 3, there were no overall material differences. It was also noted at the December 17, 2010 Board meeting that the 2010 actual capital expenditures are expected to be higher than the 2010 forecast.

A summary of the variances are shown below:

	2011 Budget Proposal	2011 COS Test Year Budget	2011 Variance	2010 Revised Budget Projection (CGAAP)	2010 COS Forecast (Regulatory Deficiency Calculation)	2010 Variance
Capital Budget Variance						
Distribution Capital	$7,902,862	$5,354,879	$2,547,983	$1,984,409	$4,689,344	($2,704,936)
General Capital	$871,952	$875,000	($3,048)	$442,034	$450,645	($8,611)
Total Capital	**$8,774,814**	**$6,229,879**	**$2,544,935**	**$2,426,442**	**$5,139,989**	**($2,713,547)**
Capital Variance net of Key Variance Driver			**$44,935**			**($213,547)**
Operating Budget Variance						
Administrative & General, Billing & Collecting	$2,638,383	$2,525,930	$112,453	$2,194,160	$2,293,602	($99,441)
Operation and Maintenance	$1,446,280	$1,516,332	($70,052)	$1,423,447	$1,474,146	($50,699)
*Actual/Regulatory Depreciation and Amortization	$2,067,724	$2,031,382	$36,342	$1,848,541	$1,865,397	($16,855)
Property Taxes	$125,205	$126,946	($1,741)	$122,725	$123,852	($1,127)
Capital Taxes	$0	$0	$0	$0	$9,738	($9,738)
*Actual/Deemed Interest	$830,027	$934,897	($104,870)	$686,688	$744,194	($57,506)
Total Costs and Expenses	**$7,107,619**	**$7,135,487**	**($27,868)**	**$6,275,561**	**$6,510,929**	**($235,367)**
***OM&A Variance net of Key Driver, CGAAP/Regulatory Adjustments**			**$40,660**			**($161,006)**

Interrogatory # 11

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

The evidence indicates that the 2011 test year capital expenditures have been adjusted to reflect an 8% reduction on material purchases to reflect HST savings.

Have the capital expenditures forecast for the 2010 bridge year also been adjusted to reflect the 8% reduction on material purchases to reflect HST savings beginning July 1, 2010? If not, please indicate why not and provide an estimate of the savings for 2010.

Response:

Yes, the capital expenditures forecast for the 2010 bridge year has also been adjusted to reflect the 8% reduction on material purchases beginning July 1 2010. Please refer WHSI's response to OEB Staff Interrogatory # 15.

Interrogatory # 12

Ref: Exhibit 2, Tab 4, Schedule 1, Appendix F

a) Please update the power purchased for 2011 to reflect the methodology used by WHSI, but utilizing the pricing from the October 18, 2010 Regulated Price Plan Price Report.

b) Please update the power purchased for 2011 to reflect the RPP price from the October 18, 2010 RPP Price Report and a non-RPP price of $62.50/MWh, calculated as the average market price forecast for Q3 through Q2 in Table 1 of the RPP Price Report ($36.12/MWh), plus the Global Adjustment of $26.38/MWh.

c) Given that the prices shown in Table 1 of the RPP Price Report show a decline in the market price forecast for the Q3 through Q2 period as compared to the Q1 through Q4 period, and the Q3 through Q2 period reflects the May, 2011 through April, 2012 period for which rates are being set, does WHSI believe that the non-RPP and RPP prices should be based on the forecasts for the appropriate periods? If not, why not?

Response:

a. The updated power purchased for 2011 to reflect the WHSI's methodology using the pricing from the October 18, 2010 RPP Report is summarized below:

Electricity - Commodity	Allocator	2011 Forecasted Metered kWhs	2011 Proposed Loss Factor	2011 kWh	Rate	Amount
RPP - Commodity	39.5%	140,079,922	1.0431	146,117,366	0.06838	$9,991,506
Non-RPP -Commodity	60.5%	214,552,791	1.0431	223,800,017	0.03923	$8,779,675
Non-RPP -Global Adjustment					0.02638	$5,903,844
TOTAL	**100.0%**	**354,632,713**		**369,917,383**		**$24,675,025**

b. The updated power purchased for 2011 to reflect the WHSI's methodology using the pricing from the October 18, 2010 RPP Report and non-RPP price of $62.50/mWh is summarized below:

Electricity - Commodity	Allocator	2011 Forecasted Metered kWhs	2011 Proposed Loss Factor	2011		
				kWh	Rate	Amount
RPP - Commodity	39.5%	140,079,922	1.0431	146,117,366	0.06838	$9,991,506
Non-RPP -Commodity	60.5%	214,552,791	1.0431	223,800,017	0.03612	$8,083,657
Non-RPP -Global Adjustment					0.02638	$5,903,844
TOTAL	**100.0%**	**354,632,713**		**369,917,383**		**$23,979,007**

c. WHSI agrees that, while the Q3 through Q2 period reflects the May, 2011 through April, 2012 period for which rates are being set, the power purchased is used to calculate the working capital allowance for the purposes of WHSI's COS application. Because the working capital allowance is only updated during a COS application, and because a COS application typically occurs every 3 or 4 years, WHSI believes it would be short sighted to reduce the RPP and non-RPP prices based on the most recent RPP report, on the bases that it is marginally lower. Industry expectations, given the planned increase in renewable energy, will put upward pressure on the RPP and global adjustment rates over the next 3 or 4 years, and WHSI believes it is prudent to ensure the components of the working capital allowance will be a fair representation of these fluctuations.

Interrogatory # 13

Ref: Exhibit 3, Tab 2, Schedule 1, pages 9-10

a) Is there any reason that WHSI is aware of that would explain the relatively large difference between the actual and predicted values shown for 2008 in Table 3-5 as compared to the other years shown?

b) Please provide the statistical results similar to those shown in Table 3-4 for an equation where the dependent variable is the purchased power per customer, rather than the purchased power and the explanatory variables are those used by WHSI, with the addition of a dummy variable that has a value of 1 for each month in 2008 and 0 for all other months.

c) If the coefficients estimated in the above equation are all statistically significant, please provide the kWh forecast for both 2010 and 2011.

d) Please provide the actual total system purchases for 2010, along with the actual heating and cooling degree days for 2010.

Response:

a. WHSI presumes that the 2008 actual values are higher than the predicted values by 2.09% due to a combination of the provincial economic downturn being reflected in the 2008 predicted values, and timing differences between actual usage compared with the prorated calculation for the 2008 unbilled revenue adjustment. It is notable that 2009 actual values are 1.27% lower than the predicted values. The combined variance of 2008 and 2009 is 3,836,966 kWh, an average of (0.49%), which is more consistent with the other years shown.

