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 Intervenors 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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Question #1

**Ref: VECC Interrogatory #21 &
February 3, 2011 Evidence Update**

The response to VECC Interrogatory #21 indicates that removal of the Commerce Way TS from the 2011 rate base results in a reduction in the revenue requirement of $369,968. The changes described in the February 3, 2011 evidence update reflects a number of changes that have a net impact of a reduction in the test year revenue requirement of $366,463.

a) **Please provide a table that shows the impact on each component (return on equity, short term debt, long term debt, depreciation, taxes, etc.) of the revenue requirement associated with each of the items discussed in the updated evidence, including removal of the Commerce Way TS, removal of the Commerce Way TS Wholesale Metering Project, the reduction in the return on equity from 9.85% to 9.66%, the increase in the deemed short-term interest rate from 2.07% to 2.43%, the decrease in the long-term debt rate from 5.13% to 5.02% and the calculation of depreciation expense for 2010 capital additions based on the full year basis.**

Response:

The following table TCQ1-1 summarizes the impact on components of the revenue requirement for each of the items discussed in the updated evidence. An adjustment to the smart meter 2011 deprecation expense had also been included in the updated evidence, and is also included in the table. Table TCQ 1-2 provides a more detailed breakdown for each component of the revenue requirement.

WHSI ran the Revenue Requirement model on an incremental, cumulative basis for each adjustment and calculated the net impact for each revenue requirement component as each new item was added. The sum of the impact for each incremental item in column P reconciles the total variance of $366,463 as indicated in column C.

Table TCQ 1-1

Item	Impact on Revenue Requirement
Remove TS contributions, associated debt & depreciation	-369,968
RemoveTS whsl meter project & associated depreciation	-17,315
Dep'n for 2010 additions @ full yr rate	-3,203
Change long term debt rate from 5.13% to 5.02% (done automatically through removal of TS debt)	included in above adjustments
Change short term debt rate from 2.07% to 2.43%	4,069
Change ROE from 9.85% to 9.66%	-27,974
Correct 2011 dep'n amt for meters	47,929
Total Impact on Revenue Requirement	**-366,463**

Table TCQ 1-2 Revenue Deficiency Determination

				Remove TS contributions, associated debt & depreciation		RemoveTS whsl meter project & associated depreciation		Dep'n for 2010 additions @ full yr rate	
Description	**2011 Test - Required Revenue Feb 3 Update**	**2011 Test - Required Revenue Original**	**Total Variance Original VS Feb 3 Update**	**2011 Test - Required Revenue**	**Net Variance**	**2011 Test - Required Revenue**	**Net Variance**	**2011 Test - Required Revenue**	**Net Variance**
	A	**B**	**C (A-B)**	**D**	**E (B-D)**	**F**	**G (F-D)**	**H**	**I (H-F)**
Revenue									
Revenue Deficiency	**1,390,154**	**1,756,617**	**(366,463)**	**1,386,649**	**(369,968)**	**1,369,334**	**(17,315)**	**1,366,131**	**(3,203)**
Distribution Revenue	6,475,857	6,475,857		6,475,857		6,475,857		6,475,857	
Other Operating Revenue (Net)	483,279	483,279		483,279		483,279		483,279	
Total Revenue	**8,349,290**	**8,715,753**	**(366,463)**	**8,345,785**	**(369,968)**	**8,328,470**	**(17,315)**	**8,325,267**	**(3,203)**
Costs and Expenses									
Administrative & General, Billing & Collecting	2,525,930	2,525,930	0	2,525,930	0	2,525,930	0	2,525,930	0
Operation & Maintenance	1,516,331	1,516,331	0	1,516,331	0	1,516,331	0	1,516,331	0
Depreciation & Amortization	1,929,800	2,031,382	(101,581)	1,899,382	(132,000)	1,892,873	(6,509)	1,892,873	(0)
Property Taxes	126,946	126,946	0	126,946	0	126,946	0	126,946	0
Capital Taxes	0	0	0	0	0	0	0	0	0
Deemed Interest	820,757	934,897	(114,140)	822,945	(111,952)	818,332	(4,612)	817,225	(1,107)
Total Costs and Expenses	**6,919,765**	**7,135,485**	**(215,721)**	**6,891,533**	**(243,952)**	**6,880,412**	**(11,121)**	**6,879,306**	**(1,107)**
Less OCT Included Above	0	0		0		0		0	
Total Costs and Expenses Net of OCT	**6,919,765**	**7,135,485**	**(215,721)**	**6,891,533**	**(243,952)**	**6,880,412**	**(11,121)**	**6,879,306**	**(1,107)**
Utility Income Before Income Taxes	**1,429,525**	**1,580,267**	**(150,742)**	**1,454,252**	**(126,015)**	**1,448,057**	**(6,195)**	**1,445,961**	**(2,096)**
Income Taxes:									
Corporate Income Taxes	338,509	333,825	4,684	333,259	(566)	333,347	88	332,759	(588)
Total Income Taxes	**338,509**	**333,825**	**4,684**	**333,259**	**(566)**	**333,347**	**88**	**332,759**	**(588)**
Utility Net Income	**1,091,016**	**1,246,442**	**(155,426)**	**1,120,993**	**(125,450)**	**1,114,710**	**(6,283)**	**1,113,202**	**(1,508)**
Capital Tax Expense Calculation:									
Total Rate Base	28,235,402	31,635,594	(3,400,192)	28,451,594	(3,184,000)	28,292,135	(159,459)	28,253,866	(38,269)
Exemption	15,000,000	15,000,000	0	15,000,000	0	15,000,000	0	15,000,000	0
Deemed Taxable Capital	**13,235,402**	**16,635,594**	**(3,400,192)**	**13,451,594**	**(3,184,000)**	**13,292,135**	**(159,459)**	**13,253,866**	**(38,269)**
Ontario Capital Tax	0	0	0	0	0	0	0	0	0
Income Tax Expense Calculation:									
Accounting Income	1,429,525	1,580,267	(150,742)	1,454,252	(126,015)	1,448,057	(6,195)	1,445,961	(2,096)
Tax Adjustments to Accounting Income	(9,677)	(177,112)	167,436	(53,112)	124,000	(46,604)	6,509	(46,604)	0
Taxable Income	**1,419,849**	**1,403,155**	**16,694**	**1,401,140**	**(2,015)**	**1,401,453**	**314**	**1,399,358**	**(2,096)**
Income Tax Expense	338,509	333,825	4,684	333,259	(566)	333,347	88	332,759	(588)
Tax Rate Refecting Tax Credits	23.84%	23.79%	0.05%	23.78%	-0.01%	23.79%	0.00%	23.78%	-0.01%
Actual Return on Rate Base:									
Rate Base	28,235,402	31,635,594	(3,400,192)	28,451,594	(3,184,000)	28,292,135	(159,459)	28,253,866	(38,269)
Interest Expense	820,757	934,897	(114,140)	822,945	(111,952)	818,332	(4,612)	817,225	(1,107)
Net Income	1,091,016	1,246,442	(155,426)	1,120,993	(125,450)	1,114,710	(6,283)	1,113,202	(1,508)
Total Actual Return on Rate Base	**1,911,773**	**2,181,339**	**(269,566)**	**1,943,937**	**(237,402)**	**1,933,042**	**(10,895)**	**1,930,428**	**(2,615)**
Actual Return on Rate Base	6.77%	6.90%	-0.12%	6.83%	-0.06%	6.83%	0.00%	6.83%	0.00%
Required Return on Rate Base:									
Rate Base	28,235,402	31,635,594	(3,400,192)	28,451,594	(3,184,000)	28,292,135	(159,459)	28,253,866	(38,269)
Return Rates:									
Return on Debt (Weighted)	4.84%	4.93%	-0.08%	4.82%	-0.10%	4.82%	0.00%	4.82%	0.00%
Return on Equity	9.85%	9.85%	0.00%	9.85%	0.00%	9.85%	0.00%	9.85%	0.00%
Deemed Interest Expense	820,757	934,897	(114,140)	822,945	(111,952)	818,332	(4,612)	817,225	(1,107)
Return On Equity	1,091,016	1,246,442	(155,426)	1,120,993	(125,450)	1,114,710	(6,283)	1,113,202	(1,508)
Total Return	**1,911,773**	**2,181,339**	**(269,566)**	**1,943,937**	**(237,402)**	**1,933,042**	**(10,895)**	**1,930,428**	**(2,615)**
Expected Return on Rate Base	6.77%	6.90%	-0.12%	6.83%	-0.06%	6.83%	0.00%	6.83%	0.00%
Revenue Deficiency After Tax	**0**	**0**	**(0)**	**0**	**(0)**	**0**	**0**	**(0)**	**(0)**
Revenue Deficiency Before Tax	**0**	**0**	**(0)**	**0**	**(0)**	**0**	**0**	**(0)**	**(0)**

