

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>3 – Operating Revenue</b>				
	1	1		Overview of Operating Revenue
	2	1		Weather Normalized Load and Customer/ Connection Forecast
	2		A	Monthly Data Used for Regression Analysis
	3	1		Operating Revenue Variance Analysis.
	3	2		Transformer Allowance
	3	3		Variance Analysis on Other Distribution Revenue

1 **OVERVIEW OF OPERATING REVENUE:**

2  
3 This Exhibit provides the details of Welland Hydro's operating revenue for 2009 Board  
4 Approved, 2009 Actual, 2010 Actual, 2011 Actual, the 2012 Bridge Year and the 2013 Test  
5 Year. This Exhibit also provides a detailed variance analysis by rate class of the operating  
6 revenue components. Distribution revenue excludes revenue from commodity sales.

7 Welland Hydro is proposing a total Service Revenue Requirement of \$9,659,680 for the 2013  
8 Test Year. This amount includes a Base Revenue Requirement of \$ \$9,158,591 plus revenue  
9 offsets of \$501,089 to be recovered through Other Distribution Revenue.

10 A summary of all operating revenue is presented in Table 3A on page 2 of this schedule and  
11 provides a comparison of total revenues from the 2009 OEB approved year to the 2013 Test  
12 Year.

13 **Throughput Revenue:**

14 Information related to Welland Hydro's throughput revenue includes details on the weather  
15 normalized load forecasting methodology reflecting expected CDM results and a forecast of  
16 customers by rate class based on the historical number of customers billed throughout the year.

17 A detailed variance analysis on the historical throughput revenue is also provided in this  
18 Exhibit.

19 ***Other Revenue:***

20 Other revenues include Standard Service Supply (SSS) Administration Charges, Late Payment  
21 Charges, Miscellaneous Service Revenues and Merchandise and Jobbing Revenues and are  
22 shown on pages 2 & 3 of this schedule.

23 A detailed variance analysis of other revenue is set out later in this Exhibit.

**TABLE 3A  
 WELLAND HYDRO ELECTRIC SYSTEM CORP  
 DETAIL DISTRIBUTION & OTHER REVENUE**

	2009 COS (\$)	2009 Actual (\$)	2010 Actual (\$)	2011 Actual (\$)	2012 Bridge (\$)	2013 Test (\$)
<b>Distribution Services Revenue-Monthly</b>						
Residential	3,536,324	3,302,955	3,477,674	3,400,029	3,986,895	4,057,795
General Service Less Than 50 kw	505,004	469,359	515,981	499,875	584,775	585,120
General Service 50 to 4999 kw	628,199	539,996	698,174	690,941	688,486	688,486
Large Use	153,981	326,776	183,282	153,959	155,834	155,834
Unmetered Scattered Load	33,396	32,227	37,329	36,090	36,720	36,558
Sentinel Lighting	16,612	9,997	19,735	19,153	18,184	18,184
Street Lighting	109,770	67,834	180,943	199,691	203,310	203,310
<b>Total Distribution Revenue Monthly 4080</b>	<b>4,983,286</b>	<b>4,749,144</b>	<b>5,113,118</b>	<b>4,999,738</b>	<b>5,674,204</b>	<b>5,745,287</b>
<b>Distribution Services Revenue-Volumetric</b>						
Residential	2,505,137	2,099,525	2,361,380	2,229,353	2,280,787	2,270,039
General Service Less Than 50 kw	475,010	433,519	490,580	455,542	463,292	461,007
General Service 50 to 4999 kw	566,100	421,804	634,369	561,728	540,549	544,713
Large Use	146,790	152,754	155,509	145,833	145,311	144,265
Unmetered Scattered Load	9,890	9,177	10,562	9,962	9,908	9,823
Sentinel Lighting	11,404	8,023	14,535	14,515	13,615	13,615
Street Lighting	77,854	46,873	126,417	138,603	64,957	37,553
<b>Total Distribution Revenue Volumetric 4080</b>	<b>3,792,185</b>	<b>3,171,675</b>	<b>3,793,352</b>	<b>3,555,536</b>	<b>3,518,419</b>	<b>3,481,015</b>
Transformer Allowance-GS<50kW	-	-	-	(11,559)	(11,559)	(11,559)
Transformer Allowance-GS 50 to 4999 kW	(159,306)	(137,311)	(159,161)	(146,959)	(125,617)	(126,584)
Transformer Allowance-Large Use > 5000kW	(118,687)	(139,872)	(119,967)	(119,562)	(118,222)	(117,370)
<b>Total Transformer Allowance 4080</b>	<b>(277,993)</b>	<b>(277,183)</b>	<b>(279,128)</b>	<b>(278,080)</b>	<b>(255,398)</b>	<b>(255,513)</b>
<b>Distribution Revenue Fixed &amp; Variable Rates</b>	<b>8,497,478</b>	<b>7,643,636</b>	<b>8,627,342</b>	<b>8,277,194</b>	<b>8,937,225</b>	<b>8,970,789</b>
Monthly Service Charge-SSA Administration* 4080-2	72,816	74,544	(42,912)	59,382	60,501	61,575
Microfits 4080-3	0	0	0	0	696	1,392
Retail Service Revenue Charge 4082	35,174	39,496	36,881	30,135	20,525	20,515
Service Trans Revenue 4084	2,040	748	1,303	789	789	789
<b>Total Distribution Revenue</b>	<b>8,607,508</b>	<b>7,758,424</b>	<b>8,622,614</b>	<b>8,367,500</b>	<b>9,019,736</b>	<b>9,055,060</b>
Miscellaneous Operating Revenue-Distribution	383,506	466,338	334,869	513,676	387,669	373,068
Interest Earned	87,995	80,239	82,437	148,393	71,390	43,750
<b>Total Other Operating Revenue-Distribution</b>	<b>471,501</b>	<b>546,577</b>	<b>417,306</b>	<b>662,069</b>	<b>459,059</b>	<b>416,818</b>
<b>Net Operating Revenue-Distribution</b>	<b>9,079,009</b>	<b>8,305,001</b>	<b>9,039,920</b>	<b>9,029,569</b>	<b>9,478,795</b>	<b>9,471,878</b>
Miscellaneous Operating Revenue-Non Distribution	0	85,848	96,065	79,849	23,250	36,250
<b>Total Operating Revenue</b>	<b>9,079,009</b>	<b>8,390,849</b>	<b>9,135,985</b>	<b>9,109,418</b>	<b>9,502,045</b>	<b>9,508,128</b>

1 \*2010 Refunded \$119,238 Streetlight Account

**TABLE 3B**  
**WELLAND HYDRO ELECTRIC SYSTEM CORP**  
**DETAILED OTHER OPERATING REVENUE**

	2009 Full Yr COS (\$)	2009 Full Yr Actual (\$)	2010 Full Yr Actual (\$)	2011 Full Yr Actual (\$)	2012 Full Yr Bridge (\$)	2013 Full Yr Test (\$)
<b>Miscellaneous Operations Revenue</b>						
Rent from Electric Property-Poles*	128,535	189,876	132,640	130,085	130,085	130,085
Rent from Electric Property-Service Centre	20,496	20,774	21,631	21,466	21,895	22,552
<b>4210 Rent from Electrical Property</b>	<b>149,031</b>	<b>210,650</b>	<b>154,271</b>	<b>151,551</b>	<b>151,980</b>	<b>152,637</b>
Late Payment Charges**	66,000	71,531	3,072	143,690	68,785	70,849
<b>4225 Late Payment Charges</b>	<b>66,000</b>	<b>71,531</b>	<b>3,072</b>	<b>143,690</b>	<b>68,785</b>	<b>70,849</b>
Misc-Service-Account Status Fee	3,960	2,730	2,565	1,798	1,798	2,181
Misc Service-NSF Charges	6,480	4,335	3,390	4,515	4,515	4,515
Misc Service-Occupancy Related	83,880	97,319	91,610	93,305	93,305	94,238
Misc Service-Disconnect/Reconnect	31,135	23,560	18,609	14,440	14,440	14,440
Misc Service-Mark Up on Work Orders	24,000	28,474	33,205	43,354	35,011	35,011
<b>4235 Miscellaneous Service Charges</b>	<b>149,455</b>	<b>156,418</b>	<b>149,379</b>	<b>157,412</b>	<b>149,069</b>	<b>150,385</b>
Gain on Disposition of Utility and Other Property	0	-69	2,849	14,409	0	0
<b>4355 Gain on Disposition of Property</b>	<b>0</b>	<b>-69</b>	<b>2,849</b>	<b>14,409</b>	<b>0</b>	<b>0</b>
Scrap Metal Sales	12,000	8,920	18,221	9,812	9,812	10,106
Misc Service-Other Revenue	7,020	18,888	7,077	8,023	8,023	8,023
PILS 1562 Adjustment	0	0	0	28,779	0	0
<b>4390 Miscellaneous Non Operating Income</b>	<b>19,020</b>	<b>27,808</b>	<b>25,298</b>	<b>46,614</b>	<b>17,835</b>	<b>18,129</b>
<b>4362 Loss from Retirement of Utility Property</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-18,932</b>
<b>Total Other Misc Operations Revenue</b>	<b>383,506</b>	<b>466,338</b>	<b>334,869</b>	<b>513,676</b>	<b>387,669</b>	<b>373,068</b>
<b>Interest Earned</b>						
Interest Income-Bank & Miscellaneous	87,995	59,852	58,093	97,396	62,500	43,750
Interest Variance Accounts	0	20,387	24,344	50,997	8,890	0
<b>4405 Interest and Dividend Income</b>	<b>87,995</b>	<b>80,239</b>	<b>82,437</b>	<b>148,393</b>	<b>71,390</b>	<b>43,750</b>
<b>Total Other Operating Revenue-Distribution</b>	<b>471,501</b>	<b>546,577</b>	<b>417,306</b>	<b>662,069</b>	<b>459,059</b>	<b>416,818</b>
Mark Up- OPA Programs	0	82,154	90,530	45,537	0	0
Solar Revenue	0	0	0	0	23,250	36,250
Capital Gains	0	0	0	0	0	0
Revenue Final Variance Accounts-Rate Applications	0	0	0	28,822	0	0
Miscellaneous Non Operating	0	3,694	5,535	5,490	0	0
<b>4375 Revenues from Non-Utility Operations</b>	<b>0</b>	<b>85,848</b>	<b>96,065</b>	<b>79,849</b>	<b>23,250</b>	<b>36,250</b>
<b>Miscellaneous Operating Revenue-Non Distribution</b>	<b>0</b>	<b>85,848</b>	<b>96,065</b>	<b>79,849</b>	<b>23,250</b>	<b>36,250</b>

1 **WEATHER NORMALIZED LOAD AND CUSTOMER/CONNECTION FORECAST**

2 The purpose of this evidence is to present the process used by Welland Hydro to prepare the  
3 weather normalized load and customer/connection forecast used to design the proposed 2013  
4 electricity distribution rates.

5 In summary, Welland Hydro has used the same regression analysis methodology used by a  
6 number of distributors in previous cost of service rate applications to determine a prediction  
7 model. With regard to the overall process of load forecasting, Welland Hydro submits that  
8 conducting a regression analysis on historical electricity purchases to produce an equation that  
9 will predict purchases is appropriate. Welland Hydro has the data for the amount of electricity  
10 (in kWh) purchased from the IESO for use by Welland Hydro's customers. With a regression  
11 analysis, these purchases can be related to other monthly explanatory variables such as  
12 heating degree days and cooling degree days which occur in the same month. The results of  
13 the regression analysis produce an equation that predicts the purchases based on the  
14 explanatory variables. This prediction model is then used as the basis to forecast the total level  
15 of weather normalized purchases for the Bridge Year and the Test Year which is converted to  
16 bill kWh by rate class. A detailed explanation of the process is provided later in this evidence.

17 During proceedings related to the 2009 and 2010 cost of service applications for a number of  
18 other distributors, Intervenors expressed concerns with the load forecasting process that was  
19 proposed at the time by those distributors. During the review process of the 2009 cost of service  
20 applications, Intervenors suggested the regression analysis should be conducted on an  
21 individual rate class basis and the regression analysis would be based on monthly kWh by rate  
22 class. Welland Hydro reviewed the data required to conduct the regression analysis on an  
23 individual rate class basis and did not have the ability to produce monthly consumed values (i.e.  
24 the amount consumed in the month not billed) by rate class.

25 During the review of 2010 cost of service applications, Board staff and Intervenors expressed  
26 concern that the regression analysis assigned coefficients to some variable that were counter  
27 intuitive. For example, the customer variable would have a negative coefficient assigned to it  
28 which meant as the number of customers increased the energy forecast decreased. 2010  
29 applicants explained that this was related to the recent Conservation and Demand Management  
30 ("CDM") savings in the utility but in the view of Board staff and Intervenors this was not a

1 sufficient explanation. Further, the regression analysis indicated that some of the variables  
 2 used in the load forecasting formula were not statistically significant and should not have been  
 3 included in the equation. Welland Hydro has attempted to address these concerns in the load  
 4 forecast used in this Application. Based on the OEB's approval of this methodology in a number  
 5 of previous cost of service applications, and based on the discussion that follows, Welland  
 6 Hydro submits that its load forecasting methodology is reasonable for the purposes of this  
 7 Application.

8 The following provides the material to support the weather normalized load forecast used by  
 9 Welland Hydro in this Application.

10

<b>Table 3-1: Summary of Load and Customer/Connection Forecast</b>							
<b>Year</b>	<b>Billed (GWh)</b>	<b>Growth (GWh)</b>	<b>Percent Change</b>	<b>Customer/Connection Count</b>	<b>Growth</b>	<b>Percent Change (%)</b>	
<b>Billed Energy (GWh) and Customer Count / Connections</b>							
2009 Board Approved	439.8			29,313			
2002 Actual	502.4			27,500			
2003 Actual	477.9	(25)	(4.9%)	27,665	165	0.6%	
2004 Actual	484.1	6	1.3%	27,854	190	0.7%	
2005 Actual	501.9	18	3.7%	28,151	297	1.1%	
2006 Actual	467.8	(34)	(6.8%)	28,317	166	0.6%	
2007 Actual	470.4	3	0.5%	28,395	78	0.3%	
2008 Actual	467.6	(3)	(0.6%)	28,584	188	0.7%	
2009 Actual	401.3	(66)	(14.2%)	28,761	177	0.6%	
2010 Actual	424.3	23	5.7%	28,942	182	0.6%	
2011 Actual	430.0	6	1.3%	29,215	273	0.9%	
<b>2012 Bridge</b>	421.0	<b>(9)</b>	<b>(2.1%)</b>	29,489	274	0.9%	
<b>2013 Test</b>	417.8	<b>(3)</b>	<b>(0.8%)</b>	29,847	358	1.2%	

11  
12

13 The information in the table above provides weather actual data from 2002 to 2011, while 2012  
 14 and 2013 are weather normalized. Welland Hydro does not have a process to properly adjust  
 15 weather actual data to a weather normal basis. However, based on the process outlined in this  
 16 Exhibit, a process to forecast energy on a weather normalized basis has been developed and  
 17 used in this Application.

18

19 Total Customers and Connections are on an average basis and streetlight, sentinel lights and  
 20 unmetered loads are measured as connections.

- 1 Actual and forecasted billed amounts and numbers of customers/connections are shown in
- 2 Table 3-2 and customer/connection usage is shown in Table 3-3, on a rate class basis.

Table 3-2: Billed Energy and Number of Customers / Connections by Rate Class								
Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads	Total
<b>Billed Energy (GWh)</b>								
2009 Board Approved	167.0	55.3	160.8	49.8	4.7	1.1	1.1	439.8
2002 Actual	163.8	47.9	220.6	63.9	4.6	0.6	1.0	502.4
2003 Actual	157.6	46.5	148.8	118.1	4.6	1.0	1.2	477.9
2004 Actual	158.2	49.9	145.9	123.3	4.7	1.0	1.2	484.1
2005 Actual	170.9	52.6	147.1	124.4	4.7	1.0	1.2	501.9
2006 Actual	160.7	50.3	147.0	102.9	4.7	1.0	1.2	467.8
2007 Actual	162.9	53.4	163.2	84.0	4.7	1.0	1.1	470.4
2008 Actual	157.9	55.1	145.1	102.6	4.7	0.9	1.2	467.6
2009 Actual	152.4	54.6	135.4	51.9	4.7	1.1	1.2	401.3
2010 Actual	159.7	54.2	144.9	58.7	4.7	0.9	1.1	424.3
2011 Actual	158.6	54.4	150.2	60.0	4.7	0.9	1.1	430.0
<b>2012 Bridge</b>	<b>161.8</b>	<b>54.5</b>	<b>141.0</b>	<b>59.6</b>	<b>2.2</b>	<b>0.8</b>	<b>1.1</b>	<b>421.0</b>
<b>2013 Test</b>	<b>161.0</b>	<b>54.2</b>	<b>140.3</b>	<b>59.1</b>	<b>1.3</b>	<b>0.8</b>	<b>1.1</b>	<b>417.8</b>
<b>Number of Customers/Connections</b>								
2009 Board Approved	19,818	1,717	171	1	6,677	721	208	29,313
2002 Actual	18,178	1,680	239	1	6,412	765	225	27,500
2003 Actual	18,298	1,684	236	3	6,458	758	229	27,665
2004 Actual	18,498	1,683	217	3	6,471	750	232	27,854
2005 Actual	18,756	1,691	208	3	6,520	739	234	28,151
2006 Actual	18,915	1,668	209	3	6,558	732	233	28,317
2007 Actual	18,996	1,657	194	2	6,610	704	232	28,395
2008 Actual	19,137	1,676	176	3	6,671	689	232	28,584
2009 Actual	19,277	1,690	171	3	6,709	680	231	28,761
2010 Actual	19,434	1,691	172	1	6,738	679	227	28,942
2011 Actual	19,724	1,694	170	1	6,750	652	226	29,215
<b>2012 Bridge</b>	<b>20,075</b>	<b>1,695</b>	<b>169</b>	<b>1</b>	<b>6,750</b>	<b>574</b>	<b>226</b>	<b>29,489</b>
<b>2013 Test</b>	<b>20,432</b>	<b>1,696</b>	<b>169</b>	<b>1</b>	<b>6,750</b>	<b>574</b>	<b>225</b>	<b>29,847</b>

3

Table 3-3: Annual Usage per Customer/Connection by Rate Class							
Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads
<b>Energy Usage per Customer/Connection (kWh per customer/connection)</b>							
2009 Board Approved	8,427	32,236	940,246	49,804,199	707	1,523	5,158
2002 Actual	9,009	28,545	921,365	47,962,426	714	796	4,501
2003 Actual	8,614	27,585	630,984	42,958,798	720	1,353	5,349
2004 Actual	8,552	29,672	673,710	41,084,202	722	1,372	5,147
2005 Actual	9,113	31,098	707,333	41,453,722	717	1,353	5,126
2006 Actual	8,496	30,182	704,886	34,311,209	715	1,380	5,188
2007 Actual	8,573	32,247	840,642	42,019,183	710	1,392	4,939
2008 Actual	8,254	32,854	823,340	34,195,985	708	1,378	4,990
2009 Actual	7,907	32,331	792,862	17,303,076	699	1,549	4,997
2010 Actual	8,219	32,049	841,001	58,704,363	698	1,338	4,964
2011 Actual	8,042	32,144	885,983	59,993,492	698	1,373	4,969
<b>2012 Bridge</b>	<b>8,058</b>	<b>32,163</b>	<b>834,605</b>	<b>59,563,454</b>	<b>326</b>	<b>1,450</b>	<b>4,933</b>
<b>2013 Test</b>	<b>7,879</b>	<b>31,983</b>	<b>829,997</b>	<b>59,134,727</b>	<b>187</b>	<b>1,440</b>	<b>4,897</b>
<b>Annual Growth Rate in Usage per Customer/Connection</b>							
2009 Board App. Vs. 2009 Actual	6.6%	(0.3%)	18.6%	187.8%	1.1%	(1.7%)	3.2%
2002 Actual							
2003 Actual	(4.4%)	(3.4%)	(31.5%)	(10.4%)	0.8%	70.0%	18.8%
2004 Actual	(0.7%)	7.6%	6.8%	(4.4%)	0.3%	1.4%	(3.8%)
2005 Actual	6.6%	4.8%	5.0%	0.9%	(0.7%)	(1.4%)	(0.4%)
2006 Actual	(6.8%)	(2.9%)	(0.3%)	(17.2%)	(0.3%)	2.0%	1.2%
2007 Actual	0.9%	6.8%	19.3%	22.5%	(0.7%)	0.9%	(4.8%)
2008 Actual	(3.7%)	1.9%	(2.1%)	(18.6%)	(0.2%)	(1.0%)	1.0%
2009 Actual	(4.2%)	(1.6%)	(3.7%)	(49.4%)	(1.3%)	12.4%	0.1%
2010 Actual	3.9%	(0.9%)	6.1%	239.3%	(0.2%)	(13.6%)	(0.7%)
2011 Actual	(2.2%)	0.3%	5.3%	2.2%	0.0%	2.6%	0.1%
<b>2012 Bridge</b>	<b>0.2%</b>	<b>0.1%</b>	<b>(5.8%)</b>	<b>(0.7%)</b>	<b>(53.2%)</b>	<b>5.6%</b>	<b>(0.7%)</b>
<b>2013 Test</b>	<b>(2.2%)</b>	<b>(0.6%)</b>	<b>(0.6%)</b>	<b>(0.7%)</b>	<b>(42.6%)</b>	<b>(0.7%)</b>	<b>(0.7%)</b>

1    **LOAD FORECAST AND METHODOLOGY**

2    Welland Hydro's weather normalized load forecast is developed in a three-step process. First, a  
3    total system weather normalized purchased energy forecast is developed based on a multifactor  
4    regression model that incorporates independent variables that impact the monthly historical load  
5    pattern for Welland Hydro. Second, the weather normalized purchased energy forecast is  
6    adjusted by a historical loss factor to produce a weather normalized billed energy forecast.  
7    Next, the forecast of billed energy by rate class is developed based on a forecast of customer  
8    numbers and historical usage patterns per customer. For the rate classes that have weather  
9    sensitive load, their forecasted billed energy is adjusted to ensure that the total billed energy  
10   forecast by rate class is equivalent to the total weather normalized billed energy forecast that  
11   has been determined from the regression model. The forecast of customers by rate class is  
12   determined using a geometric mean analysis. For those rate classes that use kW for the  
13   distribution volumetric billing determinant, an adjustment factor is applied to class energy  
14   forecast based on the historical relationship between kW and kWh.

15   A detailed explanation of the load forecasting process follows.

16   **Purchased kWh Load Forecast**

17   An equation to predict total system purchased energy is developed using a multifactor  
18   regression model with independent variables that impact the monthly power purchased amount  
19   for Welland Hydro. The regression model uses monthly kWh and monthly values of  
20   independent variables from January 2002 to December 2011 to determine a prediction formula  
21   with coefficients for each independent variable. This provides 120 monthly data points which  
22   represent a reasonable data set for use in a regression analysis. Consistent with the approach  
23   used by many other distributors in their cost of service applications, Welland Hydro submits that  
24   it is appropriate to review the impact of weather over the period January 2002 to December  
25   2011 and then determine the average weather conditions over this period which would be  
26   applied in the prediction formula to determine a weather normalized forecast. However, in  
27   accordance with the OEB's Filing Requirements, Welland Hydro has also provided a sensitivity  
28   analysis showing the impact on the 2013 forecast of purchases assuming weather normal  
29   conditions based on a 20-year trend of weather data.

1 Weather impacts on load are apparent in both the winter heating season, and in the summer  
2 cooling season. For that reason, both Heating Degree Days (i.e. a measure of coldness in  
3 winter) and Cooling Degree Days (i.e. a measure of summer heat) are modeled.

4 The following outlines the prediction model used by Welland Hydro to predict weather normal  
5 purchases for 2012 and 2013:

6 Welland Hydro's Monthly Predicted kWh Purchases

7 = Heating Degree Days \* 11,365  
8 + Cooling Degree Days \* 84,783  
9 + Number of Days in the Month \* 599,642  
10 + CDM Activity \* (7.9)  
11 + Number of Peak Hours \* 25,379  
12 + Intercept of 9,544,366

13 The monthly data used in the regression model and the resulting monthly prediction for the  
14 actual and forecasted years are provided in Appendix 3-A.

15 The sources of data for the various data points are:

- 16 a) Environment Canada website for monthly heating degree day and cooling degree  
17 information. From 1992 to 2006, data from the Welland weather stations was used and from  
18 2007 onward data from the Welland-Pelham weather station was used.
- 19 b) The calendar provided information related to number of days in the month and the number  
20 of peak hours.
- 21 c) The CDM activity variable is an estimated level of monthly activity in CDM. For each year  
22 the monthly values grow at constant value over the year. For the years 2006 to 2013, the  
23 addition of the monthly CDM activity values shown in Appendix 3-A will equal the Net  
24 Energy Savings from the OPA 2006-2010 Final CDM Results for Welland Hydro. These  
25 values reflect the net energy savings from 2006 to 2010 programs and how these programs  
26 have persistent savings from 2007 to 2013. However, for the years 2011 to 2013, the Net  
27 Energy Savings from the OPA 2006-2010 Final CDM Results are adjusted to include  
28 preliminary results from 2011 programs that contribute to the four year licensed CDM kWh  
29 target of 20,600,000 assigned to Welland Hydro. The 2011 draft preliminary results are

1 based on the Q4 2011 Conservation and Demand Management Status Report provided to  
 2 Welland Hydro by the OPA. The 2011 preliminary results have been included in the CDM  
 3 activity variable since these results have impacted the actual 2011 power purchases. The  
 4 following table outlines the adjustments made to the Net Energy Savings from the OPA  
 5 2006-2010 Final CDM Results to include the impact of the preliminary results from 2011  
 6 CDM programs and the persistent impact of the 2011 programs into 2012 and 2013. In  
 7 addition, the table provides the Net Energy Savings from the OPA 2006-2010 Final CDM  
 8 Results for the years 2006 to 2013. For 2013, the monthly values for the CDM activity  
 9 variable will total 7,866,927 kWh which includes 5,613,679 kWh from the OPA final results  
 10 plus 2,253,248 kWh reflecting the persistence of 2011 programs into 2013.

<b>Table 3-4: 2011 Preliminary Results and Persistent Impact plus OPA 2010 Final Results and Persistent Impact</b>				
Welland Hydro 4 Year 2011 to 2014 kWh target				
20,600,000				
2011	2012	2013	2014	Total
kWh savings from 2011 programs with presistent impact				
2,253,248	2,253,248	2,253,248	2,253,248	9,012,993
OPA 2010 Final Results - kWh				
2006	2007	2008	2009	
1,592,649	2,347,569	4,040,220	5,532,867	
2010	2011	2012	2013	
6,270,557	5,780,516	5,662,590	5,613,679	

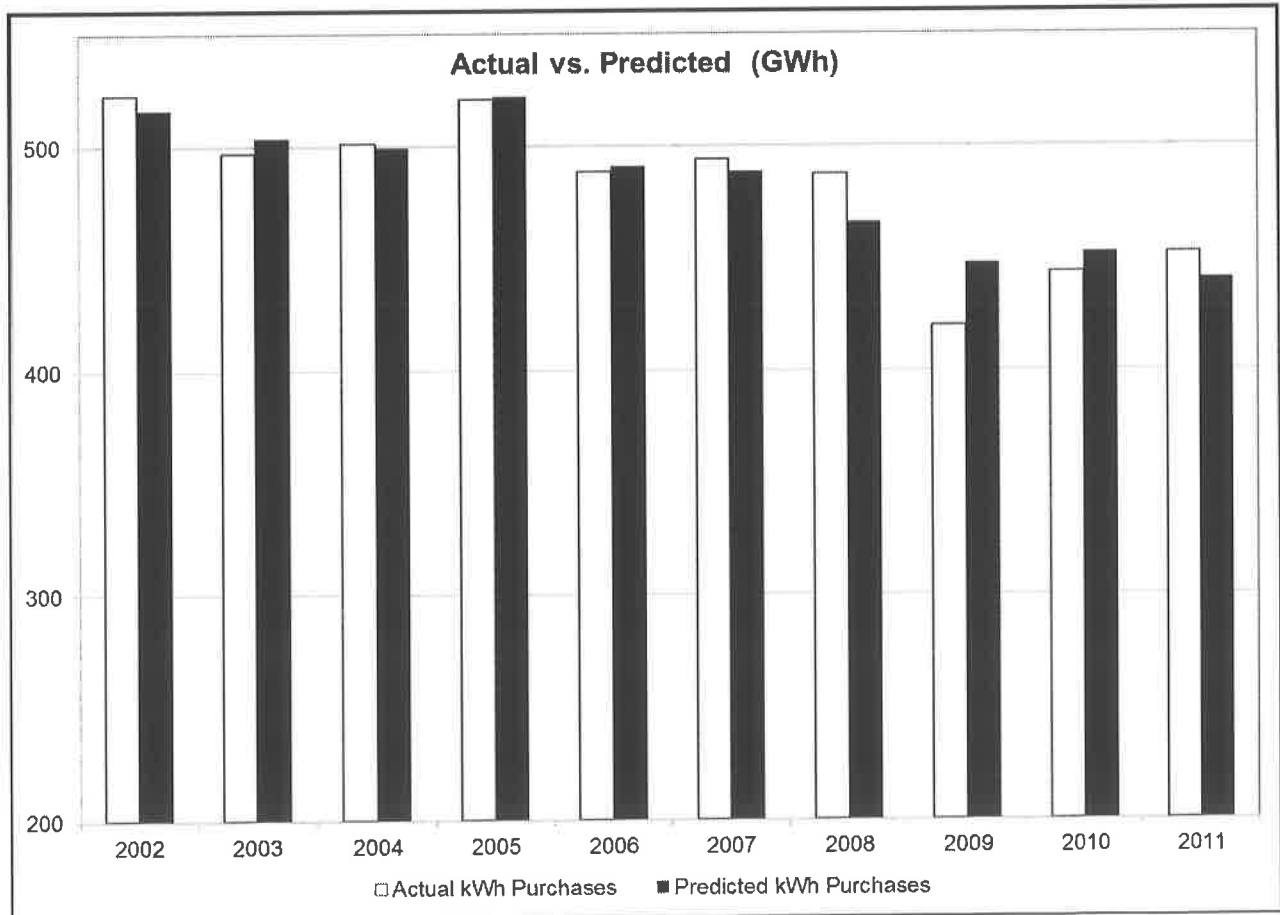
11  
 12 The impact of 2012 and 2013 CDM programs has not been included in the CDM activity variable  
 13 since they do not impact the actual purchases used in the regression analysis. A discussion on  
 14 how the load forecast is adjusted for 2012 and 2013 programs and how LRAM variance account  
 15 values are determined by rate class is provided later on in this schedule.