	Actual	Predicted	% Difference
2008	407,267,186	398,738,797	-2.09%
2009	368,699,493	373,390,916	1.27%
Combined Total	775,966,679	772,129,713	-0.49%

b. The following table provides the statistical results similar to those shown in Table 3-4 for an equation where the dependent variable is the purchased power per customer, rather than the purchased power and the explanatory variables are those used by WHSI, with the addition of a dummy variable that has a value of 1 for each month in 2008 and 0 for all other months.

Table 3-4 for EP#13b: Statistical Results	
Statistic	**Value**
R Square	**88.1%**
Adjusted R Square	**87.0%**
F Test	**80.6**
T-stats by Coefficient	
Intercept	**(3.7)**
Heating Degree Days	**12.1**
Cooling Degree Days	**9.4**
Spring Fall Flag	**(4.2)**
Number of Days in Month	**5.7**
OPA CDM Activity	**(14.8)**
Ontario Real GDP Monthly %	**6.5**
2008 EP#13b Flag	**3.4**

c. The coefficients estimated in the above equation are all statistically significant, as a result the normalized purchased kWh forecast for both 2010 and 2011 is 367,479,439 and 373,158,922, respectively.

d. The actual total system purchases for 2010, along with the actual heating and cooling degree days for 2010 are provided by month in the following table. Please note that the December purchase amounts are preliminary and will not be finalized until after January 13, 2011.

	2010 Actual Purchases (kWh)	2010 Heating Degree Day	2010 Cooling Degree Day
Jan	26,456,811	733	0
Feb	30,443,582	633	0
Mar	31,759,821	450	0
Apr	28,401,478	236	0
May	30,957,734	121	35
Jun	32,800,038	24	58
Jul	35,015,434	6	130
Aug	35,935,960	6	122
Sep	30,946,465	88	24
Oct	30,314,263	240	0
Nov	31,455,265	414	0
Dec*	33,855,634	714	0

Interrogatory # 14

Ref: Exhibit 3, Tab 2, Schedule 1, pages 11-16

a) What is the actual average loss factor over the 2003 through 2009 period?

b) Are the customer figures shown in Table 3-6 the average for the year or the year-end figures?

c) Is the 13,429 noted on line 7 of page 12 the 2009 year-end figure? If not, please explain what it is.

d) Please update Table 3-6 to show the 2010 figures.

e) Please provide the actual number of customers/connections at the end of December 2010.

f) Please explain how the growth rates in Table 3-10 and the 2009 average usage figures shown in Table 3-9 have resulted in the forecast average usage figures shown in Table 3-11. As an example, please explain how the residential average use of 7,768 in 2009 combined with the 1.3% geometric mean decline in use results in a 2010 forecast average use of 8,098 kWh and in a 8,518 kWh forecast.

g) Please update Tables 3-15 and 3-16 for 2010 actual data.

Response:

a. The actual average loss factor over the 2003 through 2009 period is 1.0366 as indicated below:

Description	2003	2004	2005	2006	2007	2008	2009	Total
"Wholesale" kWh IESO	403,548,778	412,043,051	433,900,601	421,379,829	410,557,201	407,267,186	368,699,493	2,453,847,361
"Wholesale" kWh for Large Use Customer	27,034,727	26,174,112	22,662,326	22,760,965	23,032,589	17,930,764	4,464,998	117,025,755
Net "Wholesale" kWh (A) - (B)	376,514,051	385,868,939	411,238,275	398,618,864	387,524,612	389,336,422	364,234,495	2,336,821,606
"Retail" kWh (Distributor)	394,337,554	398,910,571	420,508,332	407,408,089	393,481,373	394,323,991	354,090,474	2,368,722,830
"Retail" kWh for Large Use Customer	27,305,074	26,435,853	22,888,949	22,988,575	23,262,915	18,110,072	4,509,648	118,196,012
Net "Retail" kWh (D) - (E)	367,032,480	372,474,718	397,619,383	384,419,514	370,218,458	376,213,919	349,580,826	2,250,526,818
Loss Factor [(C) / (F)]	102.58%	103.60%	103.43%	103.69%	104.67%	103.49%	104.19%	
Distribution Loss Adjustment Factor (2003-2009avg.)								103.66%

b. The customer figures shown in Table 3-6 are the average for the year.

c. The 13,429 noted on line 7 of page 12 is the 2009 year-end figure.

d. Table 3-6 revised to include the 2010 figures follows:

Revised Table 3-6: Historical Customer/Connection Data

Year		Residential	GS < 50	General Service 50 to 999 kW	General Service > 1000 kW	Streetlight	USL	TOTAL
Number of Customers/Connections								
2003		12,450	1,240	165	6	3,718	152	17,731
2004		12,550	1,193	169	6	3,762	152	17,830
2005		12,726	1,191	172	6	3,858	153	18,104
2006		12,871	1,198	177	6	3,929	157	18,338
2007		12,980	1,209	184	6	3,999	152	18,529
2008		13,138	1,192	189	7	4,104	140	18,768
2009		13,335	1,171	192	7	4,197	137	19,037
2010		13,565	1,170	195	7	4,241	7	19,185

e. The 2010 actual number of customers/connections as of December 31 2010 is as follows:

Dec 31 2010 Actual	Residential	GS < 50	General Service 50 to 999 kW	General Service > 1000 kW	Streetlight	USL	TOTAL
Customers	13,701	1,170	196	7	3	39	15,116
Connections					4,248	137	4,385

f. WHSI's response to OEB Staff IR # 14 is repeated below:

"Incorrect values were included in Table 3-11 due to a cell reference error. The Table should have been presented as follows:"

Table 3-11: Forecast Annual kWh Usage per Customer/Connection

Year	Residential	GS < 50	General Service 50 to 999 kW	*General Service > 1000 kW	Streetlight	USL
Forecast Annual kWh Usage per Customers/Connection						
2010	**7,664**	**35,197**	**605,502**	**10,687,187**	**584**	**4,735**
2011	**7,562**	**35,014**	**579,523**	**9,960,560**	**570**	**4,562**

g.