Tax Exhibit	**2011 Test - Required Revenue Feb 3 Update**	**2011 Test - Required Revenue Original**	**Variance - Original VS Feb 3 Update**	**2011 Test - Required Revenue**	**Net Variance**	**2011 Test - Required Revenue**	**Net Variance**	**2011 Test - Required Revenue**	**Net Variance**
Deemed Utility Income	1,091,016	1,246,442	-155,426	1,120,993	-125,450	1,114,710	-6,283	1,113,202	-1,508
Tax Adjustments to Accounting Income	-9,677	-177,112	167,436	-53,112	124,000	-46,604	6,509	(46,604)	0
Taxable Income prior to adjusting revenue to PILs	**1,081,339**	**1,069,330**	**12,009**	**1,067,880**	**-1,450**	**1,068,106**	**226**	**1,066,598**	**-1,508**
Tax Rate	23.841%	23.79%	0.05%	23.78%	-0.01%	23.79%	0.000%	23.78%	-0.01%
Total PILs before gross up	**257,804**	**254,405**	**3,400**	**253,994**	**-411**	**254,058**	**64**	**253,631**	**-427**
Grossed up PILs	**338,509**	**333,825**	**4,684**	**333,259**	**-566**	**333,347**	**88**	**332,759**	**-588**

Table TCQ 1-2 Revenue Deficiency Determination

Description	2011 Test - Required Revenue Feb 3 Update	2011 Test - Required Revenue Original	Total Variance Original VS Feb 3 Update	Change short term debt rate from 2.07% to 2.43%: 2011 Test - Required Revenue	Net Variance	Change ROE from 9.85% to 9.66%: 2011 Test - Required Revenue	Net Variance	Correct 2011 dep'n amt for meters: 2011 Test - Required Revenue	Net Variance	Cumulative Variance of All Adjustments
	A	B	C (A-B)	J	K (J-H)	L	M (L-J)	N	O (N-L)	P (E+G+I+K+M+O)
Revenue										
Revenue Deficiency	**1,390,154**	**1,756,617**	**(366,463)**	**1,370,200**	**4,069**	**1,342,226**	**(27,974)**	**1,390,154**	**47,929**	**(366,463)**
Distribution Revenue	6,475,857	6,475,857		6,475,857		6,475,857		6,475,857		
Other Operating Revenue (Net)	483,279	483,279		483,279		483,279		483,279		
Total Revenue	**8,349,290**	**8,715,753**	**(366,463)**	**8,329,336**	**4,069**	**8,301,362**	**(27,974)**	**8,349,290**	**47,929**	**(366,463)**
Costs and Expenses										
Administrative & General, Billing & Collecting	2,525,930	2,525,930	0	2,525,930	0	2,525,930	0	2,525,930	0	0
Operation & Maintenance	1,516,331	1,516,331	0	1,516,331	0	1,516,331	0	1,516,331	0	0
Depreciation & Amortization	1,929,800	2,031,382	(101,581)	1,892,873	0	1,892,873	0	1,929,800	36,927	(101,581)
Property Taxes	126,946	126,946	0	126,946	0	126,946	0	126,946	0	0
Capital Taxes	0	0	0	0	0	0	0	0	0	0
Deemed Interest	820,757	934,897	(114,140)	821,294	4,069	821,735	442	820,757	(978)	(114,140)
Total Costs and Expenses	**6,919,765**	**7,135,485**	**(215,721)**	**6,883,374**	**4,069**	**6,883,816**	**442**	**6,919,765**	**35,949**	**(215,721)**
Less OCT Included Above	0	0		0		0		0		0
Total Costs and Expenses Net of OCT	**6,919,765**	**7,135,485**	**(215,721)**	**6,883,374**	**4,069**	**6,883,816**	**442**	**6,919,765**	**35,949**	**(215,721)**
Utility Income Before Income Taxes	**1,429,525**	**1,580,267**	**(150,742)**	**1,445,961**	**(0)**	**1,417,546**	**(28,416)**	**1,429,525**	**11,979**	**(150,742)**
Income Taxes:										
Corporate Income Taxes	338,509	333,825	4,684	332,759	0	325,817	(6,943)	338,509	12,693	4,684
Total Income Taxes	**338,509**	**333,825**	**4,684**	**332,759**	**0**	**325,817**	**(6,943)**	**338,509**	**12,693**	**4,684**
Utility Net Income	**1,091,016**	**1,246,442**	**(155,426)**	**1,113,202**	**(0)**	**1,091,729**	**(21,473)**	**1,091,016**	**(713)**	**(155,426)**
Capital Tax Expense Calculation:										
Total Rate Base	28,235,402	31,635,594	(3,400,192)	28,253,866	0	28,253,867	1	28,235,402	(18,464)	(3,400,192)
Exemption	15,000,000	15,000,000	0	15,000,000	0	15,000,000	0	15,000,000	0	0
Deemed Taxable Capital	**13,235,402**	**16,635,594**	**(3,400,192)**	**13,253,866**	**0**	**13,253,867**	**1**	**13,235,402**	**(18,464)**	**(3,400,192)**
Ontario Capital Tax	0	0	0	0	0	0	0	0	0	0
Income Tax Expense Calculation:										
Accounting Income	1,429,525	1,580,267	(150,742)	1,445,961	(0)	1,417,546	(28,416)	1,429,525	11,979	(150,742)