1 The prediction formula has the following statistical results:

<b>Table 3-5: Statistcial Results</b>	
<b>Statistic</b>	<b>Value</b>
R Square	84%
Adjusted R Square	83%
F Test	118.5
T-stats by Coefficient	
Heating Degree Days	13.6
Cooling Degree Days	18.2
Number of Days in Month	2.9
CDM Activity	(12.3)
Number of Peak Hours	2.5
Intercept	1.6

2

3 The annual results of the above prediction formula compared to the actual annual purchases  
 4 from 2002 to 2011 are shown in the chart below. The chart indicates the resulting prediction  
 5 equation appears to be reasonable.



6

1 The following table outlines the data that supports the above chart. In addition, the predicted  
 2 total system purchases for Welland Hydro are provided for 2012 and 2013. For 2012 and 2013  
 3 the system purchases reflect a weather normalized forecast for the full year. In addition, values  
 4 for 2013 are provided for a 20 year trend assumption for weather normalization.

<b>Table 3-6: Total System Purchases</b>			
<b>Year</b>	<b>Actual</b>	<b>Predicted</b>	<b>% Difference</b>
<b>Purchased Energy (GWh)</b>			
2002	522.7	516.3	(1.2%)
2003	497.1	503.6	1.3%
2004	501.2	499.6	(0.3%)
2005	520.8	522.0	0.2%
2006	488.4	490.7	0.5%
2007	493.9	488.4	(1.1%)
2008	487.1	465.7	(4.4%)
2009	419.6	447.6	6.7%
2010	443.6	452.0	1.9%
2011	452.1	440.6	(2.5%)
<b>2012 Weather Normal</b>		<b>442.3</b>	
<b>2013 Weather Normal</b>		<b>442.1</b>	
<b>2013 Weather Normal - 20 year trend</b>		<b>440.9</b>	

5  
 6  
 7 The weather normalized amount for 2013 is determined by using 2013 dependent variables in  
 8 the prediction formula on a monthly basis together with the average monthly heating degree  
 9 days and cooling degree days that occurred from January 2002 to December 2011 (i.e. 10  
 10 years). The 20 year trend value is based on the trend in monthly heating degree days and  
 11 cooling degree days that occurred from January 1992 to December 2011.

12 The weather normal 10 year average has been used in the power purchased forecast in this  
 13 Application for the purposes of determining a billed kWh load forecast which is used to design  
 14 rates. The 10 year average has been used as this is consistent with the period of time over  
 15 which the regression analysis was conducted.

1 **Billed KWh Load Forecast**

2 To determine the total weather normalized energy billed forecast, the total system weather  
 3 normalized purchases forecast is adjusted by a historical loss factor. This adjustment has been  
 4 made by Welland Hydro using the average loss factor from 2002 to 2011 of 1.0432. With this  
 5 average loss factor the total weather normalized billed energy will be 424.0 GWh for 2012 (i.e.  
 6 442.3/1.0432) and 423.8 GWh for 2013 (i.e. 442.1/1.0432) before adjustments between rate  
 7 classes and for 2012 and 2013 CDM programs.

8 **Billed KWh Load Forecast and Customer/Connection Forecast by Rate Class**

9 Since the total weather normalized billed energy amount is known, this amount needs to be  
 10 distributed by rate class for rate design purposes taking into consideration the  
 11 customer/connection forecast and expected usage per customer by rate class.

12 The next step in the forecasting process is to determine a customer/connection forecast. The  
 13 customer/connection forecast is based on reviewing historical customer/connection data that is  
 14 available as shown in the following table.

15

Table 3-7: Historical Customer/Connection Data								
Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads	Total
<b>Number of Customers/Connections</b>								
2002	18,178	1,680	239	1	6,412	765	225	27,500
2003	18,298	1,684	236	3	6,458	758	229	27,665
2004	18,498	1,683	217	3	6,471	750	232	27,854
2005	18,756	1,691	208	3	6,520	739	234	28,151
2006	18,915	1,668	209	3	6,558	732	233	28,317
2007	18,996	1,657	194	2	6,610	704	232	28,395
2008	19,137	1,676	176	3	6,671	689	232	28,584
2009	19,277	1,690	171	3	6,709	680	231	28,761
2010	19,434	1,691	172	1	6,738	679	227	28,942
2011	19,724	1,694	170	1	6,750	652	226	29,215

16 From the historical customer/connection data the growth rates in customers/ connections can be  
 17 evaluated. The growth rates are provided in the following table. The geometric mean growth  
 18 rate in number of customers is also provided. The geometric mean approach provides the  
 19 average compounding growth rate from 2002 to 2011.

**Table 3-8: Growth Rate in Customer/Connections**

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads
<b>Growth Rate in Customers/Connections</b>							
2002							
2003	0.7%	0.3%	(1.5%)	106.3%	0.7%	(0.9%)	1.5%
2004	1.1%	(0.1%)	(8.2%)	9.1%	0.2%	(1.0%)	1.7%
2005	1.4%	0.5%	(3.9%)	0.0%	0.8%	(1.5%)	0.7%
2006	0.8%	(1.4%)	0.2%	0.0%	0.6%	(0.9%)	(0.6%)
2007	0.4%	(0.7%)	(6.9%)	(33.3%)	0.8%	(3.8%)	(0.4%)
2008	0.7%	1.2%	(9.2%)	50.0%	0.9%	(2.2%)	0.1%
2009	0.7%	0.8%	(3.1%)	0.0%	0.6%	(1.4%)	(0.6%)
2010	0.8%	0.0%	0.9%	(66.7%)	0.4%	(0.1%)	(1.4%)
2011	1.5%	0.2%	(1.6%)	0.0%	0.2%	(4.1%)	(0.6%)
<b>Geometric Mean</b>	<b>0.9%</b>	<b>0.1%</b>	<b>(4.0%)</b>	<b>(11.9%)</b>	<b>0.6%</b>	<b>(1.9%)</b>	<b>(0.1%)</b>

- 1
- 2 For the General Service< 50 kW and Unmetered Loads class, the resulting geometric mean
- 3 was first applied to the 2011 customer/connection numbers to determine the forecast of
- 4 customer/connections in 2012. Then the geometric mean was applied again to the 2012 value
- 5 to determine the 2013 customer/connection forecast.
- 6 For the Residential class, Welland Hydro increased 2011 average customers by 1.8% in both
- 7 the 2012 Bridge Year and the 2013 Test Year. This is higher than the geometric mean found in
- 8 Table 3-8 and is based on the growth in customers in the first quarter of 2012.
- 9 For the General Service > 50 kW class, the count reduces by one in 2012 to 169 and remains at
- 10 that level for 2013. The reduction of one in 2012 is significant in that it was a large industrial
- 11 customer (4,000 kW) that closed its manufacturing facility in 2011. Welland Hydro removed the
- 12 actual kW and kWh associated with this customer in 2011 in the 2012 forecast. No growth is
- 13 expected in the class in 2013.
- 14 For the Large User and Streetlights class, the customer/connections were held constant at the
- 15 2011 level since Welland Hydro does not expect any growth in customer numbers in these
- 16 classes.
- 17 For the Sentinel Lights class, Welland Hydro does not install any new sentinel lights. The
- 18 number of connections for 2012 is based on reductions that have already occurred as industrial
- 19 and commercial customers who have in the past used sentinel lights for security are looking for

1 ways to reduce electrical costs. Although Welland Hydro expects this number to drop further it  
 2 has left the number of connections constant in 2013.

3 The following table outlines the forecast of customers and connections by rate class.

4

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads	Total
<b>Forecast Number of Customers/Connections</b>								
2012	20,075	1,695	169	1	6,750	574	226	29,489
2013	20,432	1,696	169	1	6,750	574	225	29,847

5 The next step in the process is to review the historical customer/connection usage and to reflect  
 6 this usage per customer in the forecast. The following table provides the average annual usage  
 7 per customer by rate class from 2002 to 2011.

8

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads
<b>Annual kWh Usage Per Customer/Connection</b>							
2002	9,009	28,545	921,365	47,962,426	714	796	4,501
2003	8,614	27,585	630,984	42,958,798	720	1,353	5,349
2004	8,552	29,672	673,710	41,084,202	722	1,372	5,147
2005	9,113	31,098	707,333	41,453,722	717	1,353	5,126
2006	8,496	30,182	704,886	34,311,209	715	1,380	5,188
2007	8,573	32,247	840,642	42,019,183	710	1,392	4,939
2008	8,254	32,854	823,340	34,195,985	708	1,378	4,990
2009	7,907	32,331	792,862	17,303,076	699	1,549	4,997
2010	8,219	32,049	841,001	58,704,363	698	1,338	4,964
2011	8,042	32,144	885,983	59,993,492	698	1,373	4,969

9 From the historical usage per customer/connection data the growth rate in usage per  
 10 customer/connection can be reviewed. That information is provided in the following table. The  
 11 geometric mean growth rate has also been shown.

**Table 3-11: Growth Rate in Usage Per Customer/Connection**

Year	Residential	GS<50	GS>50	Large User	Cogeneration	Street Lighting	Sentinels	USL
<b>Growth Rate in Customer/Connection</b>								
2000								
2001	(1.2%)	3.5%	36.2%	0.7%	10.1%	(7.6%)	12.0%	(4.4%)
2002	4.8%	14.9%	9.8%	22.4%	(38.1%)	15.6%	(5.1%)	(6.2%)
2003	(4.8%)	(4.9%)	(4.7%)	(0.0%)	44.6%	(6.5%)	0.7%	(1.9%)
2004	(2.5%)	(2.5%)	(3.2%)	3.9%	(11.7%)	0.2%	(2.2%)	2.9%
2005	6.5%	3.9%	3.3%	4.7%	50.5%	(1.4%)	(0.1%)	0.6%
2006	(5.3%)	(3.4%)	(1.4%)	(1.3%)	15.3%	0.9%	0.2%	(39.0%)
2007	(0.4%)	0.8%	(0.1%)	(9.7%)	21.2%	(0.4%)	0.3%	(5.3%)
2008	(1.3%)	(0.9%)	(2.3%)	(8.8%)	6.9%	0.3%	0.5%	10.8%
2009	(3.8%)	(4.1%)	(7.7%)	(0.1%)	7.2%	(0.5%)	(0.9%)	(1.9%)
2010	2.7%	0.8%	5.6%	4.5%	7.2%	(0.2%)	(0.2%)	1.6%
2011	(1.2%)	1.6%	(0.7%)	(0.8%)	(17.5%)	(0.4%)	0.5%	(2.6%)
<b>Geometric Mean</b>	<b>(0.7%)</b>	<b>0.8%</b>	<b>2.6%</b>	<b>1.1%</b>	<b>5.8%</b>	<b>(0.2%)</b>	<b>0.4%</b>	<b>(5.0%)</b>

1  
 2 For the Residential and General Service < 50 kW classes, the resulting geometric mean was first  
 3 applied to the 2011 usage per customer to determine the forecast of customer/connections in  
 4 2012. Then the geometric mean was applied again to the 2012 value to determine the 2013  
 5 customer/connection forecast.

6 For the General Service > 50 kW class, as indicated in the customer count section the reduction  
 7 from 170 to 169 was a large industrial customer closing its manufacturing facility. Welland  
 8 Hydro removed actual 2011 kWh associated with the customer in forecasting 2012 usage  
 9 volumes which have impacted on the usage per customer.

10 For the Large User and Unmetered Load classes, the usage per customer/connections was  
 11 held constant at the 2011 level since Welland Hydro does not expect any change in usage for  
 12 these classes.

13 Sentinel Lights forecasts were based on the actual kWh of the 574 lights remaining in 2012.  
 14 Welland Hydro expects that volume for this class will continue to decrease.

15 The City of Welland made a decision early in 2012 to change Cobra Head and Decorative Pole  
 16 Top street lighting to LED. Phase 1 in 2012 involves the replacement of 4,300 Cobra Head  
 17 lights expected to reduce kW demand by 577kW/month or 6,924kW/year. Phase 2 in 2013  
 18 involves the replacement of 2,192 Decorative Pole Top lights expected to reduce kW demand  
 19 by 216kW/month or 2,592kW/year. For the purposes of this rate application it was assumed  
 20 that all Cobra Head lights were changed January 1, 2012 and all Pole Top lights were changed

1 January 1, 2013. The forecast kWh per connection for this class reflects this replacement  
 2 schedule.

3

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads
<b>Forecast Annual kWh Usage per Customers/Connection</b>							
2012	7,941	32,571	817,672	59,993,492	329	1,461	4,969
2013	7,842	33,003	817,672	59,993,492	190	1,461	4,969

4 With the preceding information the non-normalized weather billed energy forecast can be  
 5 determined by applying the forecast numbers of customers/connections from Table 3-9 by the  
 6 forecast of annual usage per customer/connection from Table 3-12. The resulting non-  
 7 normalized weather billed energy forecast is shown in the following table.

8

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads	Total
<b>NON-normalized Weather Billed Energy Forecast (GWh)</b>								
2012 (Not Normalized)	159.4	55.2	138.2	60.0	2.2	0.8	1.1	417.0
2013 (Not Normalized)	160.2	56.0	138.2	60.0	1.3	0.8	1.1	417.6

9 The non-normalized weather billed energy forecast has been determined but this needs to be  
 10 adjusted in order to be aligned with the total weather normalized billed energy forecast. As  
 11 previously determined, the total weather normalized billed energy forecast is 424.0 GWh for  
 12 2012 and 423.8 GWh for 2013 before adjustments for 2012 and 2013 CDM programs.

13 The difference between the non-normalized and normalized forecast adjustments is 7.0 GWh in  
 14 2012 (i.e. 424.0 – 417.0) and 6.2 GWh in 2013 (i.e. 423.8 – 417.6). The difference is assumed  
 15 to be associated with moving the forecast from a non-normalized to a weather normal basis and  
 16 this amount will be assigned to those rate classes that are weather sensitive. Based on the  
 17 weather normalization work completed by Hydro One for Welland Hydro for the cost allocation  
 18 study, which has been used to support this Application, it was determined that the weather  
 19 sensitivity by rate classes is as follows:

<b>Table 3-14: Weather Sensitivity by Rate Class</b>						
<b>Residential</b>	<b>General Service &lt; 50 kW</b>	<b>General Service &gt; 50 kW</b>	<b>Large User</b>	<b>Streetlights</b>	<b>Sentinel Lights</b>	<b>Unmetered Loads</b>
<b>Weather Sensitivity</b>						
82.0%	82.0%	63.9%	0.0%	0.0%	0.0%	0.0%

1

2 For the GS > 50 kW class the weather sensitivity amount of 63.9% was provided in the weather  
 3 normalization work completed by Hydro One. For the Residential and General Service < 50 kW  
 4 classes, it has been assumed in previous cost of service applications that these two classes  
 5 are 100% weather sensitive. Intervenors expressed concern with this assumption and have  
 6 suggested that 100% weather sensitivity is not appropriate. Welland Hydro agrees with this  
 7 position but also submits that the weather sensitivity for the Residential and GS < 50 kW  
 8 classes should be higher than the GS > 50 kW class. As a result, Welland Hydro has assumed  
 9 the weather sensitivity for the Residential and General Service < 50 kW classes to be mid-way  
 10 between 100% and 63.9, or 82.0%.

11 The difference between the non-normalized and normalized forecast of 7.0 GWh in 2012 and  
 12 6.2 GWh in 2013 has been assigned on a *pro rata* basis to each rate class based on the above  
 13 level of weather sensitivity.

14 Welland Hydro adjusted the kWh between the General Service < 50 kW and the General  
 15 Service > 50 kW classes. In 2012, 1.5 GWh was moved from the General Service < 50 kW  
 16 class to General Service > 50 kW class. In 2013, 2.0 GWh was moved from the General Service  
 17 < 50 kW class to General Service > 50 kW class. This adjustment was necessary as there is no  
 18 history which shows the General Service < 50 kW class at the volumes predicted prior to the  
 19 adjustment. As a result, Welland Hydro believes an adjustment should be made between the  
 20 General Service < 50 kW and the General Service > 50 kW classes to bring the volumes for the  
 21 General Service < 50 kW more in line with historical values.

22 In addition, another adjustment has been made to reflect the impact of 2012 and 2013 CDM  
 23 programs on the load forecast. This adjustment reflects the "gross" impact of 2012 and 2013  
 24 CDM programs on the load forecast. The gross impact includes the net results measured by the  
 25 OPA plus an estimate of the average net to gross adjustment reflecting gross and net savings  
 26 information provided in the OPA 2006-2010 Final CDM Results. The net results provide a

1 measurement of the program effectiveness used to achieve the LDC targets. The gross results  
 2 include the net results plus the estimated impact of customers participating in a program even if  
 3 an incentive was not provided to participate. In the past this has been termed the level of “free  
 4 ridership”. In other words, the gross results include the results from those who participated in  
 5 the program because there was an incentive plus those who participated even if there was not  
 6 an incentive. In Welland Hydro’s view it is the gross level that impacts the load forecast.

7 The following table outlines the average net to gross factor of 54.8% based on information  
 8 provided in the OPA 2006-2010 Final CDM Results for Welland Hydro

**Table 3-15: Average Net to Gross Percentage**

	OPA 2006- 2010 Final CDM Results (Gross)	OPA 2006- 2010 Final CDM Results (Net)	# Difference	% Difference of Net
2006	1,778,676	1,592,649	186,027	11.7%
2007	2,920,591	2,347,569	573,022	24.4%
2008	6,043,541	4,040,220	2,003,322	49.6%
2009	8,298,829	5,532,867	2,765,962	50.0%
2010	10,017,319	6,270,557	3,746,763	59.8%
2011	9,535,791	5,780,516	3,755,276	65.0%
2012	9,260,629	5,662,590	3,598,039	63.5%
2013	9,163,918	5,613,679	3,550,239	63.2%
9 Total	57,019,296	36,840,646	20,178,650	54.8%

10 As previously discussed the 2011 draft verified savings from 2011 CDM programs are known  
 11 and has been used in the CDM activity variable included in the regression analysis supporting  
 12 the prediction formula. However, the 2011 preliminary results impacts on the expected savings  
 13 from 2012 to 2014 programs in order to achieve the licensed 4 year CDM target. Based on the  
 14 following table the 2011 preliminary results will contribute 43.8% to the four year target. In the  
 15 following table the 2011 results are consistent with the information provided in table 3-4. The  
 16 table indicates that assuming persistence, 2012 to 2014 programs will need to achieve 9.4% of  
 17 the four year target each year in order to achieve the target.

<b>Table 3-16: Schedule to Achieve 4 Year kWh CDM Target</b>					
4 Year 2011 to 2014 kWh target					
20,600,000					
	2011	2012	2013	2014	Total
2011 Programs	10.9%	10.9%	10.9%	10.9%	43.8%
2012 Programs		9.4%	9.4%	9.4%	28.1%
2013 Programs			9.4%	9.4%	18.7%
2014 Programs				9.4%	9.4%
	10.9%	20.3%	29.7%	39.1%	100.0%
kWh					
2011 Programs	2,253,248	2,253,248	2,253,248	2,253,248	9,012,993
2012 Programs		1,931,168	1,931,168	1,931,168	5,793,504
2013 Programs			1,931,168	1,931,168	3,862,336
2014 Programs				1,931,168	1,931,168
	2,253,248	4,184,416	6,115,584	8,046,752	20,600,000

1  
 2 The above table suggests that in 2012, the savings from 2012 will be 1,931,168 kWh on a net  
 3 basis. However on a gross basis this amount would be 1,931,168 times 1.548 (i.e. the net to  
 4 gross factor determined in table 3-15) or 2,988,922 kWh. In Welland Hydro's view, the 2012  
 5 load forecast should be adjusted by 2,988,922 kWh to reflect CDM savings from 2012  
 6 programs. As discussed above in regards to the CDM Activity variable, the persistent savings  
 7 from 2011 programs in 2012 have been reflected in the prediction formula.

8 The above table also suggest that in 2013, the savings from 2012 and 2013 programs will be a  
 9 1,931,168 kWh times two or 3,862,336 kWh on a net basis. However on a gross basis this  
 10 amount would be 3,862,336 times 1.548 or 5,977,845 kWh. In Welland Hydro's view, the 2013  
 11 load forecast should be adjusted by 5,977,845 kWh to reflect CDM savings from 2012 and 2013  
 12 programs.

13 In accordance with the Guidelines for Electricity Distributor Conservation and Demand  
 14 Management [EB-2012-0003], issued April 26, 2012, it is Welland Hydro's  
 15 understanding that as part of this application expected CDM savings in 2013 from 2011,  
 16 2012 and 2013 programs will need to be established for LRAM variance accounts  
 17 purposes. It is also Welland Hydro's understanding that the OPA will measure CDM results  
 18 attributable to the four year targets on a net basis. Consistent with past practices, it is expected  
 19 the net level of savings will be used for LRAM calculations. As a result, it is Welland Hydro's  
 20 view the units used for the 2013 LRAM variance account should also be on a net basis. Based

1 on the net information in table 3-16, Welland Hydro expects to achieve 6,115,584 net kWh  
 2 savings in 2013 from 2011 to 2013 CDM programs. For LRAM variance account purposes, the  
 3 following table outlines how this expected savings has been allocated to rate class using the  
 4 2013 information from table 3-13. The expected kW saving has also been provided for those  
 5 classes billed distribution charges on a kW basis using the average kW/KWh factors from Table  
 6 3-20

Table 3-17: 2013 Expected Savings for LRAM Variance Account

	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads	Total
kWh	2,346,360	819,589	2,023,621	878,552	18,789	12,277	16,397	6,115,584
kW where applicable			5,718	2,491	52	38		8,299

7  
 8 The following table outlines how the classes have been adjusted to align the non-normalized  
 9 forecast with the normalized forecast and reflect the adjustments discussed above.

Table 3-18: Alignment of Non-normal to Weather Normal Forecast

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Unmetered Loads	Total
<b>Non-normalized Weather Billed Energy Forecast (GWh)</b>								
2012 Non-Normalized Bridge	159.4	55.2	138.2	60.0	2.2	0.8	1.1	417.0
2013 Non-Normalized Test	160.2	56.0	138.2	60.0	1.3	0.8	1.1	417.6
<b>Weather Adjustment (GWh)</b>								
2012	3.5	1.2	2.4	0.0	0.0	0.0	0.0	7.0
2013	3.1	1.1	2.1	0.0	0.0	0.0	0.0	6.2
<b>Rate Class Adjustment (GWh)</b>								
2012 Non-Normalized Bridge	0.0	(1.5)	1.5	0.0	0.0	0.0	0.0	0.0
2013 Non-Normalized Test	0.0	(2.0)	2.0	0.0	0.0	0.0	0.0	0.0
<b>CDM Adjustment (GWh)</b>								
2012	(1.1)	(0.4)	(1.0)	(0.4)	(0.0)	(0.0)	(0.0)	(3.0)
2013	(2.3)	(0.8)	(2.0)	(0.9)	(0.0)	(0.0)	(0.0)	(6.0)
<b>Weather Normalized Billed Energy Forecast (GWh)</b>								
2012 Normalized Bridge	161.8	54.5	141.0	59.6	2.2	0.8	1.1	421.0
2013 Normalized Test	161.0	54.2	140.3	59.1	1.3	0.8	1.1	417.8

10  
 11 **Billed KW Load Forecast**

12 There are four rate classes that charge volumetric distribution on per kW basis. These include  
 13 GS > 50 kW, Large User, Streetlights and Sentinel Lights. As a result, the energy forecast for  
 14 these classes needs to be converted to a kW basis for rate setting purposes. The forecast of  
 15 kW for these classes is based on a review of the historical ratio of kW to kWhs.

16 The following table outlines the annual demand units by applicable rate class.

**Table 3-19: Historical Annual kW per Applicable Rate Class**

Year	General Service > 50 kW	Large User	Streetlights	Sentinel Lights	Total
<b>Billed Annual kW</b>					
2002	551,946	193,768	11,857	2,536	760,106
2003	449,454	293,338	12,975	2,929	758,696
2004	418,533	287,801	13,024	3,192	722,549
2005	415,116	296,227	13,039	2,844	727,226
2006	414,301	313,394	13,084	2,812	743,591
2007	441,184	248,610	13,086	3,042	705,922
2008	417,425	271,979	13,186	2,690	705,280
2009	390,493	195,437	13,091	3,631	602,652
2010	432,238	168,338	13,119	2,816	616,511
2011	417,210	170,236	13,068	2,462	602,976

1  
 2 The following table illustrates the historical ratio of kW/kWh as well as the average ratio for 2002  
 3 to 2011.

**Table 3-20: Historical kW/KWh Ratio per Applicable Rate Class**

Year	General Service > 50 kW	Large User	Streetlights	Sentinel Lights
<b>Ratio of kW to kWh</b>				
2002	0.2502%	0.3030%	0.2589%	0.4167%
2003	0.3021%	0.2483%	0.2791%	0.2856%
2004	0.2869%	0.2335%	0.2788%	0.3101%
2005	0.2822%	0.2382%	0.2790%	0.2844%
2006	0.2819%	0.3045%	0.2791%	0.2782%
2007	0.2703%	0.2958%	0.2789%	0.3102%
2008	0.2877%	0.2651%	0.2791%	0.2833%
2009	0.2884%	0.3765%	0.2790%	0.3449%
2010	0.2982%	0.2868%	0.2791%	0.3098%
2011	0.2778%	0.2838%	0.2775%	0.2753%
<b>Average 2002 to 2011</b>	<b>0.2826%</b>	<b>0.2835%</b>	<b>0.2768%</b>	<b>0.3098%</b>

4  
 5 For the Large User class, the average ratio was applied to the weather normalized billed energy  
 6 forecast in Table 3-18 to provide the forecast of kW for this class.  
 7 For the General Service > 50 kW class an adjustment was made in 2012 to remove the actual  
 8 kW for the loss of the large industrial customer as discussed above regarding Table 3-9. For

1 2013, the 2011 kW/kWh ratio was applied to the weather normalized billed energy forecast in  
 2 Table 3-18 to provide the 2013 forecast of kW since Welland Hydro believes the 2011 kW/kWh  
 3 ratio is more appropriate on a going forward basis.

4 For the Streetlight class, the kW is based upon the actual reduction in kW with the new LED  
 5 lights being installed in 2012 and 2013 based on the discussion above regarding Table 3-12.

6 For the Sentinel Lights class, the kW is based upon the actual kW of the 574 remaining lights  
 7 discussed above regarding Table 3-9.

<b>Table 3-21: kW Forecast by Applicable Rate Class</b>					
<b>Year</b>	<b>General Service &gt; 50 kW</b>	<b>Large User</b>	<b>Streetlights</b>	<b>Sentinel Lights</b>	<b>Total</b>
<b>Predicted Billed kW</b>					
<b>2012 Normalized Bridge</b>	<b>386,714</b>	<b>168,888</b>	<b>6,144</b>	<b>2,297</b>	<b>564,043</b>
<b>2013 Normalized Test</b>	<b>389,693</b>	<b>167,672</b>	<b>3,552</b>	<b>2,297</b>	<b>563,214</b>

8  
 9 Table 3-22 provides a summary of the billing determinants by rate class that is used to develop  
 10 the proposed rates.