RevisedTable 3-15: Historical Annual kW per Applicable Rate Class

Year	General Service 50 to 999 kW	*General Service > 1000 kW	Streetlight	TOTAL
Billed Annual kW				
2003	438,621	217,941	7,039	663,601
2004	390,569	215,430	6,650	612,649
2005	422,382	215,614	6,689	644,686
2006	423,183	213,136	6,812	643,131
2007	395,817	215,405	6,914	618,137
2008	392,866	218,775	7,089	618,729
2009	368,221	203,857	7,224	579,301
2010	369,426	204,846	7,264	581,536

Revised Table 3-16: Historical kW/KWh Ratio per Applicable Rate Class

Year	General Service 50 to 999 kW	*General Service > 1000 kW	Streetlight
Ratio of kW to kWh			
2003	0.3230%	0.2076%	0.2729%
2004	0.3514%	0.1998%	0.2763%
2005	0.3466%	0.2043%	0.7084%
2006	0.3208%	0.2068%	0.2810%
2007	0.3104%	0.2038%	0.2878%
2008	0.3018%	0.2195%	0.2864%
2009	0.3039%	0.2540%	0.2876%
2010	0.2695%	0.2192%	0.2754%
Average 2003 to 2010	**0.3159%**	**0.2144%**	**0.3345%**

Interrogatory # 15

Ref: Exhibit 3, Tab 3, Schedule 2, Table 3-30

a) Please update Table 3-30 to reflect actual figures for 2010. If actual figures for 2010 are not available, please provide a table in the same level of detail as shown in Table 3-30 that shows the most recent year-to-date actual figures for 2010, along with the year-to-date figures for the corresponding period in 2009.

b) Please explain the justification for allocation only 50% of the gain on disposition of utility assets to ratepayers.

c) What is the gain of $1,000 in 2011 related to?

Response:

a. Table 3-30 below has been updated to reflect the preliminary 2010 amounts. Final year end adjustments are yet to be made but given the timeline, WHSI is unable to complete this until after the January 13th response deadline. WHSI believes that the preliminary 2010 amounts are of more value than the November 2010 actual amounts.

Revised Table 3-30

Account	Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2010 Preliminary	2011 Test	Variance 2010 Bridge to 2010 Preliminary
4235	Specific Service Charges	267,552	64,606	82,394	95,808	123,901	148,875	207,802	234,290	58,927
4225	Late Payment Charges	30,434	50,783	58,400	46,379	39,646	50,235	51,112	54,254	877
4080	SSS Admin Fees	34,046	35,093	36,097	38,313	38,384	37,382	37,833	38,565	451
4082	Retail Services Revenues	25,241	28,483	27,344	23,482	25,337	25,400	26,048	25,400	648
4084	STR Revenues	141	1,278	1,931	640	854	1,000	1,516	1,000	516
4210	Rent from Electric Property	7,198	270,821	263,482	280,390	179,975	40,885	40,885	40,885	0
4355	Gain on Disposition of Utility & Other Property	12,068	35,621	15,300	40	3,520	1,000	0	1,000	(1,000)
4375	Revenues from Non-Utility Operations		0	142,733	878,548	952,865	793,005	743,251	829,344	(49,754)
4380	Expenses of Non-Utility Operations		0	(143,882)	(733,267)	(856,351)	(717,978)	(664,384)	(770,512)	53,594
4390	Miscellaneous Non-Operating Income	10,826	8,932	13,145	11,928	29,469	25,350	32,217	15,350	6,867
4405	Interest and Dividend Income	86,872	164,649	195,346	164,845	26,962	42,956	46,696	45,700	3,740
Specific Service Charges		267,552	64,606	82,394	95,808	123,901	148,875	207,802	234,290	58,927
Late Payment Charges		30,434	50,783	58,400	46,379	39,646	50,235	51,112	54,254	877
Other Distribution Revenues		360,006	626,862	717,768	342,824	244,549	104,667	106,282	105,850	1,615
Other Income and Expenses		109,766	209,202	222,642	322,094	156,465	144,333	157,780	120,882	13,447
Total Other Operating Revenue		**767,759**	**951,452**	**1,081,203**	**807,105**	**564,561**	**448,110**	**522,976**	**515,276**	**74,866**
Adjustments to Determine Net Revenue Offset:										
Less: CDM Revenue		0	0	(131,653)	(466,824)	(534,613)	(361,077)	(317,350)	(376,707)	43,727
Less: CDM Expense		0	0	143,882	368,256	487,655	330,775	287,260	346,707	(43,515)
Less: Revenue from Non-Utility Generation		0	0	0	0	0	0	0	(8,756)	0
Less: Expense from Non-Utility Generation		0	0	0	0	0	17,444	1,149	25,959	(16,295)
Less: Regulatory Asset Carrying Charges		0	(31,873)	(19,288)	(18,282)	(8,137)	(13,542)	(21,383)	(18,700)	(7,841)
Less: 50% of Gain on Disposition			(17,810)	(7,650)	(20)	(1,760)	(500)	0	(500)	500
Less: Reconciliation to Revenue Requirement Model							500	0		(500)
Net Revenue Offset For Distribution Rates		**767,759**	**901,769**	**1,066,494**	**690,235**	**507,706**	**421,710**	**472,652**	**483,279**	**50,942**
Annual Variance			134,010	164,725	(376,259)	(182,529)	(85,996)	(35,054)	10,627	
Annual Variance %			17.5%	18.3%	-35.3%	-26.4%	-16.9%	-6.9%	2.2%	

b. Section 4.61, Assets Sold to a Non-Affiliate, of the 2006 Electricity Distribution Rate Handbook states:

"The treatment of capital gains and losses on non-depreciable assets sold to a nonaffiliated will be determined by the Board on a case-by-case basis, subject to the materiality thresholds outlined in Section 4.2. A capital gain or loss that falls below the materiality threshold shall be shared between the ratepayers and the shareholders on a 50/50 basis in determining the revenue requirement."

Further, page 6 of the Boards Decision EB-2007-0742, Guelph Hydro Electric Systems 2008 Distribution Rate Approval dated July 31, 2008, states

“Consistent with Board policy and practice2, the net gains from the sale are to be equally shared between the shareholder and ratepayers”

c. The gain of $1,000 in 2011 is an estimated minimum gain from the planned disposition of a vehicle in 2011.

Interrogatory # 16

Ref: Exhibit 3, Tab 3, Schedule 3, pages 10-12

a) Please provide a table similar to Table 3-38 showing the variance between 2010 and 2011.

b) Please explain any decline in the net revenue offset variance in 2011 as compared to 2010.

Response:

a.