Tax Adjustments to Accounting Income	(9,677)	(177,112)	167,436	(46,604)	0	(46,604)	(0)	(9,677)	36,927	167,436
Taxable Income	**1,419,849**	**1,403,155**	**16,694**	**1,399,358**	**(0)**	**1,370,942**	**(28,416)**	**1,419,849**	**48,907**	**16,694**
Income Tax Expense	338,509	333,825	4,684	332,759	(0)	325,817	(6,943)	338,509	12,693	**4,684**
Tax Rate Refecting Tax Credits	23.84%	23.79%	0.05%	23.78%	0.00%	23.77%	-0.01%	23.84%	0.08%	0.05%
Actual Return on Rate Base:										
Rate Base	28,235,402	31,635,594	(3,400,192)	28,253,866	0	28,253,867	1	28,235,402	(18,464)	(3,400,192)
										0
Interest Expense	820,757	934,897	(114,140)	821,294	4,069	821,735	442	820,757	(978)	(114,140)
Net Income	1,091,016	1,246,442	(155,426)	1,113,202	(0)	1,091,729	(21,473)	1,091,016	(713)	(155,426)
Total Actual Return on Rate Base	**1,911,773**	**2,181,339**	**(269,566)**	**1,934,496**	**4,069**	**1,913,465**	**(21,031)**	**1,911,773**	**(1,692)**	**(269,566)**
Actual Return on Rate Base	6.77%	6.90%	-0.12%	6.85%	0.01%	6.77%	-0.07%	6.77%	0.00%	-0.12%
Required Return on Rate Base:										
Rate Base	28,235,402	31,635,594	(3,400,192)	28,253,866	0	28,253,867	1	28,235,402	(18,464)	(3,400,192)
Return Rates:										
Return on Debt (Weighted)	4.84%	4.93%	-0.08%	4.84%	0.02%	4.85%	0.00%	4.84%	0.00%	-0.08%
Return on Equity	9.85%	9.85%	0.00%	9.85%	0.00%	9.85%	0.00%	9.85%	0.00%	0.00%
Deemed Interest Expense	820,757	934,897	(114,140)	821,294	4,069	821,735	442	820,757	(978)	(114,140)
Return On Equity	1,091,016	1,246,442	(155,426)	1,113,202	0	1,091,729	(21,473)	1,091,016	(713)	(155,426)
Total Return	**1,911,773**	**2,181,339**	**(269,566)**	**1,934,496**	**4,069**	**1,913,465**	**(21,031)**	**1,911,773**	**(1,692)**	**(269,566)**
Expected Return on Rate Base	6.77%	6.90%	-0.12%	6.85%	0.01%	6.77%	-0.07%	6.77%	0.00%	-0.12%
Revenue Deficiency After Tax	**0**	**0**	**(0)**	**0**	**0**	**0**	**0**	**(0)**	**(0)**	**(0)**
Revenue Deficiency Before Tax	**0**	**0**	**(0)**	**0**	**0**	**0**	**0**	**(0)**	**(0)**	**(0)**

Tax Exhibit	2011 Test - Required Revenue Feb 3 Update	2011 Test - Required Revenue Original	Variance - Original VS Feb 3 Update	2011 Test - Required Revenue	Net Variance	2011 Test - Required Revenue	Net Variance	2011 Test - Required Revenue	Net Variance	Cumulative Variance of All Adjustments
Deemed Utility Income	1,091,016	1,246,442	-155,426	1,113,202	-0	1,091,729	-21,473	1,091,016	-713	-155,426
Tax Adjustments to Accounting Income	-9,677	-177,112	167,436	(46,604)	0	(46,604)	-0	(9,677)	36,927	167,436
Taxable Income prior to adjusting revenue to PILs	**1,081,339**	**1,069,330**	**12,009**	**1,066,598**	**-0**	**1,045,125**	**-21,473**	**1,081,339**	**36,214**	**12,009**
Tax Rate	23.841%	23.79%	0.05%	23.78%	0.00%	23.77%	-0.01%	23.841%	0.08%	0.05%
Total PILs before gross up	**257,804**	**254,405**	**3,400**	**253,631**	**-0**	**248,383**	**-5,248**	**257,805**	**9,421**	**3,400**
										0
Grossed up PILs	**338,509**	**333,825**	**4,684**	**332,759**	**-0**	**325,817**	**-6,943**	**338,509**	**12,693**	**4,684**

b) **Please explain why the reduction in the test year revenue requirement is less than that indicated in the VECC interrogatory response, even though the updated evidence includes a reduced return on equity and lower long term debt rate.**

Response:

Subsequent to the revenue requirement adjustment of ($369,968) as indicated in WHSI's response to VECC IR# 21, the impact on revenue requirement that resulted from the reduced return on equity and long term debt rates were offset by increases to the short term debt rate (+$4,069) and an adjustment to the depreciation expense calculated for meter assets (+$47,929). This adjustment was required to reconcile with WHSI's internal meter depreciation schedules, after it was discovered that the depreciation amount used in the original submission was incorrect. Table TCQ 1-2 above provides additional detail on the impact of each item.

