

December 14, 2011

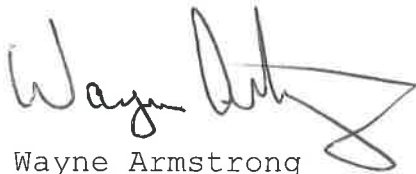
Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms Walli:

Re: **Response to Board Staff Interrogatories**
EB-2011-0202
Welland Hydro-Electric System Corp.
Application to the Ontario Energy Board for Electricity
Distribution Rates and Charges effective May 1, 2012

Please find enclosed two copies of Welland Hydro's response to Board Interrogatories in Welland's 2012 IRM Rate Application EB-2011-0202.

Yours very truly,



Wayne Armstrong
Director of Finance
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WELLAND HYDRO-ELECTRIC SYSTEM CORP.
2012 IRM3 RATES APPLICATION EB-2011-0202

Response to Board Staff Interrogatories

2012 Shared Tax Savings Workform

1. Ref: Sheet "5. Z-Factor Tax Changes" of the workform is reproduced below.

Summary - Sharing of Tax Change Forecast Amounts

For the 2009 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #) \$ 15,000

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2009	2012
Taxable Capital	\$ 26,931,529	\$ 26,931,529
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 11,931,529	\$ 11,931,529
Rate	0.225%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	<u>\$ 26,846</u>	<u>\$ -</u>

2. Tax Related Amounts Forecast from Income Tax Rate Changes

	2009	2012
Regulatory Taxable Income	\$ 956,964	\$ 956,964
Corporate Tax Rate	29.02%	22.72%
Tax Impact	\$ 277,719	\$ 202,443
Grossed-up Tax Amount	<u>\$ 391,264</u>	<u>\$ 261,969</u>

Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 26,846	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 391,264	\$ 261,969
Total Tax Related Amounts	<u>\$ 418,110</u>	<u>\$ 261,969</u>
Incremental Tax Savings		-\$ 156,141
Sharing of Tax Savings (50%)		-\$ 78,071

a) Board staff has been unable to verify the amount entered as Tax Credits (i.e. \$15,000) with Welland's 2009 Revenue Requirement Workform. Please provide evidence supporting this amount. If the reported amount is in error, Board staff will make the necessary correction to the model.

Response:

The \$15,000 Tax Credit was referenced in Exhibit E - Draft Rate Order - Revision #2 filed with the Board on July 16, 2009 for the 2009 Cost of Service Rates Application EB-2008-0247. The Rate Order was issued by the Board on July 31, 2009. A copy of the schedule is contained in Appendix A attached. Welland Hydro submits that this amount is correct and no changes are required by Board Staff

2012 IRM3 Rate Generator

2. Ref: A portion of Sheet "6. Current Rate_Riders" of the rate generator is reproduced below.

General Service Less Than 50 kW			
Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers	\$/kWh	0.00070	April 30, 2012
Rate Rider for Deferral/Variance Account Disposition (2010)	\$/kWh	(0.00010)	April 30, 2012
Rate Rider for Tax Change	\$/kWh	(0.00010)	April 30, 2012
Large Use			
Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers	\$/kW	0.21130	April 30, 2012
Rate Rider for Deferral/Variance Account Disposition (2010)	\$/kW	(0.30300)	April 30, 2012
Rate Rider for Tax Change	\$/kW	(0.01300)	April 30, 2012

Welland's Rate Riders for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012 for the General Service Less Than 50 kW and Large Use rate classes do not reconcile with the current Tariff of Rates and Charges.

a) If this is an error, Board staff will make the relevant corrections.

Response:

Welland Hydro agrees with Board staff that Sheet "6. Current Rate_Riders of the rate generator contains errors for General Service Less Than 50kW and Large Use customer classes. For General Service Less Than 50kW the Rate Rider for Deferral/Variance Account Disposition (2010) should read (\$.0010) not (\$.0001). For Large Use the Rate Rider for Deferral/Variance Account Disposition (2010) should read (\$.3003) not (\$.3030). The corrected rate riders for each rate class is as follows:

General Service Less Than 50 kW			
Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers	\$/kWh	0.00070	April 30, 2012
Rate Rider for Deferral/Variance Account Disposition (2010)	\$/kWh	(0.00100)	April 30, 2012
Rate Rider for Tax Change	\$/kWh	(0.00010)	April 30, 2012
Large Use			
Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers	\$/kW	0.21130	April 30, 2012
Rate Rider for Deferral/Variance Account Disposition (2010)	\$/kW	(0.30030)	April 30, 2012
Rate Rider for Tax Change	\$/kW	(0.01300)	April 30, 2012

As noted above, Board staff will make the relevant corrections. As the corrections are for rate riders which are removed from rates as of April 30, 2012 there is no impact to rates requested for May 1, 2012. The correction however will result in a change to the Bill Impact Statement for GS<50kW included in Appendix III in the application. Exhibit B attached

contains a revised Bill Impact Statement for the GS<50kW customer class. The correction effects the Current Charge and the resulting Proposed Change amount. This adjustment is being referenced in Welland Hydro's Smart Meter Recovery Rate Application EB-2011-0414. The Bill Impact Statement for the Large Use customer class was presented correctly in Appendix III of the original application.

3. Ref: A portion of Sheet "12. Calculation of Deferral/Variance Account Disposition and associated rate riders for the global adjustment sub-account" of the Rate Generator is reproduced below.

Please indicate the Rate Rider Recovery Period 2
(in years)

Rate Class	Unit	Billed kWh	Billed kW	Accounts Allocated by kWh/kW (RPP) or Distribution Revenue	Deferral/Variance Account Rate Rider	Account 1588 Global Adjustment
Residential	\$/kWh	159,733,338	-	512,980	(\$0.00161)	14,905
General Service Less Than 50 kW	\$/kWh	54,185,000	-	168,976	(\$0.00156)	5,895
General Service 50 to 4,999 kW	\$/kW	144,932,476	424,027	444,497	(\$0.52414)	76,343
Large Use	\$/kW	58,704,363	169,304	178,925	(\$0.52841)	34,184
Unmetered Scattered Load	\$/kWh	1,128,127	-	3,626	(\$0.00161)	27
Sentinel Lighting	\$/kW	908,962	2,580	2,689	(\$0.55991)	22
Street Lighting	\$/kW	4,700,576	13,119	15,142	(\$0.57711)	2,737
Total		424,292,842	609,030	1,327,035		134,112

Sheet 12 above shows an amount of (\$134,112) as the account balance for the 1588 Global Adjustment Sub-Account.

In the Manager's Summary, page 3 of 10, Welland Hydro is asking the Board to approve the disposition of (\$132,112) for the Global Adjustment Sub-Account balance.

a) Please indicate which number is correct, and if necessary Board staff will make the corrections.

Response:

The Manager's Summary is incorrect (Column BW was referenced which should have been column BV). The model is correct and no changes are required by Board Staff. Welland Hydro confirms that it is requesting disposition of (\$134,112) for the 1588 Global Adjustment Sub-Account.

2012 RTSR Adjustment Workform

4. Ref: A portion of Sheet 6 "Historical Wholesale" of the workform is reproduced below.

IESO	Network			Line Connection			Transformation Connection			
	Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount
	January	64,672	\$2.97	\$ 192,076	72,985	\$0.73	\$ 53,279	72,985	\$1.71	\$ 124,804
	February	63,434	\$2.97	\$ 188,389	72,574	\$0.73	\$ 52,979	72,574	\$1.71	\$ 124,102
	March	57,256	\$2.97	\$ 170,053	65,627	\$0.73	\$ 47,908	65,627	\$1.71	\$ 112,222
	April	58,444	\$2.97	\$ 173,579	62,713	\$0.73	\$ 45,781	62,713	\$1.71	\$ 107,240
	May	80,610	\$2.97	\$ 239,412	82,221	\$0.73	\$ 60,021	82,221	\$1.71	\$ 140,586
	June	70,934	\$2.97	\$ 210,674	79,204	\$0.73	\$ 57,819	79,204	\$1.71	\$ 135,439
	July	91,404	\$2.97	\$ 271,470	92,053	\$0.73	\$ 67,199	92,053	\$1.71	\$ 157,412
	August	92,082	\$2.97	\$ 273,484	92,082	\$0.73	\$ 67,220	92,082	\$1.71	\$ 157,460
	September	91,370	\$2.97	\$ 271,369	91,370	\$0.73	\$ 66,700	91,370	\$1.73	\$ 158,243
	October	61,202	\$2.97	\$ 181,770	61,692	\$0.73	\$ 45,035	61,692	\$1.71	\$ 105,493
	November	67,435	\$2.97	\$ 200,282	67,436	\$0.73	\$ 49,228	67,436	\$1.71	\$ 115,314
	December	74,083	\$2.97	\$ 220,027	74,462	\$0.73	\$ 54,357	74,462	\$1.71	\$ 127,330
	Total	872,926	\$ 2.97	\$ 2,592,585	914,419	\$ 0.73	\$ 667,526	914,419	\$ 1.71	\$ 1,565,655

a) Please explain why the Transformation Connection rate for September is \$1.73 (Cell M32) instead of \$1.71 as provided on Sheet 5 UTRs and Sub-Transmission. If this entry is incorrect, Board staff will make the necessary correction.

Response:

See response to 4b) below

b) Please indicate that both the "Units Billed" and "Amount" inputs for the month of September are correct, or if not, please provide the corrected amounts and Board staff will make the necessary corrections.