**Table 3-22: Summary of Forecast**

	2009 Board Approved	2009 Actual	2010 Actual	2011 Actual	2012 Weather Normalized Bridge	2013 Weather Normalized Test
<b>ACTUAL AND PREDICTED KWH PURCHASES</b>						
Actual kWh Purchases		419,617,213	443,594,623	452,100,623		
Predicted kWh Purchases		447,588,392	451,994,246	440,647,070	442,326,032	442,113,423
% Difference of actual and predicted purchases		6.7%	1.9%	(2.5%)		
<b>BILLING DETERMINANTS BY CLASS</b>						
<b>Residential</b>						
Customers	19,818	19,277	19,434	19,724	20,075	20,432
kWh	166,999,701	152,428,518	159,733,338	158,621,921	161,757,930	160,995,683
<b>General Service ≤ 50 kW</b>						
Customers	1,717	1,690	1,691	1,694	1,695	1,696
kWh	55,348,528	54,644,526	54,185,000	54,435,719	54,504,980	54,236,152
<b>GS&gt;50</b>						
Customers	171	171	172	170	169	169
kWh	160,782,066	135,381,161	144,932,476	150,174,158	141,048,217	140,269,569
kW	440,796	390,493	432,238	417,210	386,714	389,693
<b>Large User</b>						
Customers	1	3	1	1	1	1
kWh	49,804,199	51,909,228	58,704,363	59,993,492	59,563,454	59,134,727
kW	169,553	195,437	168,338	170,236	168,888	167,672
<b>Sentinels</b>						
Connections	721	680	679	652	574	574
kWh	1,098,311	1,052,725	908,962	894,240	832,323	826,332
kW	2,592	3,631	2,816	2,462	2,297	2,297
<b>Street Lighting</b>						
Connections	6,677	6,709	6,738	6,750	6,750	6,750
kWh	4,722,781	4,691,957	4,700,576	4,709,765	2,203,348	1,264,642
kW	13,262	13,091	13,119	13,068	6,144	3,552
<b>USL</b>						
Connections	208	231	227	226	226	225
kWh	1,072,774	1,151,826	1,128,127	1,122,904	1,113,272	1,103,690
<b>Total of Above</b>						
Customer/Connections	29,313	28,761	28,942	29,215	29,489	29,847
kWh	439,828,360	401,259,942	424,292,841	429,952,199	421,023,523	417,830,794
kW from applicable classes	626,203	602,652	616,511	602,976	564,043	563,214

1

**Appendix 3-A Monthly Data Used for Regression Analysis**

	<u>Purchased</u>	<u>Heating Degree Days</u>	<u>Cooling Degree Days</u>	<u>Number of Days in Month</u>	<u>CDM Activity</u>	<u>Number of Peak Hours</u>	<u>Predicted Purchases</u>
Jan-02	46,293,277	559	0.0	31	0	352	43,415,336
Feb-02	41,843,002	519	0.0	28	0	320	40,349,794
Mar-02	44,412,572	512	0.0	31	0	320	42,074,927
Apr-02	42,581,129	307	5.1	30	0	352	40,388,320
May-02	40,099,130	220	8.8	31	0	352	40,315,443
Jun-02	42,830,520	27	74.7	30	0	320	42,286,974
Jul-02	50,209,650	1	169.2	31	0	352	51,417,753
Aug-02	49,113,260	1	141.6	31	0	336	48,678,938
Sep-02	43,203,390	21	77.3	30	0	320	42,442,629
Oct-02	39,840,800	260	11.6	31	0	352	41,001,762
Nov-02	40,267,910	413	0.0	30	0	336	40,759,770
Dec-02	41,966,900	611	0.0	31	0	320	43,195,537
Jan-03	45,793,920	782	0.0	31	0	352	45,946,368
Feb-03	41,797,690	681	0.0	28	0	320	42,194,367
Mar-03	43,041,020	530	0.0	31	0	336	42,689,223
Apr-03	39,112,340	360	0.0	30	0	336	40,163,096
May-03	37,768,340	149	0.0	31	0	336	38,363,624
Jun-03	38,550,110	33	35.6	30	0	336	39,462,687
Jul-03	45,139,630	1	105.3	31	0	352	46,000,098
Aug-03	44,242,730	4	127.8	31	0	320	47,135,575
Sep-03	39,933,800	51	29.0	30	0	336	39,106,554
Oct-03	39,274,410	264	1.0	31	0	352	40,145,110
Nov-03	39,924,090	352	0.0	30	0	320	39,648,488
Dec-03	42,535,190	531	0.0	31	0	336	42,705,134
Jan-04	46,623,430	805	0.0	31	0	336	45,821,474
Feb-04	42,059,450	617	0.0	29	0	320	42,069,399
Mar-04	44,041,140	479	0.0	31	0	368	42,919,250
Apr-04	39,465,450	303	0.8	30	0	336	39,577,423
May-04	38,649,380	117	17.1	31	0	320	39,035,465
Jun-04	40,366,830	47	42.0	30	0	352	40,564,144
Jul-04	42,442,080	1	93.1	31	0	336	44,571,492
Aug-04	42,940,430	12	61.6	31	0	336	42,023,562
Sep-04	41,663,760	28	46.7	30	0	336	40,341,273
Oct-04	39,406,350	209	0.3	31	0	320	38,653,294
Nov-04	40,213,160	365	0.0	30	0	352	40,615,107
Dec-04	43,313,970	591	0.0	31	0	336	43,382,500
Jan-05	46,807,180	717	0.0	31	0	320	44,397,976
Feb-05	41,117,740	595	0.0	28	0	320	41,211,276
Mar-05	44,324,530	591	0.0	31	0	352	43,785,842
Apr-05	39,294,850	304	0.0	30	0	336	39,516,416
May-05	38,503,630	179	0.0	31	0	336	38,697,761
Jun-05	43,469,730	6	141.2	30	0	352	48,505,268
Jul-05	51,308,440	0	190.7	31	0	320	52,420,713
Aug-05	48,784,110	1	144.1	31	0	352	49,289,692
Sep-05	41,264,120	20	49.8	30	0	336	40,521,135
Oct-05	40,426,860	212	8.7	31	0	320	39,401,843
Nov-05	41,421,880	361	0.0	30	0	352	40,573,056
Dec-05	44,051,790	652	0.0	31	0	320	43,656,964

2

	<u>Purchased</u>	<u>Heating</u> <u>Degree Days</u>	<u>Cooling</u> <u>Degree Days</u>	<u>Number of</u> <u>Days in</u> <u>Month</u>	<u>CDM Activity</u>	<u>Number of</u> <u>Peak Hours</u>	<u>Predicted</u> <u>Purchases</u>
Jan-06	43,192,750	524	0.0	31	20,419	336	42,465,141
Feb-06	39,863,550	570	0.0	28	40,837	320	40,610,820
Mar-06	42,675,980	515	0.0	31	61,256	368	42,843,679
Apr-06	34,740,070	270	0.0	30	81,674	304	37,667,109
May-06	38,741,980	127	24.3	31	102,093	352	39,763,619
Jun-06	41,837,560	19	69.9	30	122,511	352	41,640,800
Jul-06	47,715,260	1	161.4	31	142,930	320	48,816,917
Aug-06	44,325,550	1	100.1	31	163,349	352	44,274,598
Sep-06	36,564,730	69	17.2	30	183,767	320	36,432,842
Oct-06	38,815,730	270	0.0	31	204,186	336	38,119,677
Nov-06	39,427,080	361	0.0	30	224,604	352	38,795,755
Dec-06	40,481,750	469	0.0	31	245,023	304	39,251,964
Jan-07	43,659,020	626	0.0	31	237,424	352	42,296,924
Feb-07	42,004,080	739	0.0	28	229,825	320	41,036,071
Mar-07	41,099,580	539	0.0	31	222,227	352	41,429,546
Apr-07	37,578,410	376	0.0	30	214,628	320	38,222,897
May-07	37,137,720	144	15.4	31	207,029	352	38,370,757
Jun-07	42,747,830	20	84.3	30	199,430	336	41,858,971
Jul-07	41,879,640	7	77.5	31	191,831	336	41,804,779
Aug-07	45,846,620	6	106.5	31	184,233	352	44,704,236
Sep-07	40,071,090	52	41.8	30	176,634	304	37,979,747
Oct-07	39,182,630	131	20.2	31	169,035	352	38,928,344
Nov-07	40,415,660	438	0.0	30	161,436	352	40,171,864
Dec-07	42,304,750	613	0.0	31	153,837	304	41,603,288
Jan-08	43,662,060	604	0.0	31	181,968	352	42,493,633
Feb-08	42,566,180	654	0.0	29	210,098	320	40,819,928
Mar-08	42,057,090	602	0.0	31	238,229	304	40,805,242
Apr-08	37,570,770	273	0.0	30	266,359	352	37,459,771
May-08	36,307,140	217	0.0	31	294,489	336	36,793,163
Jun-08	41,100,780	27	61.5	30	322,620	336	39,031,393
Jul-08	44,714,390	5	90.3	31	350,750	352	42,006,228
Aug-08	41,138,100	19	42.4	31	378,881	320	37,067,220
Sep-08	39,609,350	70	25.5	30	407,011	336	35,798,970
Oct-08	37,751,930	293	0.0	31	435,141	352	36,956,819
Nov-08	38,864,960	447	0.0	30	463,272	304	36,667,765
Dec-08	41,720,160	615	0.0	31	491,402	336	39,759,476
Jan-09	42,696,540	829	0.0	31	486,736	336	42,235,373
Feb-09	35,865,870	606	0.0	28	482,070	304	37,116,570
Mar-09	36,893,370	529	0.0	31	477,404	352	39,297,766
Apr-09	32,546,810	317	2.0	30	472,738	320	35,680,787
May-09	30,411,992	157	1.8	31	468,071	320	34,489,918
Jun-09	32,954,969	44	30.0	30	463,405	352	35,848,223
Jul-09	35,112,531	20	33.1	31	458,739	352	36,465,760
Aug-09	38,795,185	14	74.2	31	454,073	320	39,113,777
Sep-09	32,382,923	71	12.0	30	449,407	336	34,326,870
Oct-09	32,302,731	290	0.0	31	444,741	336	36,437,289
Nov-09	32,596,485	336	0.0	30	440,075	320	35,995,851
Dec-09	37,057,808	612	0.0	31	435,408	352	40,580,207

	<u>Purchased</u>	<u>Heating Degree Days</u>	<u>Cooling Degree Days</u>	<u>Number of Days in Month</u>	<u>CDM Activity</u>	<u>Number of Peak Hours</u>	<u>Predicted Purchases</u>
Jan-10	38,555,454	711	0.0	31	448,814	320	40,784,879
Feb-10	35,503,923	633	0.0	28	462,220	304	37,580,503
Mar-10	36,616,969	468	0.0	31	475,626	368	39,028,030
Apr-10	31,620,685	243	0.0	30	489,032	320	34,546,941
May-10	34,713,300	125	27.5	31	502,438	320	36,035,495
Jun-10	38,175,215	24	51.3	30	515,843	352	37,002,767
Jul-10	43,449,462	5	124.0	31	529,249	336	43,038,073
Aug-10	42,901,115	8	103.4	31	542,655	336	41,220,688
Sep-10	34,876,669	70	13.9	30	556,061	336	33,630,363
Oct-10	33,323,746	247	0.1	31	569,467	320	34,567,447
Nov-10	35,291,992	240	0.0	30	582,873	336	34,175,208
Dec-10	38,566,092	671	0.0	31	596,278	368	40,383,850
Jan-11	40,978,069	795	0.0	31	607,540	336	40,883,936
Feb-11	37,078,054	645	0.0	28	618,802	304	36,486,939
Mar-11	39,328,992	551	0.0	31	630,064	368	38,744,724
Apr-11	34,149,362	325	0.4	30	641,326	320	34,306,558
May-11	34,490,038	136	12.5	31	652,588	336	34,102,140
Jun-11	38,127,200	23	40.2	30	663,849	352	34,880,268
Jul-11	46,099,946	0	158.6	31	675,111	320	44,361,295
Aug-11	42,828,385	4	88.8	31	686,373	352	39,210,757
Sep-11	34,076,923	54	24.9	30	697,635	336	33,263,131
Oct-11	32,968,069	235	0.0	31	708,897	320	33,310,181
Nov-11	34,436,562	320	0.0	30	720,159	352	34,405,279
Dec-11	37,539,023	512	0.0	31	731,420	336	36,691,861
Jan-12		695	0	31	720,379	336	38,860,995
Feb-12		626	0	29	709,338	320	36,554,610
Mar-12		531	0	31	698,297	352	37,581,426
Apr-12		308	1	30	687,256	320	33,783,973
May-12		157	11	31	676,215	352	34,413,307
Jun-12		27	63	30	665,174	336	36,450,794
Jul-12		4	120	31	654,133	336	41,731,387
Aug-12		7	99	31	643,092	352	40,454,665
Sep-12		51	34	30	632,050	304	33,688,342
Oct-12		241	4	31	621,009	352	35,247,678
Nov-12		363	0	30	609,968	352	35,770,355
Dec-12		588	0	31	598,927	304	37,788,501
Jan-13		695	0	31	607,643	352	40,159,149
Feb-13		626	0	28	616,358	304	36,284,659
Mar-13		531	0	31	625,073	320	37,348,718
Apr-13		308	1	30	633,789	352	35,019,190
May-13		157	11	31	642,504	352	34,680,060
Jun-13		27	63	30	651,220	320	36,155,149
Jul-13		4	120	31	659,935	352	42,091,538
Aug-13		7	99	31	668,650	336	39,846,352
Sep-13		51	34	30	677,366	320	33,735,825
Oct-13		241	4	31	686,081	352	34,732,762
Nov-13		363	0	30	694,797	336	34,693,040
Dec-13		588	0	31	703,512	320	37,366,982

1 **OPERATING REVENUE VARIANCE ANALYSIS**

2 **THROUGHPUT REVENUE and OTHER OPERATING REVENUE**

3 **VARIANCE ANALYSIS ON THROUGHPUT REVENUE:**

4 A summary of historical and forecast throughput revenues is presented in Table 3A of Schedule  
5 1 of this exhibit.

6 **2009 Board Approved:**

7  
8 Welland Hydro's Board approved operating revenue in fiscal 2009 was \$9,079,009. Throughput  
9 revenue was \$8,497,478. or 93.6% of total revenues. Other net operating revenues total  
10 \$581,531.

11  
12 **2009 Actual:**

13  
14 Welland Hydro's actual operating revenue in fiscal 2009 was \$8,390,849. Throughput revenue  
15 was \$7,643,636 or 91.1% of total revenues. Other net operating revenue total \$661,365 while  
16 Non-Distribution revenue totals \$85,848.

17  
18 A comparison of 2009 Board Approved versus 2009 Actual is provided in Table 3C on page 2 of  
19 this schedule. A comparison between the two amounts is composed of two items. The 2009  
20 COS Decision & Order contained a significant increase in distribution rates. As a result, the  
21 difference between the calendar year (Jan-Dec) and the fiscal year for rate making (May-Apr)  
22 would result in 2009 Actual less than 2009 COS. The second is the approved rates were not  
23 implemented until August 1, 2009 with a rate rider for lost revenue from May 1, 2009 to July 31,  
24 2009. The rate rider was in place from August 1, 2009 to April 30, 2010. This would result in  
25 2009 Actual being understated and 2010 Actual being overstated. In addition, volume kWh for  
26 the Residential class in the 2009 COS was significantly overstated and actual kWh for this class  
27 was never achieved. Large Use distribution services monthly exceeded the 2009 COS as the  
28 large use customer removed from rates in 2009 was operational until the end of 2009 at which  
29 time it closed its manufacturing plant permanently.

**TABLE 3C**  
**WELLAND HYDRO ELECTRIC SYSTEM CORP**  
**2009 COS vs 2009 ACTUAL**

	2009 COS (\$)	2009 Actual (\$)	Difference \$	Difference %
<b>Distribution Services Revenue-Monthly</b>				
Residential	3,536,324	3,302,955	-233,369	-6.6%
General Service Less Than 50 kw	505,004	469,359	-35,645	-7.1%
General Service 50 to 4999 kw	628,199	539,996	-88,203	-14.0%
Large Use	153,981	326,776	172,795	112.2%
Unmetered Scattered Load	33,396	32,227	-1,169	-3.5%
Sentinel Lighting	16,612	9,997	-6,615	-39.8%
Street Lighting	109,770	67,834	-41,936	-38.2%
<b>Total Distribution Revenue Monthly 4080</b>	<b>4,983,286</b>	<b>4,749,144</b>	<b>-234,142</b>	<b>-4.7%</b>
<b>Distribution Services Revenue-Volumetric</b>				
Residential	2,505,137	2,099,525	-405,612	-16.2%
General Service Less Than 50 kw	475,010	433,519	-41,491	-8.7%
General Service 50 to 4999 kw	566,100	421,804	-144,296	-25.5%
Large Use	146,790	152,754	5,964	4.1%
Unmetered Scattered Load	9,890	9,177	-713	-7.2%
Sentinel Lighting	11,404	8,023	-3,381	-29.6%
Street Lighting	77,854	46,873	-30,981	-39.8%
<b>Total Distribution Revenue Volumetric 4080</b>	<b>3,792,185</b>	<b>3,171,675</b>	<b>-620,510</b>	<b>-16.4%</b>
<b>Transformer Allowance</b>				
Transformer Allowance-GS<50kW	-	-	-	-
Transformer Allowance-GS 50 to 4999 kW	-159,306	-137,311	21,995	-13.8%
Transformer Allowance-Large Use > 5000kW	-118,687	-139,872	-21,185	17.8%
<b>Total Transformer Allowance 4080</b>	<b>-277,993</b>	<b>-277,183</b>	<b>810</b>	<b>-0.3%</b>
<b>Distribution Revenue Fixed &amp; Variable Rates</b>	<b>8,497,478</b>	<b>7,643,636</b>	<b>-853,842</b>	<b>-10.0%</b>

2 **2010 Actual:**

3 Welland Hydro's operating revenue in fiscal 2010 was \$9,135,985. Throughput revenue totaled  
 4 \$8,627,342 or 94.4% of total revenues. Other net operating revenue total \$412,578 while Non-  
 5 Distribution revenue totals \$96,065.

6 A comparison of 2010 Actual to 2009 Actual is included in Table 3D on page 3 of this schedule.

**TABLE 3D**  
**WELLAND HYDRO ELECTRIC SYSTEM CORP**  
**2009 ACTUAL vs 2010 ACTUAL**

	2009 Actual (\$)	2010 Actual (\$)	Difference \$	Difference %	
<b>Distribution Services Revenue-Monthly</b>					
Residential	3,302,955	3,477,674	174,719	5.3%	
General Service Less Than 50 kw	469,359	515,981	46,622	9.9%	
General Service 50 to 4999 kw	539,996	698,174	158,178	29.3%	
Large Use	326,776	183,282	-143,494	-43.9%	
Unmetered Scattered Load	32,227	37,329	5,102	15.8%	
Sentinel Lighting	9,997	19,735	9,738	97.4%	
Street Lighting	67,834	180,943	113,109	166.7%	
<b>Total Distribution Revenue Monthly 4080</b>	<b>4,749,144</b>	<b>5,113,118</b>	<b>363,974</b>	<b>7.7%</b>	
<b>Distribution Services Revenue-Volumetric</b>					
Residential	2,099,525	2,361,380	261,855	12.5%	
General Service Less Than 50 kw	433,519	490,580	57,061	13.2%	
General Service 50 to 4999 kw	421,804	634,369	212,565	50.4%	
Large Use	152,754	155,509	2,755	1.8%	
Unmetered Scattered Load	9,177	10,562	1,385	15.1%	
Sentinel Lighting	8,023	14,535	6,512	81.2%	
Street Lighting	46,873	126,417	79,544	169.7%	
<b>Total Distribution Revenue Volumetric 4080</b>	<b>3,171,675</b>	<b>3,793,352</b>	<b>621,677</b>	<b>19.6%</b>	
<b>Transformer Allowance-GS&lt;50kW</b>					
Transformer Allowance-GS 50 to 4999 kW	-137,311	(159,161)	-21,850	15.9%	
Transformer Allowance-Large Use > 5000kW	-139,872	(119,967)	19,905	-14.2%	
<b>Total Transformer Allowance 4080</b>	<b>-277,183</b>	<b>-279,128</b>	<b>(1,945)</b>	<b>0.7%</b>	
<b>1</b>	<b>Distribution Revenue Fixed &amp; Variable Rates</b>	<b>7,643,636</b>	<b>8,627,342</b>	<b>983,706</b>	<b>12.9%</b>

2 When comparing 2010 Actual to 2009 Actual there are three main issues. 2010 contains four  
 3 months (4/9) of a lost revenue rate rider from the 2009 COS. In addition, 2010 contains a full  
 4 year of increased rates where 2009 were implemented August 1, 2009 and contained 5/9 of the  
 5 lost revenue from May 1, 2009 to July 31, 2009. The loss of the large user is reflected in the  
 6 distribution monthly charge.

1 **2011 Actual:**

2 Welland Hydro's operating revenue in fiscal 2011 was \$9,109,418. Throughput revenue totaled  
 3 \$8,277,194 or 91.9% of total revenues. Other net operating revenue total \$752,375 while Non-  
 4 Distribution revenue totals \$79,849.

5 A comparison of 2011 Actual to 2010 Actual is included in Table 3E below.

**TABLE 3E  
 WELLAND HYDRO ELECTRIC SYSTEM CORP  
 2010 ACTUAL vs 2011 ACTUAL**

	2010 Actual (\$)	2011 Actual (\$)	Difference \$
<b>Distribution Services Revenue-Monthly</b>			
Residential	3,477,674	3,400,029	-77,645
General Service Less Than 50 kw	515,981	499,875	-16,106
General Service 50 to 4999 kw	698,174	690,941	-7,233
Large Use	183,282	153,959	-29,323
Unmetered Scattered Load	37,329	36,090	-1,239
Sentinel Lighting	19,735	19,153	-582
Street Lighting	180,943	199,691	18,748
<b>Total Distribution Revenue Monthly 4080</b>	<b>5,113,118</b>	<b>4,999,738</b>	<b>-113,380</b>
<b>Distribution Services Revenue-Volumetric</b>			
Residential	2,361,380	2,229,353	-132,027
General Service Less Than 50 kw	490,580	455,542	-35,038
General Service 50 to 4999 kw	634,369	561,728	-72,641
Large Use	155,509	145,833	-9,676
Unmetered Scattered Load	10,562	9,962	-600
Sentinel Lighting	14,535	14,515	-20
Street Lighting	126,417	138,603	12,186
<b>Total Distribution Revenue Volumetric 4080</b>	<b>3,793,352</b>	<b>3,555,536</b>	<b>-237,816</b>
Transformer Allowance-GS<50kW	-	(11,559)	(11,559)
Transformer Allowance-GS 50 to 4999 kW	(159,161)	(146,959)	12,202
Transformer Allowance-Large Use > 5000kW	(119,967)	(119,562)	405
<b>Total Transformer Allowance 4080</b>	<b>-279,128</b>	<b>-278,080</b>	<b>1,048</b>
6 <b>Distribution Revenue Fixed &amp; Variable Rates</b>	<b>8,627,342</b>	<b>8,277,194</b>	<b>-350,148</b>

1 When comparing 2011 Actual to 2010 Actual there are two major items to consider. The first is  
2 the inclusion of the 2009 COS Lost Revenue Rate Rider in 2010 revenues until April 30, 2010.  
3 This would increase 2010 in comparison to 2011. The second is the fact that the summer of  
4 2011 was unusually cool. In addition, distribution volume revenue is being impacted by the on  
5 going efforts of CDM programs. By not filing for an LRAM in the 2012 IRM Rate Application  
6 Welland Hydro will be ineligible to collect any lost revenues resulting from CDM programs  
7 through December 31, 2010. The new billing system installed in 2011 allowed for the  
8 separation of transformer allowance between the GS<50 and GS>50 customer classes.

9 There is no LRAM included in this rate application for the impact of CDM on 2011 volumes as  
10 final results are not currently available. Welland Hydro will file an LRAM for this period in the  
11 2014 IRM rate application.

12  
13 **2012 Bridge Year:**

14 Welland Hydro's operating revenue in the 2012 Bridge Year (at current distribution rates) is  
15 forecast to be \$9,502,045. Throughput revenue is estimated at \$8,937,225 or 94.1% of total  
16 revenues. Other net operating revenue total \$541,570 while Non-Distribution revenue totals  
17 \$23,250.

18 A comparison of 2012 Bridge Year to 2011 Actual is included in Table 3F on page 6 of this  
19 schedule.

**TABLE 3F**  
**WELLAND HYDRO ELECTRIC SYSTEM CORP**  
**2011 ACTUAL vs 2012 BRIDGE**

	2011 Actual (\$)	2012 Bridge (\$)	Difference \$	Difference %
<b>Distribution Services Revenue-Monthly</b>				
Residential	3,400,029	3,986,895	586,866	17.3%
General Service Less Than 50 kw	499,875	584,775	84,900	17.0%
General Service 50 to 4999 kw	690,941	688,486	-2,455	-0.4%
Large Use	153,959	155,834	1,875	1.2%
Unmetered Scattered Load	36,090	36,720	630	1.7%
Sentinel Lighting	19,153	18,184	-969	-5.1%
Street Lighting	199,691	203,310	3,619	1.8%
<b>Total Distribution Revenue Monthly 4080</b>	<b>4,999,738</b>	<b>5,674,204</b>	<b>674,466</b>	<b>13.5%</b>
<b>Distribution Services Revenue-Volumetric</b>				
Residential	2,229,353	2,280,787	51,434	2.3%
General Service Less Than 50 kw	455,542	463,292	7,750	1.7%
General Service 50 to 4999 kw	561,728	540,549	-21,179	-3.8%
Large Use	145,833	145,311	-522	-0.4%
Unmetered Scattered Load	9,962	9,908	-54	-0.5%
Sentinel Lighting	14,515	13,615	-900	-6.2%
Street Lighting	138,603	64,957	-73,646	-53.1%
<b>Total Distribution Revenue Volumetric 4080</b>	<b>3,555,536</b>	<b>3,518,419</b>	<b>-37,117</b>	<b>-1.0%</b>
Transformer Allowance-GS<50kW	(11,559)	(11,559)	-	11,559
Transformer Allowance-GS 50 to 4999 kW	(146,959)	(125,617)	21,342	-14.5%
Transformer Allowance-Large Use > 5000kW	(119,562)	(118,222)	1,340	-1.1%
<b>Total Transformer Allowance 4080</b>	<b>-278,080</b>	<b>-255,398</b>	<b>22,682</b>	<b>-8.2%</b>
<b>1</b> Distribution Revenue Fixed & Variable Rates	<b>8,277,194</b>	<b>8,937,225</b>	<b>660,031</b>	<b>8.0%</b>

2 There are three areas which require analysis in comparison between 2011 Actual and 2012  
 3 Bridge Year. The first is the implementation of the 2012 Smart Meter Rate Application. For  
 4 comparison purposes the 2012 Smart Meter Revenue Requirement Rate rider was assumed to  
 5 be effective January 1, 2012. The Smart Meter Funding Adder Revenue (Jan – Apr) and the  
 6 Smart Meter Disposition Rate Rider Revenue (May-Dec) are not included in distribution  
 7 revenues. The result will also provide a more realistic revenue deficiency calculation. As a  
 8 result, the distribution monthly service charges for both the Residential and GS<50 customer  
 9 classes have increased significantly.

1 The second area of adjustment is in the distribution volume and transformer allowance for the  
2 loss of a large industrial customer in the GS>50 class. The impact on distribution monthly  
3 charges is minimal and the reduction to the distribution volume and distribution transformer  
4 allowance are offsetting.

5 The third area is for Street Lights distribution volume revenue. The City of Welland has initiated  
6 a conversion of its existing street lights to LED. Phase 1 of the plan (which is well underway  
7 and will be completed by October, 2012) is to replace Cobra Head fixtures. For the purposes of  
8 this application, the conversion was assumed to have taken place January 1, 2012.

9 **2013 Test Year:**

10 Welland Hydro's operating revenue in the 2013 Test Year (at current distribution rates) is  
11 forecast to be \$9,508,128. Throughput revenue is estimated at \$8,970,789 or 94.3% of total  
12 revenues. Other net operating revenue total \$501,089 while Non-Distribution revenue totals  
13 \$36,250.

14 A comparison of 2013 Test Year to 2012 Bridge Year is included in Table 3G on page 8 of this  
15 schedule.

**TABLE 3G**  
**WELLAND HYDRO ELECTRIC SYSTEM CORP**  
**2012 BRIDGE vs 2013 TEST**

	2012 Bridge (\$)	2013 Test (\$)	Difference \$	Difference %
<b>Distribution Services Revenue-Monthly</b>				
Residential	3,986,895	4,057,795	70,900	1.8%
General Service Less Than 50 kw	584,775	585,120	345	0.1%
General Service 50 to 4999 kw	688,486	688,486	0	0.0%
Large Use	155,834	155,834	0	0.0%
Unmetered Scattered Load	36,720	36,558	-162	-0.4%
Sentinel Lighting	18,184	18,184	0	0.0%
Street Lighting	203,310	203,310	0	0.0%
<b>Total Distribution Revenue Monthly 4080</b>	<b>5,674,204</b>	<b>5,745,287</b>	<b>71,083</b>	<b>1.3%</b>
<b>Distribution Services Revenue-Volumetric</b>				
Residential	2,280,787	2,270,039	-10,748	-0.5%
General Service Less Than 50 kw	463,292	461,007	-2,285	-0.5%
General Service 50 to 4999 kw	540,549	544,713	4,164	0.8%
Large Use	145,311	144,265	-1,046	-0.7%
Unmetered Scattered Load	9,908	9,823	-85	-0.9%
Sentinel Lighting	13,615	13,615	0	0.0%
Street Lighting	64,957	37,553	-27,404	-42.2%
<b>Total Distribution Revenue Volumetric 4080</b>	<b>3,518,419</b>	<b>3,481,015</b>	<b>-37,404</b>	<b>-1.1%</b>
Transformer Allowance-GS<50kW	(11,559)	(11,559)	-	11,559
Transformer Allowance-GS 50 to 4999 kW	(125,617)	(126,584)	-967	0.8%
Transformer Allowance-Large Use > 5000kW	(118,222)	(117,370)	852	-0.7%
<b>Total Transformer Allowance 4080</b>	<b>-255,398</b>	<b>-255,513</b>	<b>(115)</b>	<b>0.0%</b>
<b>Distribution Revenue Fixed &amp; Variable Rates</b>	<b>8,937,225</b>	<b>8,970,789</b>	<b>33,564</b>	<b>0.4%</b>

- 1
- 2
- 3 Distribution monthly revenue for the Residential class is based on growth in the number of
- 4 customers. Distribution volume revenue continues to be affected by the implementation of CDM
- 5 programs.
- 6 Phase 2 of the street light conversion to LED involves the replacement of Pole Top Decorative
- 7 fixtures. For the purposes of this rate application, the conversion was assumed to have taken
- 8 place January 1, 2013.

1    **TRANSFORMER ALLOWANCE**

2  
3    Welland Hydro currently provides a Transformer Ownership Allowance Credit of (\$0.70)/kW to  
4    those customers that own their own transformer facilities. Welland Hydro is proposing to  
5    maintain this rate for the 2013 Test Year for eligible customers.

**VARIANCE ANALYSIS ON OTHER DISTRIBUTION REVENUE**

The Board has provided Appendix 2-F in Filing Requirements Chapter 2 Appendices Module which is presented below:

**Appendix 2-F  
 Other Operating Revenue**

USoA #	USoA Description	2009 Actual	2010 Actual	2011 Actual <sup>2</sup>	Bridge Year <sup>3</sup>	Bridge Year <sup>3</sup>	Test Year
					2012	2012	2013
	<i>Reporting Basis</i>	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
4235	Specific Service Charges	\$ 156,418	\$ 149,379	\$ 157,412	\$ 149,069	\$ 149,069	\$ 150,385
4225	Late Payment Charges	\$ 71,531	\$ 3,072	\$ 143,690	\$ 68,785	\$ 68,785	\$ 70,849
	<b>Specific Service Charges</b>	\$ 156,418	\$ 149,379	\$ 157,412	\$ 149,069	\$ 149,069	\$ 150,385
	<b>Late Payment Charges</b>	\$ 71,531	\$ 3,072	\$ 143,690	\$ 68,785	\$ 68,785	\$ 70,849
	<b>Other Operating Revenues</b>	\$ 325,438	\$ 149,543	\$ 241,857	\$ 234,491	\$ 234,491	\$ 236,908
	<b>Other Income or Deductions</b>	\$ 193,826	\$ 206,649	\$ 289,265	\$ 112,475	\$ 112,475	\$ 79,197
	<b>Total Other Operating Revenue</b>	\$ 747,213	\$ 508,643	\$ 832,224	\$ 564,820	\$ 564,820	\$ 537,339
	<b>Less 4375 Non Distribution Revenue</b>	\$ 85,848	\$ 96,065	\$ 79,849	\$ 23,250	\$ 23,250	\$ 36,250
	<b>Other Operating Revenues-Distribution</b>	\$ 661,365	\$ 412,578	\$ 752,375	\$ 541,570	\$ 541,570	\$ 501,089

Specific Service Charge totaled \$149,455 in the 2009 COS. Actual Specific Service Charges from 2009 to 2011 and forecasts for the 2012 Bridge Year and the 2013 Test Year are in line with amounts from the 2009 COS.

Late Payment Charges totaled \$66,000 in the 2009 COS. Actual in 2009 was in line with the 2009 COS. 2010 and 2011 Actual were impacted by an accounting entry made in 2010 related to settlement of the Late Payment litigation. In 2010, Welland Hydro set up a liability of \$74,905 for its share of the settlement and offset this amount to Late Payment revenues in 2010 resulting in reduced revenue. Upon approval of the Late Payment Rate Rider in 2011, Welland Hydro reversed the entry resulting in increased Late Payment Revenue in 2011. The average for 2010 to 2011 is in line with the 2009 COS. Forecast for the 2012 Bridge Year and the 2013 Test Year are also in line with the 2009 COS amount.

Other Operating Revenues consists of various accounts which will be analyzed separately in the following section.