Other items that reduced the revenue requirement include the removal of the TS wholesale meter project, and a depreciation adjustment for 2010 additions at the full year rate. The end result of these items is a net revenue requirement adjustment of ($366,463) which is summarized in table TCQ 1-1 above.

c) **The first two points on page 1 of the updated evidence both talk about removal of 2010 capital contributions. Were one of these capital contributions forecast for 2011?**

Response:

Correct. Due to a typographical error, the firs two points on page 1 of the updated evidence which had stated:

- *"Removal of 2010 capital contribution of $1.6 Million towards the Commerce Way Transmission Station referred to in Exhibit 2, Tab 2, Schedule 3 Table 2-19, of the original Application dated October 28, 2010*

- *Removal of 2010 capital contribution of $2.5 Million towards the Commerce Way Transmission Station referred to in Exhibit 2, Tab 2, Schedule 3 Table 2-20, of the original Application dated October 28, 2010"*

Should have read:

- "Removal of 2010 capital contribution of **$2.5** Million towards the Commerce Way Transmission Station referred to in Exhibit 2, Tab 2, Schedule 3 Table 2-19, of the original Application dated October 28, 2010

- Removal of **2011** capital contribution of $**1.6** Million towards the Commerce Way Transmission Station referred to in Exhibit 2, Tab 2, Schedule 3 Table 2-20, of the original Application dated October 28, 2010."

d) Please explain the increase in depreciation expense shown in the revised 2011 fixed asset continuity schedule in the updated evidence for meters ($231,498) as compared to the original figure of $$186,523 shown in the original evidence at Table 2-11.

Response:

The depreciation expense for account 1860 Meters, shown in the original evidence at Table 2-11 was $196,501. The difference between this amount and $231,498 as provided in the February 3, 2011 evidence update is $34,997, the contributing factors summarized as follows:

Feb 3 2011 Revised Meter depreciation (excluding smart meters)	231,498
Original Meter depreciation (excluding smart meters)	196,501
Variance	34,997
Consisting of:	
Removal of TS Wholesale Meter Project ($96,534/25years/2)	(1,931)
Correct Depreciation Expense per actual schedules	36,927
Variance	34,997

Question #2

**Ref: Energy Probe Interrogatory #4c &
February 3, 2011 Evidence Update**

There are different additions to accumulated depreciations in accounts 1860, 1861, 1920 and 1925 in the revised 2010 fixed asset continuity schedule in Appendix B attached to the February 3, 2011 update as compared to Table 2-9 provided in the response to Energy Probe Interrogatory #4c.

For each account please explain which figure is correct and why the other figure should not be used.

Response:

The following table summarizes the changes made for each account, the reason for the adjustments, and column summarizing the correct amounts, followed by further explanation for each account.

Table TCQ2-1

2010 Fixed Asset Continuity Schedule - Depreciation Additions					
Account	Feb 3 2011 Evidence Update	Energy Probe IRR#4c	Variance	**Correct 2010 Depreciation Amount**	Explanation
1860	257,615	220,688	36,927	**257,615**	Cell reference error in the deprecation expense schedules
1861	0	92,319	-92,319	**92,319**	Deprecation on smart meter asset additions ($1,384,779/ 15 years)
1860/1861	Subtotal 1860/1862			**349,934**	
1920	110,251	114,530	-4,279	**112,391**	Deprecation on smart meter asset additions ($10,697/ 5 years* 2) should have been for 1 year only
1925	120,691	139,593	-18,902	**130,142**	Deprecation on smart meter asset additions ($47,255/ 5 years* 2) should have been for 1 year only

<u>1860 – Meters</u>

The figure shown in the February 3, 2011 Evidence Update for account 1860 is correct. The adjustment in account 1860 was made to correct to a cell reference error in the depreciation expense schedules, which was inadvertently not commented on in the February 3 Evidence Update.

<u>Accounts 1861, 1920 and 1925</u>

In reference to Table 2-9, WHSI's response to Energy Probe IR#4c, 2010 depreciation expense was recognized on a full year basis and included amounts for smart meter related asset additions to accounts 1861, 1920, and 1925. This adjustment was included to accurately reflect the net deprecation on these smart meter assets in the rate base. Specific comments for each account are noted below:

<u>1861 – Smart Meters</u>

The figure shown in the Energy Probe IRR #4 for account 1861 is correct. As noted in Exhibit 2, Tab 2, Schedule 1, page 8, Table 2-10, WHSI included the proposed smart meter assets additions in the 2010 Fixed Asset Continuity Schedule so that the excel model would include 100% of these costs in the 2011 rate base calculation. Had these amounts been included as a 2011 addition, the model would have calculated 2011 depreciation using the ½ year rule. Additionally, the depreciation expense on the smart meters had to be recognized in the rate base, on a full year basis. The adjustment for $92,319 for represents the depreciation expense attributable for smart meter assets in 2010.

<u>1920 – Computer Hardware and 1925 – Computer Software</u>

Depreciation expense for smart meter related hardware and software was also correctly included in the Energy Probe IRR #4 , however a formula error had calculated this expense over a 2 year basis rather than over 1 year. The correct amounts for depreciation expense are reflected in the above table.

The February 3, 2011 evidence update had inadvertently removed the 2010 depreciation expense from computer hardware and software attributable to the smart meter additions. While this expense is recognized in the calculation of the Smart Meter Rate Recovery Rider, it was necessary to include these amounts in the continuity schedules to ensure the net book value of these additions as of 2011 were correctly presented.

WHSI confirms that it will include the adjustments as noted in Table TCQ2-1 in the calculation of the revenue requirement for Energy Probe TCQ # 12.

Question #3

Ref: Energy Probe Interrogatory #4c &
Exhibit 2, Tab 2, Schedule 1, Table 2-11 &
February 3, 2011 Evidence Update

a) Please explain the increase in the additions to accumulated depreciation shown in the interrogatory response as compared to the original evidence for computer hardware and software.