Response:

The Transformation Connection amount for September should have been \$156,243 and not \$158,243. As shown below, changing this to the correct amount results in a Transformation Connection rate for September to \$1.71. The units billed does not change. As noted above, Board Staff will make the necessary correction.

IESO	Network			Line Connection			Transformation Connection		
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount
January	64,672	\$2.97	\$ 192,076	72,985	\$0.73	\$ 53,279	72,985	\$1.71	\$ 124,804
February	63,434	\$2.97	\$ 188,389	72,574	\$0.73	\$ 52,979	72,574	\$1.71	\$ 124,102
March	57,256	\$2.97	\$ 170,053	65,627	\$0.73	\$ 47,908	65,627	\$1.71	\$ 112,222
April	58,444	\$2.97	\$ 173,579	62,713	\$0.73	\$ 45,781	62,713	\$1.71	\$ 107,240
May	80,610	\$2.97	\$ 239,412	82,221	\$0.73	\$ 60,021	82,221	\$1.71	\$ 140,596
June	70,934	\$2.97	\$ 210,674	79,204	\$0.73	\$ 57,819	79,204	\$1.71	\$ 135,439
July	91,404	\$2.97	\$ 271,470	92,053	\$0.73	\$ 67,199	92,053	\$1.71	\$ 157,412
August	92,082	\$2.97	\$ 273,484	92,082	\$0.73	\$ 67,220	92,082	\$1.71	\$ 157,460
September	91,370	\$2.97	\$ 271,369	91,370	\$0.73	\$ 66,700	91,370	\$1.71	\$ 156,243
October	61,202	\$2.97	\$ 181,770	61,692	\$0.73	\$ 45,035	61,692	\$1.71	\$ 105,493
November	67,435	\$2.97	\$ 200,282	67,436	\$0.73	\$ 49,228	67,436	\$1.71	\$ 115,314
December	74,083	\$2.97	\$ 220,027	74,462	\$0.73	\$ 54,357	74,462	\$1.71	\$ 127,330
Total	872,926	\$ 2.97	\$ 2,592,585	914,419	\$ 0.73	\$ 667,526	914,419	\$ 1.71	\$ 1,563,655

Account 1521 – Special Purpose Charge (“SPC”)

5. Ref: Manager's Summary, Pg. 5 of 10

a) Please confirm Welland's SPC assessment amount and provide a copy of the original SPC invoice.

Response:

Welland Hydro confirms the SPC assessment amount of \$181,409 and has provided copies of the original invoice and statement showing full payment in Appendix C attached.

b) Please complete the following table related to the SPC.

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Forecasted Carrying Charges for 2012 (Jan.1 to Apr.30)	Total for Disposition (Principal & Interest)
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Response:

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Forecasted Carrying Charges for 2012 (Jan 1 to Apr. 30)	Total for Disposition (Principal & Interest)
\$181,409	-\$92,257	\$510	\$89,152	\$510	-\$74,638	\$569	\$14,514	\$1,079	\$71	\$15,664

Account 1562 – Deferred PILs

6. Reference: Appendix 1, Monthly Continuity Schedule, 2004 and 2005 PILs entitlement

a) Please clarify how the 2004 PILs entitlement for the year of \$443,349.16 is calculated with specific reference to the period January 1, 2004 to the implementation date of rate change of April 1, 2004.

Response:

Welland Hydro's value of 2004 entitlements of \$443,349.16 is comprised of 2 months (January and February) of 2003 recoveries (based on 2002 approved value) and 10 months (March to December) of 2004 recoveries (same as 2002 approved values). In the original filing, Welland had utilized the effective date (as opposed to implementation date) of rate approvals to commence the new entitlements (i.e. 2004 Rate Approval dated with Mar. 1, 2004 effective date, see Appendix 8). After further review this does not follow the combined proceeding decision direction.

As a result, Welland is submitting a revised OEB Evidence Package and revised Appendix 1 to align our continuity schedule with the combined proceeding participants (Appendix E attached).

The new 2004 entitlement value of \$449,409.31 is comprised of 3 months (January to March) of 2003 entitlements (2001 plus 2002 / 12 months) and 9 months (April to December) of 2004 Entitlements.

b) Please clarify how the 2005 PILs entitlement for the year of \$418,755.64 is calculated with specific reference to the period January 1, 2005 to the implementation date of rate change of April 1, 2005.

Response:

Welland Hydro's value of 2005 entitlements of \$418,755.64 is comprised of 2 months (January and February) of 2004 recoveries and 10 months (March to December) of 2005 recoveries. Welland has utilized the effective date (as opposed to implementation date) of rate approvals to commence the new entitlements (i.e. 2005 Rate Approval dated with Mar. 1, 2005 effective date, see Appendix 11).

After further review this does not follow the combined proceeding decision direction.

As a result, Welland is submitting a revised OEB Evidence Package and revised Appendix 1 to align our continuity schedule with the combined proceeding participants (Appendix E attached).

The new 2005 entitlement value of \$421,214.99 is comprised of 3 months (January to March) of 2004 entitlements and 9 months (April to December) of 2005 Entitlements.

7. Reference: Appendices 12 to 16, SIMPIL models for 2001 to 2005, Income Tax Rates

The following table displays the income tax rates used in the calculation of the SIMPIL true-up variances in Welland's PILs 1562 evidence.

		2001	2002	2003	2004	2005
APPLICATION PILS PROXY CALCULATION	SIMPIL Tab TAXCALC Cell C53 (54): Blended income tax rate See note below.	19.12%*	34.12%	34.12%	34.12%	27.50%
	SIMPIL Tab TAXCALC Cell C88 (89): Income tax rate used for gross -up (excluding surtax) See note below.	18.00%*	33.00%	33.00%	33.00%	27.50%
DECISION IN COMBINED PROCEEDING	From page 17 of the Decision: Tax rate to calculate the tax impact	40.62%	38.62%	36.62%	36.12%	36.12%
	Tax rate to calculate the grossed-up tax amount	39.50%	37.50%	35.50%	35.00%	35.00%
SIMPIL MODELS TAXCALC	Cell E122 (123): Calculation of true-up variance -income tax effect	19.12%	38.45%	35.74%	32.97%	35.29%
	Cell E130 (131): Income tax rate used for gross- up (excluding surtax)	18.00%	37.33%	34.62%	31.85%	34.17%
	Cell E138 (139): Calculation of Deferral Account Variance caused by changes in legislation – Revised	19.12%	38.45%	35.74%	32.97%	35.29%

	corporate income tax rate					
	Cell E175 (176): Calculation of Deferral Account Variance Caused by changes in Legislation – Actual Income tax rate used for Gross-up (excluding Surtax)	18.00%	37.33%	34.62%	31.85%	34.17%

Note: For 2001 fourth quarter (Q4) Welland did not apply for income tax PILs; however, it did apply for large corporation tax and Ontario capital tax.

Staff reviewed the income tax returns for the years 2001 to 2005. Welland had losses and loss carry forwards and therefore did not have any taxable income during this period.

a) For the 2002 SIMPIL model, did Welland consider using the Board approved application income tax rate of 34.12% in the PILs calculations as a reasonable alternative for the tax rates? Please explain.

b) For the 2005 SIMPIL model, did Welland consider using the Board approved application income tax rate of 27.50% in the PILs calculations as a reasonable alternative for the tax rates? Please explain.

Response:

Welland's tax losses during the 2001 to 2005 period were mainly due to the treatment of regulatory variance accounts for tax purposes. As a result, timing issues are created which defer tax payments for this period to the year 2006 and beyond. This will be addressed further in question 8 below.

The combined proceeding only resolved the tax rate for true-up purposes for those LDCs at the maximum or minimum tax rates. As 2001 PILS were set using minimum rates these were used in the 2001 SIMPILS model. PILS for 2002 to 2005 were not set using either the minimum or maximum tax rates so a different approach was required.

Welland's evidence shows that it took the position that the appropriate income tax rate to use for true-up purposes should be the actual legislated tax rate for the applicable year based on regulatory taxable income used to determine PILs that were included in rates.

Had the Board set rates with perfect knowledge these would be the rates that would have been used.

Welland engaged its external auditors to determine what these actual tax rates would have been (see Appendix D for derivation of tax rates for the 2002 to 2005 period).

In reality the actual tax rates over the 2002 to 2005 period fluctuate depending on the level of taxable income. The tax rates that were used to set rates are broad proxies based on bands of taxable income set up in the initial PILS determination models.

Welland applied a consistent approach across the entire 2002 to 2005 period. It did not consider utilizing a different philosophy for the 2002 and 2005 years only. Welland believes a consistent approach is required for all years.

Losses and loss carry forwards are not trued up under the current SIMPILS methodology so their existence should not influence the determination of true-up rates.

8. Preamble:

Page 4 of Welland's 1562 Deferred PILs report indicates that:

"The income tax rate used for true-up purposes is the actual legislated tax rate for the applicable year based on regulatory taxable income used to determine PILs that were included in rates not the rate used to set PILs included in rates or the actual income tax rate paid."

Welland did not pay income tax PILs during the period of 2001 to 2005. The income tax rates used for the true-up calculations are greater than the tax rates used in the rate applications for the years 2002, 2003 and 2005. The method proposed creates a benefit for Welland as can be seen in the table below. The "*Regulatory Income Tax Variance*" and the "*Income Tax (grossed-up)*" are derived from the SIMPIL model TAXCALC sheet cells E132 to E175 (E134 to E177). The grossed-up income tax amount of \$165,279 was added to the balance in account 1562.