1 **Other Operating Revenues**

Other Operating Revenues

Account 4080 - Monthly Service Charges

	2009 Actual	2010 Actual	2011 Actual <sup>2</sup>	Bridge Year 2012	Bridge Year 2012	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
SSA Administration	\$ 74,544	-\$ 42,912	\$ 59,382	\$ 60,501	\$ 60,501	\$ 61,575
Microfits	\$ -	\$ -	\$ -	\$ 696	\$ 696	\$ 1,392
Retail Service Revenue	\$ 39,496	\$ 36,881	\$ 30,135	\$ 20,525	\$ 20,525	\$ 20,515
<b>Total</b>	<b>\$ 114,040</b>	<b>-\$ 6,031</b>	<b>\$ 89,517</b>	<b>\$ 81,722</b>	<b>\$ 81,722</b>	<b>\$ 83,482</b>

Account 4084 - Service Trans Revenue

	2009 Actual	2010 Actual	2011 Actual <sup>2</sup>	Bridge Year 2012	Bridge Year 2012	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Service Trans Revenue	\$ 748	\$ 1,303	\$ 789	\$ 789	\$ 789	\$ 789
<b>Total</b>	<b>\$ 748</b>	<b>\$ 1,303</b>	<b>\$ 789</b>	<b>\$ 789</b>	<b>\$ 789</b>	<b>\$ 789</b>

Account 4210 - Rent from Electrical Property

	2009 Actual	2010 Actual	2011 Actual <sup>2</sup>	Bridge Year 2012	Bridge Year 2012	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Pole	\$ 189,876	\$ 132,640	\$ 130,085	\$ 130,085	\$ 130,085	\$ 130,085
Service Centre	\$ 20,774	\$ 21,631	\$ 21,466	\$ 21,895	\$ 21,895	\$ 22,552
<b>Total</b>	<b>\$ 210,650</b>	<b>\$ 154,271</b>	<b>\$ 151,551</b>	<b>\$ 151,980</b>	<b>\$ 151,980</b>	<b>\$ 152,637</b>

2  
 3  
 4 Account 4080 Monthly Service Charges (SSA) totaled \$72,816 in the 2009 COS. 2009 Actual is  
 5 in line with this amount. However, in 2010 Welland Hydro was made aware that the monthly  
 6 SSA charge of \$.25/month should have been based per invoice as opposed to per connection. As  
 7 a result, Welland Hydro began charging SSA based on this method in 2010. Welland Hydro also  
 8 made an adjustment to street light SSA charges from 2005 to 2009 of \$119,238. This resulted in  
 9 negative revenue in 2010. 2011 Actual, 2012 Bridge Year and 2013 Test Year are all impacted  
 10 by the change in methodology in 2010 and are below 2009 COS levels.

11  
 12 Account 4080 Retail Service Revenue totaled \$35,174 in the 2009 COS. This revenue has been  
 13 in decline since the 2009 COS as a result of customers opting out of retail contracts when their  
 14 contracts expire.

15  
 16 Account 4084 Service Transaction Revenue totaled \$2,040 in the 2009 COS. This revenue has  
 17 been below 2009 COS service levels in every year.

1 Account 4210 Rent from Electrical Property totaled \$149,031 in the 2009 COS. The only year  
 2 which requires explaining is 2009 Actual. Previous to 2009 Welland Hydro offset Pole Rental  
 3 charges to Bell against Pole Rental charge from Bell. The charge from Bell was marginally  
 4 greater than the charge to Bell. In 2009 the policy was changed to record pole rental charge from  
 5 Bell as an expense and the pole rental charge to Bell as revenue (no offsetting of charges).  
 6 In addition, invoicing was three years behind schedule in 2009. Invoicing was brought current in  
 7 2009 which resulted in four years of expense (\$79,321) as opposed to one year and four years of  
 8 revenue (\$78,314) as opposed to one year. Revenues from 2010 to 2013 are in line with the  
 9 2009 COS.

10  
 11

**Other Income or Deductions**

**Other Income or Deductions**

**Account 4355 - Gain on Disposition of Property**

	2009 Actual	2010 Actual	2011 Actual <sup>2</sup>	Bridge Year 2012	Bridge Year 2012	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Gain on Disposition of Utility Property	-\$ 69	\$ 2,849	\$ 14,409	\$ -	\$ -	\$ -
<b>Total</b>	-\$ 69	\$ 2,849	\$ 14,409	\$ -	\$ -	\$ -

**Account 4362 - Asset Retirement MIFRS**

	2009 Actual	2010 Actual	2011 Actual <sup>2</sup>	Bridge Year 2012	Bridge Year 2012	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Asset Retirement MIFRS	\$ -	\$ -	\$ -	\$ -	\$ -	-\$ 18,932
<b>Total</b>	\$ -	\$ -	\$ -	\$ -	\$ -	-\$ 18,932

**Account 4375 - Revenues from Non-Utility Operations**

	2009 Actual	2010 Actual	2011 Actual <sup>2</sup>	Bridge Year 2012	Bridge Year 2012	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP		Schedule:	
Mark Up OPA Programs	\$ 82,154	\$ 90,530	\$ 45,537	\$ -	\$ -	\$ -
Solar Revenue	\$ -	\$ -	\$ -	\$ 23,250	\$ 23,250	\$ 36,250
Revenue Final Variance Accounts	\$ -	\$ -	\$ 28,822	\$ -	\$ -	\$ -
Miscellaneous Non Operating	\$ 3,694	\$ 5,535	\$ 5,480	\$ -	\$ -	\$ -
<b>Total</b>	\$ 85,848	\$ 96,065	\$ 79,849	\$ 23,250	\$ 23,250	\$ 36,250

12  
 13

**Account 4390 - Miscellaneous Non Operating Income**

	2009 Actual	2010 Actual	2011 Actual <sup>2</sup>	Bridge Year 2012	Bridge Year 2012	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Scrap Metal Sales	\$ 8,920	\$ 18,221	\$ 9,812	\$ 9,812	\$ 9,812	\$ 10,106
Misc Service-Other Revenue	\$ 18,888	\$ 7,077	\$ 8,023	\$ 8,023	\$ 8,023	\$ 8,023
PILS 1562 Adjustment	\$ -	\$ -	\$ 28,779	\$ -	\$ -	\$ -
<b>Total</b>	\$ 27,808	\$ 25,298	\$ 46,614	\$ 17,835	\$ 17,835	\$ 18,129

14

**Account 4405 - Interest and Dividend Income**

	2009 Actual	2010 Actual	2011 Actual <sup>2</sup>	Bridge Year 2012	Bridge Year 2012	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Bank Deposit & Miscellaneous	\$ 59,852	\$ 58,093	\$ 97,396	\$ 62,500	\$ 62,500	\$ 43,750
RSVA & Other Variance Accounts	\$ 20,387	\$ 24,344	\$ 50,997	\$ 8,890	\$ 8,890	\$ -
<b>Total</b>	<b>\$ 80,239</b>	<b>\$ 82,437</b>	<b>\$ 148,393</b>	<b>\$ 71,390</b>	<b>\$ 71,390</b>	<b>\$ 43,750</b>

Account 4355 Gain on Disposition of Property was Nil in the 2009 COS. For the most part this account deals with transformers that have been scrapped for the value of the metals. This can be revenue or expense depending on whether or not the transformers are fully depreciated. However, in 2011 there were gains from the sale of property as follows:

Back Up Generator	\$3,700
1984 GMC Pick Up Truck	\$2,400
1990 International Truck	\$5,010

No amounts have been included for this account in the 2012 Bridge or 2013 Test Year.

Account 4362 Asset Retirement MIFRS is a new account set up to record the loss on the early retirement in MIFRS due to elimination of the pooling of assets method. The estimate of (\$18,932) is based on a road expansion project in 2012. This amount represents the typical annual loss Welland Hydro will have as a result of conversion to MIFRS.

Account 4375 Revenues from Non-Utility Operations are excluded from revenues for rate making purposes. The first source of revenue in this account is mark up on OPA programs. Welland Hydro booked revenue on these programs one year behind. With programs starting in 2011 there is no mark up, only the potential to generate revenue through meeting reduction targets for both kWh and kW starting in 2015. The second source is LDC owned solar micro fit projects which were installed in late 2011 and early 2012. The capital investment dollars for these projects were funded by Welland Hydro-Holding Corp. Revenue from Final Variance Account true ups is related to Welland Hydro's accounting for disposing of RSVA Variances deemed final by the Board. Rather than remove these on a 1/12 basis Welland Hydro tracks actual and removes the final balance at the end of the disposition period to account 4375.

1 Welland Hydro prefers to know the impact on net income of the disposition of variances. The  
2 final variances disposed of in the 2009 COS were to the benefit of customers. Actual volumes  
3 were less than forecast over the two year period resulting in a favorable adjustment of the 2009  
4 RSVA 1595 account in 2011. The Miscellaneous Non Operating Revenue from 2009 to 2011  
5 was from the sale of a joint venture business to a third party. The sale was finalized in 2011.  
6

7 Account 4390 Miscellaneous Non Operating Income totaled \$19,020 in the 2009 COS. This  
8 account consists of scrap metal sales and other miscellaneous revenue. Actual for 2009 to 2011  
9 were in line with the amount in the 2009 COS with the exception of the 2011 Actual. Welland  
10 Hydro was given approval to dispose of balances in account 1562 in the 2012 IRM Rate  
11 Application. Welland Hydro made an accounting entry to set up account 1563 in 2011 with the  
12 offsetting entry to income. Revenues in the 2012 Bridge Year and 2013 Test Year are in line  
13 with the 2009 COS.  
14

15 Account 4405 Interest and Dividend Income totaled \$87,995 in the 2009 COS. Reductions in  
16 bank balances (capital spending in excess of depreciation) and interest rate reductions have  
17 impacted Welland Hydro's interest income since the 2009 COS. The forecast for the 2013 Test  
18 Year is based on an average cash balance of \$3.5 million in 2013 at an interest rate of 1.25%.  
19 Welland Hydro believes that under MIFRS it is not appropriate to forecast interest income based  
20 on the 2013 average cash balance alone. Cash balances (and eventually long term debt) will be  
21 impacted by the difference between capital spending (only reduced by \$267,000/year by MIFRS)  
22 and depreciation which has been reduced by over \$800,000/year under MIFRS. This will impact  
23 cash balances significantly in years 2014, 2015, and 2016. Welland Hydro believes that the  
24 calculation of interest income should factor in reductions in cash balances in each of the three  
25 years following the 2013 Test Year.

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>4 – Operating Costs</b>				
	1			<b>Overview</b>
		1		Manager’s Summary
		2		Summary of Cost Drivers
		3		Variance Analysis on OM&A Costs
		4		Employee Compensation Costs
		5		Shared Service and Corporate Cost Allocation
		6		Purchase of Non-Affiliate Services
		7		Depreciation, Amortization and Depletion
		8		Taxes/PILs
				<b>Appendices</b>
			A	Draft Post-Retirement Benefit Report
			B	Welland Hydro Purchasing Policy
			C	2011 Federal & Ontario Tax Return
			D	OEB Income Tax/PILs Workform
			E	Deloitte Federal Tax Letter

1 **Overview**

2 **Manger's Summary**

3 The operating costs presented in this Exhibit represent the annual expenditures required to  
4 sustain Welland Hydro's distribution operations. Welland Hydro follows the OEB's Accounting  
5 Procedures Handbook (the "APH") in distinguishing work performed between operations and  
6 maintenance.

7 Welland Hydro is requesting total OM&A costs of \$6,660,567 for the 2013 Test Year for rate  
8 making purposes. This represents a 38.16% increase over 2009 Actual and a 35.5% increase  
9 over 2009 COS. Since the 2009 COS Rate Application there are three significant events which  
10 have impacted Welland Hydro's OM&A costs. The first is Smart Meters and their associated  
11 maintenance costs and the impact on the operation of the Meter Department. The second is the  
12 implementation of TOU monthly billings and its impacts on manpower and CIS/Financial  
13 software system costs. The third is the introduction of MIFRS and the corresponding increase in  
14 OM&A costs. Welland Hydro will attempt to separate the impact of these events when making  
15 comparisons to 2009 Actual and 2009 COS OM&A costs.

16 Manpower levels approved in the 2009 COS Application were 41 Full Time Equivalent ("FTE")  
17 employees. In Welland Hydro's 2012 Smart Meter Rate Application EB-2011-0415 one  
18 additional FTE was added to the billing department as a result of the switch to monthly TOU  
19 Billing bringing FTE's to a total of 42. Since the 2009 COS Application Welland Hydro has had  
20 two senior management staff, two customer service representatives, and one clerical engineering  
21 person retire which is over 12% of Welland Hydro's total work force. In addition, one  
22 apprentice linesperson left three years into a four year apprenticeship program and has since been  
23 replaced by a first year apprentice. The 2013 COS Application includes the addition of one  
24 additional FTE in the form of an apprentice linesperson. Welland Hydro has two Line Foremen  
25 and additional linespersons eligible to retire in the next two to four years and it is imperative that  
26 a program be in place to replace retirees with qualified personnel. As a result, the total number  
27 of FTE's requested in this application is 43.

1 Within payroll costs there are three components which drive increases to OM&A expenses. The  
2 first is the dramatic increase in OMERS Pension Costs since the 2009 COS application. The  
3 second is the increase in Employee Retiree Benefit costs as a result of five new retirees covered  
4 by benefit cost until they reach the age of 65. The third is contractual union (3.25%) and  
5 management wage increases of 2.75% along with changes in job classification increases. The  
6 introduction of IFRS will also require an upgrade of skill sets within the accounting department.  
7 The retirement of the accounting assistant in 2013 will be upgraded to deal with the introduction  
8 of IFRS and the corresponding workload related to fixed assets. The Administrative Assistant to  
9 the President is also retiring at the end of 2012. Both positions will require a transition period  
10 for training purposes. The overlapping of employee transition costs have not been included in  
11 this application, only the resulting base increase to an upgraded accounting position.

12 Inflation for non labor costs are assumed to be 2% with the exception of computer software  
13 maintenance costs (5%) and utilities such as hydro, gas, and water which are also forecast to  
14 increase by 5%.

15 The variance used to determine the OM&A accounts requiring analysis is \$50,000 as shown in  
16 Exhibit 1, Tab 4, Schedule 1.

1 **Summary of Cost Driver's**

2 Chapter 2 of the Filing Requirement Appendices model provides various schedules to aid  
3 in the analysis of OM&A changes from year to year. They are presented in pages 2 to 7 of  
4 this schedule.

5 The OM&A Cost Driver Table is found on page 2 of this schedule. This table attempts to  
6 capture the main components of the 35.5% increase from the \$4,913,837 amount in the  
7 2009 COS to a total of \$6,636,967 in the 2013 Test Year.

8 Rather than focus on the year over year changes, Welland Hydro has added a column to  
9 total the changes from the 2009 COS to the 2013 Test Year and will discuss each major  
10 item below.

11 **Smart Meter OM&A Expenses**

12 During its 2012 Smart Meter Rate Application EB-2011-0415 Welland Hydro took a  
13 conservative approach to estimating its 2012 Smart Meter OM&A costs until they were  
14 fully known. Details of Smart Meter OM&A expenses can be found on page 8 of this  
15 schedule.

16 Smart Meter OM&A costs and related savings have increased from \$176,775 included in  
17 the 2012 Smart Meter Application to \$360,237. This amount is represented by the  
18 following amounts in the Cost Driver Table:

19	Smart Meters - Add Salaried Wages	\$ 77,711
20	Smart Meters - Add Salaried Benefits	\$ 22,146
21	Smart Meter Expenses	\$344,419
22	Meter Reading Costs	<u>(\$84,039)</u>
		\$360,237

Appendix 2-J  
 OM&A Cost Driver Table

OM&A	Last Rebasing Year (2009 Actuals)		2010 Actuals		2011 Actuals		2012 Bridge Year		2013 Test Year		Total Change 2009 COS 2013 COS
	CGAAP	MIFRS	CGAAP	MIFRS	CGAAP	MIFRS	CGAAP	MIFRS	CGAAP	MIFRS	
Reporting Basis											
OM&A Labour (Appendix 2-K)	\$ 3,227,443	\$ 3,034,601	\$ 3,122,804	\$ 3,259,864	\$ 3,122,804	\$ 3,259,864	\$ 3,122,804	\$ 3,259,864	\$ 3,122,804	\$ 3,259,864	\$ 136,460
OM&A Expenses	\$ 1,686,394	\$ 1,758,734	\$ 1,610,522	\$ 1,967,875	\$ 1,610,522	\$ 1,967,875	\$ 1,610,522	\$ 1,967,875	\$ 1,610,522	\$ 1,967,875	\$ 281,351
Opening Balance	\$ 4,913,837	\$ 4,793,335	\$ 4,733,326	\$ 5,227,739	\$ 4,733,326	\$ 5,227,739	\$ 4,733,326	\$ 5,227,739	\$ 4,733,326	\$ 5,227,739	\$ 494,413
CDM Employee Hired Jun/09	\$ -	\$ 38,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,200
Adjust Manage Wage vs 2009 COS	\$ -	\$ -	\$ 90,000	\$ -	\$ 90,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,000
Adjust Manage Benefits vs 2009 COS	\$ -	\$ -	\$ 25,139	\$ -	\$ 25,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,139
Adjust Union Wage vs 2009 COS	\$ -	\$ 18,694	\$ 12,463	\$ 6,231	\$ 12,463	\$ 6,231	\$ 12,463	\$ 6,231	\$ 12,463	\$ 6,231	\$ 16,231
Adjust Union Benefits vs 2009 COS	\$ -	\$ 4,902	\$ 3,268	\$ 1,634	\$ 3,268	\$ 1,634	\$ 3,268	\$ 1,634	\$ 3,268	\$ 1,634	\$ 4,902
Smart Meters-Add Salaried Wage	\$ -	\$ -	\$ -	\$ 68,436	\$ -	\$ 68,436	\$ -	\$ 68,436	\$ -	\$ 68,436	\$ 68,436
Smart Meters-Add Salaried Benefits	\$ -	\$ -	\$ -	\$ 19,520	\$ -	\$ 19,520	\$ -	\$ 19,520	\$ -	\$ 19,520	\$ 19,520
Upgrade Accounting Assistant Base	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union Apprentices Lineman-Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union Apprentices Lineman-Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management Overtime	\$ 38,703	\$ 8,599	\$ 16,786	\$ 5,388	\$ 16,786	\$ 5,388	\$ 16,786	\$ 5,388	\$ 16,786	\$ 5,388	\$ 29,915
Union Overtime	\$ 9,710	\$ 21,885	\$ 31,326	\$ 395	\$ 31,326	\$ 395	\$ 31,326	\$ 395	\$ 31,326	\$ 395	\$ 21,490
Wagees Inflation	\$ 674	\$ 93,613	\$ 54,557	\$ 84,296	\$ 54,557	\$ 84,296	\$ 54,557	\$ 84,296	\$ 54,557	\$ 84,296	\$ 83,622
Benefits Inflation	\$ 35,582	\$ 34,215	\$ 62,093	\$ 44,542	\$ 62,093	\$ 44,542	\$ 62,093	\$ 44,542	\$ 62,093	\$ 44,542	\$ 27,551
Compensation Capitalized	\$ 116,084	\$ 11,919	\$ 31,112	\$ 45,461	\$ 31,112	\$ 45,461	\$ 31,112	\$ 45,461	\$ 31,112	\$ 45,461	\$ 33,542
Compensation Third Party	\$ 30,901	\$ 44,775	\$ 20,491	\$ 716	\$ 20,491	\$ 716	\$ 20,491	\$ 716	\$ 20,491	\$ 716	\$ 14,284
Compensation Charged to Affiliates	\$ 70,666	\$ 1,638	\$ 26,941	\$ 49,562	\$ 26,941	\$ 49,562	\$ 26,941	\$ 49,562	\$ 26,941	\$ 49,562	\$ 27,921
Retiree Benefits Premium Costs	\$ -	\$ 6,769	\$ 33,068	\$ 3,300	\$ 33,068	\$ 3,300	\$ 33,068	\$ 3,300	\$ 33,068	\$ 3,300	\$ 32,768
Stores Ovhd Charged to Affiliates/3rd	\$ 11,201	\$ 6,599	\$ 26,229	\$ 1,926	\$ 26,229	\$ 1,926	\$ 26,229	\$ 1,926	\$ 26,229	\$ 1,926	\$ 14,728
Equipment Charged to Affiliates/3rd	\$ 4,661	\$ 1,764	\$ 2,252	\$ 24,464	\$ 2,252	\$ 24,464	\$ 2,252	\$ 24,464	\$ 2,252	\$ 24,464	\$ 19,803
Bad Debt Expense	\$ 6,859	\$ 20,579	\$ 9,351	\$ 2,199	\$ 9,351	\$ 2,199	\$ 9,351	\$ 2,199	\$ 9,351	\$ 2,199	\$ 4,152
2009 Regulatory Exp Actual vs 4 Year	\$ 27,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,270
2013 Cost of Service Regulatory	\$ -	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ 40,000
Legal Fees	\$ -	\$ -	\$ 17,453	\$ 10,000	\$ 17,453	\$ 10,000	\$ 17,453	\$ 10,000	\$ 17,453	\$ 10,000	\$ 7,453
Tree Trimming Actual vs 4 Year	\$ 51,439	\$ 9,748	\$ 95,915	\$ 67,359	\$ 95,915	\$ 67,359	\$ 95,915	\$ 67,359	\$ 95,915	\$ 67,359	\$ 16,417
Transformer PCB Program/Testing	\$ 35,335	\$ 61,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,310
CIS/Financial Expenses	\$ 20,259	\$ 7,086	\$ 132,769	\$ 88,144	\$ 132,769	\$ 88,144	\$ 132,769	\$ 88,144	\$ 132,769	\$ 88,144	\$ 112,505
Smart Meter Expenses	\$ -	\$ -	\$ 106,144	\$ 169,742	\$ 106,144	\$ 169,742	\$ 106,144	\$ 169,742	\$ 106,144	\$ 169,742	\$ 169,742
Meter Reading Costs	\$ -	\$ -	\$ 36,459	\$ 47,580	\$ 36,459	\$ 47,580	\$ 36,459	\$ 47,580	\$ 36,459	\$ 47,580	\$ 11,121
Receivable Insurance GS>50 Large Use	\$ -	\$ 6,800	\$ 27,256	\$ 10,853	\$ 27,256	\$ 10,853	\$ 27,256	\$ 10,853	\$ 27,256	\$ 10,853	\$ 14,053
Bell Pole Rental Charges	\$ 61,247	\$ 61,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,247
Leap Payments to OMA	\$ -	\$ -	\$ -	\$ 11,000	\$ -	\$ 11,000	\$ -	\$ 11,000	\$ -	\$ 11,000	\$ 11,000
IFRS-Admin Ovhd Capital Adj	\$ 28,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,796
IFRS-Indirect Wages Capital Adj	\$ -	\$ -	\$ -	\$ 158,151	\$ -	\$ 158,151	\$ -	\$ 158,151	\$ -	\$ 158,151	\$ 158,151
IFRS-General Ovhd Capital Adj	\$ -	\$ -	\$ -	\$ 108,490	\$ -	\$ 108,490	\$ -	\$ 108,490	\$ -	\$ 108,490	\$ 108,490
IFRS-Safety Exp Removed Burd Capital	\$ -	\$ -	\$ -	\$ 4,911	\$ -	\$ 4,911	\$ -	\$ 4,911	\$ -	\$ 4,911	\$ 4,911
All Other & Expense Initiation	\$ 10,577	\$ 7,060	\$ 33,667	\$ 96,224	\$ 33,667	\$ 96,224	\$ 33,667	\$ 96,224	\$ 33,667	\$ 96,224	\$ 85,647
Closing Balance	\$ 4,793,335	\$ 4,733,326	\$ 4,733,326	\$ 5,227,739	\$ 4,733,326	\$ 5,227,739	\$ 4,733,326	\$ 5,227,739	\$ 4,733,326	\$ 5,227,739	\$ 434,413
Balance Per Appendix 2-G	\$ 4,793,335	\$ 4,733,326	\$ 4,733,326	\$ 5,227,739	\$ 4,733,326	\$ 5,227,739	\$ 4,733,326	\$ 5,227,739	\$ 4,733,326	\$ 5,227,739	\$ 434,413



**Appendix 2-G**  
**Detailed, Account by Account, OM&A Expense Table**  
 (excluding Depreciation and Amortization)

Account Description	Last Rebasings Year (2009 Actuals)	2010 Actual	2011 Actual <sup>1</sup>	Bridge Year 2012 <sup>2</sup>	Bridge Year 2012 <sup>3</sup>	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
<b>Operations</b>						
5005 Operation Supervision and Engineering	\$ 104,436	\$ 136,631	\$ 114,232	\$ 132,803	\$ 127,299	\$ 145,436
5010 Load Dispatching	\$ 123,056	\$ 128,513	\$ 115,993	\$ 132,133	\$ 127,528	\$ 144,184
5012 Station Buildings and Fixtures Expense	\$ 16,520	\$ 8,566	\$ 22,509	\$ 23,233	\$ 23,233	\$ 23,698
5014 Transformer Station Equipment - Operation Labour						
5015 Transformer Station Equipment - Operation Supplies and Expenses						
5016 Distribution Station Equipment - Operation Labour	\$ 6,008	\$ 2,422	\$ 16,029	\$ 18,521	\$ 17,804	\$ 20,413
5017 Distribution Station Equipment - Operation Supplies and Expenses	\$ 111,782	\$ 112,071	\$ 112,811	\$ 119,031	\$ 117,183	\$ 119,696
5020 Overhead Distribution Lines and Feeders - Operation Labour	\$ 81,357	\$ 92,003	\$ 91,382	\$ 105,664	\$ 101,575	\$ 116,459
5025 Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 55,703	\$ 27,244	\$ 45,170	\$ 48,622	\$ 47,460	\$ 48,572
5030 Overhead Sub-transmission Feeders - Operation	\$ 54,233	\$ 59,547	\$ 61,803	\$ 81,936	\$ 74,131	\$ 83,833
5035 Overhead Distribution Transformers - Operation	\$ 195	\$ 1,428	\$ -	\$ 4,750	\$ 4,750	\$ 4,845
5040 Underground Distribution Lines and Feeders - Operation Labour	\$ 137,920	\$ 179,166	\$ 128,887	\$ 187,197	\$ 177,967	\$ 194,011
5045 Underground Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 21,126	\$ 15,408	\$ 5,291	\$ 12,915	\$ 9,386	\$ 9,879
5050 Underground Sub-transmission Feeders - Operation	\$ 38,287	\$ 42,351	\$ 39,349	\$ 51,349	\$ 46,777	\$ 52,984
5055 Underground Distribution Transformers - Operation	\$ 1,284	\$ 11,104	\$ 2,720	\$ 3,519	\$ 3,156	\$ 3,240
5060 Street Lighting and Signal System Expense						
5065 Meter Expense	\$ 328,138	\$ 325,424	\$ 244,451	\$ 296,406	\$ 278,012	\$ 311,606
5070 Customer Premises - Operation Labour						
5075 Customer Premises - Operation Materials and Expenses			\$ 1,100	\$ 1,122	\$ 1,122	\$ 1,145
5085 Miscellaneous Distribution Expenses	\$ 154,186	\$ 130,315	\$ 133,946	\$ 189,337	\$ 185,055	\$ 202,100
5090 Underground Distribution Lines and Feeders - Rental Paid						
5095 Overhead Distribution Lines and Feeders - Rental Paid	\$ 83,652	\$ 25,470	\$ 25,470	\$ 25,581	\$ 25,581	\$ 26,093
5096 Other Rent						
<b>Total - Operations</b>	\$ 1,317,883	\$ 1,297,663	\$ 1,161,143	\$ 1,434,119	\$ 1,368,019	\$ 1,508,194
<b>Maintenance</b>						
5105 Maintenance Supervision and Engineering	\$ 68,494	\$ 74,720	\$ 73,241	\$ 95,669	\$ 87,148	\$ 98,255
5110 Maintenance of Buildings and Fixtures - Distribution Stations	\$ 23,412	\$ 16,250	\$ 34,626	\$ 36,596	\$ 36,054	\$ 37,274
5112 Maintenance of Transformer Station Equipment						
5114 Maintenance of Distribution Station Equipment	\$ 13,000	\$ 31,245	\$ 45,466	\$ 62,939	\$ 55,424	\$ 59,644
5120 Maintenance of Poles, Towers and Fixtures	\$ 133,968	\$ 103,120	\$ 127,596	\$ 173,880	\$ 154,531	\$ 209,585
5125 Maintenance of Overhead Conductors and Devices	\$ 275,994	\$ 207,830	\$ 261,068	\$ 391,699	\$ 335,997	\$ 374,665
5130 Maintenance of Overhead Services	\$ 220,601	\$ 203,536	\$ 209,843	\$ 318,284	\$ 271,274	\$ 299,490
5135 Overhead Distribution Lines and Feeders - Right of Way	\$ 115,623	\$ 101,407	\$ 199,793	\$ 146,001	\$ 140,547	\$ 184,638
5145 Maintenance of Underground Conduit	\$ 4,363	\$ 21,560	\$ 7,088	\$ -	\$ -	\$ -
5150 Maintenance of Underground Conductors and Devices	\$ 124,719	\$ 98,512	\$ 135,874	\$ 201,604	\$ 173,674	\$ 191,749
5155 Maintenance of Underground Services	\$ 84,208	\$ 62,992	\$ 91,273	\$ 125,097	\$ 110,923	\$ 120,617
5160 Maintenance of Line Transformers	\$ 122,552	\$ 51,394	\$ 57,529	\$ 90,138	\$ 75,594	\$ 92,022
5165 Maintenance of Street Lighting and Signal Systems	\$ 1,378	\$ -	\$ -	\$ -	\$ -	\$ -
5170 Sentinel Lights - Labour						
5172 Sentinel Lights - Materials and Expenses						
5175 Maintenance of Meters	\$ 3,206	\$ 3,142	\$ 3,028	\$ 28,168	\$ 28,168	\$ 88,643
5178 Customer Installations Expenses - Leased Property						
5195 Maintenance of Other Installations on Customer Premises	\$ 554	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total - Maintenance</b>	\$ 1,191,970	\$ 932,588	\$ 1,232,249	\$ 1,669,875	\$ 1,469,334	\$ 1,756,582
<b>Billing and Collecting</b>						
5305 Supervision						
5310 Meter Reading Expense	\$ 114,896	\$ 113,514	\$ 81,501	\$ 30,479	\$ 30,479	\$ 31,725
5315 Customer Billing	\$ 374,838	\$ 417,828	\$ 608,728	\$ 862,496	\$ 862,496	\$ 906,187
5320 Collecting	\$ 317,569	\$ 327,780	\$ 328,891	\$ 332,975	\$ 332,975	\$ 354,093
5325 Collecting - Cash Over and Short	\$ 168	\$ 77	\$ 462	\$ -	\$ -	\$ -
5330 Collection Charges						
5335 Bad Debt Expense	\$ 66,509	\$ 87,088	\$ 96,439	\$ 98,368	\$ 98,368	\$ 100,335
5340 Miscellaneous Customer Accounts Expenses	\$ 25,468	\$ 23,056	\$ 28,924	\$ 29,374	\$ 29,374	\$ 30,935
<b>Total - Billing and Collecting</b>	\$ 899,448	\$ 969,343	\$ 1,144,021	\$ 1,353,692	\$ 1,353,692	\$ 1,423,275