	2010 Bridge	2011 Test	Variance
Revenues from Non-Utility Operations	793,005	829,344	36,339
Less: CDM and Non-Utility Generation Revenue	(361,077)	(385,464)	(24,387)
Account 4375 Revenue Offset - Variance	**431,928**	**443,880**	**11,952**
Expenses of Non-Utility Operations	(717,978)	(770,512)	(52,535)
Less: CDM and Non-Utility Generation Expense	348,219	372,667	24,448
Account 4380 Expense Offset - Variance	**(369,759)**	**(397,845)**	**(28,087)**
Net Revenue Offset Variance	**62,169**	**46,035**	**(16,135)**

b. The above table removes the revenues and expenses for CDM and Non-Utility Generation activities from the revenue requirement. The amount included in the net revenue offset and included in the revenue requirement is derived from the provision of water/sewer billing services, streetlight maintenance, and water locating services to the City of Woodstock. On July 1 2010, WHSI discontinued provision of water locating services to the City of Woodstock, and in 2011 will cease streetlight maintenance services in light of recent OEB and ESA direction. These permanent reductions result in a reduced revenue offset of $16,135 for 2011.

Interrogatory # 17

Ref: Exhibit 3, Tab 4, Schedule 1, Table 3-42

a) Please provide a table that shows the revenue, costs and net revenue for 2006 through 2011 for the streetlight maintenance and water locating services.

b) Please explain the reduction in net revenues in 2011 for the streetlight maintenance and water locate service.

Response:

a.

Streetlight Maintenance and Water Locate Services	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Revenue	($86,014)	($134,182)	($128,526)	($160,048)	($157,444)	($84,778)
Expense	$86,014	$123,103	$117,914	$146,833	$144,444	$77,778
Net Expense/(Income)	$0	($11,079)	($10,612)	($13,215)	($13,000)	($7,000)

b. Please refer to WHSI's response to IR # 16b above.

Interrogatory # 18

Ref: Exhibit 4, Tab 1, Schedule 3

Please update Table 4-1 to reflect actual figures for 2010. If actual figures for 2010 are not available, please provide a table in the same level of detail as shown in Table 4-1 that shows the most recent year-to-date actual figures for 2010, along with the year-to-date figures for the corresponding period in 2009.

Response:

Revised Table 4-1 below includes preliminary, unaudited figures for 2010. Although final year end adjustments have yet to be made, WHSI believes that the preliminary 2010 figures are more meaningful than the November year-to-year comparisons.

Revised Table 4-1

Description	2006 Board Approved	2006 Actuals	Variance Board Approved-2006 Actuals	Variance %	2007 Actuals	Variance 2007 to 2006 Actuals	Variance %	2008 Actuals	Variance 2008 to 2007 Actuals	Variance %	2009 Actuals	Variance 2009 to 2008 Actuals	Variance %	2010 Preliminary	Variance 2010 Bridge Year to 2009 Actuals	Variance %	Test Year 2011	2011Test Year /2010 Preliminary Year Variance	Variance %
Operation	574,159	624,785	50,626	8.8%	685,178	60,393	9.7%	787,716	102,538	15.0%	719,297	-68,419	-8.7%	772,676	53,379	7.4%	785,560	12,884	1.7%
Maintenance	375,770	489,302	113,532	30.2%	472,477	-16,826	-3.4%	532,855	60,379	12.8%	630,310	97,455	18.3%	647,826	17,516	2.8%	730,771	82,945	12.8%
Billing & Collections	633,461	676,329	42,868	6.8%	672,465	-3,864	-0.6%	567,613	-104,852	-15.6%	548,428	-19,185	-3.4%	603,797	55,369	10.1%	675,133	71,336	11.8%
Community Relations	8,207	286,411	278,204	3389.9%	128,950	-157,460	-55.0%	40,209	-88,741	-68.8%	24,088	-16,121	-40.1%	34,152	10,064	41.8%	42,382	8,230	24.1%
Administrative and General Expenses	1,313,737	1,246,687	-67,050	-5.1%	1,310,603	63,916	5.1%	1,334,041	23,438	1.8%	1,403,517	69,476	5.2%	1,539,881	136,364	9.7%	1,808,415	268,535	17.4%
Taxes Other Than Income Taxes	125,256	126,191	935	0.7%	124,838	-1,353	-1.1%	125,668	830	0.7%	122,776	-2,892	-2.3%	122,725	-51	0.0%	126,946	4,221	3.4%
Total OM&A Expenses	**$3,030,590**	**$3,449,705**	**$419,115**	13.8%	**$3,394,511**	**-$55,193**	-1.6%	**$3,388,103**	**-$6,408**	-0.2%	**$3,448,416**	**$60,314**	1.8%	**$3,721,057**	**$272,640**	7.9%	**$4,169,207**	**$448,151**	12.0%

Percent Change 2011 Test Year versus most Current Actuals (2009)	20.90%
Percent Change 2011 Test Year Versus 2006 Approved Rebasing Year	37.57%
Average for 2006,2007,2008 & 2009	-0.01%
Compound Annual Growth Rate (for ,2006,2007,2008 and 2009)	-0.01%

Interrogatory # 19

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

Has WHSI included the $9,879, or some other amount, associated with LEAP in the 2011 revenue requirement?

Response:

Please refer WHSI's response to OEB Staff Interrogatory # 16.

Interrogatory # 20

Ref: Exhibit 4, Tab 1, Schedule 4, page 7

What is the impact on the revenue requirement if the increase in wages effective August 1, 2011 were reduced from 3% to 2% for both unionized staff and management?

Response:

As noted in Exhibit 4, Tab 1, Schedule 4, Page 7, any Union adjustments would come into effect on August 1st in accordance with the current collective agreement while any Management adjustments would come into effect on January 1st. For the purposes of this interrogatory, the change from 3% to 2% has been adjusted to reflect this timing differential.

The impact on revenue requirement in this case would be a reduction of $22,054.

	Revised	2011 COS	IMPACT
Service Revenue Requirement	8,693,699	8,715,753	(22,054)
Less: Revenue Offsets	483,279	483,279	0
Base Revenue Requirement	**8,210,420**	**8,232,474**	**(22,054)**

The following Table presents the impact on the components used to calculate the 2011 revenue deficiency.