		2001	2002	2003	2004	2005	Extra PILS to Ratepayers
SIMPIL MODELS TAXCALC DEFERAL ACCOUNT VARIANCE	Actual Income Tax PILs \$	-	-	-	-	-	-
	Cell 146 (148): Regulatory Income Tax Variance \$	-	29,168	10,913	-7,474	74,569	
	Cell 175 (177): Income Tax (grossed-up)\$	-	46,543	16,691	-11,367	113,412	165,279

a) Does Welland consider it fair to its ratepayers that it now wants to recover more PILs through its selection of an income tax rate to which it was not subject? Please explain.

Response:

Again, Welland believes that had the Board set rates with perfect knowledge these would be the rates that would have been used and Welland would be entitled to receive these differential amounts.

Capturing differences between tax rates used to set rates and actual legislated tax rates is a fundamental component of the true-up process.

There are significant offsetting benefits going back to customers as well resulting from the true-up of taxable income decreases in 2004 and 2005. For example, there is a \$366,393 reduction in taxable income in 2005 which is trued up (creating a due to customers) at the higher tax rate of 35.29% versus the rate used to set PILS of 27.5%.

Welland believes that it has always dealt fairly with its customers with regards to PILS in rates. As indicated in question 7 above, Welland did not pay any taxes (excluding capital taxes) during the 2001 to 2005 period due mainly to timing differences resulting from the treatment of regulatory items for tax purposes. In fact, Welland Hydro staff incorrectly completed the PILS portion of the 2006 EDR (EB-2005-0428). This resulted in sharing the tax benefits of a significant loss carry forward with customers from May 1, 2006 to April 30, 2007. The loss carry forward was the result of timing differences from the treatment of regulatory assets which Welland should have excluded from the 2006 PILS model. The 2007 IRM did not provide an avenue to address the elimination of the loss carry forward and this error continued into 2007 until Welland filed a separate rate application EB-

2007-0663 to address this issue. Although the total impact to 2007 PILS expense was \$353,832 as a result of the correction, Welland sought to recover only \$206,000 (7 out of 12 months of the incremental PILS amounts) from its customers. This position was supported by the Board in its Decision and Order for EB-2007-0663. Welland submits that even in its 2009 Cost of Service Rate Application that the treatment of PILS for LDC's above the minimum but below the maximum tax rate remained an issue.

b) Can Welland provide a regulatory reference that supports its choice of income tax rates for the true-up calculations?

Response:

Welland is not able to provide any regulatory references to support its position regarding the appropriate true-up rates. Welland is not aware that any were discussed as part of the combined proceeding.

The selection of true-up rates must be fair to both the customers and the LDC and applied on a consistent basis over the 1562 Deferred PILS period.

**9. Reference: Appendices 12 to 16, SIMPIL models for 2001 to 2005,
Interest Expense**

Actual interest expense, as reflected in the tax returns, that exceeds the maximum deemed interest amount is subject to a claw-back. This has been a feature of the Board's methodology and was settled in the combined proceeding under Issue #13.

The calculation of the interest adjustment for tax purposes on the 2005 SIMPIL model TAXCALC sheet row 206 cell E206 includes a deduction for IESO charges of \$19,477.

a) Please explain why IESO charges should be removed from the interest portion of true-up.

Response:

See response to question 10 i)

10. For the tax years 2001 to 2005:

a) Did Welland have interest expense related to other than debt that is disclosed as interest expense in its financial statements?

Response:

2001	Interest Expense Customer Deposits	\$ 19,979
2002	Interest Expense Customer Deposits	\$ 6,038
2003	Interest Expense Customer Deposits	\$ 8,297
2004	Interest Expense Customer Deposits	\$ 9,851
	Interest Expense WCB Year End Reconciliation	\$ 104
	Interest Expense Late Payment Utility Bills	\$ 93
	Interest Expense Late Payment Credit Cards	\$ 30
	LOC Charge IESO Prudential (incorrectly classified)	\$ 19,447
	Interest Expense Per Financial Statement	\$ <u>29,525</u>
2005	Interest Expense Customer Deposits	\$ 15,674
	Interest Expense Late Payment Credit Cards	\$ 4
	LOC Charge IESO Prudential (incorrectly classified)	\$ 19,447
	Interest Income Related Party Loan (incorrectly classified)	\$ (680)
	Interest Expense Long Term Debt Shareholder	\$ 653,398
	Interest Expense Per Financial Statement	\$ <u>687,843</u>

b) Did Welland net interest income against interest expense in deriving the amount it shows as interest expense? If yes, please provide details to what the interest income relates.

Response:

Yes - In 2005, four months of interest income (\$680) on a loan to Welland Hydro Energy Services (Related Party) was incorrectly charged to the interest expense account and should have been classified as interest income.

c) Did Welland include interest expense on customer security deposits in interest expense?

Response:

Yes - Interest expense on customer security deposits is included in interest expense in every year from 2001 to 2005. Internally, Welland includes customer security deposits as short term debt when calculating debt/equity ratios for internal reporting as these expenses are not included in any other expense category within a Cost of Service rate application.

d) Did Welland include interest income on customer security deposits in interest expense?

Response:

No - Interest income on customer security deposits is included in interest income on the financial statements.

e) Did Welland include interest expense on IESO Prudential in interest expense?

Response:

Yes – In 2004 and 2005 Welland incorrectly included \$19,447 in Letter Of Credit fees as interest expense. Welland Hydro currently classifies this expense as an Administrative Expense for both distribution rates and financial statement purposes. Welland Hydro believes this Letter of Credit does compose any part of its debt financing relating to deemed debt or debt/equity ratios, and as a result, should be excluded from any interest claw back determination.

f) Did Welland include interest carrying charges on regulatory assets or liabilities in interest expense?

Response:

No – During 2001 to 2005 interest carrying charges on regulatory assets or liabilities were included in interest income on the financial statements. Currently, carrying charges on regulatory assets are treated as interest income and carrying charges on regulatory liabilities are treated as interest expense. Welland Hydro believes carrying charges on regulatory liabilities should be netted against

carry charges on regulatory assets (interest income) for rate making purposes and excluded from any interest claw back determination. As stated below, Welland Hydro believes that these liabilities which are unknown and fluctuate on a month to month basis were never intended to form part of its deemed debt structure or debt/equity ratios.

g) Did Welland include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?

Response:

No

h) Did Welland deduct capitalized interest in deriving the interest expense disclosed in its financial statements?

Response:

No

i) Please provide Welland's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.

Response:

Welland believes that interest expenses related to regulatory assets and IMO/IESO line of credit costs should be excluded from the excess interest claw back determination.

Welland believes it would be unfair to pay the prescribed rate of interest to its customers on variance and deferral accounts, be denied the ability to deduct the interest according to the SIMPILS methodology, and then return to customers the grossed up income tax value of the excess interest as calculated in the models. In effect it is double paying the customers with no offset of tax deductibility.

The variance and deferral accounts are constantly changing values and it is difficult to believe that the debt return included in rates was meant to compensate LDCs for these unpredictable costs.

In addition, Welland believes it is unfair to treat costs related to IMO/IESO lines of credit as excess interest costs for the same reasons articulated above.

The capital structure and associated debt return were intended to finance normal utility operations such as capital infrastructure and working capital needs.

j) Please provide a table for the years 2001 to 2005 that shows all of the components of Welland's interest expense and the amount associated with each type of interest.

Response:

See Response to 10a above.

**Welland Hydro-Electric System Corp.
Regulatory Gross Up Method -PILS**

Appendix A

	July 17,2009 Draft Rate Order		Response to Energy Probe/Revision #2	
	<u>Rate</u>	<u>\$</u>	<u>Rate</u>	<u>\$</u>
Return on Equity		\$934,074		\$934,074
Apprentice Tax Credit		\$0		\$15,000
Adjustment for Reserves		<u>7,890</u>		<u>7,890</u>
Taxable Income Using Return on Equity Method		\$941,964		\$956,964
Income Tax Payable				
First 500,000 Income	24.50%	122,500	24.50%	122,500
(5.5% - Ontario)				
(19% - Federal)				
Income 500,000 to 1,500,000	33.00%	145,848	33.00%	150,798
(14% - Ontario)				
(19% - Federal)				
Clawback 500,000 to 1,500,000 (Ontario)	4.25%	<u>18,783</u>	4.25%	<u>19,421</u>
Total PILS Before Apprentice Tax Credit	30.48%	287,132	30.59%	292,719
Apprentice Tax Credit		<u>-10,000</u>		<u>-15,000</u>
Total Tax Before Gross Up	29.42%	<u>\$277,132</u>	29.02%	<u>\$277,719</u>
Grossed Up PILS 277,132/(1 - .2942)		\$392,649	277,719/(1-.2902)	\$391,264
Ontario Capital Tax-Not Grossed Up		<u>26,846</u>		<u>26,846</u>
Total Grossed Up PILS		<u><u>\$419,495</u></u>		<u><u>\$418,110</u></u>