**Appendix 2-G**  
**Detailed, Account by Account, OM&A Expense Table**  
 (excluding Depreciation and Amortization)

Account Description	Last Rebasings Year (2009 Actuals)	2010 Actual	2011 Actual <sup>a</sup>	Bridge Year 2012 <sup>a</sup>	Bridge Year 2012 <sup>a</sup>	Test Year 2013
<b>Community Relations</b>						
5405 Supervision	\$ 35,455	\$ 42,011	\$ 38,716	\$ 39,223	\$ 39,223	\$ 42,200
5410 Community Relations - Sundry	\$ 3,119	\$ 2,908	\$ 2,938	\$ 2,949	\$ 2,949	\$ 3,008
5415 Energy Conservation	\$ 38,051	\$ 57,991	\$ 69,157	\$ 69,707	\$ 69,707	\$ 71,375
5420 Community Safety Program	\$ 4,873	\$ 4,873	\$ 4,489	\$ 4,579	\$ 4,579	\$ 4,671
5425 Miscellaneous Customer Service and Informational Expenses	\$ -	\$ -	\$ -			
5505 Supervision						
5510 Demonstrating and Selling Expense						
5515 Advertising Expenses	\$ 2,858	\$ 10,987	\$ 6,608	\$ 12,740	\$ 12,740	\$ 12,995
5520 Miscellaneous Sales Expense						
<b>Total - Community Relations</b>	<b>\$ 84,366</b>	<b>\$ 118,770</b>	<b>\$ 121,908</b>	<b>\$ 129,198</b>	<b>\$ 129,198</b>	<b>\$ 134,249</b>
<b>Administrative and General Expenses</b>						
5605 Executive Salaries and Expenses	\$ 349,609	\$ 356,939	\$ 371,981	\$ 385,270	\$ 385,270	\$ 394,555
5610 Management Salaries and Expenses	\$ 437,113	\$ 481,385	\$ 489,774	\$ 514,036	\$ 514,036	\$ 556,670
5615 General Administrative Salaries and Expenses	\$ 256,814	\$ 290,299	\$ 336,905	\$ 374,284	\$ 374,284	\$ 385,614
5620 Office Supplies and Expenses						
5625 Administrative Expense Transferred - Credit	\$ 159,344	\$ 146,212	\$ 10,691	\$ 8,596	\$ 8,596	\$ 8,930
5630 Outside Services Employed	\$ 144,669	\$ 168,531	\$ 130,437	\$ 140,770	\$ 140,770	\$ 144,719
5635 Property Insurance						
5640 Injuries and Damages						
5645 OMERS Pensions and Benefits	\$ 78,207	\$ 78,422	\$ 132,940	\$ 117,484	\$ 117,484	\$ 120,243
5646 Employee Pensions and OPEB						
5647 Employee Sick Leave						
5650 Franchise Requirements						
5655 Regulatory Expenses	\$ 87,520	\$ 51,642	\$ 58,621	\$ 100,000	\$ 100,000	\$ 91,184
5660 General Advertising Expenses						
5665 Miscellaneous General Expenses	\$ 96,029	\$ 124,942	\$ 99,042	\$ 107,343	\$ 107,343	\$ 109,823
5670 Rent						
5672 Lease Payment Charge						
5675 Maintenance of General Plant						
5680 Electrical Safety Authority Fees	\$ 9,071	\$ 9,014	\$ 9,409	\$ 9,597	\$ 9,597	\$ 9,789
5681 Special Purpose Charge Expense						
5685 Independent Electricity System Operator Fees and Penalties						
5695 OM&A Contra Account						
6205 Donations	\$ 27,671	\$ 29,020	\$ 52,845	\$ 23,600	\$ 23,600	\$ 23,600
6205 Donations, Sub-account LEAP Funding	\$ -	\$ -	\$ -	\$ 11,000	\$ 11,000	\$ 11,000
<b>Total - Administrative and General Expenses</b>	<b>\$ 1,327,359</b>	<b>\$ 1,443,982</b>	<b>\$ 1,671,263</b>	<b>\$ 1,774,788</b>	<b>\$ 1,774,788</b>	<b>\$ 1,838,267</b>
<b>Total OM&amp;A</b>	<b>\$ 4,821,026</b>	<b>\$ 4,762,346</b>	<b>\$ 5,330,584</b>	<b>\$ 6,361,672</b>	<b>\$ 6,095,031</b>	<b>\$ 6,650,567</b>
<b>Adjustments for non-recoverable items</b>						
5681 Special Purpose Charge Expense						
6205 Donations <sup>1</sup>	\$ 27,671	\$ 29,020	\$ 52,845	\$ 23,600	\$ 23,600	\$ 23,600
6215 Penalties	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Recoverable OM&amp;A</b>	<b>\$ 4,793,335</b>	<b>\$ 4,733,326</b>	<b>\$ 5,277,739</b>	<b>\$ 6,338,072</b>	<b>\$ 6,071,431</b>	<b>\$ 6,636,967</b>

**Appendix 2-M  
 Regulatory Cost Schedule**

Regulatory Cost Category	USoA Account (B)	USoA Account Balance (C)	Ongoing or One-time Cost? 2		Last Rebasing Year (2009 Board Approved) (E)	Most Current Actuals Year 2011 (F)	2012 Bridge Year (G)	Annual % Change (H) = [(G)-(F)]/(F)	2013 Test Year (I)	Annual % Change (J) = [(I)-(G)]/(G)
			On-Going (D)	On-Time						
1 OEB Annual Assessment	5655		On-Going		\$ 50,057	\$ 53,298	\$ 54,200	1.69%	\$ 55,284	2.00%
2 OEB Section 30 Costs (Applicant-originated)										
3 OEB Section 30 Costs (OEB-initiated)	5655		On-Going		\$ 4,715	\$ 2,293	\$ 2,500	9.03%	\$ 2,550	2.00%
4 Expert Witness costs for regulatory matters	5655		On-Time							
5 Legal costs for regulatory matters	5655		On-Time							
6 Consultants & Legal Fees 2013 COS	5655		On-Time							
7 Operating expenses associated with staff Overtime Costs 2013 COS	5655		On-Time							
8 Operating expenses associated with other resources - Board Costs 2013 COS	5655		On-Going		\$ 800	\$ 800	\$ 800	0.00%	\$ 800	0.00%
9 Other regulatory agency fees or assessments	5655		On-Going		\$ 2,060	\$ 2,230	\$ 2,500	12.11%	\$ 2,550	2.00%
10 Any other costs for regulatory matters- Notice of Application-Newspapers Costs	5655		On-Time		\$ 29,886	\$ -	\$ -		\$ 11,250	
11 Intervenor costs					\$ 57,632	\$ 58,621	\$ 60,000	2.35%	\$ 61,184	1.97%
12 Sub-total - Ongoing Costs 3					\$ 29,886	\$ -	\$ 40,000		\$ 30,000	
13 Sub-total - One-time Costs 4					\$ 87,518	\$ 58,621	\$ 100,000	70.59%	\$ 91,184	-8.82%
14 Total										

- 1 Please identify the resources involved.
- 2 Where a category's costs include both one-time and ongoing costs, the applicant should prove a separate breakdown between one-time and ongoing costs.
- 3 Sum of all ongoing costs identified in rows 1 to 11 inclusive.
- 4 Sum of all one-time costs identified in rows 1 to 11 inclusive.

Please fill out the following table for all one-time costs related to this cost of service application

Historical Year(s)	2012 Bridge Year	2013 Test Year	Total Costs	Cost/4 yrs
4 Expert Witness costs for regulatory matters	\$ -	\$ -	\$ -	\$ -
6 Consultants & Legals Fees	\$ 30,000	\$ 25,000	\$ 55,000	\$ 13,750
7 Operating expenses associated with staff resources allocated to regulatory matters	\$ 10,000	\$ -	\$ 10,000	\$ 2,500
8 Board Costs	\$ -	\$ 10,000	\$ 10,000	\$ 2,500
11 Intervenor costs	\$ -	\$ 45,000	\$ 45,000	\$ 11,250
Total Cost	\$ 40,000	\$ 80,000	\$ 120,000	\$ 30,000

File Number: EB-2012-0173  
 Exhibit: 4  
 Tab: 1  
 Schedule: 2  
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Date: Aug 31, 2012

**Appendix 2-L  
 Recoverable OM&A Cost per Customer and per FTEE**

	Last Rebasing Year (2009 Board- Approved)	Last Rebasing Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Number of Customers	22,637	22,053	22,205	22,466	22,740	23,098
Total Recoverable OM&A from Appendix 2-I	\$ 4,913,837	\$ 4,793,555	\$ 4,733,326	\$ 5,277,739	\$ 6,071,431	\$ 6,636,967
OM&A cost per customer	\$ 217.07	\$ 217.37	\$ 213.16	\$ 234.92	\$ 266.99	\$ 287.34
Number of FTEEs	42	41.5	41.7	40.9	42	44
Customers/FTEEs	538.98	531.40	532.49	549.29	541.43	524.95
OM&A Cost per FTEE	116,996.12	115,507.35	113,509.02	129,040.07	144,557.88	150,840.16

Number of Customers is based on Customers/Connects with the exception of Streetlights which has been counted as 1.

**Date:** Aug 31, 2012

Smart Meter Costs

Description	2012 Approved Amount	OEB Account	2011 Actual Amount	2012 Bridge Amount	2013 Test Amount	OEB Account
AS2 Hosting	2130	531522		2130	2194	531522
Metersense ODS	34152	531522		30492	32322	531522
Metersense Support	0	531522		1200	1260	531522
Sync Operator	34028	531522		33800	34814	531522
Senior Analyst	15120	531522		15372	15679	531522
McCare Service Order	11984	531522		11988	12583	531522
TGB Maintenance	25080	517500		24204	24930	517500
Metro TGB Maintenance	0	517500			22495	517500
Meter Monitoring	0	517500			28068	517500
Meter Sampling Process	0	517580			10000	517580
Security Audits	0	561513	9281	9281	9486	561513
MDMR Maintenance	1500	531522		1500	1575	531522
Web Presentment	9820	531522		9840	10332	531522
Customer Education	6000	551500		6000	6000	551500
	<u>139814</u>		<u>9281</u>	<u>145807</u>	<u>211738</u>	
Subcontract Locates	0		36784	70000	71400	504000
Additional Billing Person 75%	60921	531501	100% 0	87956	99857	531501
Reduction Meter Reading	-84039	531080	-36459	-84039	-84039	531080
Invoice/Envelopes/Toner	8879	531568	8879	8879	9057	531568
Hand Delivered Bills	17438	531500	17438	17438	17787	531500
Mail Delivered Bills	33762	531575	33762	33762	34437	531575
Incremental	36961		60404	133996	148499	
Total Smart Meter	176775		69685	279803	360237	
Summary by OEB Account	0	5040	36784	70000	71400	5040
	25080	5175	0	24204	85493	5175
	-84039	5310	-36459	-84039	-84039	5310
	229734	5315	60079	254357	271897	5315
	6000	5515	0	6000	6000	5515
	0	5615	9281	9281	9486	5615
	<u>176775</u>		<u>69685</u>	<u>279803</u>	<u>360237</u>	

1 The major increases in the Smart Meter OM&A include costs related to the addition of a  
2 second TGB Metro (\$22,495/yr). The second smaller TGB was required to bring the smart  
3 meter readings sent to the AMI up to an acceptable level to bill all Residential and GS<50  
4 customers. In addition, as a result of the AMI vendor meeting acceptable levels of smart  
5 meter reads, the costs for maintenance of the AMI started in 2012 at a cost of \$28,068/yr.  
6 Security audits not included in the Smart Meter Rate Application were started in 2011 and  
7 are expected to cost \$9,486/yr. In 2011, Welland Hydro began outsourcing locates from its  
8 Meter Department to focus on the balance of Smart Meter installations and managing the  
9 network including trouble shooting smart meters no longer communicating with the AMI.  
10 Welland Hydro did not include this as part of the Smart Meter Rate Application. The work  
11 involved in maintaining smart meters by Meter Department staff will only increase in 2013  
12 as a Meter Sampling Program is scheduled to start. As a result, the decision to outsource  
13 locates was made permanent in 2012 as Welland Hydro does not have the necessary staff  
14 trained to do locates which would only involve the training of a new hire. Outsourcing is  
15 less costly than a new hire and also removes the liability connected with performing locates  
16 in house. The last remaining increase is related to charging 100% of the additional billing  
17 person to smart meters as opposed to 75% contained in the Smart Meter Rate Application.

18 When it prepared the Smart Meter Rate Application, Welland Hydro was conservative in its  
19 estimates of the OM&A costs in anticipation of reduced depreciation expense under IFRS  
20 in this rate application. Board Staff stated in their submission "Board staff in fact wishes  
21 to point out that Welland's smart meter costs are, if anything, understated". VECC stated  
22 in their submission "VECC agrees with Board Staff that Welland's smart meter costs are, if  
23 anything, understated". In its Decision and Order in this application the Board stated "The  
24 Board finds that Welland Hydro has provided adequate documentation of its smart meter  
25 costs, and recognizes that the utility has excluded some costs, primarily related to the CIS  
26 billing and system replacement".

27 Welland Hydro believes that after six months of known costs in 2012, the Smart Meter  
28 related expenses included in the 2013 Test Year are accurate. Welland Hydro is aware that

1 there are no true ups for Smart Meter OM&A costs it will incur above approved levels  
2 through April, 2013.

### 3 **New CIS/Financial System Costs**

4 In the Smart Meter Application Welland Hydro noted that a new CIS System was required  
5 in order to produce TOU bills as the changes to the existing system were extensive and too  
6 complex for Welland Hydro's previous system provider. The previous billing system was  
7 also unique to Welland Hydro and constant modifications would be cost prohibitive.  
8 Welland Hydro did not include either capital or maintenance costs for the new billing  
9 system in the Smart Meter Rate Application. Again, this was a decision of Welland  
10 Hydro's management. In its Decision & Order the Board agreed with Welland Hydro's  
11 statement in its submission that the appropriate place to evaluate the new system  
12 cost/benefits is in its 2013 Cost of Service Rate Application as a separate increase to  
13 OM&A when comparing to 2009 Approved OM&A costs. Welland Hydro replaced the  
14 financial reporting package shortly after the installation of the new CIS. The new financial  
15 reporting package has a fixed asset module which will be used for IFRS. The Cost Driver  
16 Table identifies an increase in CIS/Financial Expenses relating to the new systems as  
17 \$215,921 when compared to software maintenance costs in the 2009 COS application.

### 18 **MIFRS Increases from Changes to Overhead Capitalization**

19 The Cost Driver Table identifies 4 items related to OM&A costs when comparing 2013  
20 Test Year to 2009 COS. They include:

21 Admin/IT Overheads	\$ 28,796
22 Indirect Wages	\$158,151
23 Indirect Expenses	\$108,490
24 Safety Removal from Burdens	<u>\$ 4,911</u>
25	\$300,348

1 As previously mentioned Welland Hydro did not include Admin/IT Overheads or Safety  
2 related cost previously capitalized as part of payroll burden in account 1575. The  
3 remaining two amounts for Indirect Wages and Benefits total \$266,641. These costs were  
4 detailed in Exhibit 2, Tab 3, Schedule 5, Page 4 as part of the Capitalization Policy section.

5 Costs for Smart Meter Expenses of \$360,237, New CIS/Financial System \$215,921, and  
6 MIFRS \$300,348 account for a total of \$875,506 of the \$1,723,130 increase in OM&A  
7 from the 2009 COS application to the 2013 Test Year. The balance of \$847,624 represents  
8 a 17.3% increase over four years (4.3%/yr) compared to the 2009 COS.

9 During the period between 2009 and 2011 Welland Hydro had periods where employees  
10 had retired and there were gaps in replacements and in some cases overlapping for training.  
11 These adjustments to the original FTE's in 2009 net out in 2013 when Welland Hydro  
12 returns to the original 41 FTE's in the 2009 COS application.

13 The major items representing the balance of the \$847,624 increase in OM&A can be seen  
14 in the Cost Driver Table and will be discussed below.

15 **Payroll - \$694,449**

16 Upgrade to Accounting Position Base (IFRS)	\$ 30,000
17 New Apprentice Lineperson Base/Benefits	\$ 75,014
18 Management Overtime	\$ 43,204
19 Union Overtime	\$ 19,302
20 Wages Inflation/Job Class Progression	\$355,568
21 Benefits Inflation	<u>\$171,361</u>
22	\$694,449

1 The need for an upgrade to the accounting position (as opposed to new hire) and the new  
2 apprentice lineperson have been previously discussed. In fact, Welland Hydro had planned  
3 to hire two apprentice linepersons as part of the 2009 COS but deferred one position as part  
4 of rate mitigation. No management overtime was included in the 2009 COS application to  
5 mitigate costs. Since then Welland Hydro has had significant management overtime  
6 related to the installation of new systems and the conversion to TOU billings/MDMR from  
7 2009 to 2011 and overtime is continuing in 2012. However, the amount of management  
8 overtime was reduced by \$26,272 in the 2013 Test Year to \$43,204. Union overtime was  
9 also reduced in the 2009 COS application but actual overtime has increased to original  
10 2009 COS forecasts.

11 The Wage inflation amount of \$355,568 represents an increase of 11.9%  
12 (\$355,568/\$2,985,765) over 4 years or 2.98%/yr which is in line with increases provided in  
13 union contracts and class progression within job classifications.

14 The Benefits increase of \$171,361 is far more significant and represents an increase of  
15 23.9% (\$171,361/\$716,114) over four years or 6.0%/yr. Total OMERS expense has  
16 increased from \$216,308 in the 2009 COS to \$348,887 in the 2013 Test Year. When this  
17 amount is adjusted for the two new hires OMERS has increased to \$330,496. This  
18 represents an increase of \$114,118 for the original 41 FTE's or 52.8%. Excluding OMERS  
19 benefits inflation would be 8.0% over four years or 2.0%/year.

20 **Labor & Other Charges to Non OM&A – (\$179,311)**

21	Compensation Capitalized	(\$264,616)
22	Compensation Charged to 3 <sup>rd</sup> Party	(\$ 5,981)
23	Compensation Charged to Affiliates	\$ 49,456
24	Stores Overhead Charged to Affiliates	\$ 13,105
25	Equipment Charge to Affiliates	<u>\$ 28,725</u>
26		(\$179,311)

1 This section actually represents productivity improvements by increasing the amount of  
2 capital work performed internally and reducing the amount spent with third party  
3 contractors. Charges to Affiliates will be discussed late in this Exhibit. However, as  
4 indicated above the amounts charged to affiliates will be decreasing from the 2009 COS to  
5 the 2013 Test Year. This is the result of the City of Welland converting the majority of  
6 Streetlights to LED lights. Welland Hydro's involvement in the maintenance of the new  
7 street lights will be very limited as the manufacturer has provided a 15 year warranty and  
8 has taken over maintenance of the street lights.

9 **Employee Retiree Benefit Costs - \$45,943**

10 Premiums paid have increased by \$49,083 since the 2009 COS application. Retiree Benefit  
11 Costs are composed of two expenses. The first is the actual premiums paid and the second  
12 is an actuarial evaluation of changes to the total liability account. The composition of the  
13 2009 COS and 2013 Test Year expenses are as follows:

14	2009 COS	2013 Test Year
15 Actual Premiums Paid	\$71,160	\$120,243
16 Change in Liability	<u>\$ 3,140</u>	<u>\$ 0</u>
17	\$74,300	\$120,243

18 As previously discussed, Welland Hydro has had five employees retire early since the 2009  
19 COS application and they are covered for benefits until they reach the age of 65. In order  
20 to control these costs in the future, new hires will no longer be eligible for early retiree  
21 benefits. For the 2013 Test Year Welland Hydro has not included any expense for the  
22 Change in the Liability account.

23 This leads to the actuarial evaluation of the Employee Retiree Benefits liability account and  
24 the differences in treatment between CGAAP and IFRS. Exhibit 4 Appendix A provides  
25 actuarial evaluations for 2012 CGAAP CICA-3461 and 2012/2013 for IFRS IAS-19. Also

1 included is the accounting entries required to adjust the 2012 year end liability from  
2 CGAAP to IFRS and the 2013 IFRS adjustment in the liability account. The difficulty  
3 Welland Hydro is having is the uncertainty of when it will be forced to transition to IFRS  
4 given the recent deferrals of the Accounting Standards Board for Rate Regulated Entities.

5 Appendix A shows that Welland Hydro will be facing a net charge to retained earnings of  
6 \$132,076 (\$1,699,730 IFRS less \$1,567,654 CGAAP) on the transition to IFRS. Welland  
7 Hydro is not aware of any Deferral & Variance account set up by the Board to cover the  
8 impact of this adjustment. Welland Hydro considers this to be a material adjustment and as  
9 a result, is requesting a Deferral & Variance account from the Board to cover this amount  
10 for future recovery. Appendix A also shows that under IFRS the 2013 Test Year Employee  
11 Retiree Costs would be reduced by \$13,987 (\$1,685,743 less \$1,699,730). As noted above,  
12 Welland Hydro has not included this reduction in the 2013 Test Year Employee Benefits  
13 Costs. Welland Hydro submits that this reduction could also be charged to the Deferral &  
14 Variance account requested by Welland Hydro above.

15 **Bad Debt Expense - \$40,685**

16 Bad Debt expense has increased from \$59,650 included in the 2009 COS to \$100,335 in the  
17 2013 Test Year which is a 68% increase. The actual amount of bad debt expense in 2011  
18 was \$96,439. There are two main reasons for this with the first being the price of  
19 electricity which has increased by 37% from the 2009 COS to the 2013 Test Year. The  
20 second is the difficult economic times which have hit the City of Welland. In the 2009  
21 COS Welland Hydro identified the loss of one large use account and the downsizing of a  
22 second large industrial account. That second large industrial account closed its  
23 manufacturing facility in 2011. The last remaining large use customer has also recently  
24 announced the layoff of over one hundred manufacturing jobs. In addition, Welland Hydro  
25 is unsure what impact rules and regulation changes for low income customers are having on  
26 bad debt expense. Welland Hydro is concerned that bad debt expenses could be kept  
27 artificially low by one time Late Payment Settlement Fund payouts in 2011 and 2012. The  
28 change to monthly billing in 2011 should offer some relief to future bad debt expense.

1 **Regulatory Costs - \$30,934**

2 The 2009 COS had \$60,250 for account 5655 Regulatory Expense. The Regulatory Cost  
3 Schedule on page 6 of this exhibit shows actual costs in 2009 at \$87,518 of which \$29,886  
4 was related to costs for the 2009 COS application. Total expenses in 2011 were \$58,621  
5 and included no amounts for one-time costs. The 2012 Test Year includes \$40,000 in one-  
6 time costs related to this application which are expected to total \$120,000. Welland Hydro  
7 has amortized this amount over four years and has included \$30,000 in one-time costs in  
8 the 2013 Test Year.

9 **Tree Trimming – \$6,186**

10 Although the amount is not material, costs related to tree trimming vary significantly from  
11 year to year. Welland Hydro currently has a three year tree trimming cycle. Table 4.1  
12 below contains an analysis of tree timing cost and the amount included in the 2013 Test  
13 Year. This table shows an increase from the three year 2009 COS average of \$128,000 to  
14 the 2013 Test Year three year average of \$134,186. Welland Hydro was able to take  
15 advantage of competitive pricing in 2010 which significantly lowered the actual three year  
16 average from 2009 to 2011 when compared to the amount in the 2009 COS. The three year  
17 average from 2012 to 2014 is based on two years of actual purchase order commitments  
18 and a forecast for 2014. The tree trimming company responsible for the low costs in 2010  
19 has not quoted on Welland Hydro's tree trimming RFQ for the past two years.

1 Table 4.1 Tree Trimming Costs

Tree Cutting

Year	Area	Cost	Year	Area	Cost	
COS	3Yr Avg	\$128,000				
2009	7	\$31,429	2012	7	\$32,258	PO
2009	1	\$24,762	2012	1	\$38,917	PO
2009	2	\$20,370	2012	2	\$24,194	PO
		<u>\$76,561</u> Actual			<u>\$95,369</u>	
2010	9	\$22,663	2013	9	\$55,891	PO
2010	8	\$18,200	2013	8	\$31,861	PO
2010	3	\$25,950	2013	3	\$46,946	PO
		<u>\$66,813</u>			<u>\$134,698</u>	
2011	4	\$47,662	2014	4	\$50,522	6%
2011	5	\$43,282	2014	5	\$45,879	6%
2011	6	\$71,784	2014	6	\$76,091	6%
		<u>\$162,728</u> Actual			<u>\$172,492</u>	
	3Yr Avg	\$102,034 Actual			\$134,186	

2

3 **Low-Income Energy Assistance Programs (“LEAP”) - \$11,000**

4 In 2011, an actual payment related to this program of \$12,000 was included in account  
 5 6205 donations. For both the 2012 Bridge Year and the 2013 Test Year a total of  
 6 \$11,000/yr have been included in OM&A. Based on 0.12% of Board approved distribution  
 7 revenue requirement this amount should be \$11,600 for the 2013 Test Year.

8 **Receivables Insurance GS>50 and Large Use Customers - \$45,809**

9 There were no costs for this insurance in the 2009 COS application. In 2010, Welland  
 10 Hydro was concerned about the financial position of its three largest customers. The Large  
 11 Use Customer was previously paying weekly but was approaching seven years of good  
 12 payment history and would be extended normal payment arrangements. As indicated  
 13 earlier one other large use customer was downsizing significantly and was exposed to the

1 difficult automotive supply chain. The third large industrial company (part of a large  
2 corporation) was sold as part of a management buyout but kept the same legal name  
3 making collecting a deposit difficult.

4 The monthly billing for the two remaining large industrial customers is approximately  
5 \$700,000 per month. This represents a significant exposure for Welland Hydro as the  
6 outstanding liability covers over two months which is approximately \$1.5 to \$2.0 million  
7 dollars. In 2010 a decision was made to take out receivables insurance to cover all  
8 customers greater than 50kW. Welland Hydro has been absorbing these costs since 2010  
9 but has included them as part of the 2012 Bridge Year and 2013 Test Year.

10 **Expense Inflation/Other - \$175,109**

11 This amount represents the balance not specifically identified. It represents a 10.4%  
12 (\$175,109/\$1,686,394) increase of OM&A Expenses (non wages) included in the 2009  
13 COS as seen in column one of the Cost Driver Table. This represents an annual inflation of  
14 2.6% per year. This amount would be \$26,634 higher when the impact of the HST Input  
15 Tax Credit on OM&A identified on page 7 of Exhibit 2, Tab 3, Schedule 7 is taken into  
16 consideration.

17 **Charitable Donations**

18 Account 6205 Donations are not allowed for rate setting purposes.

19 Actual donations made by Welland Hydro are as follow:

20	2009 Actual	\$27,671
21	2010 Actual	\$29,020
22	2011 Actual	\$52,845
23	2012 Bridge	\$23,600
24	2013 Test	\$23,600

1 Both the 2012 Bridge Year and the 2013 Test year contain \$20,000/yr in scholarship  
2 commitments to a college located in Welland related to energy conservation and demand  
3 management. Welland Hydro is not requesting these expenditures in rates. The balance of  
4 \$3,600/yr is made up of miscellaneous and one time requests which require the approval of  
5 Welland Hydro's Board of Directors as they are not in rates.

1 **VARIANCE ANALYSIS ON OM&A COSTS:**

2 Chapter 2 of the Filings Requirements Appendices Module provides Appendix 2-H for which a  
 3 variance analysis is required. This Appendix is presented on pages 2 and 3 of this Schedule.

4 Comparing years from CGAAP to MIFRS is difficult as the affect on each OEB account depends  
 5 on the amount of labor, stores material, and equipment expended. Welland Hydro has charged  
 6 the resulting increase to OM&A from non-capitalized indirect costs to Operating and  
 7 Maintenance Accounts based on 2011 actual. Table 4.2 on page 4 of this Schedule contains the  
 8 effect of MIFRS by OEB account. As previously discussed increased OM&A due to MIFRS is  
 9 \$266,641/yr.

10 In addition to the difficulty comparing accounts from CGAAP to MIFRS, Smart Meter related  
 11 costs were introduced by account in the 2012 Bridge Year. On page 8 of Exhibit 4 Tab 1  
 12 Schedule 2 Welland Hydro presented details of Smart Meter Related OM&A costs by OEB  
 13 account. The summary of these amounts are as follows:

Summary by OEB Account

2011 Actual Amount	2012 Bridge Amount	2013 Test Amount	OEB Account
36784	70000	71400	5040
0	24204	85493	5175
-36459	-84039	-84039	5310
60079	254357	271897	5315
0	6000	6000	5515
9281	9281	9486	5615
<u>69685</u>	<u>279803</u>	<u>360237</u>	

14

15 Welland Hydro will attempt to combine these two items along with the cost related to the new  
 16 CIS/Financial Software and other changes starting on page 5 of this Schedule.