Woodstock Hydro Services Inc.
Revenue Deficiency Determination

Description	2011 Test - REVISED Required Revenue IR # 20	2011 COS Test - Required Revenue	IMPACT
Revenue			
Revenue Deficiency	**1,734,563**	**1,756,617**	**-22,054**
Distribution Revenue	6,475,857	6,475,857	0
Other Operating Revenue (Net)	483,279	483,279	0
Total Revenue	**8,693,699**	**8,715,753**	**-22,054**
Costs and Expenses			
Administrative & General, Billing & Collecting	2,511,371	2,525,930	-14,559
Operation & Maintenance	1,509,416	1,516,331	-6,915
Depreciation & Amortization	2,031,263	2,031,382	-118
Property Taxes	126,946	126,946	0
Capital Taxes	0	0	0
Deemed Interest	934,716	934,897	-181
Total Costs and Expenses	**7,113,713**	**7,135,485**	**-21,773**
Less OCT Included Above	0	0	
Total Costs and Expenses Net of OCT	**7,113,713**	**7,135,485**	**-21,773**
Utility Income Before Income Taxes	**1,579,986**	**1,580,267**	**-281**
Income Taxes:			
Corporate Income Taxes	333,786	333,825	-39
Total Income Taxes	**333,786**	**333,825**	**-39**
Utility Net Income	**1,246,200**	**1,246,442**	**-242**
Capital Tax Expense Calculation:			
Total Rate Base	31,629,479	31,635,594	-6,115
Exemption	15,000,000	15,000,000	0
Deemed Taxable Capital	**16,629,479**	**16,635,594**	**-6,115**
Ontario Capital Tax	0	0	0
Income Tax Expense Calculation:			
Accounting Income	1,579,986	1,580,267	-281
Tax Adjustments to Accounting Income	-176,994	-177,112	118
Taxable Income	**1,402,992**	**1,403,155**	**-163**
Income Tax Expense	333,786	333,825	-39
Tax Rate Refecting Tax Credits	23.79%	23.79%	23.79%
Actual Return on Rate Base:			
Rate Base	31,629,479	31,635,594	-6,115
Interest Expense	934,716	934,897	-181
Net Income	1,246,200	1,246,442	-242
Total Actual Return on Rate Base	**2,180,916**	**2,181,339**	**-423**
Actual Return on Rate Base	6.90%	6.90%	
Required Return on Rate Base:			
Rate Base	31,629,479	31,635,594	-6,115
Return Rates:			
Return on Debt (Weighted)	4.93%	4.93%	0.00%
Return on Equity	9.85%	9.85%	0.00%
Deemed Interest Expense	934,716	934,897	-181
Return On Equity	1,246,201	1,246,442	-241
Total Return	**2,180,918**	**2,181,339**	**-422**
Expected Return on Rate Base	6.90%	6.90%	0.00%
Revenue Deficiency After Tax	**2**	**0**	**2**
Revenue Deficiency Before Tax	**2**	**0**	**2**

Tax Exhibit	2011 Test - REVISED Required Revenue IR # 20	2011 COS Test - Required Revenue	IMPACT
Deemed Utility Income	**1,246,200**	**1,246,442**	**-242**
Tax Adjustments to Accounting Income	**-176,994**	**-177,112**	**118**
Taxable Income prior to adjusting revenue to PILs	**1,069,206**	**1,069,330**	**-124**
Tax Rate	23.79%	23.79%	0.00%
Total PILs before gross up	**254,375**	**254,405**	**-30**
			0
Grossed up PILs	**333,786**	**333,825**	**-39**

Interrogatory # 21

Ref: Exhibit 4, Tab 1, Schedule 4, page 8

a) What GDP-IPI has WHSI assumed in the forecast for 2011? What is the impact of a 1% change in this forecast on the revenue requirement in 2011?

b) What is the reduction in the OM&A costs included in the 2011 forecast related to the elimination of the HST in 2010?

c) Please provide the amount of the provincial sales tax included in the OM&A expenses in 2008, 2009 and the first of half of 2010.

Response:

a. Further to Exhibit 4, Tab 1 Schedule 4, page 8, WHSI has assumed a GDP-IPI of 1.3% in the forecast for 2011on expenses that are not fixed due to existing contracts. The impact of a 1% change in this forecast would be an adjustment of the GDP-IPI from 1.3% to 0.3% or 2.3% The impact of a 1% change in this forecast on the 2011 revenue requirement would be approximately +/- $14,243.

b. As noted in Exhibit 4, Tab 1, Schedule 4, Table 4-2, the forecast reduction in OM&A costs included in the 2011 forecast is $31,670 and for 2010 is $9,041.

c. WHSI's financial system is unable to provide the amount of provincial sales tax included in the OM&A expenses in 2008, 2009, and the first half of 2010. Until the HST came into effect on July 1, 2010, WHSI had no need to track PST separately and as such, the system would incorporate the PST into the total amount expensed to OM&A.

Interrogatory # 22

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

Please provide the actual 2010 expenses for the Administrative and General Expenses in the same level of detail as shown on page 3. If information for 2010 is not yet available, please provide the most recent year-to-date figures for each of the accounts shown (5605 through 5680) along with the corresponding figures for the same period in 2009.

Response:

WHSI has provided the 2010 preliminary information in the following revised section of Table 4-7, and notes that final year end adjustments are still required.

OEB account	Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	2007 Actual	Variance from 2006 Actual	2008 Actual	Variance from 2007 Actual	2009 Actual	Variance from 2008 Actual	2010 Preliminary	Variance from 2009 Actual	2011 Test	Variance from 2010 Preliminary
Administrative and General Expenses														
5605	Executive Salaries & Expenses	309,331	219,129	-90,202	150,787	-68,342	150,084	-703	154,821	4,736	182,212	27,391	195,903	13,425
5610	Management Salaries & Expenses	73,992	145,530	71,538	151,782	6,252	262,949	111,168	236,833	-26,117	261,769	24,937	282,822	21,167
5615	General Administrative Salaries & Expenses	374,009	366,648	-7,361	435,512	68,864	417,264	-18,248	435,258	17,994	489,907	54,649	524,085	24,085
5620	Office Supplies & Expenses	65,319	74,699	9,380	66,273	-8,426	77,954	11,681	74,606	-3,349	52,310	-22,296	81,254	-1,051
5625	Administrative Expense Transferred - Credit		0	0	0	0	-127,754	-127,754	-129,004	-1,250	-52,975	76,029	-54,628	-2,522
5630	Outside Services Employed	87,596	109,949	22,353	78,369	-31,580	124,128	45,759	98,609	-25,519	91,448	-7,161	126,500	-7,937
5635	Property Insurance	34,370	34,625	255	32,703	-1,921	32,575	-128	29,471	-3,104	28,217	-1,253	32,000	1,305
5640	Injuries and Damages	52,163	44,837	-7,326	59,342	14,505	62,233	2,892	54,134	-8,099	44,526	-9,607	72,555	5,555
5645	Employee Pension and Benefits	11,096	1,081	-10,015	431	-650	356	-75	31,778	31,422	18,009	-13,769	18,150	0
5650	Franchise Requirements			0		0		0		0	0	0		0
5655	Regulatory Expenses	55,765	36,141	-19,624	48,313	12,172	35,849	-12,464	47,037	11,189	89,923	42,886	100,000	45,000
5660	General Advertising Expenses		1,993	1,993	3,820	1,827	2,501	-1,319	3,933	1,432	2,279	-1,654	5,500	0
5665	Miscellaneous General Expenses	100,374	102,214	1,840	105,177	2,963	104,158	-1,020	123,590	19,433	140,861	17,270	139,554	-7,826
5670	Rent			0		0		0		0	0	0		0
5675	Maintenance of General Plant	149,722	106,863	-42,859	171,228	64,365	183,831	12,603	235,049	51,218	184,045	-51,004	277,221	22,046
5680	Electrical Safety Authority Fees		2,979	2,979	6,866	3,887	7,913	1,047	7,403	-510	7,350	-53	7,500	150
5685	IMO Fees & Penalties			0		0		0		0		0		0
	Sub-Total	$1,313,737	$1,246,687	-$67,050	$1,310,603	$63,916	$1,334,041	$23,438	$1,403,517	$69,476	$1,539,881	$136,364	$1,808,415	$113,396