Rate Class

General Service Less Than 50 kW

Consumption	2,000	kWh	kW
RPP Tier One	600	kWh	Load Factor

Current Loss Factor	1.0532
Proposed Loss Factor	1.0532

General Service Less Than 50 kW	Volume	Current Rate (\$)	Current Charge (\$)	Volume	Proposed Rate (\$)	Proposed Charge (\$)	Change (\$)	Change (%)	% of Total Bill
Energy First Tier (kWh)	600.00	0.0680	40.80	600.00	0.0680	40.80	0.00	0.00%	14.48%
Energy Second Tier (kWh)	1,506.40	0.0790	119.01	1,506.40	0.0790	119.01	0.00	0.00%	42.24%
Sub-Total: Energy			159.81			159.81	0.00	0.00%	56.72%
Service Charge	1	24.58	24.58	1	24.62	24.62	0.04	0.16%	8.74%
Service Charge Rate Rider(s)	1	2.52	2.52	1	0.00	0.00	-2.52	(100.00)%	0.00%
Distribution Volumetric Rate	2,000.00	0.0086	17.20	2,000.00	0.0086	17.20	0.00	0.00%	6.10%
Low Voltage Volumetric Rate	2,000.00	0.0000	0.00	2,000.00	0.0000	0.00	0.00	0.00%	0.00%
Distribution Volumetric Rate Rider(s)	2,000.00	(0.0011)	(2.20)	2,000.00	(0.0018)	(3.60)	-1.40	63.64%	(1.28)%
Total: Distribution			42.10			38.22	-3.88	(9.22)%	13.56%
Retail Transmission Rate – Network Service Rate	2,106.40	0.0059	12.43	2,106.40	0.0064	13.48	1.05	8.47%	4.78%
Retail Transmission Rate – Line and Transformation Connection Service Rate	2,106.40	0.0044	9.27	2,106.40	0.0047	9.90	0.63	6.82%	3.51%
Total: Retail Transmission			21.70			23.38	1.69	7.77%	8.30%
Sub-Total: Delivery (Distribution and Retail Transmission)			63.80			61.60	-2.19	(3.44)%	21.86%
Wholesale Market Service Rate	2,106.40	0.0052	10.95	2,106.40	0.0052	10.95	0.00	0.00%	3.89%
Rural Rate Protection Charge	2,106.40	0.0013	2.74	2,106.40	0.0013	2.74	0.00	0.00%	0.97%
Standard Supply Service – Administration Charge (if applicable)	1	0.25	0.25	1	0.25	0.25	0.00	0.00%	0.09%
Sub-Total: Regulatory			13.94			13.94			4.95%
Debt Retirement Charge (DRC)	2,000.00	0.00700	14.00	2,000.00	0.0070	14.00	0.00	0.00%	4.97%
Total Bill before Taxes			251.54			249.35	-2.19	(0.87)%	88.60%
HST		13%	32.70		13%	32.42	-0.29	(0.87)%	11.50%
Total Bill			284.24			281.76	-2.48	(0.87)%	100.00%
Ontario Clean Energy Benefit (OCEB)		(10%)	-28.42		(10%)	-28.18			(10.00)%
Total Bill (less OCEB)			255.82			253.59	(2.23)	(0.87)%	

Ontario Energy
Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

Commission de l'énergie
de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



VIA EMAIL and Mail

April 16, 2010

TO: Licensed Electricity Distributors

RE: Revised Invoice - "Special Purpose Charge" Assessment under Section 26.1 of the Ontario Energy Board Act, 1998 for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs

The Ontario Energy Board recently sent distributors an invoice reflecting the assessment under Section 26.1 of the Ontario Energy Board Act. That invoice, dated April 15, 2010, is in error and should be disregarded. The attached invoice, dated April 16, 2010, is the correct version.

We apologize for any confusion caused by this error.

Any questions regarding the attached revised invoice, other than in relation to payment, should be directed to the Market Operations Hotline at 416-440-7604 or by e-mail at market.operations@oeb.gov.on.ca. The Board's toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachments: Revised Invoice - Assessment for Ministry of Energy and Infrastructure

Appendix C
Page 2

Revised Invoice
Ministry of Energy and Infrastructure
Conservation and Renewable Energy Program Costs

To: Welland Hydro-Electric System Corp.
P.O. Box 280, 950 East Main Street
Welland, ON L3B 5P6
Attn: Ross Peever, President & CEO

Customer No./No du client 6446
Customer Site No./ N° d'emplacement du client 1061022
Invoice Date/Date de la facture April 16, 2010
Invoice No./ N° de la facture 50073
Due Date/ Date d'échéance July 30, 2010
Payment Amount/ Montant remis CAD \$ 181,409

Item Description:

Assessment for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs.

Quote-part pour les coûts des programme de conservation et d'énergie renouvelable du ministère de l'Énergie et de l'Infrastructure.

Questions related to the remittance should be directed to the Non-Tax Revenue Management Branch Contact Centre at 1-877-535-0554 or Fax (416) 326-5177. Les questions concernant la remise doivent être posées à l'InfoCentre de la Direction de la gestion des revenus non fiscaux au 1 877 535-0554 ou par télécopieur au 416 326-5177.

This assessment was calculated by the Ontario Energy Board, 2300 Yonge St. 27th Floor, P.O. Box 2319, Toronto, ON M4P 1E4. Questions related to the invoice should be directed to the Market Operations Hotline 416-440-7604. La présente quote-part a été fixée par la Commission de l'énergie de l'Ontario, 2300, rue Yonge, 27^e étage, case postale 2319, Toronto (Ontario) M4P 1E4. Les questions relatives à la facture doivent être posées au service de téléassistance du service Activités du marché : 416 440-7604.

*Payments are to be made to the Minister of Finance not the Ontario Energy Board.
Les paiements doivent être faits au ministre des Finances et non à la Commission de l'énergie de l'Ontario.*

Detach here/ Détacher ici



Ministry of Finance/Ministère des Finances
Payment Processing Centre/Centre de traitement des paiements
33 King St. West/33 rue King Ouest
PO Box 647/CP 647
Oshawa, ON L1H 8X3

Please detach and return this portion with your payment in the enclosed envelope. Make your cheque or money order payable to the Minister of Finance. Veuillez détacher et retourner cette partie avec votre remise dans l'enveloppe ci-jointe. Libellez votre chèque ou votre mandat à l'ordre du ministre des Finances.

Welland Hydro-Electric System Corp.
P.O. Box 280, 950 East Main Street
Welland, ON L3B 5P6
Attn: Ross Peever, President & CEO

Customer No. / N° du client 6446
Customer Site No./ N° d'emplacement du client 1061022
Invoice No./ N° de la facture 50073
Payment Amount / Montant remis CAD \$.

45 AR 50073



Statement / Relevé

RECEIVED AUG 11 2010
Appendix C
Page 3

Customer # / N° du client 6446	HST Registration No. / No d'inscription aux fins de la TVH 124668666	Statement Date Date du relevé July 31, 2010
Payment Information / Renseignements sur la facture TO / DESTINATAIRE		Billing Enquiry Renseignements - facturation 1-877-535-0554
WELLAND HYDRO ELECTRIC 950 EAST MAIN ST PO BOX 280 WELLAND ON L3B 5P6		Finance Charge Frais financiers .208333 %

Invoice No N° de la facture Cross Rcpt	Invoice Date Date de la facture 20-JUL-10	Due Date Date d'échéance	Ministry / Program Ministère / Programme			Type Type PMT	Finance Charge Frais financiers	Amount Montant (181,409.00)
Current Actuel 0.00		1-30 Days 1-30 jours 0.00	31-60 Days 31-60 jours 0.00	61-90 Days 61-90 jours 0.00	Over 90 Days Plus de 90 Jour 0.00	0.00	(181,409.00)	
							Amount Due / Montant dû CAD\$ 0.00	

06-5102 (2009/12)
© Queen's Printer for Ontario, 2009

INV: Invoice / facture CM: Credit Memo / note de crédit PMT: Payment / remise
ADJ: Adjustment / redressement FC: Finance Charge / frais financiers

Interest will be charged on all past due accounts.
Des intérêts seront exigés sur tout compte en souffrance.

Detach here / Détachez ici



Ministry of Finance / Ministère des Finances
Payment Processing Centre / Centre de traitement des paiements
33 King St. West / 33 Rue King Ouest
PO Box 647 / CP 647
Oshawa ON L1H 8X3

Remittance Advice / Avis de remise

Please detach and return this portion with your payment in the enclosed envelope. To apply this payment to a specific invoice see reverse. Make your certified cheque or money order payable to the Minister of Finance. Veuillez détacher et retourner cette partie avec votre remise dans l'enveloppe ci-jointe. Pour imputer la remise à une facture particulière, remplissez le verso. Libellez votre chèque certifié ou votre mandat à l'ordre du ministre des Finances.

WELLAND HYDRO ELECTRIC
950 EAST MAIN ST
PO BOX 280
WELLAND ON L3B 5P6

Credit Card No. / N° de la carte de crédit	
<input type="radio"/> Visa <input type="radio"/> Master Card <input type="radio"/> American Express	
Signature	Expiry Expiration MM / YY MM / AA

Customer No. / N° du client 6446
Transaction Id / Code de transaction 0
Statement Date / Date du relevé July 31, 2010
Amount Due / Montant dû CAD \$ 0.00
Payment Amount / Montant remis CAD\$.