**Appendix 2-H**  
**OM&A Detailed Variance Analysis**  
 (excluding Depreciation and Amortization)

Account	Description	Last Board-approved Rebasings Year (2009 Year)	Most Current Actuals Year 2011	Test Year 2013	Test Year Versus Last Rebasings		Test Year Versus Most Current Actuals	
		CGAAP	CGAAP	MIFRS	Variance (\$)	Percentage	Variance (\$)	Percentage
<b>Reporting Basis</b>								
<b>Operations</b>								
5005	Operation Supervision and Engineering	\$ 81,046	\$ 114,232	\$ 145,436	\$ 64,390	79.45%	\$ 31,204	27.32%
5010	Load Dispatching	\$ 79,101	\$ 115,993	\$ 144,184	\$ 65,083	82.28%	\$ 28,191	24.30%
5012	Station Buildings and Fixtures Expense	\$ 12,268	\$ 22,509	\$ 23,698	\$ 11,430	93.17%	\$ 1,189	5.28%
5014	Transformer Station Equipment - Operation Labour	\$ -	\$ -	\$ -	\$ -		\$ -	
5015	Transformer Station Equipment - Operation Supplies and Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	
5016	Distribution Station Equipment - Operation Labour	\$ 17,280	\$ 16,029	\$ 20,413	\$ 3,133	18.13%	\$ 4,384	27.35%
5017	Distribution Station Equipment - Operation Supplies and Expenses	\$ 115,650	\$ 112,811	\$ 119,696	\$ 4,046	3.50%	\$ 6,885	6.10%
5020	Overhead Distribution Lines and Feeders - Operation Labour	\$ 91,528	\$ 91,382	\$ 116,459	\$ 24,931	27.24%	\$ 25,077	27.44%
5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 180,955	\$ 45,170	\$ 48,572	\$ 132,383	-73.16%	\$ 3,402	7.53%
5030	Overhead Sub-transmission Feeders - Operation	\$ 81,780	\$ 61,803	\$ 83,853	\$ 2,053	2.51%	\$ 22,300	35.65%
5035	Overhead Distribution Transformers - Operation	\$ 14,131	\$ -	\$ 4,845	\$ 9,286	-65.71%	\$ 4,845	
5040	Underground Distribution Lines and Feeders - Operation Labour	\$ 149,845	\$ 128,887	\$ 184,011	\$ 44,166	29.47%	\$ 85,124	50.53%
5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 27,295	\$ 5,291	\$ 9,879	\$ 17,416	-63.81%	\$ 4,588	86.71%
5050	Underground Sub-transmission Feeders - Operation	\$ 45,687	\$ 39,349	\$ 52,984	\$ 7,297	15.97%	\$ 13,635	34.65%
5055	Underground Distribution Transformers - Operation	\$ 13,444	\$ 2,720	\$ 3,240	\$ 10,204	-75.90%	\$ 520	19.12%
5060	Street Lighting and Signal System Expense	\$ -	\$ -	\$ -	\$ -		\$ -	
5065	Meter Expense	\$ 339,284	\$ 244,451	\$ 311,606	\$ 27,678	-8.16%	\$ 67,155	27.47%
5070	Customer Premises - Operation Labour	\$ 8,366	\$ -	\$ -	\$ 8,366	-100.00%	\$ -	
5075	Customer Premises - Operation Materials and Expenses	\$ -	\$ 1,100	\$ 1,145	\$ 1,145		\$ 45	4.09%
5085	Miscellaneous Distribution Expenses	\$ 185,704	\$ 133,946	\$ 202,100	\$ 16,396	8.63%	\$ 68,154	50.88%
5090	Underground Distribution Lines and Feeders - Rental Paid	\$ -	\$ -	\$ -	\$ -		\$ -	
5095	Overhead Distribution Lines and Feeders - Rental Paid	\$ 22,405	\$ 25,470	\$ 26,093	\$ 3,688	16.46%	\$ 623	2.45%
5096	Other Rent	\$ -	\$ -	\$ -	\$ -		\$ -	
<b>Total - Operations</b>		\$ 1,465,769	\$ 1,161,143	\$ 1,508,194	\$ 42,425	2.89%	\$ 347,051	29.89%
<b>Maintenance</b>								
5105	Maintenance Supervision and Engineering	\$ 88,868	\$ 73,241	\$ 98,255	\$ 9,387	10.56%	\$ 25,014	34.15%
5110	Maintenance of Buildings and Fixtures - Distribution Stations	\$ 18,905	\$ 34,626	\$ 37,274	\$ 18,369	97.16%	\$ 2,648	7.65%
5112	Maintenance of Transformer Station Equipment	\$ -	\$ -	\$ -	\$ -		\$ -	
5114	Maintenance of Distribution Station Equipment	\$ 17,736	\$ 45,466	\$ 59,644	\$ 41,908	236.29%	\$ 14,178	31.18%
5120	Maintenance of Poles, Towers and Fixtures	\$ 60,710	\$ 127,596	\$ 209,585	\$ 148,875	245.22%	\$ 81,989	64.28%
5125	Maintenance of Overhead Conductors and Devices	\$ 239,999	\$ 281,068	\$ 374,665	\$ 134,666	56.11%	\$ 113,597	43.51%
5130	Maintenance of Overhead Services	\$ 189,462	\$ 209,843	\$ 295,490	\$ 110,028	58.07%	\$ 89,647	42.72%
5135	Overhead Distribution Lines and Feeders - Right of Way	\$ 169,166	\$ 199,793	\$ 184,638	\$ 15,472	9.15%	\$ 15,195	-7.59%
5145	Maintenance of Underground Conduit	\$ 23,054	\$ 7,088	\$ -	\$ 23,054	-100.00%	\$ 7,088	-100.00%
5160	Maintenance of Underground Conductors and Devices	\$ 172,332	\$ 135,874	\$ 191,749	\$ 19,417	11.27%	\$ 55,875	41.12%
5155	Maintenance of Underground Services	\$ 59,882	\$ 91,273	\$ 120,617	\$ 60,735	101.42%	\$ 29,344	32.15%
5160	Maintenance of Line Transformers	\$ 62,809	\$ 57,529	\$ 92,022	\$ 29,413	46.98%	\$ 34,493	59.96%
5165	Maintenance of Street Lighting and Signal Systems	\$ -	\$ -	\$ -	\$ -		\$ -	
5170	Sentinel Lights - Labour	\$ -	\$ -	\$ -	\$ -		\$ -	
5172	Sentinel Lights - Materials and Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	
5175	Maintenance of Meters	\$ 3,813	\$ 3,028	\$ 88,643	\$ 84,830	2224.76%	\$ 85,615	2827.44%
5178	Customer Installations Expenses - Leased Property	\$ -	\$ -	\$ -	\$ -		\$ -	
5195	Maintenance of Other Installations on Customer Premises	\$ 5,096	\$ -	\$ -	\$ 5,096	-100.00%	\$ -	
<b>Total - Maintenance</b>		\$ 1,111,632	\$ 1,232,249	\$ 1,756,582	\$ 644,950	58.02%	\$ 524,333	42.55%
<b>Billing and Collecting</b>								
5305	Supervision	\$ -	\$ -	\$ -	\$ -		\$ -	
5310	Meter Reading Expense	\$ 132,564	\$ 81,501	\$ 31,725	\$ 100,829	-76.07%	\$ 49,776	-61.07%
5315	Customer Billing	\$ 409,365	\$ 608,728	\$ 906,187	\$ 496,822	121.36%	\$ 297,450	48.87%
5320	Collecting	\$ 345,711	\$ 328,891	\$ 354,093	\$ 8,382	2.42%	\$ 25,202	7.66%
5325	Collecting - Cash Over and Short	\$ 50	\$ 462	\$ -	\$ 50	-100.00%	\$ 462	-100.00%
5330	Collection Charges	\$ -	\$ -	\$ -	\$ -		\$ -	
5335	Bad Debt Expense	\$ 59,650	\$ 96,439	\$ 100,335	\$ 40,685	68.21%	\$ 3,896	4.04%
5340	Miscellaneous Customer Accounts Expenses	\$ 32,844	\$ 28,924	\$ 30,935	\$ 1,909	-5.81%	\$ 2,011	6.95%
<b>Total - Billing and Collecting</b>		\$ 980,174	\$ 1,144,021	\$ 1,423,275	\$ 443,101	45.21%	\$ 279,254	24.41%
<b>Community Relations</b>								
5405	Supervision	\$ 40,800	\$ 38,716	\$ 42,200	\$ 1,400	3.43%	\$ 3,484	9.00%
5410	Community Relations - Sundry	\$ 5,535	\$ 2,938	\$ 3,008	\$ 2,528	-45.66%	\$ 70	2.38%
5415	Energy Conservation	\$ 95,274	\$ 69,167	\$ 71,375	\$ 23,899	-25.08%	\$ 2,218	3.21%
5420	Community Safety Program	\$ 6,500	\$ 4,489	\$ 4,671	\$ 1,829	-28.14%	\$ 182	4.05%
5425	Miscellaneous Customer Service and Informational Expenses	\$ 100	\$ -	\$ -	\$ 100	-100.00%	\$ -	
5505	Supervision	\$ -	\$ -	\$ -	\$ -		\$ -	
5510	Demonstrating and Selling Expense	\$ -	\$ -	\$ -	\$ -		\$ -	
5515	Advertising Expenses	\$ 11,457	\$ 6,608	\$ 12,995	\$ 1,538	13.42%	\$ 6,387	96.66%
5520	Miscellaneous Sales Expense	\$ -	\$ -	\$ -	\$ -		\$ -	
<b>Total - Community Relations</b>		\$ 159,667	\$ 121,908	\$ 134,249	\$ 25,418	-15.92%	\$ 12,341	10.12%
<b>Administrative and General Expenses</b>								
5605	Executive Salaries and Expenses	\$ 327,398	\$ 371,981	\$ 394,555	\$ 67,157	20.51%	\$ 22,574	6.07%
5610	Management Salaries and Expenses	\$ 403,689	\$ 489,774	\$ 556,870	\$ 153,001	37.90%	\$ 66,896	13.66%
5615	General Administrative Salaries and Expenses	\$ 283,123	\$ 336,905	\$ 385,614	\$ 102,491	36.20%	\$ 48,709	14.46%
5620	Office Supplies and Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	
5625	Administrative Expense Transferred - Credit	\$ 215,178	\$ 10,691	\$ 8,930	\$ 206,248	-95.85%	\$ 1,761	-16.47%
5630	Outside Services Employed	\$ 146,700	\$ 130,437	\$ 144,719	\$ 1,981	-1.35%	\$ 14,282	10.95%
5635	Property Insurance	\$ -	\$ -	\$ -	\$ -		\$ -	
5640	Injuries and Damages	\$ -	\$ -	\$ -	\$ -		\$ -	
5645	OMERS Pensions and Benefits	\$ 74,300	\$ 132,940	\$ 120,243	\$ 45,943	61.83%	\$ 12,697	-9.55%

**Appendix 2-H**  
**OM&A Detailed Variance Analysis**  
 (excluding Depreciation and Amortization)

Account	Description	Last Board-approved Rebasings Year (2009 Year)	Most Current Actuals Year 2011	Test Year 2013	Test Year Versus Last Rebasings		Test Year Versus Most Current Actuals	
		CGAAP	CGAAP	MIFRS	Variance (\$)	Percentage	Variance (\$)	Percentage
<b>Reporting Basis</b>								
5646	Employee Pensions and OPEB	\$ -	\$ -	\$ -	\$ -		\$ -	
5647	Employee Sick Leave	\$ -	\$ -	\$ -	\$ -		\$ -	
5650	Franchise Requirements	\$ -	\$ -	\$ -	\$ -		\$ -	
5655	Regulatory Expenses	\$ 60,250	\$ 58,621	\$ 91,184	\$ 30,934	51.34%	\$ 32,563	55.55%
5660	General Advertising Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	
5665	Miscellaneous General Expenses	\$ 108,070	\$ 99,042	\$ 109,823	\$ 1,753	1.62%	\$ 10,781	10.89%
5670	Rent	\$ -	\$ -	\$ -	\$ -		\$ -	
5672	Lease Payment Charge	\$ -	\$ -	\$ -	\$ -		\$ -	
5675	Maintenance of General Plant	\$ -	\$ -	\$ -	\$ -		\$ -	
5680	Electrical Safety Authority Fees	\$ 8,263	\$ 9,409	\$ 9,789	\$ 1,526	18.47%	\$ 380	4.04%
5681	Special Purpose Charge Expense	\$ -	\$ -	\$ -	\$ -		\$ -	
5685	Independent Electricity System Operator Fees and Penalties	\$ -	\$ -	\$ -	\$ -		\$ -	
5695	OM&A Contra Account	\$ -	\$ -	\$ -	\$ -		\$ -	
6205	Donations	\$ -	\$ 52,845	\$ 23,600	\$ 23,600		\$ 29,245	-55.34%
	6205 Donations, Sub-account LEAP Funding	\$ -	\$ -	\$ 11,000	\$ 11,000		\$ 11,000	
<b>Total - Administrative and General Expenses</b>		\$ 1,196,595	\$ 1,671,263	\$ 1,838,267	\$ 641,672	53.62%	\$ 167,004	9.99%
<b>Total OM&amp;A</b>		\$ 4,913,837	\$ 5,330,584	\$ 6,660,567	\$ 1,746,730	35.56%	\$ 1,329,983	24.95%
<b>Adjustments for non-recoverable items</b>								
	5681 Special Purpose Charge Expense				\$ -		\$ -	
	6205 Donations <sup>1</sup>	\$ -	\$ 52,845	\$ 23,600	\$ 23,600		\$ 29,245	-55.34%
<b>Total Recoverable OM&amp;A</b>		\$ 4,913,837	\$ 5,277,739	\$ 6,636,967	\$ 1,723,130	35.07%	\$ 1,359,228	25.75%

Table 4.2 Effects of MIFRS By OEB Account

	<u>Engineer Overhead</u>	<u>Stores Overhead</u>	<u>Equipment Charges</u>	<u>Total</u>
5005	4943		561	5504
5010	4484		121	4605
5012				0
5014				0
5015				0
5016	717			717
5017			1848	1848
5020	4089			4089
5025	18		1144	1162
5030	2462	388	4955	7805
5035				0
5040	3813		5417	9230
5045		569	2960	3529
5050	1590		2982	4572
5055		363		363
5060				0
5065	8591	581	9222	18394
5070				0
5075				0
5085	4126		156	4282
5090				0
5095				0
5096				0
	<u>34833</u>	<u>1901</u>	<u>29366</u>	<u>66100</u>
5105	2812		5709	8521
5110	147		395	542
5112				0
5114	827	3076	3612	7515
5120	3400	5156	10593	19149
5125	9032	21908	24762	55702
5130	6294	21997	18719	47010
5135	1268		4186	5454
5145				0
5150	4006	5714	18210	27930
5155	2058	3240	8876	14174
5160	1277	9443	3824	14544
5165				0
5170				0
5172				0
5175				0
5178				0
5195				0
	<u>31121</u>	<u>70534</u>	<u>98886</u>	<u>200541</u>
	65954	72435	128252	266641

1    **Operations & Maintenance**

2    Amounts charged to Operating & Maintenance accounts vary from year to year based on the type  
 3    of work being performed. As a result, Welland Hydro will analyze the total increase in these  
 4    costs with reference to Schedule 2 Cost Driver discussions and the Cost Driver Table.

	Increase	Increase
	Test Year Vs	Test Year Vs
	<u>2009 COS</u>	<u>2011 Actual</u>
8    Operations	\$ 42,425	\$ 347,051
9    Maintenance	<u>\$ 644,950</u>	<u>\$ 524,333</u>
10   Total Operations & Maintenance	\$ 687,375	\$ 871,384
11   Less MIFRS	(\$ 266,641)	(\$ 266,641)
12   Less Smart Meters	(\$ 156,893)	(\$ 120,109)
13   Less Apprentice Linesperson	(\$ 75,014)	(\$ 75,014)
14   Engineering Not Replaced to 2013		(\$ 115,139)
15   Admn/IT Ovhd Allocation	<u>\$ 178,672</u>	_____
16	\$ 367,499	\$ 294,481

17   Welland Hydro stopped allocating Administration and IT Overheads to Operating and  
 18   Maintenance as a percentage of direct labor charges in 2011 which has resulted in a reduced  
 19   credit in account 5615. Welland Hydro believes that this allocation really did not serve any  
 20   purpose and only charges Admin/OT overheads on billings to third party invoices.

21   The \$367,499 increase over the 2009 COS represents an increase of 14.2% over a four year  
 22   period or 3.6%/yr. Welland Hydro has previously shown wage increases in the 3%/yr and  
 23   benefit increase of 6%/yr which accounts for the majority of the total increase.

1 The \$294,481 increase over the 2011 Actual represents an increase of 12.3% over a two year  
 2 period or 6.1%/yr. However, this amount has been affected by the change in treatment of safety  
 3 related training and expenses under IFRS. In 2011, total safety related expenses of \$74,523 were  
 4 allocated as a percentage of labor across all OEB expense and capital accounts. For the 2012  
 5 Test Year and the 2013 Bridge Year they have been included in Operations and Maintenance  
 6 accounts as a percentage of 2011 Actual.

7 As a result, Welland Hydro believes that the analysis of the increase from the 2009 COS to the  
 8 2013 Test Year is more appropriate than a comparison to 2011 Actual.

9 **Billing and Collecting**

10 Analysis of billing and collecting costs are somewhat easier as the impact of IFRS is not related  
 11 to these accounts. However, they have been impacted by Smart Meters which must be accounted  
 12 for in the analysis. Welland Hydro has previously identified Bad Debt Expense and Receivables  
 13 Insurance as increasing OM&A costs and they also have been included in the analysis.

	Increase	Increase
	Test Year Vs	Test Year Vs
	<u>2009 COS</u>	<u>2011 Actual</u>
17 Total Billing & Collecting	\$ 433,101	\$ 279,254
18 Smart Meters 5310	\$ 84,039	\$ 47,580
19 Smart Meters 5315	(\$ 271,897)	(\$ 211,818)
20 Bad Debt Expense 5335	(\$ 43,685)	(\$ 3,896)
21 Receivables Insurance 5315	<u>(\$ 45,900)</u>	<u>(\$ 11,753)</u>
22	\$ 155,658	\$ 99,367

23 The \$155,658 increase in Billing and Collecting Costs compared to the 2009 COS represents an  
 24 increase of 15.9% over four years or 3.9%/year. Welland Hydro has previously shown wage

1 increases of 3%/yr and benefit increase of 6%/yr which accounts for the majority of the total  
2 increase.

3 The \$99,367 increase in Billing and Collecting Costs compared to the 2011 Actual represents an  
4 increase of 8.7% over a two year period or 4.3%/yr. This amount is being impacted by the fact  
5 that three of the four customer representatives and the billing clerk have all been hired since  
6 2011 and are moving up in pay scale within job classifications.

7 As a result, Welland Hydro believes that the analysis of the increase from the 2009 COS to the  
8 2013 Test Year is more appropriate than a comparison to 2011 Actual.

## 9 **Community Relations**

10 There are no items in this section which exceed the materiality threshold. In fact, these costs  
11 have gone down from the 2009 COS by \$25,418 or 15.9% over four years (4.0%/yr).

## 12 **Administrative & General Expenses**

### 13 **5605 Executive Salaries and Expenses**

14 The \$67,157 increase from the 2009 COS to the 2013 Test Year is wage and benefits related  
15 only. As previously stated Welland Hydro did not include any management overtime in the 2009  
16 COS. Overtime and vacation payout account for \$11,821 of the increase. The balance of  
17 \$55,336 represents a 16.9% increase over a four year period or 4.2%/yr. Welland Hydro has  
18 previously shown wage increases of 3%/yr and benefit increase of 6%/yr which accounts for the  
19 majority of the total increase.

### 20 **5610 Management Salaries and Expenses**

21 As previously indicated \$30,000 has been allowed for an upgrade to the Accounting Assistant  
22 position in 2013. As was the case in 5605 the 2009 COS did not include any amounts for  
23 management overtime/vacation pay out which amounts to \$10,577 for this account. Removing  
24 these two items reduces the increase from the 2009 COS from \$153,001 to \$112,424 which is a

1 27.8% increase over four years or 7.0%/yr. The analysis for account 5615 will help clarify the  
 2 extent of this increase. For the most part, account 5610 is used to track Accounting and  
 3 Personnel Management Costs.

4 **5615 General Administrative and General Expenses**

5 Welland Hydro has used 5615 to capture the cost related to IT personnel and maintenance costs  
 6 for software and computer related items.

7 With the retirement of the Director of Information Systems in 2011, the makeup of amounts in  
 8 this account changed. Prior to 2011 two positions were charged to account 5615. The Director  
 9 of Information Services was replaced by a Billing Supervisor/MDMR Administrator whose costs  
 10 are not charged to 5615. In addition, Welland Hydro installed a new CIS/Billing System in order  
 11 to prepare for TOU Billing. These costs are included in account 5615. As previously mentioned  
 12 a portion of these costs could have been charged to the Smart Meter Rate Application but were  
 13 left to the 2013 COS as a separate cost for comparison to the 2009 COS application. When the  
 14 incremental costs to the new CIS/Financial software are separated out this account would look as  
 15 follows:

	Increase	Increase
	Test Year Vs	Test Year Vs
	<u>2009 COS</u>	<u>2011 Actual</u>
19 5615 Gen & Admin Sal & Exp	\$ 102,491	\$ 48,709
20 New CIS/Financial System Costs	<u>(\$ 215,921)</u>	<u>(\$ 96,325)</u>
21	(\$ 113,430)	(\$ 47,616)

22 For the most part, the decrease in 5615 payroll costs is now included in 5315 Customer Billing  
 23 and 5610 Accounting Department.

1 **5625 Administrative Expense Transfer – Credit**

2 The makeup of this account is as follows:

3	<u>2009 COS</u>	<u>2013 Test Year</u>
4 Operations & Maintenance	(\$ 178,672)	
5 Third Party Billings	(\$ 7,710)	(\$ 8,930)
6 Capital	<u>(\$ 28,796)</u>	<u>                    </u>
7	(\$ 215,178)	(\$ 8,930)

8 As previously mentioned the change to MIFRS does not allow for the capitalization of  
9 administrative expenses. Welland Hydro stopped capitalizing these expenses in 2010. Welland  
10 Hydro has stopped the reallocation of Administrative costs to Operations and Maintenance in  
11 2011. The decrease in the credit in this account of \$178,672 has been reflected in the analysis of  
12 Operating and Maintenance accounts above as a reduction in total costs.

13 **5645 Employee Retiree Benefit Costs**

14 Welland Hydro uses this account to record premiums paid for retiree benefits and changes in the  
15 liability account. Welland Hydro has already identified the cost increase in this account as being  
16 related to the early retirement of five employees since the 2009 COS.

1 **Employee Compensation Costs**

2 Chapter 2 of the Filings Requirements Appendices Module provides Appendix 2-K for which  
3 Employee Costs are detailed. This Appendix is presented on pages 2 and 3 of this Schedule.

4 Welland Hydro's union personnel are covered by a four year collective agreement effective April  
5 1, 2011. The agreement calls for wage increases as follows:

6 April 1, 2011	2.75%
7 April 1, 2012	2.75%
8 April 1, 2013	3.25%
9 April 1, 2014	3.25%

10 Both management and union personnel are covered by similar benefit packages and OMERS  
11 pension plans. Management wages are expected to increase 2.75% but Welland Hydro is  
12 currently in the process of evaluating its management salary levels through a third party study.  
13 There are no bonuses included as part of the salary pay structure.

14 Page 2 of this schedule indentifies an increase of 2 FTE's when comparing the 2009 COS to the  
15 2013 Test Year. One was an additional billing person approved as part of the Smart Meter Rate  
16 Application which started in December, 2011. The addition brings Welland Hydro back to 41  
17 FTE's in 2012 but this number should be 42 FTE's as Welland Hydro has yet to replace the  
18 retired Engineering Manager's position which it plans to do in 2013. The second additional FTE  
19 is the hire of an apprentice lineperson position. Welland Hydro is facing the retirement of two  
20 line foremen and one lineperson within the term of this rate application. One possible option for  
21 the replacement of the line foremen is to promote from within which will require hiring  
22 additional linepersons. Given the difficulty in attracting linepersons from other LDC's or  
23 contractors, Welland Hydro has instead relied on training linepersons through apprenticeship  
24 programs which take four years to complete.

### Appendix 2-K Employee Costs

	Last Rebasng Year (2009 Board- Approved)	Last Rebasng Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
<i>Reporting Basis</i>	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
<b>Number of Employees (FTEs including Part-Time)<sup>1</sup></b>						
Executive	0	0	0	0	0	0
Management	14	13.5	14	13	14	15
Non-Union	0	0	0	0	0	0
Union	27	27	26.7	26.9	27	28
<b>Total</b>	<b>41</b>	<b>40.5</b>	<b>40.7</b>	<b>39.9</b>	<b>41</b>	<b>43</b>
<b>Number of Part-Time Employees</b>						
Executive	0	0	0	0	0	0
Management	0	0	0	0	0	0
Non-Union	1	1	1	1	1	1
Union	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total Salary and Wages</b>						
Executive						
Management-Base	\$ 1,237,378	\$ 1,206,887	\$ 1,282,448	\$ 1,200,600	\$ 1,290,310	\$ 1,462,700
Management-Overtime	\$ -	\$ 38,703	\$ 47,302	\$ 64,088	\$ 69,476	\$ 43,204
Non-Union	\$ 36,802	\$ 37,234	\$ 39,244	\$ 41,841	\$ 42,992	\$ 43,852
Union-Base	\$ 1,637,056	\$ 1,628,241	\$ 1,663,789	\$ 1,720,060	\$ 1,788,162	\$ 1,924,361
Union-Overtime	\$ 74,529	\$ 84,239	\$ 62,354	\$ 93,680	\$ 94,075	\$ 93,561
<b>Total</b>	<b>\$ 2,985,765</b>	<b>\$ 2,995,304</b>	<b>\$ 3,095,137</b>	<b>\$ 3,120,269</b>	<b>\$ 3,285,015</b>	<b>\$ 3,567,678</b>
<b>Current Benefits</b>						
Executive						
Management	\$ 273,498	\$ 250,867	\$ 269,743	\$ 276,916	\$ 310,030	\$ 361,664
Non-Union	\$ 3,574	\$ 3,661	\$ 3,801	\$ 4,283	\$ 3,826	\$ 3,947
Union	\$ 439,042	\$ 426,004	\$ 436,301	\$ 468,868	\$ 501,907	\$ 562,627
<b>Total</b>	<b>\$ 716,114</b>	<b>\$ 680,532</b>	<b>\$ 709,845</b>	<b>\$ 750,067</b>	<b>\$ 815,763</b>	<b>\$ 928,238</b>
<b>Accrued Pension and Post-Retirement Benefits</b>						
Executive						
Management						
Non-Union						
Union						
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Benefits (Current + Accrued)</b>						
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 273,498	\$ 250,867	\$ 269,743	\$ 276,916	\$ 310,030	\$ 361,664
Non-Union	\$ 3,574	\$ 3,661	\$ 3,801	\$ 4,283	\$ 3,826	\$ 3,947
Union	\$ 439,042	\$ 426,004	\$ 436,301	\$ 468,868	\$ 501,907	\$ 562,627
<b>Total</b>	<b>\$ 716,114</b>	<b>\$ 680,532</b>	<b>\$ 709,845</b>	<b>\$ 750,067</b>	<b>\$ 815,763</b>	<b>\$ 928,238</b>
<b>Total Compensation (Salary, Wages, &amp; Benefits)</b>						
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 1,510,876	\$ 1,496,457	\$ 1,599,493	\$ 1,541,604	\$ 1,669,816	\$ 1,867,568
Non-Union	\$ 40,376	\$ 40,895	\$ 43,045	\$ 46,124	\$ 46,818	\$ 47,799
Union	\$ 2,150,627	\$ 2,138,484	\$ 2,162,444	\$ 2,282,608	\$ 2,384,144	\$ 2,580,549
<b>Total</b>	<b>\$ 3,701,879</b>	<b>\$ 3,675,836</b>	<b>\$ 3,804,982</b>	<b>\$ 3,870,336</b>	<b>\$ 4,100,778</b>	<b>\$ 4,495,916</b>
<b>Compensation - Average Yearly Base Wages</b>						
Executive						
Management	\$ 88,384	\$ 89,399	\$ 91,603	\$ 92,354	\$ 92,165	\$ 97,513
Non-Union	\$ 36,802	\$ 37,234	\$ 39,244	\$ 41,841	\$ 42,992	\$ 43,852
Union	\$ 60,632	\$ 60,305	\$ 62,314	\$ 63,943	\$ 66,228	\$ 68,727
<b>Total</b>	<b>\$ 69,315</b>	<b>\$ 69,214</b>	<b>\$ 71,594</b>	<b>\$ 72,433</b>	<b>\$ 74,321</b>	<b>\$ 77,975</b>
<b>Compensation - Average Yearly Overtime</b>						
Executive						
Management	\$ -	\$ 2,867	\$ 3,379	\$ 4,930	\$ 4,963	\$ 2,880
Non-Union						
Union	\$ 2,760	\$ 3,120	\$ 2,335	\$ 3,483	\$ 3,484	\$ 3,341
<b>Total</b>	<b>\$ 1,775</b>	<b>\$ 2,962</b>	<b>\$ 2,630</b>	<b>\$ 3,857</b>	<b>\$ 3,894</b>	<b>\$ 3,108</b>

**Appendix 2-K  
Employee Costs**

	Last Rebasing Year (2009 Board Approved)	Last Rebasing Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
<i>Reporting Basis</i>	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
<b>Compensation - Average Yearly Incentive Pay</b>						
Executive						
Management						
Non-Union						
Union						
Total						
<b>Compensation - Average Yearly Benefits</b>						
Executive						
Management	\$ 19,536	\$ 18,583	\$ 19,267	\$ 21,301	\$ 22,145	\$ 24,111
Non-Union	\$ 3,574	\$ 3,661	\$ 3,801	\$ 4,283	\$ 3,826	\$ 3,947
Union	\$ 16,261	\$ 15,778	\$ 16,341	\$ 17,430	\$ 18,589	\$ 20,094
Total	\$ 17,050	\$ 16,398	\$ 17,023	\$ 18,339	\$ 19,423	\$ 21,096
<b>Total Compensation Before Retiree</b>	\$ 3,701,879	\$ 3,675,836	\$ 3,804,982	\$ 3,870,336	\$ 4,100,778	\$ 4,495,916
<b>Retiree Benefits Premiums</b>	\$ 71,160	\$ 73,783	\$ 80,552	\$ 113,620	\$ 110,320	\$ 120,243
<b>Retiree Benefits Accrual</b>	\$ 3,140	\$ 4,424	\$ 2,130	\$ 19,320	\$ 7,164	\$ -
<b>Total Compensation</b>	\$ 3,776,179	\$ 3,754,043	\$ 3,883,404	\$ 4,003,276	\$ 4,218,262	\$ 4,616,159
<b>Total Compensation Capitalized (CGAAP)</b>	\$ 322,122	\$ 438,206	\$ 450,125	\$ 462,460	\$ 526,698	\$ 586,738
<b>Total Compensation Capitalized Smart Meter 1555</b>	\$ -	\$ 255	\$ -	\$ 18,777		
<b>Total Compensation Charged to Third Party</b>	\$ 139,982	\$ 109,081	\$ 153,856	\$ 133,365	\$ 134,081	\$ 145,963
<b>Total Compensation Charged to Smart Meter 1556</b>	\$ -	\$ 14,602	\$ 959	\$ -		
<b>Total Compensation Charged to Associate Companies</b>	\$ 86,632	\$ 157,298	\$ 155,660	\$ 128,719	\$ 79,157	\$ 37,176
<b>Total Compensation Charged to OM&amp;A (CGAAP)</b>	\$ 3,227,443.00	\$ 3,034,601.00	\$ 3,122,804.00	\$ 3,259,955.00	\$ 3,478,326.00	\$ 3,846,282.00
<b>Total Compensation Capitalized (MIFRS)</b>				\$ 323,086	\$ 368,547	\$ 428,587
<b>Total Compensation Charged to OM&amp;A (MIFRS)</b>				\$ 3,418,106.00	\$ 3,636,477.00	\$ 4,004,433.00

1 On Page 3 of this schedule, Welland Hydro has separated out retiree benefit costs between  
2 premiums and accruals (changes in the liability account). This was discussed under the Cost  
3 Driver section of this Exhibit. However, actual premiums paid have increased significantly as  
4 the result of the early retirement of five employees since the 2009 COS.

5 In 2012, the City of Welland began installing LED Street Lights and will complete the  
6 conversion of the majority of Street Lights in 2013. The manufacturer has provided a 15 year  
7 warranty and is taking over maintenance of these lights. As a result, Welland Hydro's charges to  
8 affiliates will be significantly reduced in both the 2012 Bridge Year and the 2013 Test Year.  
9 Rather than increasing OM&A costs, Welland Hydro has budgeted significant increases in  
10 charges to capital projects and will reduce its dependency on outside contractors to perform  
11 capital work.

12 Welland Hydro has presented compensation in OM&A costs in both CGAAP and MIFRS on  
13 page three of this Schedule.

1 **Shared Service and Corporate Cost Allocation**

2 **Introduction:**

3 A summary of charges to affiliates for services provided are detailed on pages 2 through 6  
4 of this schedule and cover 2009 Actual to 2013 Test Year. For the purposes of these  
5 schedules Shared Services are considered linespersons used in the connection of Street  
6 Light and Sentinel Light maintenance and any materials and equipment associated with the  
7 labor. Corporate Cost Allocation is the amount of Executive and Accounting labor charged  
8 to affiliates. There are no charges from affiliates to the wires company.

9 Welland Hydro Energy Services currently performs streetlight maintenance for the City of  
10 Welland. In addition, Welland Hydro Energy Services is also involved in Sentinel Light  
11 rentals to third party customers. Welland Hydro provides certain services to Welland  
12 Hydro Energy Services in respect of these activities. Actual cost including labor and  
13 burden, stores material and burden, along with vehicle costs are charged to Welland Hydro  
14 Energy Services. In addition, billings to the City of Welland include a 10% profit mark up.  
15 The mark up is split 7% to Welland Hydro and 3% to Welland Hydro Energy Services.

