

March 20, 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 COS Rate Application
EB-2010-0145
Responses to Technical Conference Questions

Enclosed please find Woodstock Hydro Services Inc. responses to the Technical Conference Questions (TCQ's) filed by Energy Probe Research Foundation in the above noted proceeding.

Due to circumstances beyond the control of Woodstock Hydro, the Hydro One Commerce Way Transmission Station will not be in service in 2011. This was communicated by responses to first round Energy Probe interrogatory number 3 and first round Board Staff interrogatory number 5. In those responses we had indicated that we planned to come forward with an ICM application as part of our 2012 IRM application to address this matter. We in fact communicated this new development to the Board by letter dated January 31, 2011.

Woodstock Hydro's total capital contribution of \$4.1 million towards the TS will happen. This is a very significant amount for us. This contribution represents approximately two years of our typical investment in distribution infrastructure. While we have removed the costs associated with the TS capital contribution in the 2011 test year, we have reconsidered whether an ICM approach would be the appropriate alternative as we had originally thought. As we noted in our response to Energy Probe's Technical Conference Question number 10, we understand that the ICM module has been recently approved by the Board for a new TS owned by Oakville and Guelph but we are not sure whether the ICM module is intended to capture capital contributions associated with a new TS. Therefore, we are considering two options, which we are asking the Board and Intervenor to consider.

The first option is to seek Board approval as part of this proceeding for a funding adder along with a variance account. The funding adder would be determined on the revenue requirement associated with the \$4.1 million capital contribution, to apply until next rebasing. The variance account will record the monies generated from the funding adder and the revenue requirement that would have been appropriate giving recognition to the timing of the capital contribution payments.

The second option is for the Board to authorize a deferral account to record the capital contributions made and for the Board to also direct that the balances and in this deferral account be brought for review and disposition as part of Woodstock Hydro's 2012 IRM application.

In light of the uncertainty of whether the ICM module would be applicable in our circumstances, we believe that either of the options would be a practical and cost-effective way to deal with this important matter within the Board's regulatory construct.

The size of the capital contribution is of critical importance to Woodstock Hydro's financial and operational integrity. The two options we are proposing do address the financial and operational integrity considerations issue, with no risk to the ratepayers.

The TCQ Responses will be filed through the Board's web portal (PDF) and also sent by email and 2 paper copies.

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

Respectfully submitted,

Original Signed By:

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