

January 20, 2012

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: **Reply Submission**
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 Reply
Submission for the 2012 IRM Rate Application EB-2011-0202.

Yours very truly,

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WELLAND HYDRO-ELECTRIC SYSTEM CORP.
2012 ELECTRICITY DISTRIBUTION RATES
EB-2011-0202
REPLY SUBMISSION

Introduction

Welland Hydro-Electric System Corp. (“Welland Hydro”) filed an application with the Ontario Energy Board on October 13, 2011 under section 78 of the Ontario Energy Board Act, 1998 seeking approval for changes to electricity distribution rates to be effective May 1, 2012. The Application was based on the 2011 3rd Generation Incentive Regulation.

Welland Hydro provided responses to Board Staff Interrogatories on December 14, 2011. There are no interveners of record for this rate application.

The purpose of this document is to provide the Board with a Reply Submission to a Board Staff Submission of January 9, 2012.

Welland Hydro will address the items as outlined in the Board Staff Submission.

2012 IRM3 Rate Generator-Sheet 6

In response to Board Staff interrogatories, Welland Hydro confirmed certain errors as described below:

General Service Less Than 50kW - Current Rate Rider for Deferral Variance Account Disposition (2010) should read (\$.0010) not (\$.0001).

Large Use – Current Rate Rider for Deferral Variance Account Disposition (2010) should read (\$.3003) not (\$.3030).

These items to be corrected by Board Staff have no impact on rates applied for but change bill impact amounts for each class.

2012 RTSR Adjustment Workform-Sheet 6

In response to Board Staff interrogatories, Welland Hydro confirmed certain errors as described below:

September Transformation Connection amount should read \$156,243 not \$158,243.

This adjustment to be corrected by Board Staff will have a very minor impact on Retail Transmission-Connection rates applied for.

Disposition Of Group 1 Deferral And Variance Account Balances

The 2010 actual year end amount for Group 1 accounts with interest projected to April 30, 2012 is a credit of \$1,436,775. Credit balances are amounts payable to customers. Board Staff confirmed the variance accounts were consistent to amounts included in Welland Hydro's RRR reporting. This amount results in a total claim of (\$.00339) per kWh which exceeds the present disposition threshold of \$.0001 per kWh. Welland Hydro proposed a two year disposition period to smooth the impact to customers and avoid significant increases or decreases in any one year. This position was supported by Board Staff in its Submission. As a result, Welland Hydro is requesting the Board to approve the disposition of Group 1 Deferral and Variance Account Balances as filed in the original application.

Account 1521 Special Purposes Charge ("SPC")

Distributors are required by regulation to apply for disposition of this account by April 30, 2012. As a result, Welland completed the application to reflect 2010 year end balances along with 2011 transactions and interest to April 30, 2012. There were no changes to the principal balance after June, 2011. The amount requested for disposition was a debit balance of \$15,664 recoverable

from customers. Welland requested a two year disposition in line with Group 1 Variance Accounts.

Board Staff submitted that this account does not require a prudence review and that the Board should authorize the disposition of Account 1521 despite the usual practice of only disposing of audited amounts.

As a result, Welland Hydro is requesting the Board to approve the disposition of the 1521 Special Purpose Account as filed in the original application.

Account 1562-PILS Disposition

On December 18, 2009 the Board issued a decision in the Combined PILs Proceeding (EB-2008-0381) and provided its views on how it will review the evidence related to account 1562 deferred PILs. Welland Hydro provided PILs evidence which included tax returns, financial statements, Excel models from prior applications, calculations of amounts recovered from customers, and SIMPIL Excel worksheets. In addition, continuity schedules were provided which detailed principal and interest amounts in the PILs 1562 account balance. The original application showed a credit balance (owing to customers) in principal and interest to April 30, 2012 of \$40,035. This amount was later changed to a credit balance of \$29,043 in response to Board Staff Interrogatory #6. Welland Hydro believes the evidence package conforms to the principles set out in the combined proceeding decision (EB-2008-0381).

In the absence of taxable income from 2001 to 2005 Welland Hydro calculated the income tax rates to be used in the true-up calculation in the SIMPL models by selecting the regulatory taxable income from the 2002 rate application (2002, 2003, and 2004 tax years) and determining how much tax would have applied to the amount of taxable income in each year. The same process was followed in 2005 with the taxable income from the 2005 rate application.

In its Submission, Board Staff stated "Welland's methodology for determining the income tax rates used in the SIMPIL model true-up calculations is a reasonable alternative because the

approach was symmetrical with how income taxes would have been determined for each of the rate applications.”

As a result, Welland Hydro is requesting the Board to approve the disposition of a credit balance of \$29,043 in relation to 1562 PILs to be returned to customers over a two year period.

Conclusion

Welland Hydro completed the 2012 IRM3 rate application in line with the guidelines issued by the Board. The requested Distribution Rates effective May 1, 2012 will result in significant decreases to customer bills in each class with the exception of Sentinel Lights, Unmetered Scattered Load, and Streetlights where there is minimal bill impacts.