Response:

The original evidence update had inadvertently removed the 2011 depreciation expense from computer hardware and software attributable to the smart meter additions. While this expense is recognized in the calculation of the Smart Meter Rate Recovery Rider, it was necessary to include the amounts in the continuity schedules to ensure the net book value of these additions as of 2011 were correctly presented.

Table TCQ3-1

2011 Fixed Asset Continuity Schedule - Depreciation Additions					
Account	Original Evidence	Energy Probe IRR#4c	Variance	**Correct Amount**	Explanation
1920	108,134	110,274	(2,140)	**110,274**	Deprecation on smart meter asset additions ($10,697/ 5 years)
1925	115,734	125,185	(9,451)	**125,185**	Deprecation on smart meter asset additions ($47,255/ 5 years)

b) In the February 3, 2011 evidence update, these amounts appear to revert to those shown in the original evidence. Please confirm that the figures provided in the evidence update are those that should be used.

Response:

The figures provided in the Energy Probe Interrogatory # 4c response should be used in order to recognize a full year of depreciation expense for these items.

WHSI confirms that it will include the adjustments as noted in Table TCQ3-1 in the calculation of the revenue requirement for Energy Probe TCQ # 12.

Question #4

Ref: Energy Probe Interrogatory #5 &
Exhibit 4, Tab 3, Schedule 1, Table 4-27 &
Exhibit 2, Tab 2, Schedule 1, Table 2-11

a) **It is not clear what WHSI means by the term "fully depreciated". In Table 4-27 and in the response to the Energy Probe interrogatory, the column labeled "Less Fully Depreciated" has a figure of $3,248,629 for account 1830. This is the same amount shown in Table 2-11 as the opening balance for accumulated depreciation. Please explain why these figures are the same.**

Response:

In keeping with the template excel model provided by the OEB and entitled "filing_req_dist_trans_chapter2_Appendices_XLS.xls" , Tab "App.2-M Depreciation Expense", WHSI has included identified assets that are fully depreciated as of the beginning of the 2011 Test Year and still on WHSI's books.

Note (1) on this tab states "*This adjusts for assets still on the books but which have been fully amortized or depreciated".*

WHSI had interpreted this description to be the proportion of fully depreciated assets, or in other words, the *accumulated depreciation* to date, and had reported the accumulated depreciation as of January 1, 2011 in Table 4-27, in the "Less Fully Depreciated" column. As such, the amount in this column is the same as the amount shown in Table 2-11 as the opening balance for accumulated depreciation.

The figure of $3,248,629 for account 1830 represents the amount of those assets that are fully depreciated as of the beginning of the 2011 Test Year, and confirms that this is the opening balance for accumulated depreciation.

b) Appendix 2-M of the Filing Requirements requires depreciation to be calculated on the gross asset values excluding those assets that are fully depreciated. The response provided in part (b) of the interrogatory appears to use the opening balance of accumulated depreciation as amounts that are "fully depreciated". It is therefore not possible to reconcile the depreciation expense claimed with the figures provided. Please provide the depreciation expense, as shown in Appendix 2-M using the actual amounts of assets by account that are fully depreciated, and thus do not attract further depreciation expense in 2011.

Response:

The depreciation expense provided in the column "Additions" are the actual and forecast depreciation amounts included in WHSI's depreciation schedules as of Jan 1, 2011. These amounts contain the cumulative depreciation expense for all assets added prior to 2011. Because the annual additions amounts are different each year, the Net for Depreciation amount cannot be used to determine the total depreciation expense. The "Net for depreciation" column shows the net book value of WHSI's assets as of January 1st, which is the Opening Balance less Fully Depreciated amounts.

In other words, dividing the amount in Net for Depreciation by 25, (in the case of assets with a 25 year life) and then adding the depreciation amount for the 2011 additions (eg. $602,927/25/2) would not reconcile to the amount shown in the Depreciation Expense column. The only scenario where this would reconcile would be where all additions were added in 1 year.

This variance in amounts of additions over the years is evident in WHSI's response to Energy Probe #5a, where a condensed depreciation schedule for account 1830 was provided. For ease of reference, this has been copied below:

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	

The deprecation amounts shown in column "1-Oct-00" represent the net depreciation expense remaining for assets added prior to October, 2000. The schedules were presented in this manner to coincide with WHSI's incorporation in October 2000.

All annual asset additions after October 2000, are allocated on a straight line basis over the 25 year useful life, in the columns to the right of the "1-Oct-00" column. The column called "Depreciation Expense", is the sum of the 1/25 portion of depreciation expense for all historical additions. As indicated in this column, annual depreciation expense will vary depending on the annual additions made to each asset account. The total 2011 depreciation expense for 2011, for example, is $408,752, and calculated on a straight-line, 25 year basis. The column "Accumulated Amortization" is the year to date accumulated amortization, and reconciles with the 4th row from the top, entitled "Accumulated Dep". For example, the total accumulated amortization to December 31, 2011 is $3,665,293.

c) The response to part (a) is not clear. In particular, in the column labeled 1-Oct-00, please explain why the depreciation amounts shown for each year are different, even though the gross additions are fixed at $4,617,457. Specifically, please explain why the annual depreciation costs associated with the gross additions of $4,617,457 is not equal to $184,698 (i.e. $4,617,457 / 25 years).

Response:

WHSI believes that the explanation provided in part a) above helps to clarify the question ***"why the annual depreciation costs associated with the gross additions of $4,617,457 is not equal to $184,698 (i.e. $4,617,457 / 25 years)."***

d) Please provide tables similar to the one provided in part (a) of the response for each account shown in Table 4-27.

Response:

WHSI believes that the explanation provided in part a) above helps to clarify the question.

Question #5

Ref: Energy Probe Interrogatory #9

Does WHSI agree that the $50,000 estimated sale value of the fully depreciated vehicle being replaced in 2011 should be included in account 4355, Gain on Disposition of Utility and Other Property as a revenue offset? If not, why not?

Response:

WHSI believes that the gain realized from the sale of a vehicle is a not regular, recurring source of revenue and as such, the full amount should not be used as a revenue offset.

Further to WHSI's response to Energy Probe Interrogatory # 9, WHSI would agree that, the estimated sale value of this vehicle could be included in account 4355, to be recovered over 4 years. This amounts to $12,500 ($50,000/4 = $12,500)

In its original application WHSI had included $500 in account 4355, (50% of $1,000) which was included in the revenue offset.