Appendix D (Page 1)

Income Range Expected Rates	Year	Rate on Income at 673,633
Income Tax Rate		
<i>Current year</i>	2002	
<i>Federal (Includes surtax)</i>	2002	26.12%
<i>Ontario</i>	2002	12.33%
<i>Blended rate</i>	2002	38.45%
Capital Tax Rate	2002	0.30%
LCT rate	2002	0.225%
Surtax	2002	1.12%
Ontario Capital Tax Exemption *** 2002	MAX \$5MM	5,000,000
Federal Large Corporations Tax Exemption *** 2002	MAX \$10MM	10,000,000

Income Range Expected Rates	Year	Rate on Income at 673,633
Income Tax Rate		
<i>Current year</i>	2003	
<i>Federal (Includes surtax)</i>	2003	24.12%
<i>Ontario</i>	2003	11.62%
<i>Blended rate</i>	2003	35.74%
Capital Tax Rate	2003	0.30%
LCT rate	2003	0.225%
Surtax	2003	1.12%
Ontario Capital Tax Exemption *** 2003	MAX \$5MM	5,000,000
Federal Large Corporations Tax Exemption *** 2003	MAX \$10MM	10,000,000

Appendix D (continued) (Page 2)

Income Range Expected Rates	Year	Rate on Income at 673,633
Income Tax Rate		
<i>Current year</i>	2004	
<i>Federal (Includes surtax)</i>	2004	22.12%
<i>Ontario</i>	2004	10.85%
<i>Blended rate</i>	2004	32.97%
Capital Tax Rate	2004	0.30%
LCT rate	2004	0.20%
Surtax	2004	1.12%
Ontario Capital Tax Exemption *** 2004	MAX \$5MM	5,000,000
Federal Large Corporations Tax Exemption *** 2004	MAX \$50MM	50,000,000

Income Range Expected Rates	Year	Rate on Income at 958,394
Income Tax Rate		
<i>Current year</i>	2005	
<i>Federal (Includes surtax)</i>	2005	22.12%
<i>Ontario</i>	2005	13.17%
<i>Blended rate</i>	2005	35.29%
Capital Tax Rate	2005	0.30%
LCT rate	2005	0.175%
Surtax	2005	1.12%
Ontario Capital Tax Exemption *** 2005	MAX \$7.5MM	7,500,000
Federal Large Corporations Tax Exemption *** 2005	MAX \$50MM	50,000,000

Appendix E

Revised

- 1) HFI OEB Report and Evidence Package
1562 Deferred PILS Determination & Disposition**

- 2) Appendix 1 Monthly Continuity Schedule**

**HFI
OEB Report and
Evidence Package**

**1562 Deferred PILS
Determination & Disposition**

for

**Welland Hydro-Electric
System Corp.**

*64-50 Northumberland Rd
London Ontario, N6H 5J2
Phone: 519-858-9901
Email:
jimhopeson@rogers.com*

Revised December 12, 2011

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SIMPILS True-Up Models	4
Interest Improvement	8

Appendices

Appendix 1 – Monthly Continuity Schedule with Interest Improvement
Appendix 2 – 2002 Approved RAM Model
Appendix 3 – Q4 2001 Approved PILS Model
Appendix 4 – 2002 Approved PILS Model
Appendix 5 – 2002 Signed OEB Decision
Appendix 6 – 2004 Approved RAM Model
Appendix 7 – 2004 Approved PILS Model
Appendix 8 – 2004 Signed OEB Decision
Appendix 9 – 2005 Approved RAM Model
Appendix 10 – 2005 Approved PILS Model
Appendix 11 – 2005 Signed OEB Decision
Appendix 12 – 2001 SIMPILS True-Up Model
Appendix 13 – 2002 SIMPILS True-Up Model
Appendix 14 – 2003 SIMPILS True-Up Model
Appendix 15 – 2004 SIMPILS True-Up Model
Appendix 16 – 2005 SIMPILS True-Up Model
Appendix 17 – 2001 T2 Federal Tax Return
Appendix 18 – 2001 CT23 Provincial Tax Return
Appendix 19 – 2001 Notice of Assessment
Appendix 20 – 2002 T2 Federal Tax Return
Appendix 21 – 2002 CT23 Provincial Tax Return
Appendix 22 – 2002 Notice of Assessment
Appendix 23 – 2003 T2 Federal Tax Return

- Appendix 24 – 2003 CT23 Provincial Tax Return
- Appendix 25 – 2003 Notice of Assessment
- Appendix 26 – 2004 T2 Federal Tax Return
- Appendix 27 – 2004 CT23 Provincial Tax Return
- Appendix 28 – 2004 Notice of Assessment
- Appendix 29 – 2005 T2 Federal Tax Return
- Appendix 30 – 2005 CT23 Provincial Tax Return
- Appendix 31 – 2005 Notice of Assessment
- Appendix 32 – March 1, 2002 to February 29, 2004 PILS Recoveries
- Appendix 33 – March 1, 2004 to February 28 2005 PILS Recoveries
- Appendix 34 – March 1, 2005 to April 30, 2006 PILS Recoveries

Overview

Welland Hydro-Electric System Corp. (WHESC) contracted with Hopeson Financial Inc. (HFI) to provide an independent 1562 Deferred PILS Determination evidence package to support the disposition of the 1562 Deferred PILS Regulatory Asset account, as part of the current Incentive Regulation Mechanism (IRM) rate application.

The evidence package conforms to the principles set out in the combined proceeding decision (EB-2008-0381). In addition, the evidence package meets the expectations of Board Staff which have been communicated through Board Staff interrogatories to other applicants.

Application for Disposition

WHESC is applying to recover a credit balance (owed to customers) of \$29,043 as per the attached continuity schedule (see Appendix 1).

Principal to Dec.31, 2010	Interest to Dec. 31, 2010	Estimated Interest (Jan. 1 to Dec 31, 2011)	Estimated Interest (Jan 1 to Apr. 30, 2012)	Disposition Total
(\$53,774)	\$25,785	(\$791)	(\$263)	(\$29,043)

Allocation to Customer Classes

WHESC is filed a 2009 Cost of Service (CoS) rate application and is using the associated approved Distribution Revenue Requirement by customer class to allocate the 1562 Deferred PILS credit balance. A summary is provided below.

Rate Class	2009 Approved DRR	Allocation %	Allocated 1562 Disposition Value (including interest to Apr. 30, 2012)
Residential	\$ 6,041,460	71.10%	(20,649.26)
General Service < 50 kW	\$ 980,014	11.53%	(3,348.61)
General Service > 50 kW	\$ 1,034,993	12.18%	(3,537.38)
Large Use	\$ 182,084	2.14%	(621.51)
Sentinel Lights	\$ 28,016	0.33%	(95.84)
Street Lights	\$ 187,624	2.21%	(641.84)
Unmetered Loads	\$ 43,286	0.51%	(148.12)
Total	\$ 8,497,478	100.00%	(29,042.56)

Rate Riders

WHESC is using the approved load profiles; from the 2009 CoS rate application to determine the 1562 recovery rate riders. WHESC is applying to recover these costs over a two-year period, consistent with the disposition of Group 1 regulatory assets. Please see rate rider calculations below.

Rate Class	Allocated 1562 Value	Recovery Period (years)	Annual Recovery Amount	2009 Approved Billing Determinant (kWh / kW)	Proposed Rate Rider
Residential	(20,649.26)	2	(10,324.63)	166,999,701	(0.0001) per kWh
General Service < 50 kW	(3,348.61)	2	(1,674.30)	55,348,528	0.0000 per kWh
General Service > 50 kW	(3,537.38)	2	(1,768.69)	440,796	(0.0040) per kW
Large Use	(621.51)	2	(310.76)	169,533	(0.0018) per kW
Sentinel Lights	(95.84)	2	(47.92)	2,592	(0.0185) per kW
Street Lights	(641.84)	2	(320.92)	13,262	(0.0242) per kW
Unmetered Loads	(148.12)	2	(74.06)	1,072,774	(0.0001) per kWh
Total	(29,042.56)	2	(14,521.28)		

Methodology

PILS Entitlement

The PILS entitlements utilized in the continuity schedule (Appendix 1) are based on approved PILS amounts included in approved distribution rates which are summarized in the table below.

Year	Rate Model	References		PILS Entitlement Amount	Effective Start Date	Effective End Date	Monthly Amount	Comments
Q4 2001	Appendix 2	Appendix 3	Appendix 5	\$ 24,240.57	Oct. 1, 2001	Dec. 31, 2001	\$ 8,080.19	Q4 2001 Entitlement / 3 months
2002	Appendix 2	Appendix 4	Appendix 5	\$ 443,349.16	Jan. 1, 2002	Dec. 31, 2002	\$ 36,945.76	2002 Entitlement / 12 months
2003	Appendix 2	Appendices 3&4	Appendix 5	\$ 467,589.73	Jan. 1, 2003	Dec. 31, 2003	\$ 38,965.81	(Q4 2001 + 2002 Entitlements) / 12 months
2004	Appendix 2	Appendices 3&4	Appendix 5	\$ 467,589.73	Jan. 1, 2004	March 31, 2004	\$ 38,965.81	(Q4 2001 + 2002 Entitlements) / 12 months
2004	Appendix 6	Appendix 7	Appendix 8	\$ 443,349.16	April 1, 2004	March 31, 2005	\$ 36,945.76	2004 Entitlement / 12 months
2005	Appendix 9	Appendix 10	Appendix 11	\$ 413,836.94	April 1, 2005	Apr. 30, 2006	\$ 34,486.41	2005 Entitlement / 12 months

The referenced appendices in the table above reconcile the approved determination of PILS (from PILS Model) to the approved rates (from RAM models) to the rate orders (Decisions).