16 However, as detailed earlier Shared Services will be decreasing dramatically as a result of  
17 the City of Welland converting Street Lights to LED lights. Welland Hydro has also seen a  
18 reduction in Sentinel Lights (new installations are not performed by Welland Hydro and  
19 would not be considered Sentinel Lights) and this trend is expected to continue as  
20 industrial and commercial customers look for ways of cutting their electrical bills.  
21 Welland Hydro Electric Systems Corp will see a reduction in Other Revenues due to the  
22 loss of the mark up on street light maintenance.

**Appendix 2-N  
Shared Services and Corporate Cost Allocation**

Year: 2009

**Shared Services**

Name of Company		Service Offered	Pricing Methodology	Price for the Service		Cost for the Service
From	To			\$	\$	
Systems Corp	Energy Services	Street Lights Labour	Time Card	72,897	68,128	
Systems Corp	Energy Services	Street Lights Burden	% Labour	36,448	34,064	
Systems Corp	Energy Services	Material Burden	% Material Issue	13,315	12,444	
Systems Corp	Energy Services	Truck Charges	Time Card	40,110	37,486	
		Total Street Light		162,771	152,122	
Systems Corp	Energy Services	Sentinel Lights Labour	Time Card	6,236	5,828	
Systems Corp	Energy Services	Sentinel Lights Burden	% Labour	2,619	2,448	
Systems Corp	Energy Services	Material Burden	% Material Issue	1,009	943	
Systems Corp	Energy Services	Truck Charges	Time Card	3,206	2,996	
		Total Sentinel Light		13,070	12,215	
		Totals		175,841	164,337	

**Corporate Cost Allocation**

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated		Amount Allocated
From	To			%	\$	
Systems Corp	Holding Corp	Administrative	Estimated	16,468	16,468	
Systems Corp	Energy Services	Administrative	Estimated	8,489	8,489	
		Totals		24,957	24,957	

Note:

1

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.



### Appendix 2-N Shared Services and Corporate Cost Allocation

Year: 2011  
 Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service		Cost for the Service	
From	To			\$	%	\$	%
Systems Corp	Energy Services	Street Lights Labour	Time Card	62,440		58,355	
Systems Corp	Energy Services	Street Lights Burden	% Labour	31,220		29,178	
Systems Corp	Energy Services	Material Burden	% Material Issue	6,385		5,967	
Systems Corp	Energy Services	Truck Charges	Time Card	26,178		24,465	
		Total Street Light		126,223		117,965	
Systems Corp	Energy Services	Sentinel Lights Labour	Time Card	3,245		3,033	
Systems Corp	Energy Services	Sentinel Lights Burden	% Labour	1,622		1,516	
Systems Corp	Energy Services	Material Burden	% Material Issue	87		81	
Systems Corp	Energy Services	Truck Charges	Time Card	1,457		1,362	
		Total Sentinel Light		6,411		5,992	
		Totals		132,634		123,957	

### Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated		Amount Allocated	
From	To			%	\$	%	\$
Systems Corp	Holding Corp	Administrative	Estimated	16,487		16,487	
Systems Corp	Energy Services	Administrative	Estimated	6,792		6,792	
		Totals		23,279		23,279	

Note:

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.

**Appendix 2-N  
 Shared Services and Corporate Cost Allocation**

Year: 2012

**Shared Services**

Name of Company		Service Offered	Pricing Methodology	Price for the Service		Cost for the Service
From	To			\$	\$	
Systems Corp	Energy Services	Street Lights Labour	Time Card	32,117	30,016	
Systems Corp	Energy Services	Street Lights Burden	% Labour	15,345	14,341	
Systems Corp	Energy Services	Material Burden	% Material Issue	3,210	3,000	
Systems Corp	Energy Services	Truck Charges	Time Card	9,879	9,233	
		Total Street Light		60,551	56,590	
Systems Corp	Energy Services	Sentinel Lights Labour	Time Card	3,322	3,105	
Systems Corp	Energy Services	Sentinel Lights Burden	% Labour	1,588	1,484	
Systems Corp	Energy Services	Material Burden	% Material Issue	546	510	
Systems Corp	Energy Services	Truck Charges	Time Card	1,457	1,362	
		Total Sentinel Light		6,913	6,461	
		Totals		67,465	63,051	

**Corporate Cost Allocation**

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated		Amount Allocated
From	To			%	\$	
Systems Corp	Holding Corp	Administrative	Estimated	16,690	16,690	
Systems Corp	Energy Services	Administrative	Estimated	6,875	6,875	
		Totals		23,565	23,565	

Note:

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.



1 **Purchase of Non-Affiliate Services**

2 A copy of Welland Hydro's Purchasing Policy is included in Appendix B to this Exhibit.

3 Welland Hydro tenders its material requirements on an annual basis with the contract being  
4 awarded to the lowest bidder by product with very limited exceptions. In all other cases (non  
5 stores items) Welland Hydro follows the RFQ and approval process outlined in its purchasing  
6 policy unless in an emergency basis, safety reasons, or more than one quotation is not available.

7 As previously stated, there are no services purchased from affiliates.

1    **DEPRECIATION, AMORTIZATION AND DEPLETION:**

2    Welland Hydro has included depreciation as part of Exhibit 2, Tab 3, Schedule 5 - Capitalization  
3    Policy. This section contains Welland Hydro's depreciation rates under both CGAAP and  
4    MIFRS along with a comparison to the Kinectrics Study.

5    The required Depreciation Schedules contained in the Chapter 2 Appendices Module are  
6    presented in Exhibit 2, Tab 2 – Gross Assets Property, Plant and Equipment Accumulated  
7    Depreciation. Welland Hydro has back up fixed assets ledgers by OEB account under both  
8    CGAAP and MIFRS which can be provided should any questions arise from the completion of  
9    the depreciation schedules. Under MIFRS Welland Hydro has broken out assets by components  
10   and depreciated at separate useful lives if different.

11   Welland Hydro does not have any Asset Retirement Obligations or associated depreciation or  
12   accretion expenses.

13   Welland Hydro can confirm for the Board that it follows the half year rule when the asset is  
14   available for use. The only major exception to this rule was the new Financial Software capital  
15   costs. Progress payments were made starting in 2010 and 2011 with the software going live in  
16   2012. Welland Hydro has amortized a full year's depreciation in 2012 for this software. The  
17   same would apply to the new CIS where costs began in 2010 but the system was not available  
18   until 2011. Welland Hydro took a half year's depreciation expense on this new system in 2011  
19   for the total capital cost of this project.

1    **Taxes/PILS**

2    Appendix C attached to this Exhibit contains a copy of the Welland Hydro-Electric System Corp.  
3    2011 Federal and Ontario tax returns. The amount of PILs paid in 2011 was \$127,186.  
4    However, taxable income has been adjusted for certain RSVA balances at the start and end of the  
5    year which reduced taxable income by \$92,151. Welland Hydro excluded the opening and  
6    closing adjustments related to RSVA balances when it completed Adjusted Taxable Income-  
7    Historic Year and PILs Tax Provision-Historic Year in the OEB Income Tax/PILs Workform  
8    module which is copied in Appendix D to this Exhibit. The resulting impact on taxes paid is not  
9    material.

10   **Apprentice Tax Credits**

11   The 2011 Tax Return includes a section for Apprentice Tax Credits. The names of the  
12   individuals have been omitted. Two of the three employees completed their apprentice program  
13   in 2011 leaving one apprentice in 2012. This increases to two in 2013 with the hire of an  
14   additional apprentice linesperson. The calculation of the Apprentice Tax Credit for the 2012  
15   Bridge Year and 2013 Test Year which were obtained from our tax auditors are as follows:

16   Annual wages of \$55,300 has been used in the following apprenticeship tax credit calculations,  
17   however only a certain percentage of the wages will be considered eligible for the credit. Based  
18   on the full-time apprentices in 2011, approximately 36% of their annual wages were eligible.  
19   Based on this percentage for 2012 and 2013, eligible wages of approximately \$20,000 was used  
20   in the calculations below:

21  
22   2012 – combined Federal and Ontario apprenticeship tax credit = \$10,100

23  
24   2013 – combined Federal and Ontario apprenticeship tax credit = \$19,100

1    **SRED**

2    Welland Hydro filed a SRED application in its 2011 tax returns which was developed with the  
3    assistance of an outside consultant. Welland Hydro also revised its 2010 tax returns for a SRED  
4    in June, 2012. Welland Hydro can confirm for the Board that savings related to the SRED's for  
5    2010 and 2011 (net of consulting costs) will be placed in account 1592 for future disposition by  
6    the Board.

7    **Employee Retiree Benefit Costs**

8    Continuity Schedule 13- Tax Reserves – Bridge Year (Appendix D) shows an opening amount  
9    related to Other Post Retirement Benefits of \$1,554,847. This matches the CICA 3461 Schedule  
10   found in Appendix A. Originally the actuary only provided a CGAAP forecast to the end of  
11   2011 as it was assumed Welland Hydro would be converting to IFRS effective January 1, 2012.  
12   As a result, Welland Hydro estimated the 2012 change in the post retirement liability to be a  
13   \$7,164 increase (expense) and no change in the 2013 Test Year for CGAAP purposes after  
14   taking the one year deferral on IFRS. Welland Hydro obtained a revised retirement benefit  
15   analysis (Appendix A) which estimates the actual expenditure for CGAAP in 2012 to be  
16   \$12,807. Welland Hydro did not make this change in this rate application as there was no  
17   change in the 2013 Test Year liability reserve compared to the 2012 Bridge Year liability reserve  
18   (no impact on 2013 expense or 2013 PILs). However, Welland Hydro will await Board direction  
19   on the accounting treatment of Post Retirement Benefits under IFRS as discussed on pages 13  
20   and 14 of Schedule 2 in this Exhibit.

21   **Grossed-Up PILs**

22   The PILs Tax Provision – Test Year (Appendix D) shows Grossed-Up PILs for the 2013 Test  
23   Year of \$42,628. However, Welland Hydro believes that this amount should be \$58,513. The  
24   difference is related to the treatment of the Federal Small Business Threshold of \$500,000 and  
25   the resulting Federal Tax Rate of 11%. As per the letter from Deloitte found in Appendix E of  
26   this Exhibit, Welland Hydro is not eligible for the small business deduction and the correct

1 Federal Tax Rate to be used should be 15% not 11%. This would result in a combined tax rate of  
 2 19.5% as opposed to 15.5%. Welland Hydro's calculation of Grossed-Up PILs calculation is  
 3 found in Table 4.3 below:

4 Table 4.3 2013 Grossed-Up PILs Calculation

**2013 PILs Schedule**

Description	Source or Input	Tax Payable
Deemed Income	Rev Def	1,163,140
Tax Adj to Accounting Income	Rev Def	(807,525)
Taxable Income		<b>355,616</b>
Combined Income Tax Rate	PILs Rates	19.500%
Total Income Taxes		<b>69,345</b>
Investment Tax Credits		
Apprentice Tax Credits	-	19,100
Other Tax Credits (SBD)		-
<b>Total PILS Before Gross Up</b>	<b>14.13%</b>	<b>50,245</b>
<b>Gross Up PILS</b>	<b>50245/(1-.1413)</b>	<b>58,513</b>

5  
 6 Welland Hydro now believes it should have used a grossed up calculation of \$50,245/(1-.195)  
 7 which would result in a revised Grossed-Up PILs amount of \$62,416. The rate of .195 should be  
 8 used in place of the .1413 to eliminate the impact of the Apprentice tax credit (as per the Board's  
 9 methodology). Due to materiality and time constraints this revision was not made in this rate  
 10 application as Welland Hydro believes the Federal Small Business Deduction still needs to be  
 11 addressed.

## Appendix A

### Draft Post-Retirement Report

**Welland Hydro-Electric System Corporation**  
**ESTIMATED BENEFIT EXPENSE (CICA 3461\*\*)**

	Calendar Year 2011	Projected Calendar Year 2012***
Discount Rate - January 1	5.00%	4.50%
Discount Rate - December 31	4.50%	4.50%
Withdrawal Rate	2.00%	2.00%
Assumed increase in Employer Contributions	actual	expected*
 <b><u>A. Determination of Benefit Expense</u></b>		
Current Service Cost	34,095	38,847
Interest on Benefits	81,833	77,655
Expected Interest on Assets	-	-
Past Service Cost	2,242	2,242
Transitional Obligation/(Asset)	-	-
Actuarial (Gain)/Loss	8,739	17,109
<b>Benefit Expense</b>	<b>126,909</b>	<b>135,853</b>
 <b><u>B. Reconciliation of Prepaid Benefit Asset (Liability)</u></b>		
Accrued Benefit Obligation (ABO) as at December 31	1,748,350	1,741,807
Assets as at December 31	-	-
Unfunded ABO	(1,748,350)	(1,741,807)
Unrecognized Loss/(Gain)	171,087	153,978
Unrecognized Past Service Cost	22,416	20,175
Unrecognized Transition	-	-
<b>Prepaid Benefit Asset (Liability)</b>	<b>(1,554,847)</b>	<b>(1,567,654)</b>
Prepaid Benefit/(Liability) as at January 1	(1,535,617)	(1,554,847)
Benefit Income/(Expense)	(126,909)	(135,853)
Contributions/Benefit Payments by the Employer	107,679	123,045
<b>Prepaid Benefit Asset (Liability)</b>	<b>(1,554,847)</b>	<b>(1,567,654)</b>

\* based on estimated employer benefit payments for those expected to be eligible for benefits

\*\* CICA Handbook Part V Section 3461 (Employee Benefits)

\*\*\* For informational purposes only. Significant changes in 2012 such as re-negotiated benefits, changes to best estimate assumptions, or significant demographic swings may require revised projections or a full actuarial review.

## Welland Hydro-Electric System Corporation

### ESTIMATED BENEFIT EXPENSE (CICA 3461\*\*)

	Calendar Year 2011	Projected Calendar Year 2012***
Discount Rate - January 1	5.00%	4.50%
Discount Rate - December 31	4.50%	4.50%
Withdrawal Rate	2.00%	2.00%
Assumed increase in Employer Contributions	actual	expected*

### C. Calculation of Component Items

#### Calculation of the Service Cost

- Current service cost	34,095	38,847
------------------------	--------	--------

#### Interest on Benefits

- ABO at January 1	1,656,408	1,748,350
- Current service cost	34,095	38,847
- Benefit payments	(53,840)	(61,523)
- Accrued benefits	1,636,663	1,725,675
- Interest	81,833	77,655

#### Expected Interest on Assets

- Assets at January 1	-	-
- Funding	53,840	61,523
- Benefit payments	(53,840)	(61,523)
- Expected assets	-	-
- Interest	-	-

#### Expected ABO as at December 31

- ABO at January 1	1,656,408	1,748,350
- Current service cost	34,095	38,847
- Interest on benefits	81,833	77,655
- Benefit payments	(107,679)	(123,045)
- Expected ABO at December 31	1,664,657	1,741,807

#### Expected Assets as at December 31

- Assets at January 1	-	-
- Funding	107,679	123,045
- Interest on assets	-	-
- Benefit payments	(107,679)	(123,045)
- Expected Assets at December 31	-	-

\* based on estimated employer benefit payments for those expected to be eligible for benefits

\*\* CICA Handbook Part V Section 3461 (Employee Benefits)

\*\*\* For informational purposes only. Significant changes in 2012 such as re-negotiated benefits, changes to best estimate assumptions, or significant demographic swings may require revised projections or a full actuarial review.

**Welland Hydro-Electric System Corporation**  
**ESTIMATED BENEFIT EXPENSE (CICA 3461\*\*)**

	Calendar Year 2011	Projected Calendar Year 2012***
Discount Rate - January 1	5.00%	4.50%
Discount Rate - December 31	4.50%	4.50%
Withdrawal Rate	2.00%	2.00%
Assumed increase in Employer Contributions	actual	expected*
 <b><u>D. Actuarial (Gain)/Loss</u></b>		
(Gain)/Loss on ABO as at January 1		
- Prepaid Benefit/(Liability) as at January 1	1,535,617	1,554,847
- Past Service Cost	-	22,416
- Unamortized (Gain)/Loss	<u>(218,905)</u>	<u>171,087</u>
- Expected ABO	1,316,712	1,748,350
- Past Service Cost	24,658	-
- Actual ABO	<u>1,656,408</u>	<u>1,748,350</u>
- Total (Gain)/Loss on ABO	315,038	-
 (Gain)/Loss on assets as at January 1		
- Expected assets	-	-
- Actual assets	<u>-</u>	<u>-</u>
- (Gain)/Loss on assets	-	-
 Total (Gain)/Loss as at January 1	96,133	171,087
 10% of ABO as at January 1	<u>165,641</u>	<u>174,835</u>
Total (Gain)/Loss in excess of 10%	-	-
 Expected average remaining service life (years)	11	10
 Minimum Amortization for current year	-	-
 Actual Amortization for current year	8,739	17,109
 (Gain)/Loss on ABO at December 31 due to change in discount rate assumption		
- Expected ABO - December 31	1,664,657	
- Actual ABO - December 31	<u>1,748,350</u>	
- (Gain)/Loss on ABO at December 31	83,693	
 Unamortized (Gain)/Loss at December 31	171,087	153,978

**E. Amortization of Past Service Costs**

Unamortized past service costs as at beginning of period	24,658	22,416
Period over which past service costs are to be amortized (years)	11	10
Actual Amortization for current period	2,242	2,242
Unamortized past service costs as at the end of period	22,416	20,175

\* based on estimated employer benefit payments for those expected to be eligible for benefits

\*\* CICA Handbook Part V Section 3461 (Employee Benefits)

\*\*\* For informational purposes only. Significant changes in 2012 such as re-negotiated benefits, changes to best estimate assumptions, or significant demographic swings may require revised projections or a full actuarial review.

**Welland Hydro-Electric System Corporation**  
**ESTIMATED BENEFIT EXPENSE (IAS 19)**

	Projected** CY 2012	Projected** CY 2013
Discount Rate at January 1	4.50%	4.50%
Discount Rate at December 31	4.50%	4.50%
Health Benefit Cost Trend Rate at December 31		
Initial Rate	7.63%	7.25%
Ultimate Rate	5.00%	5.00%
Year Ultimate Rate Reached	2020	2020
Dental Benefit Cost Trend Rate	5.00%	5.00%
Withdrawal Rate	2.00%	2.00%
Assumed Increase in Employer Contributions	expected*	expected*

**A. Change in the Net Defined Benefit Liability/(Asset) Recognized in Balance Sheet**

Net Defined Benefit Liability/(Asset) as at January 1	1,702,589	1,699,730
Defined Benefit Cost Recognized in Income Statement	120,187	121,855
Defined Benefit Cost Recognized in Other Comprehensive Income	-	-
Benefits Paid by the Employer	(123,045)	(135,842)
<b>Net Defined Benefit Liability/(Asset) as at December 31</b>	<b>1,699,730</b>	<b>1,685,743</b>

**B. Determination of Defined Benefit Cost**

***B1. Determination of Defined Benefit Cost Recognized in Income Statement***

Service Cost		
- Current Service Cost	46,339	48,424
- Past Service Cost	-	-
Net Interest Cost	73,848	73,431
<b>Defined Benefit Cost Recognized in Income Statement</b>	<b>120,187</b>	<b>121,855</b>

***B2. Remeasurements of the Net Defined Benefit Liability/(Asset) Recognized in Other Comprehensive Income***

Net Actuarial Loss/(Gain) arising from Changes in Financial Assumptions	-	-
Net Actuarial Loss/(Gain) arising from Changes in Demographic Assumptions	-	-
Return on Plan Assets (excluding amounts included in net interest cost)	-	-
Change in effect of asset ceiling	-	-
<b>Defined Benefit Cost Recognized in Other Comprehensive Income</b>	<b>-</b>	<b>-</b>
<b>Total Defined Benefit Cost</b>	<b>120,187</b>	<b>121,855</b>

**C. Change in the Present Value of Defined Benefit Obligation**

Present Value of Defined Benefit Obligation as at January 1	1,702,589	1,699,730
Current Service Cost	46,339	48,424
Past Service Cost	-	-
Interest Cost	73,848	73,431
Benefits Paid	(123,045)	(135,842)
Net Actuarial Loss/(Gain)	-	-
<b>Present Value of Defined Benefit Obligation as at December 31</b>	<b>1,699,730</b>	<b>1,685,743</b>

\* based on estimated employer benefit payments for those expected to be eligible for benefits

\*\* For informational purposes only. Significant changes in 2012-13 such as re-negotiated benefits, increased benefit costs, changes to best estimate assumptions, or significant demographic swings may require revised projections/a full actuarial review.

**Welland Hydro-Electric System Corporation**  
**ESTIMATED BENEFIT EXPENSE (IAS 19)**

	Projected** CY 2012	Projected** CY 2013
Discount Rate at January 1	4.50%	4.50%
Discount Rate at December 31	4.50%	4.50%
Health Benefit Cost Trend Rate at December 31		
Initial Rate	7.63%	7.25%
Ultimate Rate	5.00%	5.00%
Year Ultimate Rate Reached	2020	2020
Dental Benefit Cost Trend Rate	5.00%	5.00%
Withdrawal Rate	2.00%	2.00%
Assumed Increase in Employer Contributions	expected*	expected*

**D. Calculation of Component Items**

**Service Cost**

- Current Service Cost	46,339	48,424
- Past Service Cost	-	-

**Interest Cost**

- Net Defined Benefit Liability/(Asset) as at January 1	1,702,589	1,699,730
- Benefits Paid	(61,523)	(67,921)
- Accrued Benefits	1,641,066	1,631,809
- Interest Cost	73,848	73,431

**Expected Present Value of Defined Benefit Obligation as at December 31**

- Present Value of Defined Benefit Obligation as at January 1	1,702,589	1,699,730
- Current Service Cost	46,339	48,424
- Interest Cost	73,848	73,431
- Benefits Paid	(123,045)	(135,842)
- Expected Present Value of Defined Benefit Obligation as at December 31	1,699,730	1,685,743

**E. Net Actuarial Loss/(Gain)**

Net Actuarial Loss/(Gain) on Present Value of Defined Benefit Obligation as at December 31		
- Expected Present Value of Defined Benefit Obligation	1,699,730	1,685,743
- Past Service Cost	-	-
- Expected Present Value of Defined Benefit Obligation (after Past Service Cost)	1,699,730	1,685,743
- Actual Present Value of Defined Benefit Obligation	1,699,730	1,685,743
- Net Actuarial Loss/(Gain) on Present Value of Defined Benefit Obligation	-	-

\* based on estimated employer Benefits Paid for those expected to be eligible for benefits.

\*\* For informational purposes only. Significant changes in 2012-13 such as re-negotiated benefits, increased benefit costs, changes to best estimate assumptions, or significant demographic swings may require revised projections/a full actuarial review.

## Welland Hydro-Electric System Corporation

### Transition to IFRS - adjustments required to employee benefits expense

Assumptions: The attached entries are based on the IAS 19 employee benefit calculations prepared by Dion Durrell on May 17, 2012

#### 1 Adjustment to Accrued Benefit Obligation at December 31, 2012

Debit retained earnings	\$ 132,076	
Credit Defined benefit liability		\$ 132,076

To adjust defined benefit liability as at December 31, 2012 to IAS 19 liability

#### 2 Adjustment to Present value of defined benefit obligation for fiscal 2013 based on Dion Durrell Calculations

i) Dr Defined benefit expense (as benefit payments are made)	\$ 135,842	
Cr cash		\$ 135,842

To record pension benefit payments during the year based on estimates provided by Dion Durrell

ii) Dr Defined benefit liability (balance sheet)	\$ 13,987	
Cr Defined benefit expense		\$ 13,987

To adjust defined benefit liability as at December 31, 2013 (IAS 19 basis) and adjust defined benefit expense to expense estimated by Dion Durrell for fiscal 2013

Note: If the actuaries update their calculations of the present value of the defined benefit obligation, these entries will need to be revised.

## Appendix B

### Welland Hydro Purchasing Policy



**WELLAND  
HYDRO-ELECTRIC  
SYSTEM CORP.**

## **POLICIES & PROCEDURES**

**Date Issued: Dec. 17, 2008**

**Date Revised:**

**Approval:**

**POLICY #**

**CORP2008-12-01**

### **PURCHASING POLICY**

#### **OBJECTIVES / INTRODUCTION**

Welland Hydro's purchasing objectives are to provide in a reasonable and economic manner, all equipment, materials, supplies and services required to construct, improve and maintain the company's facilities and to maintain the reliability of the company's electric service to the consumer. Welland Hydro's supply chain service representatives have the responsibility to be informed of the actual or potential procurement requirements of the company, to control the financial commitments, to negotiate within the procurement policy.

Included in these responsibilities are:

- The assurance that sound judgment is exercised for the basic procurement variables such as quality, quantity, sources of supply, delivery and price.
- The continuing evaluation of new sources of supply and assisting user departments in finding new products, and new processes.
- The fostering and retention of good supplier relations through fair and ethical dealings.
- The communication of market and business conditions to other personnel
- The development of an awareness that effective procurement contributes to the company success.

The Corporation has determined as a matter of policy that the lowest overall cost for the corporation is most often received when competitive acquisition processes are used. For that reason, competitive acquisitions will be the general rule and will be departed from only in accordance with specific exceptions set forth in this policy.

#### **SUPPLIER SELECTION AND BIDDING**

Welland Hydro-Electric System Corporation will only deal with dependable and responsible suppliers and contractors and pay a fair market price for the goods and services required.

The following factors are to be considered (whenever applicable):

✓ Financial responsibility	✓ Safety record and agreement to work to Welland Hydro safety policies
✓ Technical competence	✓ Ability to provide certified parts and service
✓ Production capacity	✓ Agreement to maintain inventory if requested
✓ Reasonable proximity	✓ Quality assurance
✓ Delivery and service performance – meet our project schedule	✓ Minimize number of stock items
✓ Emergency requirements	

### COMPETITIVE BIDDING & PURCHASING METHODOLOGY

No person shall commit the company to agreements, licenses, contracts, and other legally enforceable obligations unless authorized to do so by the board as detailed in the SIGNING AUTHORITY POLICY.

The President and CEO and department heads are responsible for the implementation of this policy to the extent they have been delegated purchasing authority by the board. It is further the responsibility of the department head to share this document and all related procedures and forms with all unit personnel who are involved in the purchasing process. All goods and services must be purchased within approved department budgets and are subject to approval in accordance with the SIGNING AUTHORITY POLICY.

On purchases under \$2,500, an attempt will be made to get 2 prices.

On purchases >\$2,500 and <\$10,000, an attempt will be made to acquire 3 prices.

On purchases > \$10,000 and <\$100,000 wherever possible, at least 3 suppliers should be contacted to provide a quote to ensure the best value is obtained.

Purchases > \$100,000 must have 3 supplier quotations or an authorized exemption certificate must be submitted to finance. The exemption certificate must indicate why the exemption is based on sole/single source purchase. The certificate must be authorized by the President and CEO or alternate prior to purchase. Where the estimated value of goods or services required exceeds \$100,000 the purchase shall be made by a request for tenders, written quotes, or Request for Proposal.

Cost for goods and or services that require purchase orders > \$100,000 may not be artificially partitioned into components costing less than \$100,000 to circumvent the competitive requirement.

## **CONFLICT OF INTEREST & CONFIDENTIALITY**

Prices obtained from suppliers are intended for Welland Hydro use only. Pricing information should not be divulged to Non Welland Hydro personnel or to competitive suppliers. Employee or Board members shall not accept either directly or indirectly from any potential or existing supplier of goods & services any gifts or favours unless they are of small intrinsic value. Please refer to the confidentiality policy for further details

## **PURCHASE ORDERS**

Every purchase of goods or services shall be covered by a purchase order, except for authorized petty cash purchases or employee expense statements.

A printed copy of the purchase order in standard format shall be signed by the appropriate signing authority and given to the finance department. Any additional copies are the responsibility of issuing department and hard copies should not be held back from finance department once authorized. Upon receipt of goods, the manager or designate shall check shipment with purchase order and advise the finance department of any discrepancies.

### ***Sole / Single Source Purchases***

The purchases may, under one of the following conditions, be by sole source procurement.

- When goods and services can be obtained only from one (1) person or firm.
- The expertise of an individual organization or individual is deemed to be specifically required by the Corporation.
- When competition is precluded because of the existence of patent rights, copyrights, secret processes, control of raw material or other such conditions.
- When it is the only product or service that has been approved by the Corporation for use in the distribution system.
- When the procurement is for technical services in connection with the assembly installation or servicing of equipment of a highly technical or specialized nature.
- When the procurement is for parts or components to be used as replacement in support of equipment specifically designed by the manufacturer.
- The contractor is already at work on the site (based on an existing Purchase Order) and it would not be practical to engage another contractor.
- Specific Health and Safety items as approved by the Safety Supervisor.
- Emergency or regulatory requirements require immediate attention.

### ***Quotation purchases / Bid Solicitation***

- (A) Under one of the following conditions, purchase by negotiating with one or more sources or bidders may occur. Also, under the following conditions the requirements for inviting tenders and formal quotations may be waived;

- The goods or services are in short supply due to market conditions.
- Two or more identical bids have been received.  
All Bids received failed to meet the specifications and / or tender terms and conditions and it is impractical to recall tenders or formal quotations.
- Certain professional services which require specialized technical knowledge to ensure compliance with structural civil, environmental or other regulatory standards, or which are critical to the corporation's information technology support systems.

(B) All Bids solicited for tender will follow a procedure for opening of sealed tenders.

- Tenders shall be opened in the presence of two witnesses.
- Prior to the opening of tenders the applicable department representative shall advise the President & Director of Finance as to the description of the tenders and the time and place of the opening.
- Request for tenders shall state that tenders will be received not later than time specified, local time on a specific day.

The Board of Directors will pre authorize major capital projects not included in the Capital Budget which is not considered part of the normal operations of the corporation. i.e. Office Building , etc.

The awarding of the tender will be in favour of a bidder meeting specifications, terms and conditions of the tender, meet safety requirements, and whose tender offers the lowest ultimate cost to the corporation for the goods, equipment or services with due consideration of the importance of delivery, quality, service and price.