Interrogatory # 23

Ref: Exhibit 4, Tab 2, Schedule 3, Table 4-8

a) Please indicate how many intervenors WHSI had forecast for a total cost of $93,000.

b) What are the total legal costs incurred to date associated with the cost of service application?

c) What are the total consultant costs incurred to date associated with the cost of service application?

Response:

a. WHSI had forecast 4 Intervenors for a total cost of $93,000.

b. To December 31, 2010, WHSI has incurred no legal costs associated with the cost of service application. WHSI anticipates these costs will be incurred in 2011.

c. The total costs incurred to November 30, 2010 for consultants associated with the cost of service application are $ 32,469.

Interrogatory # 24

Ref: Exhibit 4, Tab 2, Schedule 4, Table 4-12

a) Please break out costs associated with each of the components of the health, dental, LTD and life benefit costs for 2009, 2010 and 2011.

b) Please show how the total increase of 20.1% for 2010 has been forecast when the increase in health premiums was 10% and dental premiums was 13% (lines 10-11).

c) Please show the derivation of the 13.3% increase forecast for 2011 based on 10% increases for health and dental premiums, a 1% decrease in LTD premiums and projected increases of 5% and 10% for regular life and retiree life costs.

d) Please provide the actual cost incurred in 2010.

Response:

a.

	Dental	Health	Life	LTD	Total
2009 Actual	$ 40,485	$ 157,956	$ 8,378	$ 33,435	$ 240,254
2010 Bridge	$ 49,913	$ 194,211	$ 9,698	$ 34,653	$ 288,474
2011 Test	$ 57,502	$ 223,688	$ 10,923	$ 34,727	$ 326,839

b. Three key factors were used to calculate the overall 20.1% increase in employee dental, health, life, and LTD costs. Wage Based Adjustments represent the increase in premiums due to changes in employees' wages per the current union agreements and management increases. New Employees Added to the Benefit Plan are those incremental employees who have surpassed their 6-month probationary period and would now quality for employee benefits. The third factor used was the premium based increases, namely 13% dental, 10% health, 5% life, and 0% LTD. The following table summarizes these key factors:

	Dental	Health	Life	LTD	Total
2010 Bridge	$ 49,913	$ 194,211	$ 9,698	$ 34,653	$ 288,474
2009 Actual	$ 40,485	$ 157,956	$ 8,378	$ 33,435	$ 240,254
Incremental Increase	**$ 9,428**	**$ 36,255**	**$ 1,320**	**$ 1,218**	**$ 48,220**
Increase as a %	23.3%	23.0%	15.8%	3.6%	20.1%
Attributable to:					
Wage Based Adjustments	4.8%	7.4%	6.9%	0.5%	29.9%
New Employees Added to Benefit Plan	5.5%	5.5%	3.8%	3.1%	25.6%
Premium Based Adjustments	13.0%	10.0%	5.0%	0.0%	44.5%
	23.3%	23.0%	15.8%	3.6%	100.0%
Wage Based Adjustments	$ 1,927	$ 11,714	$ 581	$ 174	$ 14,397
New Employees Added to Benefit Plan	$ 2,238	$ 8,746	$ 319	$ 1,043	$ 12,346
Premium Based Adjustments	$ 5,263	$ 15,796	$ 419	$ -	$ 21,478
Incremental Increase	**$ 9,428**	**$ 36,255**	**$ 1,320**	**$ 1,218**	**$ 48,220**

c. Please refer to WHSI's response to OEB Staff Interrogatory # 18.

d. The actual costs incurred for 2010 are as follows:

	Dental	Health	Life	LTD	Total
2010 Actual	$ 47,840	$ 182,362	$ 9,469	$ 33,721	$ 273,392

Interrogatory # 25

Ref: Exhibit 4, Tab 3, Schedule 2

a) Please show the calculations used to arrive at the effective Ontario tax rate of 8.36% in 2011 as shown in the corporate tax rates table.

b) Please confirm that the Ontario small business tax rate on the first $500,000 of taxable income is 4.5% in 2011.

c) Please confirm that WHSI has calculated the Ontario Apprenticeship Tax Training Tax Credit based on 3 eligible positions at $5,000 per position. If this cannot be confirmed, please indicate how the credit of $15,000 has been calculated.

d) Has WHSI included any federal tax training credits in the calculation of the 2011 taxes payable? If not, why not?

e) Does WHSI have any students that would qualify for the Ontario Cooperative Education Tax Credit in the 2011 test year? If yes, please provide the details.

Response:

a. The effective Ontario tax rate of 8.36% was calculated in the 2011 COS Tax Model using the following steps:

1. Variables:

-Regulatory Taxable Income :$ 1,069,330

-Ontario income tax rate is prorated for July 1 changes:
(12%*0.5) + (11.5%*0.5) = 11.75%

2. Calculate Ontario income tax net of Ontario Small Business credit

Ontario income tax 11.75% * 1,069,330	= $125,646
Less:	
Ontario Small Business credit $500,0000 * 0.0725	= $ (36,250)
Subtotal	= $89,396

3. Calculate effective Ontario Tax Rate:

Effective Ontario Tax Rate = $89,396 / $1,069,330 = 8.36%

b. WHSI confirms that the Ontario small business tax rate on the first $500,000 of taxable income is 4.5% in 2011

c. WHSI confirms that it has calculated the Ontario Apprenticeship Training Tax Credit based on 3 eligible positions at $5,000 per position.

d. WHSI has not included further tax training credits in the calculation of the 2011 taxes payable because

e. At the time WHSI prepared the rate application, it had not determined whether the budgeted summer students would be filled by cooperative students and therefore had excluded a provision for the Ontario Cooperative Education Tax Credit in the 2011 test year. The summer student positions budgeted in 2011 for a labourer and an office clerk would typically be filled by non-co-op students. More specialized temporary positions are typically filled by cooperative students. In 2010 for example, WHSI hired a co-op student to assist with the compontization of assets as part of the IFRS transition.