The monthly PILS entitlement calculations are explained in the comments section of the table above and reconcile to the entitlements used in the continuity schedule (Appendix 1).

PILS Recoveries

The PILS recoveries utilized in the continuity schedule (Appendix 1) are derived from billing determinants * approved PILS rate slivers, as per the methodology used by the applicants in the combined proceeding.

March 1, 2002 to March 31, 2004 (Appendix 32)

Variable Charge PILS recoveries are determined by multiplying monthly billing determinants (kWh / kW) by the combination of variable rate slivers found in Sheet 6 (Q4 2001 PILS) and Sheet 8 (2002 PILS) of Appendix 2.

Fixed Charge PILS recoveries are determined by multiplying the number of customers billed in the month by the combination of fixed rate slivers found in Sheet 6 (Q4 2001 PILS) and Sheet 8 (2002 PILS) of Appendix 2.

April 1, 2004 to March 31, 2005 (Appendix 33)

Variable Charge PILS recoveries are determined by multiplying monthly billing determinants (kWh / kW) by the variable rate slivers found in Sheet 7 of Appendix 6.

There were no Fixed Charge PILS recoveries in the 2004 rate year.

April 1, 2005 to April 30, 2006 (Appendix 34)

Variable Charge PILS recoveries are determined by multiplying monthly billing determinants (kWh / kW) by the variable rate slivers found in Sheet 4 of Appendix 9.

There were no Fixed Charge PILS recoveries in the 2005 rate year.

Unbilled Revenue

HFI has utilized a monthly unbilled process to generate the continuity schedule (Appendix 1) and the 1562 disposition amount.

WHESC provided billing statistics that were pro-rated, on a monthly basis, to ensure that all billing determinants were accrued to the consumption month (as opposed to billed month).

SIMPILS True-Up Models

Overview

Included in Appendices 12 to 16 are SIMPILS True-Up Models for the years 2001 to 2005. The values from these models appear on the 1562 Deferred PILS continuity schedule set out in Appendix 1.

These models have been prepared in accordance with the principles established in EB-2008-0381 and utilize the following inputs:

- Approved PILS included in approved rates, see Appendices 3,4, 7 & 10
- Federal T2 Tax Returns, see Appendices 17, 20, 23, 26 & 29
- Provincial CT 23 Tax Returns, see Appendices 18, 21, 24, 27 & 30
- Notices of Assessment, see Appendices 19, 22, 25, 28 & 31

WHESC incurred a tax loss in both 2001 and 2003. These losses were applied against 2002, 2004, and 2005 taxable incomes which were reduced to zero. At the end of 2005 WHESC still had loss carry forwards available for future years.

The income tax rate used for true-up purposes is the actual legislated tax rate for the applicable year based on the regulatory taxable income used to determine PILS that were included in rates not the rate used to set PILS included in rates or the actual income tax rate paid. These rates have been provided by WHESC's external auditors.

The tax rates for gross-up purposes reflect a 1.12% surtax reduction.

HFI believes these are the proper rates to utilize, as they reflect the intent of the SIMPILS process to capture changes in legislated tax rates. The PILS included in rates were determined well in advance of the actual tax years using proxies for what the actual tax rates would be. Utilizing the actual tax rates that would be applicable to the same level of regulatory net income as used to set PILS in rates properly captures the changes in legislation. This captures the difference between the rates used to determine PILS included in rates and what the PILS would have been if they were set in the actual tax year with knowledge of any changes in tax rates.

The use of the legislated tax rate for the applicable year is also consistent with the principles established in the recent EB-2008-0381 decision. The SIMPILS models filed for all years by all applicants used the legislated current year tax rate for true-up purposes.

The only deviation from the use of the current year legislated rate applies to 2004, where 100% of LCT included in rates is refunded to customers, due to the increase in the LCT capital tax exemption level (2002 LCT exemption = \$10 million, 2004 LCT exemption = \$50 million). The gross up tax rate used to determine LCT included in rates was 33.0% (back in 2002) whereas the actual legislated 2004 gross up rate was 31.85%.

WHESC included regulatory asset adjustments to taxable income categorized under Financial Statement Reserves on Schedule 1 of its 2003, 2004, and 2005 tax returns. In 2005 WHESC also included 2 regulatory asset adjustments to taxable income categorized on Schedule 1 as Opening adjustment to financial statement income and Closing adjustment to financial statement income. WHESC has re-categorized all regulatory asset adjustments to taxable income to the TaxRec3 tab of the SIMPILS Models to ensure no true-up of these items. This is in accordance with the direction provided in the decisions relating to the recent combined proceeding (EB-2008-0381). WHESC ensured that taxable income per SIMPILS reconciled to the actual tax returns for 2003 to 2005 after this re-categorization.

WHESC did not incur any fees or charges related to borrowings.

Tax Assessments

Canadian Revenue Agency and Ministry of Finance Assessment notices are contained in Appendices 19, 22, 25, 28 & 31.

WHESC confirms that all tax years from 2001 to 2005 are statute barred.

Tax Returns

The tax returns utilized for 2001 to 2005 are the latest returns filed with the Ministry of Finance.

The assessment notices for each year reconcile to the taxes payable as per the tax returns with small immaterial differences.

Summary of True-Ups**Q4 2001**

There is a true-up debit of \$5,819 due to the grossed up tax effect of incremental taxable income arising from Pension adjustments.

2002

There is a net true-up debit of \$46,543.

This is caused by an increase in tax on regulatory net income resulting from an income tax rate increase. The tax rate increases from 34.12% (including surtax), used to determine regulatory PILS included in rates, to the legislated tax rate of 38.45%.

2003

There is a true-up debit of \$30,837.

This is caused by two factors

- An increase in tax on regulatory net income.
 - The tax rate increases from 34.12% (including surtax), used to determine regulatory PILS included in rates, to the legislated tax rate of 35.74% (including surtax) resulting in a \$16,691 debit
- A true-up debit of \$14,146 due to the grossed up tax effect of incremental taxable income arising from Financial Statement and Tax Reserve differences (Employee Future Benefits and Doubtful Accounts)

2004

There is a true-up credit of (\$75,486).

This is caused by three factors:

- A reduction in tax on regulatory net income.
 - The tax rate declines from 34.12% (including surtax), used to determine regulatory PILS included in rates, to the legislated tax rate of 32.97% (including surtax) resulting in a (\$11,367) credit.
- An increase in the amount of exempt capital for LCT tax determination purposes which eliminates all LCT included in approved rates resulting in a (\$36,659) credit.
- A true-up credit of (\$27,460) due to the grossed up tax effect of incremental taxable income arising from Financial Statement and Tax Reserve differences.

2005

There is a true-up credit of (\$83,003).

This is caused by three factors:

- An increase in tax on regulatory net income.
 - The tax rate increases from 27.5% (including surtax), used to determine regulatory PILS included in rates, to the legislated tax rate of 35.29% (including surtax) resulting in a \$113,412 debit.
- Excess Interest claw back resulting in a (\$43,447) credit.
 - WHESC has reduced interest expense deducted for tax purposes by \$19,447 representing IESO charges which it believes are not properly categorized as interest expense.
- A true-up credit of (\$152,968) due to the grossed up tax effect of incremental taxable income arising from Financial Statement and Tax Reserve differences.

Interest Improvement

Interest rates used for monthly interest improvement can be found in Appendix 1 (continuity schedule). The continuity schedule shows an annual interest rate of 7.25% for the period Q4 2001 to April 2006 (approved long-term debt rate). Interest rates used from May 2006 to September 2011 are based on the OEB prescribed interest rates. The Q4 2011 rate has been used to determine interest carrying charges up to April 30, 2012.

Interest carrying charges have been determined using month opening balances with no interest compounding as per OEB requirements.

Appendix 1

Monthly Continuity Schedule

Welland Hydro-Electric System Corp.

1562 Deferred PILS - Continuity Schedule

Year: **Q4 2001**

	Approved PILS		SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
	Entitlement	PILS Revenue		Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
October	\$ 8,080.19	\$ -		\$ 8,080.19	\$ 8,080.19	7.25%	\$ -	\$ -	\$ 8,080.19
November	\$ 8,080.19	\$ -		\$ 8,080.19	\$ 16,160.38	7.25%	\$ 48.82	\$ 48.82	\$ 16,209.20
December	\$ 8,080.19	\$ -		\$ 8,080.19	\$ 24,240.57	7.25%	\$ 97.64	\$ 146.45	\$ 24,387.02
Total	\$ 24,240.57	\$ -	\$ -	\$ 24,240.57			\$ 146.45		