Accordingly, WHSI has updated its Revenue Offset by an incremental amount of $12,000 so that the total amount included in account 4355 is $12,500. This update has been included in our response to Energy Probe TCQ # 12.

Question #6

Ref: Energy Probe Interrogatory #13(c)

What is the impact on the revenue deficiency if the 2011 purchased kWh forecast is increased to 373,158,922 kWh?

Response:

WHSI calculated this impact using the February 3, 2011 Evidence Revenue Requirement update as the baseline comparator. As indicated in the following Table, the impact on the revenue deficiency of this scenario would be a reduction of $35,547, which results in a $3,240 increase to the revenue requirement.

The decreased revenue deficiency is due to higher calculated distribution revenue as a result of the increased kWh. Conversely, the increase in the revenue requirement is due to a higher rate base and PILS. The impact on the rate base results from increased kWh purchases and subsequent effect on the working capital allowance amount.

Woodstock Hydro Services Inc.
Revenue Deficiency Determination

Description	2011 Test Existing Rates	2011 Test - TCQ #6 Required Revenue	2011 Test - Feb 3 Evidence Update - Required Revenue	Impact
Revenue				
Revenue Deficiency		1,354,607	1,390,154	-35,547
Distribution Revenue	6,514,644	6,514,644	6,475,857	38,786
Other Operating Revenue (Net)	483,279	483,279	483,279	0
Total Revenue	**6,997,922**	**8,352,529**	**8,349,290**	**3,240**
Costs and Expenses				
Administrative & General, Billing & Collecting	2,525,930	2,525,930	2,525,930	0
Operation & Maintenance	1,516,331	1,516,331	1,516,331	0
Depreciation & Amortization	1,929,800	1,929,800	1,929,800	0
Property Taxes	126,946	126,946	126,946	0
Capital Taxes	0	0	0	0
Deemed Interest	821,895	821,895	820,757	1,137
Total Costs and Expenses	**6,920,902**	**6,920,902**	**6,919,765**	**1,137**
Less OCT Included Above	0	0	0	0
Total Costs and Expenses Net of OCT	**6,920,902**	**6,920,902**	**6,919,765**	**1,137**
Utility Income Before Income Taxes	**77,020**	**1,431,627**	**1,429,525**	**2,102**
Income Taxes:				
Corporate Income Taxes	16,060	339,099	338,509	590
Total Income Taxes	**16,060**	**339,099**	**338,509**	**590**
Utility Net Income	**60,960**	**1,092,528**	**1,091,016**	**1,512**
Capital Tax Expense Calculation:				
Total Rate Base	28,274,533	28,274,533	28,235,402	39,130
Exemption	15,000,000	15,000,000	15,000,000	0
Deemed Taxable Capital	**13,274,533**	**13,274,533**	**13,235,402**	**39,130**
Ontario Capital Tax	0	0	0	0
Income Tax Expense Calculation:				
Accounting Income	77,020	1,431,627	1,429,525	2,102
Tax Adjustments to Accounting Income	-9,677	-9,677	-9,677	0
Taxable Income	**67,344**	**1,421,951**	**1,419,849**	**2,102**
Income Tax Expense	16,060	339,099	338,509	590
Tax Rate Refecting Tax Credits	23.85%	23.85%	23.84%	0.01%
Actual Return on Rate Base:				
Rate Base	28,274,533	28,274,533	28,235,402	39,130
Interest Expense	821,895	821,895	820,757	1,137
Net Income	60,960	1,092,528	1,091,016	1,512
Total Actual Return on Rate Base	**882,855**	**1,914,423**	**1,911,773**	**2,649**
Actual Return on Rate Base	3.12%	6.77%	6.77%	0.00%
Required Return on Rate Base:				
Rate Base	28,274,533	28,274,533	28,235,402	39,130
Return Rates:				
Return on Debt (Weighted)	4.84%	4.84%	4.84%	0.00%
Return on Equity	9.85%	9.85%	9.85%	0.00%
Deemed Interest Expense	821,895	821,895	820,757	1,137
Return On Equity	1,092,528	1,092,528	1,091,016	1,512
Total Return	**1,914,423**	**1,914,423**	**1,911,773**	**2,649**
Expected Return on Rate Base	6.77%	6.77%	6.77%	0.00%
Revenue Deficiency After Tax	**1,031,568**	**0**	**0**	**0**
Revenue Deficiency Before Tax	**1,354,607**	**0**	**0**	**0**

Tax Exhibit	2011	2011 Test - Feb 3 Evidence Update - Required Revenue	Impact
Deemed Utility Income	1,092,528	1,091,016	1,512
Tax Adjustments to Accounting Income	(9,677)	(9,677)	
Taxable Income prior to adjusting revenue to PILs	**1,082,851**	**1,081,339**	**1,512**
Tax Rate	23.85%	23.84%	0.01%
Total PILs before gross up	**258,233**	**257,804**	**428**
Grossed up PILs	**339,099**	**338,509**	**590**

Question #7

Ref: Energy Probe Interrogatory #15(a)

Please update the table provided in the response to show the final 2010 actual figures.

Response:

WHSI's final 2010 actual results will be unavailable until completion of the year-end audit. The 2010 unaudited figures are presented in the table below

Revised Table 3-30

Account	Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2010 Unaudited	2011 Test	Variance 2010 Bridge to 2010 Unaudited
4235	Specific Service Charges	267,552	64,606	82,394	95,808	123,901	148,875	207,936	234,290	59,061
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	37,753	38,565	371
4082	Retail Services Revenues	25,241	28,483	27,344	23,482	25,337	25,400	28,423	25,400	3,023
4084	STR Revenues	141	1,278	1,931	640	854	1,000	1,555	1,000	555
4210	Rent from Electric Property	7,198	270,821	263,482	280,390	179,975	40,885	39,739	40,885	(1,146)
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	929,224	829,344	136,219
4380	Expenses of Non-Utility Operations		0	(143,882)	(733,267)	(856,351)	(717,978)	(762,216)	(770,512)	(44,238)
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	46,842	45,700	3,886
Specific Service Charges		267,552	64,606	82,394	95,808	123,901	148,875	207,936	234,290	59,061
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	107,470	105,850	2,803
Other Income and Expenses		109,766	209,202	222,642	322,094	156,465	144,333	246,067	120,882	101,734
Total Other Operating Revenue		**767,759**	**951,452**	**1,081,203**	**807,105**	**564,561**	**448,110**	**612,584**	**515,276**	**164,475**
Adjustments to Determine Net Revenue Offset:										
	Less: CDM Revenue	0	0	(131,653)	(466,824)	(534,613)	(361,077)	(496,368)	(376,707)	(135,291)
	Less: CDM Expense	0	0	143,882	368,256	487,655	330,775	384,509	346,707	53,734
	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	1,732	25,959	(15,712)
	Less: Regulatory Asset Carrying Charges	0	(31,873)	(19,288)	(18,282)	(8,137)	(13,542)	(21,530)	(18,700)	(7,988)
	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**	**480,927**	**483,279**	**59,217**
Annual Variance			134,010	164,725	(376,259)	(182,529)	(85,996)	(26,779)	2,352	
Annual Variance %			17.5%	18.3%	-35.3%	-26.4%	-16.9%	-5.3%	0.5%	