Energy Probe Interrogatories

Appendix B

2011 Cost of Service

Rate Application Update

#

TO: WHSI Board of Directors

FROM: Patti Eitel

DATE: December 17 2010

RE: 2011 Cost of Service Application

Overview

WHSI's 2011 Cost of Service Application was submitted to the OEB on October 30, 2010. The application consisted of 1,464 pages of submission evidence (1,109 public content plus 355 pages of confidential filing material) and 12 excel models. In comparison, the 2010 IRM Rate Application was 101 pages in length and had 3 excel models.

In addition to providing justification for changing the distribution rates in 2011, WHSI was also required to explain, at minimum, all variances in year-over-year balances for revenue and expenses on an account by account basis, from 2006 to 2011. Although the materiality threshold was $50,000 WHSI explained variances of lower amounts where required.

(Eg. $500 expensed in one year VS $30,000 in the next year for a particular account).

WHSI was also required to, at minimum, explain and justify all capital projects from 2005 to 2011 that were in excess of $50,000.

The last rebasing rate application for WHSI was in 2006, and was based on 2004 information. The 2011 COS application is prospectively based on expected 2011 requirements.

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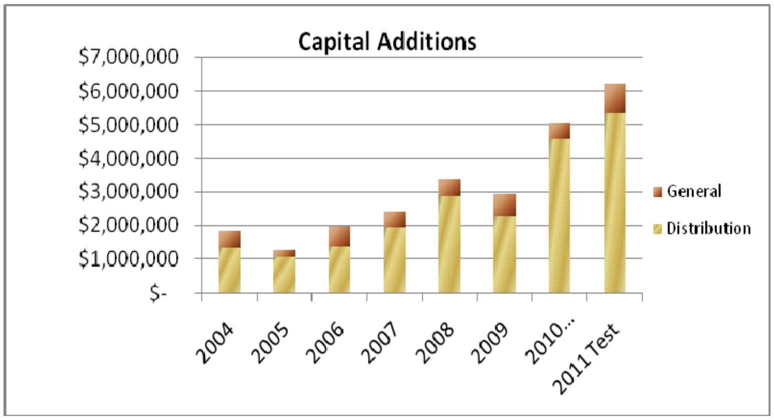
Although WHSI has experienced relatively significant growth to it's asset base since 2004, rates have not been adjusted to account for the increased investment.



In fact, efficiency adjustments included in the IRM rate process have contributed to downward adjustments to the distribution revenue requirement. The 2011 COS rate application is WHSI's opportunity to bring distribution rates in line with the expected revenue requirements for 2011.

	2006 Approved	2008 Approved	2009 Approved	2010 Approved	2011 Required
Service Revenue Requirement (total revenue required)	$7,157,731	$7,128,747	$7,098,434	$7,069,012	$8,715,753
Less: Revenue Offset (specific service charges & other revenue)	($767,759)	($767,759)	($767,759)	($767,759)	($483,279)
OEB Base Revenue Requirement (distribution rates)	**$6,389,972**	**$6,360,988**	**$6,330,675**	**$6,301,253**	**$8,232,474**
Year-Over-Year Change		**-0.45%**	**-0.48%**	**-0.46%**	**30.65%**

Revenue Deficiency

WHSI calculated a regulated revenue deficiency of $1,756,617 for 2011, if no adjustments to existing distribution rates were made. The following table illustrates the actual and forecast financial summary information from 2006 to 2011. A comparison of the OEB approved Regulated Return and WHSI's actual return is also included.

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Description	2006 Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test Year at Existing Rates	2011 Test Year Proposed
Revenue								
Distribution Revenue	6,389,972	6,151,919	6,475,336	6,616,827	6,405,636	6,350,730	6,475,857	8,232,474
Other Operating Revenue (Net)	767,759	886,599	1,015,832	744,671	499,987	384,328	483,279	483,279
Total Revenue	**7,157,731**	**7,038,518**	**7,491,168**	**7,361,498**	**6,905,623**	**6,735,059**	**6,959,136**	**8,715,753**
Costs and Expenses								
Administrative & General, Billing & Collecting	1,955,406	2,210,001	2,112,518	1,942,413	1,976,533	2,293,602	2,525,930	2,525,930
Operation & Maintenance	949,929	1,114,087	1,157,655	1,320,571	1,349,608	1,474,146	1,516,331	1,516,331
Depreciation & Amortization	1,480,767	1,581,407	1,672,770	1,766,354	1,870,899	1,865,397	2,031,382	2,031,382
Property Taxes	125,256	126,191	124,838	125,668	122,776	123,852	126,946	126,946
Capital Taxes	0	0	0	0	0	9,738	0	0
Interest	738,496	810,133	804,987	853,961	581,034	744,194	934,897	934,897
Total Costs and Expenses	**5,249,853**	**5,841,820**	**5,872,769**	**6,008,967**	**5,900,850**	**6,510,928**	**7,135,485**	**7,135,485**
Utility Income Before Income Taxes	**1,907,878**	**1,196,698**	**1,618,399**	**1,352,530**	**1,004,773**	**224,131**	**(176,350)**	**1,580,267**
Corporate Income Taxes	924,090	384,292	572,463	453,778	412,679	37,894	(84,092)	333,825
Net Income	**983,788**	**812,407**	**1,045,936**	**898,753**	**592,094**	**186,236**	**(92,257)**	**1,246,442**
Required Net Income	983,787	983,787	1,758,596	1,769,431	926,177	1,102,584	2,181,339	2,181,339
Net Revenue Sufficiency/(Deficiency)	0	(171,381)	(712,659)	(870,678)	(334,083)	(916,347)	(2,273,597)	(934,897)
CALCULATION OF RETURN ON RATE BASE (Return on Rate Base/Total Rate Base)								
Interest Expense	738,496	810,133	804,987	853,961	581,034	744,194	934,897	934,897
Net Income	983,788	812,407	1,045,936	898,753	592,094	186,236	(92,257)	1,246,442
Return on Rate Base	1,722,284	1,622,539	1,850,924	1,752,714	1,173,128	930,430	842,640	2,181,339
Debt	10,930,972	10,941,862	10,941,862	10,941,862	10,941,862	15,241,862	18,981,357	18,981,357
Equity	10,930,972	12,468,683	12,954,395	13,710,331	13,687,337	14,504,431	12,654,238	12,654,238
Total Rate Base	21,861,943	23,410,545	23,896,257	24,652,193	24,629,199	29,746,293	31,635,594	31,635,594
Actual Return on Rate Base	**7.88%**	**6.93%**	**7.75%**	**7.11%**	**4.76%**	**3.13%**	**2.66%**	**6.90%**
Regulated Return on Rate Base	**7.88%**	**7.88%**	**7.88%**	**7.57%**	**6.72%**	**6.60%**	**6.90%**	**6.90%**

Requests for Approval

The Key requests for approval included in this application are to:

- Increase the Total Service Revenue Requirement to $8,715,753
- Increase distribution rates to accommodate the 2011 Base Revenue Requirement of $8,232,474
- Add the Commerce Way TS Capital Contribution total amount of $4,100,000 to WHSI's rate base calculation.