Year: **2002**

	Approved PILS		SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
	Entitlement	PILS Revenue		Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January	\$ 36,945.76	\$ -		\$ 36,945.76	\$ 61,186.33	7.25%	\$ 146.45	\$ 292.91	\$ 61,479.24
February	\$ 36,945.76	\$ -		\$ 36,945.76	\$ 98,132.09	7.25%	\$ 369.67	\$ 662.57	\$ 98,794.67
March	\$ 36,945.76	\$ 38,162.14		\$ 1,216.38	\$ 96,915.72	7.25%	\$ 592.88	\$ 1,255.46	\$ 98,171.17
April	\$ 36,945.76	\$ 36,508.99		\$ 436.78	\$ 97,352.49	7.25%	\$ 585.53	\$ 1,840.99	\$ 99,193.48
May	\$ 36,945.76	\$ 36,909.90		\$ 35.86	\$ 97,388.36	7.25%	\$ 588.17	\$ 2,429.16	\$ 99,817.52
June	\$ 36,945.76	\$ 38,526.10		\$ 1,580.34	\$ 95,808.02	7.25%	\$ 588.39	\$ 3,017.55	\$ 98,825.57
July	\$ 36,945.76	\$ 41,658.31	\$ 5,819.01	\$ 1,106.46	\$ 96,914.48	7.25%	\$ 578.84	\$ 3,596.39	\$ 100,510.87
August	\$ 36,945.76	\$ 41,155.71		\$ 4,209.95	\$ 92,704.53	7.25%	\$ 585.52	\$ 4,181.91	\$ 96,886.44
September	\$ 36,945.76	\$ 38,220.19		\$ 1,274.43	\$ 91,430.10	7.25%	\$ 560.09	\$ 4,742.00	\$ 96,172.10
October	\$ 36,945.76	\$ 37,198.93		\$ 253.16	\$ 91,176.94	7.25%	\$ 552.39	\$ 5,294.39	\$ 96,471.33
November	\$ 36,945.76	\$ 37,094.85		\$ 149.08	\$ 91,027.85	7.25%	\$ 550.86	\$ 5,845.25	\$ 96,873.10
December	\$ 36,945.76	\$ 38,135.82		\$ 1,190.05	\$ 89,837.80	7.25%	\$ 549.96	\$ 6,395.21	\$ 96,233.01
Total	\$ 443,349.16	\$ 383,570.94	\$ 5,819.01	\$ 65,597.23			\$ 6,248.76		

Year: **2003**

	Approved PILS		SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
	Entitlement	PILS Revenue		Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January	\$ 38,965.81	\$ 39,983.48		\$ 1,017.67	\$ 88,820.13	7.25%	\$ 542.77	\$ 6,937.98	\$ 95,758.11
February	\$ 38,965.81	\$ 38,638.52		\$ 327.29	\$ 89,147.42	7.25%	\$ 536.62	\$ 7,474.60	\$ 96,622.02
March	\$ 38,965.81	\$ 38,855.76		\$ 110.05	\$ 89,257.47	7.25%	\$ 538.60	\$ 8,013.20	\$ 97,270.67
April	\$ 38,965.81	\$ 37,262.01		\$ 1,703.80	\$ 90,961.27	7.25%	\$ 539.26	\$ 8,552.47	\$ 99,513.74
May	\$ 38,965.81	\$ 37,388.63		\$ 1,577.18	\$ 92,538.45	7.25%	\$ 549.56	\$ 9,102.03	\$ 101,640.48
June	\$ 38,965.81	\$ 38,278.52		\$ 687.29	\$ 93,225.75	7.25%	\$ 559.09	\$ 9,661.11	\$ 102,886.86
July	\$ 38,965.81	\$ 40,706.97	\$ 46,542.68	\$ 44,801.52	\$ 138,027.27	7.25%	\$ 563.24	\$ 10,224.35	\$ 148,251.62
August	\$ 38,965.81	\$ 40,680.46		\$ 1,714.65	\$ 136,312.62	7.25%	\$ 833.91	\$ 11,058.27	\$ 147,370.88
September	\$ 38,965.81	\$ 38,484.89		\$ 480.93	\$ 136,793.54	7.25%	\$ 823.56	\$ 11,881.82	\$ 148,675.36
October	\$ 38,965.81	\$ 38,130.37		\$ 835.44	\$ 137,628.98	7.25%	\$ 826.46	\$ 12,708.28	\$ 150,337.26
November	\$ 38,965.81	\$ 38,420.51		\$ 545.30	\$ 138,174.27	7.25%	\$ 831.51	\$ 13,539.79	\$ 151,714.07
December	\$ 38,965.81	\$ 39,668.25		\$ 702.44	\$ 137,471.83	7.25%	\$ 834.80	\$ 14,374.59	\$ 151,846.43
Total	\$ 467,589.73	\$ 466,498.38	\$ 46,542.68	\$ 47,634.04			\$ 7,979.38		

Year: **2004**

	Approved PILS		SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
	Entitlement	PILS Revenue		Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January	\$ 38,965.81	\$ 40,412.09		\$ 1,446.28	\$ 136,025.55	7.25%	\$ 830.56	\$ 15,205.15	\$ 151,230.71
February	\$ 38,965.81	\$ 39,046.03		\$ 80.22	\$ 135,945.33	7.25%	\$ 821.82	\$ 16,026.97	\$ 151,972.31
March	\$ 38,965.81	\$ 39,412.37		\$ 446.56	\$ 135,498.77	7.25%	\$ 821.34	\$ 16,848.31	\$ 152,347.08
April	\$ 36,945.76	\$ 36,083.60		\$ 862.16	\$ 136,360.93	7.25%	\$ 818.64	\$ 17,666.95	\$ 154,027.88
May	\$ 36,945.76	\$ 36,798.47		\$ 147.29	\$ 136,508.23	7.25%	\$ 823.85	\$ 18,490.80	\$ 154,999.02
June	\$ 36,945.76	\$ 37,861.95		\$ 916.18	\$ 135,592.04	7.25%	\$ 824.74	\$ 19,315.53	\$ 154,907.58
July	\$ 36,945.76	\$ 42,773.04	\$ 30,837.09	\$ 25,009.81	\$ 160,601.86	7.25%	\$ 819.20	\$ 20,134.73	\$ 180,736.59
August	\$ 36,945.76	\$ 42,797.73		\$ 5,851.96	\$ 154,749.89	7.25%	\$ 970.30	\$ 21,105.04	\$ 175,854.93
September	\$ 36,945.76	\$ 39,086.09		\$ 2,140.32	\$ 152,609.57	7.25%	\$ 934.95	\$ 22,039.98	\$ 174,649.55
October	\$ 36,945.76	\$ 38,805.49		\$ 1,859.73	\$ 150,749.84	7.25%	\$ 922.02	\$ 22,962.00	\$ 173,711.84
November	\$ 36,945.76	\$ 38,737.17		\$ 1,791.41	\$ 148,958.43	7.25%	\$ 910.78	\$ 23,872.78	\$ 172,831.21
December	\$ 36,945.76	\$ 42,846.98		\$ 5,901.22	\$ 143,057.21	7.25%	\$ 899.96	\$ 24,772.74	\$ 167,829.95
Total	\$ 449,409.31	\$ 474,661.02	\$ 30,837.09	\$ 5,585.38			\$ 10,398.15		

Welland Hydro-Electric System Corp.

1562 Deferred PILS - Continuity Schedule

Year: 2005

	Approved PILS Entitlement	PILS Revenue	SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
				Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January	\$ 36,945.76	\$ 43,894.62		-\$ 6,948.85	\$ 136,108.36	7.25%	\$ 864.30	\$ 25,637.04	\$ 161,745.40
February	\$ 36,945.76	\$ 39,425.95		-\$ 2,480.19	\$ 133,628.18	7.25%	\$ 822.32	\$ 26,459.36	\$ 160,087.54
March	\$ 36,945.76	\$ 35,680.58		\$ 1,265.19	\$ 134,893.36	7.25%	\$ 807.34	\$ 27,266.70	\$ 162,160.06
April	\$ 34,486.41	\$ 31,905.53		\$ 2,580.88	\$ 137,474.24	7.25%	\$ 814.98	\$ 28,081.68	\$ 165,555.92
May	\$ 34,486.41	\$ 34,772.03		-\$ 285.61	\$ 137,188.63	7.25%	\$ 830.57	\$ 28,912.25	\$ 166,100.88
June	\$ 34,486.41	\$ 39,855.58		-\$ 5,369.16	\$ 131,819.46	7.25%	\$ 828.85	\$ 29,741.10	\$ 161,560.57
July	\$ 34,486.41	\$ 46,873.73	-\$ 75,486.44	\$ 87,873.76	\$ 43,945.70	7.25%	\$ 796.41	\$ 30,537.51	\$ 74,483.22
August	\$ 34,486.41	\$ 44,301.02		-\$ 9,814.60	\$ 34,131.10	7.25%	\$ 265.51	\$ 30,803.02	\$ 64,934.12
September	\$ 34,486.41	\$ 36,416.16		-\$ 1,929.75	\$ 32,201.35	7.25%	\$ 206.21	\$ 31,009.23	\$ 63,210.57
October	\$ 34,486.41	\$ 34,799.43		-\$ 313.02	\$ 31,888.33	7.25%	\$ 194.55	\$ 31,203.78	\$ 63,092.10
November	\$ 34,486.41	\$ 34,753.91		-\$ 267.50	\$ 31,620.83	7.25%	\$ 192.66	\$ 31,396.43	\$ 63,017.26
December	\$ 34,486.41	\$ 37,879.32		-\$ 3,392.91	\$ 28,227.92	7.25%	\$ 191.04	\$ 31,587.48	\$ 59,815.40
Total	\$ 421,214.99	\$ 460,557.85	-\$ 75,486.44	-\$ 114,829.29			\$ 6,814.74		