Question #8

Ref: Energy Probe Interrogatory #18

Please provide an update to the 2010 actual data if the audited figures are now available.

Response:

WHSI's final 2010 results will be unavailable until completion of the year-end audit. The 2010 unaudited figures are presented in the table below.

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 Unaudited	Variance 2010 Bridge Year to 2009 Actuals	Variance %	Test Year 2011	2011Test Year /2010 Unaudited 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%	763,741	44,444	6.2%	785,560	21,819	2.9%
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%	602,881	(27,429)	-4.4%	730,771	127,890	21.2%
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%	629,097	80,669	14.7%	675,133	46,036	7.3%
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%	23,502	(586)	-2.4%	42,382	18,880	80.3%
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%	1,527,870	124,353	8.9%	1,808,415	280,546	18.4%
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%	**$3,669,816**	**$221,400**	6.4%	**$4,169,207**	**$499,391**	13.6%

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%

Question #9

Ref: Energy Probe Interrogatory #25(d)

The response provided is not complete. Please provide a complete response.

Response:

WHSI has not included further training credits in the calculation of the 2011 taxes payable because it is unaware of any further training credits that may be applicable to WHSI, in addition to the Ontario Apprenticeship Training Tax Credit.

Question #10

**Ref: Exhibit 5, Tab 1, Schedule 3, Table 2 &
Board Staff Interrogatory #19**

a) Please provide an updated Table 2 showing the debt instruments that will be held for 2011 and the calculation of the weighted average cost of debt as a result of any changes related to the delay associated with the Commerce Way Transmission Station.

Response:

Due to circumstances beyond our control, WHSI cannot confirm with certainty, the timing of the financing for Commerce Way Transmission Station to be held for 2011. To the best of our knowledge, we anticipate an advance of $2.5M will be made mid-2011, with the balance to be advanced in the spring of 2012.

Because the HONI-owned asset will not be in service in 2011, WHSI's capital contribution would not be included in its asset base in 2011. Accordingly, the debt financing associated with the capital contribution would be excluded from the calculation of WHSI's weighted average cost of debt. The calculation in Table 2 below remains unchanged from WHSI's February 3, 2011 Evidence Update.

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 Intervenors 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.

Weighted Debt Cost

Description	Debt Holder	Affliated with LDC?	Date of Issuance	Principal	Term (Years)	Rate%	Year Applied to	Interest Cost
Initial debt issue	City of Woodstock	Y		10,941,862	15	6.76%	2006	739,232
Initial debt issue	City of Woodstock	Y		10,941,862	15	6.76%	2007	739,232
Initial debt issue	City of Woodstock (6.75% Jan 1- Sep 30) / CIBC (4.975% Oct 1-Dec 31)	N	Oct 1 2008	10,941,862	15	6.31%	2008	690,514
Initial debt issue	CIBC	N	Oct 1 2008	10,941,862	15	4.98%	2009	544,358
Initial debt issue	CIBC	N	May 1 2010	10,941,862	15	5.09%	2010	557,123
Smart meter financing	Infrastucture Ontario	N	Sept 1 2010	1,800,000	15	4.21%	2010	25,260
HONI TS Cap Cont # 1	CIBC	N	May 1 2010		15		2010	0
Initial debt issue	CIBC	N	May 1 2010	10,941,862	15	5.15%	2011	563,506
Smart meter financing	Infrastucture Ontario	N	Sept 1 2010	1,800,000	15	4.21%	2011	75,780
HONI TS Cap Cont # 1	CIBC	N	May 1 2010		15		2011	0
HONI TS Cap Cont # 2	CIBC	N	May 1 2011		15		2011	0
HONI TS Cap Cont # 3	CIBC	N	Dec 1 2011		15		2011	0

2006 Total Long Term Debt	10,941,862	**Total Interest Cost for 2006**	739,232
		Weighted Debt Cost Rate for 2006	6.76%
2007 Total Long Term Debt	10,941,862	**Total Interest Cost for 2007**	739,232
		Weighted Debt Cost Rate for 2007	6.76%
2008 Total Long Term Debt	10,941,862	**Total Interest Cost for 2008**	690,514
		Weighted Debt Cost Rate for 2008	6.31%
2009 Total Long Term Debt	10,941,862	**Total Interest Cost for 2009**	544,358
		Weighted Debt Cost Rate for 2009	4.98%
2010 Total Long Term Debt	12,741,862	**Total Interest Cost for 2010**	582,383
		Weighted Debt Cost Rate for 2010	4.57%
2011 Total Long Term Debt (Weighted)*	12,741,862	**Total Interest Cost for 2011**	639,286
		Weighted Debt Cost Rate for 2011	5.02%

b) For each loan shown that is applicable to 2011, please indicate whether the loan has been put in place and whether there are any changes to the term, rate or amount from that shown in the original evidence.

Response:

1. CIBC – Financing for Initial Debt Issue $10,941,862
- Is put in place
- No changes to the term, rate, or amount

2. Infrastructure Ontario – Smart Meter Financing $1,800,000
- Is put in place
- No changes to the term, rate, or amount

3. CIBC – Financing for HONI TS Capital Contribution $2,500,000
- Is put in place. Funds are expected to be advanced in 2011.
- No changes to the term, rate, or amount

Question #11

Ref: Energy Probe Interrogatory #14(a) &
VECC Interrogatory #5(a)

Please explain the significant differences in the loss factors calculated in these two responses.