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- Add net smart meter capital costs to December 31, 2009 to WHSI's 2011 rate base. $1,442,731

- Increase certain existing specific service charges to OEB standardized rates and introduce new specific service charges at OEB standardized rates

- Establish a new rate class General Service >50 - 999 kW

- Establish a new rate class General Service >1000 kW

- Remove the Large User rate class and General Service >50 kW rate class

- Adjust the Smart Meter Rate Adder to $0.47 per month from $1.63 per month to recover 2010 and 2011 net smart meter costs of $85,996.   (1 year recovery period)

- Establish a Smart Meter Rate Rider of $1.20 per month to recover net incremental smart meter costs for smart meters installed to December 31, 2009. $217,894 (1 year recovery period)

- Establish Lost Revenue Adjustment Mechanism (LRAM) Rate Riders to recover distribution revenues lost due to conservation programs between 2006 and 2009 in the amount of $563,469 (3 year recovery period)

- Adjust the 2010 approved Deferral Account Rate Rider Credits to exclude the Global Adjustment variance account balance. Maintain the 4 year disposition period as originally approved (3 years remaining).

- Establish a Separate Non-RPP Rate Rider to charge to Non-RPP customers to recover the Global Adjustment variance amount to December 31, 2008. (3 year remaining recovery period)

- Establish 2011 Deferral Account Rate Riders to recover Deferral account balances to December 31, 2009, plus interest to April 30, 2011 (1 year recovery period).

- Establish a 2011 Non-RPP Rate Rider Charge to recover the Global Adjustment variance amount to December 31, 20089, plus interest to April 30, 2011. (1 year recovery period)

- Adjust the Retail Transmission Service Rates – Network and Connection using WHSI's model and methodology in place of the OEB model, due to the proposed additions of 2 new rate classes.

- Adjust WHSI' loss adjustment factor to 1.0431, down from 1.0440.

- Approval of WHSI's weather normalized load forecast and revised cost allocation study for 2011.

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Rate Impact Summary

This table provides the total Bill Impact for Customers exluding HST and includes distribution, rate riders, transmission charges, wholesale, and commodity charges.

		EXCLUDING HST			
		SSS Monthly Bill Impact - (Excluding Non-RPP Rate Riders)		Monthly Bill Impact - (Including Non-RPP Rate Riders)	
Rate Class	Monthly Volume	$	%	$	%
Residential	800 kWh	$7.56	7.29%	$7.89	7.60%
GS<50	2,000 kWh	$15.27	6.29%	$15.27	6.29%
GS>50-999	75,000, 250 kWh	-$209.88	-2.80%	-$173.08	-2.31%
GS>1000	1,250,000 2500 kW	$2,328.09	2.09%	$2,771.07	2.49%
Streetlight	40 conn, 7,000 kWh 10 kW	$96.18	15.04%	$97.60	15.26%
USL	500 kWh	$8.07	13.29%	$8.28	13.62%

The following table shows the rate impact on distribution charges only (to recover the revenue requirement); distribution charges plus WHSI rate riders/adders; and then the total delivery amount of the customer's bill, which includes the rate riders for the RSVA deferral and variance accounts.

		EXCLUDING HST					
		WHSI Distribution Only (Fixed and Volumetric Charge)		WHSI Distribution, LRAM, Smart Meter adder/riders		DELIVERY (Distribution plus LRAM, Smart Meter and Deferral Account Variance rate riders/adders)	
Rate Class	Volume	$	%	$	%	$	%
Residential	800 kWh	$6.24	23.73%	$8.20	30.59%	$8.04	29.99%
GS<50	2000 kWh	$14.97	32.51%	$18.41	41.02%	$16.81	37.46%
GS>50-999	75,000, 250 kWh	$142.90	19.15%	$276.29	43.45%	$165.36	26.01%
GS>1000	1,250,000 2500 kW	$1,129.03	23.49%	$2,462.57	66.72%	$765.01	20.73%
Streetlight	40 conn, 7,000 kWh 10 kW	$106.52	152.78%	$105.13	159.58%	$108.20	164.25%
USL	500 kWh	$3.99	23.65%	$10.09	59.79%	$9.69	57.43%

This type of distribution increase is fairly typical of other LDC's 2011 COS rate applications

	Waterloo North		Parry Sound		Norfolk	
	Total Bill before HST	Distribution + Rate Riders	Total Bill before HST	Distribution + Rate Riders	Total Bill before HST	Distribution + Rate Riders
Residential	5.08%	25.52%	31.22%	51.55%	1.80%	30.93%
GS<50	2.69%	20.21%	27.96%	52.69%	-1.54%	25.45%

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The **Notice of Application** was issued November 8, 2010 and published in the Sentinel Review on November 15, 2010. Interested Parties have 30 days from the publication date to submit their letter of comment. To date, no letters of comment were submitted to the OEB or WHSI.

On November 26, 2010 the OEB issued **Procedural Order No. 1 (PO1)** to WHSI, which accepted that the documents supplied in confidence met the confidentiality criteria as determined by the OEB. The OEB also granted Intervenor status to 3 groups, namely Energy Probe, VECC (Vulnerable Energy Consumers Coalition), and SEC (Schools Energy Coalition).

PO1 also directed that OEB Staff interrogatories be submitted to WHSI by December 9, 2010. Interrogatories from the three approved Intervenors are to be submitted to WHSI by December 16, 2010. WHSI has until January 13, 2011 to respond to all interrogatories.

Next Steps

The OEB has decided to proceed with a written hearing. Depending on the outcome of the first round of interrogatories, the next steps may include a 2nd and possibly 3rd round of written interrogatories, followed by a Technical Conference, a Settlement Conference and/or Alternate Dispute Resolution (ADR), and/or an Oral Hearing.