Year: 2006

	Approved PILS Entitlement	PILS Revenue	SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
				Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January	\$ 34,486.41	\$ 37,383.22		-\$ 2,896.81	\$ 25,331.11	7.25%	\$ 170.54	\$ 31,758.02	\$ 57,089.13
February	\$ 34,486.41	\$ 33,873.09		\$ 613.32	\$ 25,944.43	7.25%	\$ 153.04	\$ 31,911.06	\$ 57,855.49
March	\$ 34,486.41	\$ 34,690.25		-\$ 203.84	\$ 25,740.59	7.25%	\$ 156.75	\$ 32,067.81	\$ 57,808.40
April	\$ 34,486.41	\$ 30,997.88		\$ 3,488.53	\$ 29,229.12	7.25%	\$ 155.52	\$ 32,223.33	\$ 61,452.45
May				\$ -	\$ 29,229.12	4.14%	\$ 100.84	\$ 32,324.17	\$ 61,553.29
June				\$ -	\$ 29,229.12	4.14%	\$ 100.84	\$ 32,425.01	\$ 61,654.13
July			-\$ 83,003.18	\$ 83,003.18	\$ 53,774.07	4.59%	\$ 111.80	\$ 32,536.81	-\$ 21,237.26
August				\$ -	\$ 53,774.07	4.59%	\$ 205.69	\$ 32,331.12	-\$ 21,442.94
September				\$ -	\$ 53,774.07	4.59%	\$ 205.69	\$ 32,125.44	-\$ 21,648.63
October				\$ -	\$ 53,774.07	4.59%	\$ 205.69	\$ 31,919.75	-\$ 21,854.31
November				\$ -	\$ 53,774.07	4.59%	\$ 205.69	\$ 31,714.07	-\$ 22,060.00
December				\$ -	\$ 53,774.07	4.59%	\$ 205.69	\$ 31,508.38	-\$ 22,265.69
Total	\$ 137,945.65	\$ 136,944.45	-\$ 83,003.18	-\$ 82,001.99			-\$ 79.10		

Note: WHESC did not have any LCT included in approved PILS entitlement, therefore no adjustment to revenue required.

Year: 2007

	Approved PILS Entitlement	PILS Revenue	SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
				Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January				\$ -	\$ 53,774.07	4.59%	-\$ 205.69	\$ 31,302.69	-\$ 22,471.37
February				\$ -	\$ 53,774.07	4.59%	-\$ 205.69	\$ 31,097.01	-\$ 22,677.06
March				\$ -	\$ 53,774.07	4.59%	-\$ 205.69	\$ 30,891.32	-\$ 22,882.74
April				\$ -	\$ 53,774.07	4.59%	-\$ 205.69	\$ 30,685.64	-\$ 23,088.43
May				\$ -	\$ 53,774.07	4.59%	-\$ 205.69	\$ 30,479.95	-\$ 23,294.11
June				\$ -	\$ 53,774.07	4.59%	-\$ 205.69	\$ 30,274.26	-\$ 23,499.80
July				\$ -	\$ 53,774.07	4.59%	-\$ 205.69	\$ 30,068.58	-\$ 23,705.49
August				\$ -	\$ 53,774.07	4.59%	-\$ 205.69	\$ 29,862.89	-\$ 23,911.17
September				\$ -	\$ 53,774.07	4.59%	-\$ 205.69	\$ 29,657.21	-\$ 24,116.86
October				\$ -	\$ 53,774.07	5.14%	-\$ 230.33	\$ 29,426.88	-\$ 24,347.19
November				\$ -	\$ 53,774.07	5.14%	-\$ 230.33	\$ 29,196.54	-\$ 24,577.52
December				\$ -	\$ 53,774.07	5.14%	-\$ 230.33	\$ 28,966.21	-\$ 24,807.85
Total	\$ -	\$ -	\$ -	\$ -	\$ -		-\$ 2,542.17		

Year: 2008

	Approved PILS Entitlement	PILS Revenue	SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
				Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January				\$ -	\$ 53,774.07	5.14%	-\$ 230.33	\$ 28,735.88	-\$ 25,038.19
February				\$ -	\$ 53,774.07	5.14%	-\$ 230.33	\$ 28,505.55	-\$ 25,268.52
March				\$ -	\$ 53,774.07	5.14%	-\$ 230.33	\$ 28,275.21	-\$ 25,498.85
April				\$ -	\$ 53,774.07	4.08%	-\$ 182.83	\$ 28,092.38	-\$ 25,681.68
May				\$ -	\$ 53,774.07	4.08%	-\$ 182.83	\$ 27,909.55	-\$ 25,864.51
June				\$ -	\$ 53,774.07	4.08%	-\$ 182.83	\$ 27,726.72	-\$ 26,047.35
July				\$ -	\$ 53,774.07	3.35%	-\$ 150.12	\$ 27,576.60	-\$ 26,197.47
August				\$ -	\$ 53,774.07	3.35%	-\$ 150.12	\$ 27,426.48	-\$ 26,347.59
September				\$ -	\$ 53,774.07	3.35%	-\$ 150.12	\$ 27,276.36	-\$ 26,497.70
October				\$ -	\$ 53,774.07	3.35%	-\$ 150.12	\$ 27,126.24	-\$ 26,647.82
November				\$ -	\$ 53,774.07	3.35%	-\$ 150.12	\$ 26,976.12	-\$ 26,797.94
December				\$ -	\$ 53,774.07	3.35%	-\$ 150.12	\$ 26,826.00	-\$ 26,948.06
Total	\$ -	\$ -	\$ -	\$ -	\$ -		-\$ 2,140.21		

Welland Hydro-Electric System Corp.

1562 Deferred PILS - Continuity Schedule

Year: 2009

	Approved PILS Entitlement	PILS Revenue	SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
				Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January				\$ -	-\$ 53,774.07	2.45%	-\$ 109.79	\$ 26,716.21	-\$ 27,057.85
February				\$ -	-\$ 53,774.07	2.45%	-\$ 109.79	\$ 26,606.43	-\$ 27,167.64
March				\$ -	-\$ 53,774.07	2.45%	-\$ 109.79	\$ 26,496.64	-\$ 27,277.43
April				\$ -	-\$ 53,774.07	1.00%	-\$ 44.81	\$ 26,451.82	-\$ 27,322.24
May				\$ -	-\$ 53,774.07	1.00%	-\$ 44.81	\$ 26,407.01	-\$ 27,367.05
June				\$ -	-\$ 53,774.07	1.00%	-\$ 44.81	\$ 26,362.20	-\$ 27,411.86
July				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,337.56	-\$ 27,436.51
August				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,312.91	-\$ 27,461.16
September				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,288.26	-\$ 27,485.80
October				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,263.62	-\$ 27,510.45
November				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,238.97	-\$ 27,535.10
December				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,214.32	-\$ 27,559.74
Total	\$ -	\$ -	\$ -	\$ -	\$ -		-\$ 611.68		

Year: 2010

	Approved PILS Entitlement	PILS Revenue	SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
				Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,189.68	-\$ 27,584.39
February				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,165.03	-\$ 27,609.04
March				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,140.38	-\$ 27,633.68
April				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,115.74	-\$ 27,658.33
May				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,091.09	-\$ 27,682.97
June				\$ -	-\$ 53,774.07	0.55%	-\$ 24.65	\$ 26,066.44	-\$ 27,707.62
July				\$ -	-\$ 53,774.07	0.89%	-\$ 39.88	\$ 26,026.56	-\$ 27,747.50
August				\$ -	-\$ 53,774.07	0.89%	-\$ 39.88	\$ 25,986.68	-\$ 27,787.39
September				\$ -	-\$ 53,774.07	0.89%	-\$ 39.88	\$ 25,946.80	-\$ 27,827.27
October				\$ -	-\$ 53,774.07	1.20%	-\$ 53.77	\$ 25,893.02	-\$ 27,881.04
November				\$ -	-\$ 53,774.07	1.20%	-\$ 53.77	\$ 25,839.25	-\$ 27,934.82
December				\$ -	-\$ 53,774.07	1.20%	-\$ 53.77	\$ 25,785.47	-\$ 27,988.59
Total	\$ -	\$ -	\$ -	\$ -	\$ -		-\$ 428.85		

Year: 2011

	Approved PILS Entitlement	PILS Revenue	SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
				Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,719.60	-\$ 28,054.46
February				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,653.73	-\$ 28,120.34
March				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,587.85	-\$ 28,186.21
April				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,521.98	-\$ 28,252.08
May				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,456.11	-\$ 28,317.96
June				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,390.24	-\$ 28,383.83
July				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,324.36	-\$ 28,449.70
August				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,258.49	-\$ 28,515.58
September				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,192.62	-\$ 28,581.45
October				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,126.74	-\$ 28,647.32
November				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 25,060.87	-\$ 28,713.20
December				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 24,995.00	-\$ 28,779.07
Total	\$ -	\$ -	\$ -	\$ -	\$ -		-\$ 790.48		

Year: 2012

	Approved PILS Entitlement	PILS Revenue	SIMPILS True-Up Adjustments (neg = CR)	Variance (neg. = payable)		Interest Improvement (neg = payable)			Total Variance
				Monthly	Cumulative	Approved Interest Rate	Monthly	Cumulative	
January				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 24,929.12	-\$ 28,844.94
February				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 24,863.25	-\$ 28,910.82
March				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 24,797.38	-\$ 28,976.69
April				\$ -	-\$ 53,774.07	1.47%	-\$ 65.87	\$ 24,731.50	-\$ 29,042.56
Total	\$ -	\$ -	\$ -	\$ -	\$ -		-\$ 263.49		