Response:

WHSI confirms that the loss factor calculated in WHSI's response to Energy Probe IR #14(a) is the correct value. The loss factor provided in WHSI's response to VECC IR # 5a contained incorrect references and should be disregarded.

Question #12

Ref: All Interrogatories

a) **Please provide an updated Revenue Requirement Work Form that reflects all the changes that WHSI has accepted through the interrogatory process or other changes now proposed by WHSI. Please also reflect the updated cost of capital parameters released by the Board on March 3, 2011 in the revenue requirement work form.**

Response:
In addition to the changes reflected in WHSI's February 3, 2011 updated revenue requirement, the following amendments have been included.

- Update 2010 depreciation expense per WHSI's response to question 2 above:

Account	Correct 2010 Depreciation Amount
1860	**257,615**
1861	**92,319**
1860/1861	**349,934**
1920	**112,391**
1925	**130,142**

- Update 2011 depreciation expense per WHSI's response to question 3 above:

Account	Correct 2011 Depreciation Amount
1920	**110,274**
1925	**125,185**

-OEB cost of capital parameters- Return on Equity from 9.66% to 9.58%
-OEB cost of capital parameters- Deemed ST Debt rate from 2.43% To 2.46%
- increase account 4355 Gain on disposal of property, to $12,500

b) **Please provide a companion schedule that shows for each of the changes accepted by BCP *(sic)* the determination/calculation of the change in the revenue requirement.**

Response:
A summary comparison of the updated revenue requirement that reflects the above noted changes is shown below and supporting excel files included in the response:

Woodstock Hydro Services Inc.
Revenue Deficiency Determination

Description	2010 Bridge Actual	2011 Test Existing Rates	2011 Test - Updated for Accepted Changes- Required Revenue	2011 Test - Required Revenue Feb 3 Update	Variance
Revenue					
Revenue Deficiency			1,373,011	1,390,154	(17,143)
Distribution Revenue	6,350,730	6,475,857	6,475,857	6,475,857	0
Other Operating Revenue (Net)	384,328	495,279	495,279	483,279	12,000
Total Revenue	**6,735,059**	**6,971,136**	**8,344,146**	**8,349,290**	**(5,143)**
Costs and Expenses					
Administrative & General, Billing & Collecting	2,293,602	2,525,930	2,525,930	2,525,930	0
Operation & Maintenance	1,474,146	1,516,331	1,516,331	1,516,331	0
Depreciation & Amortization	1,956,325	1,941,391	1,941,391	1,929,800	11,590
Property Taxes	123,852	126,946	126,946	126,946	0
Capital Taxes	8,766	0	0	0	0
Deemed Interest	731,893	817,906	817,906	820,757	(2,851)
Total Costs and Expenses	**6,588,584**	**6,928,504**	**6,928,504**	**6,919,765**	**8,739**
Less OCT Included Above	0	0	0	0	0
Total Costs and Expenses Net of OCT	**6,588,584**	**6,928,504**	**6,928,504**	**6,919,765**	**8,739**
Utility Income Before Income Taxes	**146,475**	**42,632**	**1,415,643**	**1,429,525**	**(13,882)**
Income Taxes:					
Corporate Income Taxes	73,397	10,617	337,866	338,509	(643)
Total Income Taxes	**73,397**	**10,617**	**337,866**	**338,509**	**(643)**
Utility Net Income	**73,078**	**32,015**	**1,077,777**	**1,091,016**	**(13,239)**
Capital Tax Expense Calculation:					
Total Rate Base	26,688,264	28,125,698	28,125,698	28,235,402	(109,704)
Exemption	15,000,000	15,000,000	15,000,000	15,000,000	0
Deemed Taxable Capital	**11,688,264**	**13,125,698**	**13,125,698**	**13,235,402**	**(109,704)**
Ontario Capital Tax	8,766	0	0	0	0
Income Tax Expense Calculation:					
Accounting Income	146,475	42,632	1,415,643	1,429,525	(13,882)
Tax Adjustments to Accounting Income	130,611	1,914	1,914	(9,677)	11,590
Taxable Income	**277,086**	**44,546**	**1,417,557**	**1,419,849**	**(2,292)**
Income Tax Expense	73,397	10,617	337,866	338,509	(643)
Tax Rate Refecting Tax Credits	26.49%	23.83%	23.83%	23.84%	-0.01%
Actual Return on Rate Base:					
Rate Base	26,688,264	28,125,698	28,125,698	28,235,402	(109,704)
Interest Expense	731,893	817,906	817,906	820,757	(2,851)
Net Income	73,078	32,015	1,077,777	1,091,016	(13,239)
Total Actual Return on Rate Base	**804,971**	**849,921**	**1,895,683**	**1,911,773**	**(16,091)**
Actual Return on Rate Base	3.02%	3.02%	6.74%	6.77%	-0.03%
Required Return on Rate Base:					
Rate Base	26,688,264	28,125,698	28,125,698	28,235,402	(109,704)
Return Rates:					
Return on Debt (Weighted)	4.57%	4.85%	4.85%	4.84%	0.00%
Return on Equity	9.85%	9.85%	9.58%	9.85%	-0.27%
Deemed Interest Expense	731,893	817,906	817,906	820,757	(2,851)
Return On Equity	1,051,518	1,077,777	1,077,777	1,091,016	(13,239)
Total Return	**1,783,410**	**1,895,683**	**1,895,683**	**1,911,773**	**(16,091)**
Expected Return on Rate Base	6.68%	6.74%	6.74%	6.77%	-0.03%
Revenue Deficiency After Tax	**978,439**	**1,045,762**	**(0)**	**0**	**(0)**
Revenue Deficiency Before Tax	**1,331,006**	**1,373,011**	**(0)**	**0**	**(0)**

Tax Exhibit	2011 Test - Updated for Accepted Changes- Required Revenue	2011 Test - Required Revenue Feb 3 Update	Variance
Deemed Utility Income	1,077,777	1,091,016	(13,239)
Tax Adjustments to Accounting Income	1,914	-9,677	11,590
Taxable Income prior to adjusting revenue to PILs	**1,079,691**	**1,081,339**	**(1,649)**
Tax Rate	23.83%	23.841%	-0.01%
Total PILs before gross up	**257,338**	**257,804**	**(467)**
			0
Grossed up PILs	**337,866**	**338,509**	**(643)**