*Passed by the Board of Directors at its December 17, 2008 meeting.*

## Appendix C

### 2011 Federal & Ontario Tax Return

**Deloitte**

# **Welland Hydro Electric System Corp.**

December 31, 2011

# Welland Hydro Electric System Corp.

December 31, 2011

## Table of contents

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Federal return – T2 (NIL return) .....2

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June 22, 2012

**Private and confidential**  
**Via courier**

Ross Peever  
Welland Hydro Electric System Corp.  
950 E Main St  
PO Box 280  
Welland ON L3B 5P6

Dear Mr. Peever:

We enclose the following corporate income and capital tax returns for Welland Hydro-Electric System Corp. in respect of its fiscal year ended December 31, 2011:

- Form T183 Information Return for Corporations Filing Electronically
- RC59 Business Consent (Federal Filing – NIL Return)
- Ontario Corporations Tax – Authorizing or Cancelling a Representative (Ontario Filing – PIL Return)
- T2 Corporation Income Tax Return (Ontario Filing – PIL Return)
- One bound copy of the above for your files including a copy of the Form T2 Corporate Income Tax Return (Federal Filing – NIL Return) to be submitted electronically

**Filing instructions**

The returns have been prepared based on information provided by management. **Please review them to ensure they are accurate and complete to the best of your knowledge.** Once you are comfortable with the contents of the returns, certain pages need to be signed prior to the returns being filed. In each case, the page that requires signing has been flagged. Please sign the page, remove the flag and **forward the returns and forms as indicated on the enclosed filing instructions.**

Schedule 546 contains the Corporations Information Act Annual Return for Ontario Corporations, which is required to be updated annually. Please ensure you review the Schedule 546 and accompanying schedules 547 and 548 as applicable, which are used to update the public data base of corporate information. It is important that these schedules be accurate and filed on a timely basis, as failure to file may result in an involuntary dissolution of the corporation. No changes to your corporate information have been reported. Please review the Schedules carefully for completeness and accuracy before filing and contact us if any information is incomplete.

We have indicated the expected refund in respect of each corporate tax return in the enclosed filing instructions. We have requested a refund of the balance to the corporation.

**Authorization letters**

In respect of the corporate tax returns listed above there is a business consent form to be signed. Your corporation's tax records cannot be discussed without your written permission. Your signature now will allow us to provide you with efficient service in the event your return is reassessed.

We have also provided a copy of the business consent forms to be retained at our office. Please sign these forms and return them to this office in the enclosed stamped self-addressed envelope.

**Form T661 – Scientific Research and Experimental Development (SR&ED) Expenditures Claim**

Form T661, as well as summary cost information and detailed project descriptions are included with the Ontario PIL filing. Though administered by the Ontario Ministry of Finance, we have placed Form T661 and attachments on top of the T2 return in accordance with Canada Revenue Agency requirements.

Federal SR&ED Investment Tax Credits (ITC's) are anticipated as follows:

ITC at beginning of year	\$	-
Add: Total current year ITC		28,430
Less: ITC deducted from tax payable		(28,430)
Less: ITC carried back to preceding year(s)		-
Less: Refund of ITC		-
		<hr/>
ITC closing balance	\$	-

In completing the corporate tax return, we have entered your claim for SR&ED activities and expenditures based on the information provided by your service provider. Our review of the information was limited to reviewing the input for completeness of the information entered. No attempt was made to verify reasonableness or accuracy of the claim amounts or technical representations.

**Instalments**

The attached schedule shows the recommended minimum payments necessary to avoid interest charges for deficient instalments, assuming:

1. that the 2012 taxable income and capital will not be less than that of the preceding year;
2. that the taxable income and capital of the preceding year, 2011, is not later determined to be different from that declared on the accompanying tax returns; and
3. that the dividend declared and dividend refund received will not be less than that of the preceding year.

If you anticipate a lesser amount of taxable income and capital or dividend refund for the current year, 2012, you should contact us to consider amending your instalment payments.

To the extent the instalments paid to date are less than the instalments required to date you should remit an instalment to correct the deficiency. Non-deductible interest is charged for late or deficient tax instalments. In addition to the non-deductible interest, substantial penalties may be levied for failure to pay adequate instalments on a timely basis. To avoid non-deductible interest and penalty charges, we recommend that the required instalment payments be made on a timely basis.

Welland Hydro Electric System Corp.

June 22, 2012

Page 3

**Assessments**

Please forward to us copies of all assessment and reassessment notices you receive in respect of the above company. This will enable us to advise you promptly if any action is required.

If you have any questions in regards to the above, please do not hesitate to contact us.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Daryl W. Hanstke", with a horizontal line extending to the right.

Daryl W. Hanstke  
Partner, Tax  
Deloitte & Touche LLP

Enclosures



T2 CORPORATION INCOME TAX RETURN

200

EXEMPT FROM TAX

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

All legislative references on this return are to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of publication.

Send one completed copy of this return, including schedules and the *General Index of Financial Information (GIFI)*, to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see [www.cra.gc.ca](http://www.cra.gc.ca) or Guide T4012, *T2 Corporation - Income Tax Guide*.

055 Do not use this area

Identification

Business Number (BN) 001 86375 9692 RC0001

002 Corporation's name  
WELLAND HYDRO ELECTRIC SYSTEM CORP.

Address of head office  
Has this address changed since the last time we were notified? 010 1 Yes  2 No   
(If yes, complete lines 011 to 018.)

011 950 EAST MAIN STREET  
012 P.O. BOX 280

City Province, territory, or state  
015 WELLAND 016 ON

Country (other than Canada) Postal code/Zip code  
017 018 L3B 5P6

Mailing address (if different from head office address)  
Has this address changed since the last time we were notified? 020 1 Yes  2 No   
(If yes, complete lines 021 to 028.)

021 c/o  
022  
023

City Province, territory, or state  
025 026

Country (other than Canada) Postal code/Zip code  
027 028

Location of books and records  
Has the location of books and records changed since the last time we were notified? 030 1 Yes  2 No   
(If yes, complete lines 031 to 038.)

031 950 EAST MAIN STREET  
032 P.O. BOX 280

City Province, territory, or state  
035 WELLAND 036 ON

Country (other than Canada) Postal code/Zip code  
037 038 L3B 5P6

040 Type of corporation at the end of the tax year

- 1  Canadian-controlled private corporation (CCPC)
2  Other private corporation
3  Public corporation
4  Corporation controlled by a public corporation
5  Other corporation (specify, below)

If the type of corporation changed during the tax year, provide the effective date of the change. 043

YYYY MM DD

To which tax year does this return apply?

Tax year start Tax year-end  
060 2011-01-01 061 2011-12-31  
YYYY MM DD YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? 063 1 Yes  2 No

If yes, provide the date control was acquired 065 YYYY MM DD

Is the date on line 061 a deemed tax year-end according to:  
subparagraph 88(2)(a)(iv)? 064 1 Yes  2 No   
subsection 249(3.1)? 066 1 Yes  2 No

Is the corporation a professional corporation that is a member of a partnership? 067 1 Yes  2 No

Is this the first year of filing after:  
Incorporation? 070 1 Yes  2 No   
Amalgamation? 071 1 Yes  2 No

If yes, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? 072 1 Yes  2 No   
If yes, complete and attach Schedule 24.

Is this the final tax year before amalgamation? 076 1 Yes  2 No

Is this the final return up to dissolution? 078 1 Yes  2 No

If an election was made under section 261, state the functional currency used 079

Is the corporation a resident of Canada? 080 1 Yes  2 No   
If no, give the country of residence on line 081 and complete and attach Schedule 97.

Is the non-resident corporation claiming an exemption under an income tax treaty? 082 1 Yes  2 No   
If yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

- 085 1  Exempt under paragraph 149(1)(e) or (l)
2  Exempt under paragraph 149(1)(j)
3  Exempt under paragraph 149(1)(t)
4  Exempt under other paragraphs of section 149

Do not use this area

095

096

**Attachments**

**Financial statement information:** Use GIFL schedules 100, 125, and 141.

**Schedules –** Answer the following questions. For each yes response, attach the schedule to the T2 return, unless otherwise instructed.

	Yes	Schedule
Is the corporation related to any other corporations?	150 X	9
Is the corporation an associated CCPC?	160 X	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161	49
Does the corporation have any non-resident shareholders?	151	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162	11
If you answered yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165 X	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	166	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	167	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust (without reference to section 94)?	168	22
Did the corporation have any foreign affiliates during the year?	169	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ?	170	29
Has the corporation had any non-arm's length transactions with a non-resident?	171	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173 X	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201 X	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	202 X	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203 X	3
Is the corporation claiming any type of losses?	204	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or i) does the corporation have aggregate investment income at line 440?	207	7
Does the corporation have any property that is eligible for capital cost allowance?	208 X	8
Does the corporation have any property that is eligible capital property?	210 X	10
Does the corporation have any resource-related deductions?	212	12
Is the corporation claiming deductible reserves?	213 X	13
Is the corporation claiming a patronage dividend deduction?	216	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217	17
Is the corporation an investment corporation or a mutual fund corporation?	218	18
Is the corporation carrying on business in Canada as a non-resident corporation?	220	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221	21
Does the corporation have any Canadian manufacturing and processing profits?	227	27
Is the corporation claiming an investment tax credit?	231 X	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232 X	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	233 X	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000?	234 X	
Is the corporation claiming a surtax credit?	237	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238	38
Is the corporation claiming a Part I tax credit?	242	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250	39
Is the corporation claiming a Canadian film or video production tax credit refund?	253	T1131
Is the corporation claiming a film or video production services tax credit refund?	254	T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255	92

**Attachments – continued from page 2**

	Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	<input type="checkbox"/>	T1134-A
Did the corporation have any controlled foreign affiliates?	<input type="checkbox"/>	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	<input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?	<input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	<input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	<input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	<input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	<input type="checkbox"/>	T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	<input checked="" type="checkbox"/>	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	<input type="checkbox"/>	T2002
Has the corporation revoked any previous election made under subsection 89(11)?	<input type="checkbox"/>	T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	<input checked="" type="checkbox"/>	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	<input type="checkbox"/>	54

**Additional information**

Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	270	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Is the corporation inactive?	280	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's main revenue-generating business activity?	221122	Electric Power Distribution US	
Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	284	POWER DISTRIBUTION	285 100.000 %
	286		287 %
	288		289 %
Did the corporation immigrate to Canada during the tax year?	291	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the tax year?	292	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>
If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible	294	YYYY MM DD	
If the corporation's major business activity is construction, did you have any subcontractors during the tax year?	295	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>

**Taxable income**

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL	300	783,003	A
<b>Deduct:</b> Charitable donations from Schedule 2	311	35,944	
Gifts to Canada, a province, or a territory from Schedule 2	312		
Cultural gifts from Schedule 2	313		
Ecological gifts from Schedule 2	314		
Gifts of medicine from Schedule 2	315		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320		
Part VI.1 tax deduction*	325		
Non-capital losses of previous tax years from Schedule 4	331		
Net capital losses of previous tax years from Schedule 4	332		
Restricted farm losses of previous tax years from Schedule 4	333		
Farm losses of previous tax years from Schedule 4	334		
Limited partnership losses of previous tax years from Schedule 4	335		
Taxable capital gains or taxable dividends allocated from a central credit union	340		
Prospector's and grubstaker's shares	350		
	Subtotal	35,944	B
	Subtotal (amount A minus amount B) (if negative, enter "0")	747,059	C
<b>Add:</b> Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355		D
<b>Taxable income</b> (amount C plus amount D)	360	747,059	
Income exempt under paragraph 149(1)(t)	370		Z
<b>Taxable income</b> for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370)			

\* This amount is equal to 3.2 times the Part VI.1 tax payable at line 724 on page 8. Use 3.5 for tax years ending after 2011.

**Small business deduction**

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	783,003	A
Taxable income from line 360 on page 3, minus 100/28* 3.37312 of the amount on line 632** on page 7, minus 1/(0.38 - X***) 3.77358 times the amount on line 636**** on page 7, and minus any amount that, because of federal law, is exempt from Part I tax	405		B
Business limit (see notes 1 and 2 below)	410	500,000	C

**Notes:**

- For CCPCs that are not associated, enter \$ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.
- For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

**Business limit reduction:**

Amount C	500,000	x	415 *****	=	52,371	D	=	2,327,600	E
					11,250				
Reduced business limit (amount C minus amount E) (if negative, enter "0")								425	F

**Small business deduction**

Amount A, B, C, or F, whichever is the least	x	17 % =	430	G
--	---	--------	-----	---

Enter amount G on line 1 on page 7.

\* 10/3 for tax years ending before November 1, 2011. The result of the multiplication by line 632 has to be pro-rated based on the number of days in the tax year that are in each period: before November 1, 2011, and after October 31, 2011.

\*\* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

\*\*\* General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

\*\*\*\* Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporation tax reductions under section 123.4.

**\*\*\*\*\* Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the prior year minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the current year minus \$10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

**General tax reduction for Canadian-controlled private corporations**

Canadian-controlled private corporations throughout the tax year

Taxable income from line 360 on page 3*						A
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27						B
Amount QQ from Part 13 of Schedule 27						C
Personal service business income**		432				D
Amount used to calculate the credit union deduction from Schedule 17						E
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least						F
Aggregate investment income from line 440 on page 6***						G
Total of amounts B to G						H
Amount A minus amount H (if negative, enter "0")						I

Amount I  $\times$   $\frac{\text{Number of days in the tax year after December 31, 2008, and before January 1, 2010}}{\text{Number of days in the tax year}}$   $\times$  9% = \_\_\_\_\_ J

365

Amount I  $\times$   $\frac{\text{Number of days in the tax year after December 31, 2009, and before January 1, 2011}}{\text{Number of days in the tax year}}$   $\times$  10% = \_\_\_\_\_ K

365

Amount I  $\times$   $\frac{\text{Number of days in the tax year after December 31, 2010, and before January 1, 2012}}{\text{Number of days in the tax year}}$   $\times$  11.5% = \_\_\_\_\_ L

365

Amount I  $\times$   $\frac{\text{Number of days in the tax year after December 31, 2011}}{\text{Number of days in the tax year}}$   $\times$  13% = \_\_\_\_\_ M

365

General tax reduction for Canadian-controlled private corporations – Total of amounts J to M \_\_\_\_\_ N  
Enter amount N on line 638 on page 7.

\* For tax years ending after October 31, 2011, line 360 or amount Z, whichever applies.

\*\* For tax years beginning after October 31, 2011.

\*\*\* Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

**General tax reduction**

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from page 3 (line 360 or amount Z, whichever applies)						O
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27						P
Amount QQ from Part 13 of Schedule 27						Q
Personal service business income*		434				R
Amount used to calculate the credit union deduction from Schedule 17						S
Total of amounts P to S						T
Amount O minus amount T (if negative, enter "0")						U

Amount U  $\times$   $\frac{\text{Number of days in the tax year after December 31, 2008, and before January 1, 2010}}{\text{Number of days in the tax year}}$   $\times$  9% = \_\_\_\_\_ V

365

Amount U  $\times$   $\frac{\text{Number of days in the tax year after December 31, 2009, and before January 1, 2011}}{\text{Number of days in the tax year}}$   $\times$  10% = \_\_\_\_\_ W

365

Amount U  $\times$   $\frac{\text{Number of days in the tax year after December 31, 2010, and before January 1, 2012}}{\text{Number of days in the tax year}}$   $\times$  11.5% = \_\_\_\_\_ X

365

Amount U  $\times$   $\frac{\text{Number of days in the tax year after December 31, 2011}}{\text{Number of days in the tax year}}$   $\times$  13% = \_\_\_\_\_ Y

365

General tax reduction – Total of amounts V to Y \_\_\_\_\_ Z  
Enter amount Z on line 639 on page 7.

\* For tax years beginning after October 31, 2011.

**Refundable portion of Part I tax**

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7 **440** × 26 2 / 3 % = \_\_\_\_\_ A

Foreign non-business income tax credit from line 632 on page 7 \_\_\_\_\_

**Deduct:**

Foreign investment income from Schedule 7 **445** × 9 1 / 3 % = \_\_\_\_\_ B  
(if negative, enter "0")

Amount A minus amount B (if negative, enter "0") \_\_\_\_\_ C

Taxable income from line 360 on page 3 \_\_\_\_\_ 747,059

**Deduct:**

Amount from line 400, 405, 410, or 425 on page 4, whichever is the least \_\_\_\_\_

Foreign non-business income tax credit from line 632 on page 7 \_\_\_\_\_ × 25/9\* = \_\_\_\_\_

Foreign business income tax credit from line 636 on page 7 \_\_\_\_\_ × 1(0.38 - X\*\*) 3.77358 = \_\_\_\_\_

747,059  
× 26 2 / 3 % = 199,216 D

Part I tax payable minus investment tax credit refund (line 700 minus line 780 from page 8) \_\_\_\_\_ E

Refundable portion of Part I tax – Amount C, D, or E, whichever is the least **450** \_\_\_\_\_ F

\* 100/35 for tax years beginning after October 31, 2011.

\*\* General rate reduction percentage for the tax year. It has to be pro-rated.

**Refundable dividend tax on hand**

Refundable dividend tax on hand at the end of the previous tax year **460** \_\_\_\_\_

Deduct: Dividend refund for the previous tax year **465** \_\_\_\_\_ G

**Add the total of:**

Refundable portion of Part I tax from line 450 above \_\_\_\_\_

Total Part IV tax payable from Schedule 3 \_\_\_\_\_

Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation **480** \_\_\_\_\_ H

Refundable dividend tax on hand at the end of the tax year – Amount G plus amount H **485** \_\_\_\_\_

**Dividend refund**

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3 \_\_\_\_\_ 650,000 × 1 / 3 \_\_\_\_\_ 216,667 I

Refundable dividend tax on hand at the end of the tax year from line 485 above \_\_\_\_\_ J

Dividend refund – Amount I or J, whichever is less (enter this amount on line 784 on page 8) \_\_\_\_\_

**Part I tax**

Base amount of Part I tax – Taxable income from page 3 (line 360 or amount Z, whichever applies) multiplied by 38 % **550** \_\_\_\_\_ A  
 Recapture of investment tax credit from Schedule 31 **602** \_\_\_\_\_ B

**Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income**  
 (if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 on page 6 \_\_\_\_\_ i  
 Taxable income from line 360 on page 3 747,059

**Deduct:**  
 Amount from line 400, 405, 410, or 425 on page 4, whichever is the least \_\_\_\_\_  
 Net amount 747,059 ▶ 747,059 ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii **604** \_\_\_\_\_ C

Subtotal (add lines A to C) \_\_\_\_\_ D

**Deduct:**

Small business deduction from line 430 on page 4 \_\_\_\_\_ 1  
 Federal tax abatement **608** \_\_\_\_\_  
 Manufacturing and processing profits deduction from Schedule 27 **616** \_\_\_\_\_  
 Investment corporation deduction **620** \_\_\_\_\_  
 Taxed capital gains **624** \_\_\_\_\_  
 Additional deduction – credit unions from Schedule 17 **628** \_\_\_\_\_  
 Federal foreign non-business income tax credit from Schedule 21 **632** \_\_\_\_\_  
 Federal foreign business income tax credit from Schedule 21 **636** \_\_\_\_\_  
 General tax reduction for CCPCs from amount N on page 5 **638** \_\_\_\_\_  
 General tax reduction from amount Z on page 5 **639** \_\_\_\_\_  
 Federal logging tax credit from Schedule 21 **640** \_\_\_\_\_  
 Federal qualifying environmental trust tax credit **648** \_\_\_\_\_  
 Investment tax credit from Schedule 31 **652** \_\_\_\_\_  
 Subtotal \_\_\_\_\_ ▶ \_\_\_\_\_ E

**Part I tax payable – Line D minus line E** \_\_\_\_\_ F  
 Enter amount F on line 700 on page 8.

**Summary of tax and credits**

**Federal tax**

Part I tax payable from page 7	700
Part II surtax payable from Schedule 46	708
Part III.1 tax payable from Schedule 55	710
Part IV tax payable from Schedule 3	712
Part IV.1 tax payable from Schedule 43	716
Part VI tax payable from Schedule 38	720
Part VI.1 tax payable from Schedule 43	724
Part XIII.1 tax payable from Schedule 92	727
Part XIV tax payable from Schedule 20	728

Total federal tax \_\_\_\_\_

**Add provincial or territorial tax:**

Provincial or territorial jurisdiction . . . **750** ON  
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Quebec and Alberta)	760
Provincial tax on large corporations (Nova Scotia Schedule 342)	765

Total tax payable **770** A

**Deduct other credits:**

Investment tax credit refund from Schedule 31	780
Dividend refund from page 6	784
Federal capital gains refund from Schedule 18	788
Federal qualifying environmental trust tax credit refund	792
Canadian film or video production tax credit refund (Form T1131)	796
Film or video production services tax credit refund (Form T1177)	797
Tax withheld at source	800

Total payments on which tax has been withheld **801**

Provincial and territorial capital gains refund from Schedule 18	808
Provincial and territorial refundable tax credits from Schedule 5	812
Tax instalments paid	840
<b>Total credits</b>	<b>890</b> B

Refund code **894** 1 Overpayment

Balance (line A minus line B) \_\_\_\_\_

**Direct deposit request**

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

Start  Change information

**910** \_\_\_\_\_ Branch number

**914** \_\_\_\_\_ **918** \_\_\_\_\_  
Institution number Account number

If the result is negative, you have an **overpayment**.  
If the result is positive, you have a **balance unpaid**.  
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid \_\_\_\_\_

Enclosed payment **898**

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? **896** 1 Yes  2 No

**Certification**

I, **950** PEEVER **951** ROSS **954** PRESIDENT  
Last-name in block letters First name in block letters Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

**955** 2012-06-25 **956** (905) 732-1381  
Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation Telephone number

Is the contact person the same as the authorized signing officer? If no, complete the information below **957** 1 Yes  2 No

**958** Wayne Armstrong **959** (905) 732-1381  
Name in block letters Telephone number

**Language of correspondence – Langue de correspondance**

Indicate your language of correspondence by entering 1 for English or 2 for French.  
Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français. **990** 1



Form identifier 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIF1

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2011-12-31

Balance sheet information

Account	Description	GIFI	Current year	Prior year
<b>Assets</b>				
	Total current assets	1599 +	13,306,901	16,066,586
	Total tangible capital assets	2008 +	25,361,408	24,292,609
	Total accumulated amortization of tangible capital assets	2009 -		
	Total intangible capital assets	2178 +		
	Total accumulated amortization of intangible capital assets	2179 -		
	Total long-term assets	2589 +	3,019,854	3,137,848
	* Assets held in trust	2590 +		
	<b>Total assets (mandatory field)</b>	<b>2599 =</b>	<b>41,688,163</b>	<b>43,497,043</b>
<b>Liabilities</b>				
	Total current liabilities	3139 +	4,776,607	6,236,345
	Total long-term liabilities	3450 +	22,886,640	23,492,099
	* Subordinated debt	3460 +		
	* Amounts held in trust	3470 +		
	<b>Total liabilities (mandatory field)</b>	<b>3499 =</b>	<b>27,663,247</b>	<b>29,728,444</b>
<b>Shareholder equity</b>				
	<b>Total shareholder equity (mandatory field)</b>	<b>3620 +</b>	<b>14,024,916</b>	<b>13,768,599</b>
	<b>Total liabilities and shareholder equity</b>	<b>3640 =</b>	<b>41,688,163</b>	<b>43,497,043</b>
<b>Retained earnings</b>				
	<b>Retained earnings/deficit – end (mandatory field)</b>	<b>3849 =</b>	<b>441,578</b>	<b>185,261</b>

\* Generic item

**SCHEDULE 100**

# Current Assets

Form identifier 1599

Account	Description	GIFI	Current year	Prior year
<b>Cash and deposits</b>				
	* Cash and deposits	<b>1000</b>	5,682,567	7,331,442
	Cash and deposits		+ 5,682,567	+ 7,331,442
<b>Accounts receivable</b>				
	* Accounts receivable	<b>1060</b>	7,156,262	8,321,610
	Accounts receivable		+ 7,156,262	+ 8,321,610
<b>Inventories</b>				
	* Inventories	<b>1120</b>	396,754	321,394
	Inventories		+ 396,754	+ 321,394
<b>Other current assets</b>				
	Prepaid expenses	<b>1484</b>	71,318	92,140
	Other current assets		+ 71,318	+ 92,140
	<b>Total current assets</b>	<b>1599</b>	= 13,306,901	= 16,066,586

\* Generic item

# Tangible Capital Assets and Accumulated Amortization

Form identifier 2008/2009

Account	Description	GIFI	Tangible capital assets	Accumulated amortization	Prior year
<b>Other tangible capital assets</b>					
	* Other tangible capital assets	1900	+	25,361,408	24,292,609
	Total			<u>25,361,408</u>	
	Total tangible capital assets	2008	=	<u>25,361,408</u>	<u>24,292,609</u>
	Total accumulated amortization of tangible capital assets	2009	=	<u></u>	<u></u>
	Generic item				

**SCHEDULE 100**

# Long-term Assets

Form identifier 2589

Account	Description	GIFI	Current year	Prior year
<b>Due from/investment in related parties</b>				
	* Due from/investment in related parties	<b>2240</b>	130,649	125,829
	Due from/investment in related parties		<u>130,649</u>	<u>125,829</u>
			+	
<b>Long-term investments</b>				
	* Long-term investments	<b>2300</b>	19,684	19,684
	Long-term investments		<u>19,684</u>	<u>19,684</u>
			+	
<b>Other long-term assets</b>				
	* Other long-term assets	<b>2420</b>	2,869,521	2,992,335
	Other long-term assets		<u>2,869,521</u>	<u>2,992,335</u>
			+	
	<b>Total long-term assets</b>	<b>2589</b>	<u>3,019,854</u>	<u>3,137,848</u>
	* Generic item			

**SCHEDULE 100**

# Current Liabilities

Form identifier 3139

Account	Description	GIFI	Current year	Prior year
<b>Amounts payable and accrued liabilities</b>				
	* Amounts payable and accrued liabilities	<b>2620</b>	3,444,928	5,126,477
	<b>Amounts payable and accrued liabilities</b>		<u>3,444,928</u>	<u>5,126,477</u>
	* Current portion of long-term liability	<b>2920</b>	915,340	1,070,260
<b>Other current liabilities</b>				
	* Other current liabilities	<b>2960</b>	416,339	39,608
	<b>Other current liabilities</b>		<u>416,339</u>	<u>39,608</u>
	<b>Total current liabilities</b>	<b>3139</b>	<u>4,776,607</u>	<u>6,236,345</u>
	Generic item			

# Long-term Liabilities

Form identifier 3450

Account	Description	GIFI	Current year	Prior year
<b>Long-term debt</b>				
	* Long-term debt	<b>3140</b>	17,349,953	17,199,953
	<b>Long-term debt</b>		<u>17,349,953</u>	<u>17,199,953</u>
<b>Other long-term liabilities</b>				
	* Other long-term liabilities	<b>3320</b>	4,108,749	4,812,782
	Long-term obligations/commitments/capital leases	<b>3321</b>	1,427,938	1,479,364
	<b>Other long-term liabilities</b>		<u>5,536,687</u>	<u>6,292,146</u>
	<b>Total long-term liabilities</b>	<b>3450</b>	<u>22,886,640</u>	<u>23,492,099</u>

\* Generic item

SCHEDULE 100

# Shareholder Equity

Form identifier 3620

Account	Description	GIFI	Current year	Prior year
	* Common shares	3500	12,953,180	12,953,180
<b>Contributed and other surplus</b>				
	* Contributed and other surplus	3540	630,158	630,158
	<b>Contributed and other surplus</b>		<u>630,158</u>	<u>630,158</u>
	* Retained earnings/deficit	3600	441,578	185,261
	<b>Total shareholder equity</b>	3620	<u>14,024,916</u>	<u>13,768,599</u>
Generic item				

**SCHEDULE 100**

# Retained Earnings/Deficit

Form identifier 3849

Account	Description	GIFI	Current year	Prior year
	* Retained earnings/deficit – start	<b>3660</b> +	185,261	-352,696
	* Net income/loss	<b>3680</b> +	906,317	1,037,957
<b>Dividends declared</b>				
	* Dividends declared	<b>3700</b>	650,000	500,000
	<b>Dividends declared</b>	-	650,000	500,000
	<b>Retained earnings/deficit – end</b>	<b>3849</b> =	441,578	185,261
Generic item				

Form identifier 125

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2011-12-31

Income statement information

Description	GIFI
Operating name	0001
Description of the operation	0002
Sequence number	0003 01

Account	Description	GIFI	Current year	Prior year
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Income statement information

Total sales of goods and services	8089 +	47,546,635	44,870,936
Cost of sales	8518 -	38,654,200	35,898,028
<b>Gross profit/loss</b>	<b>8519 =</b>	<b>8,892,435</b>	<b>8,972,908</b>
Cost of sales	8518 +	38,654,200	35,898,028
Total operating expenses	9367 +	8,466,549	7,924,027
<b>Total expenses (mandatory field)</b>	<b>9368 =</b>	<b>47,120,749</b>	<b>43,822,055</b>
Total revenue (mandatory field)	8299 +	48,215,503	45,363,434
Total expenses (mandatory field)	9368 -	47,120,749	43,822,055
<b>Net non-farming income</b>	<b>9369 =</b>	<b>1,094,754</b>	<b>1,541,379</b>

Farming income statement information

Total farm revenue (mandatory field)	9659 +		
Total farm expenses (mandatory field)	9898 -		
<b>Net farm income</b>	<b>9899 =</b>		

<b>Net income/loss before taxes and extraordinary items</b>	<b>9970 =</b>	<b>1,094,754</b>	<b>1,541,379</b>
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<b>Total other comprehensive income</b>	<b>9998 =</b>		
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Extraordinary items and income (linked to Schedule 140)

Extraordinary item(s)	9975 -		
Legal settlements	9976 -		
Unrealized gains/losses	9980 +		
Unusual items	9985 -		
Current income taxes	9990 -	188,437	503,422
Future (deferred) income tax provision	9995 -		
Total – Other comprehensive income	9998 +		
<b>Net income/loss after taxes and extraordinary items (mandatory field)</b>	<b>9999 =</b>	<b>906,317</b>	<b>1,037,957</b>

**SCHEDULE 125**

# Revenue

Form identifier 8299

Account	Description	GIFI	Current year	Prior year
	* Trade sales of goods and services	<b>8000</b> +	47,546,635	44,870,936
	<b>Total sales of goods and services</b>	<b>8089</b> =	47,546,635	44,870,936
<b>Other revenue</b>				
	* Other revenue	<b>8230</b>	668,868	492,498
	<b>Other revenue</b>	+	668,868	492,498
	<b>Total revenue</b>	<b>8299</b> =	48,215,503	45,363,434
Generic item				

# Cost of Sales

Form identifier 8518

Account	Description	GIFI	Current year	Prior year
	* Purchases/cost of materials	8320 +	38,654,200	35,898,028
	Cost of sales	8518 =	<u>38,654,200</u>	<u>35,898,028</u>

\* Generic item

NOTES CHECKLIST

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- Parts 1, 2, and 3 of this schedule must be completed from the perspective of the person (referred to in these parts as the "accountant") who prepared or reported on the financial statements.
  - For more information, see Guide RC4088, *General Index of Financial Information (GIFI)* and Guide T4012, *T2 Corporation – Income Tax Guide*.
  - Complete this schedule and include it with your T2 return along with the other GIFI schedules.
- If the person preparing the tax return is not the accountant referred to above, they must still complete Parts 1, 2, 3, and 4, as applicable.

**Part 1 – Information on the accountant who prepared or reported on the financial statements**

Does the accountant have a professional designation? **095** 1 Yes  2 No

Is the accountant connected\* with the corporation? **097** 1 Yes  2 No

\* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

**Note:** If the accountant does not have a professional designation or is connected to the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you do have to complete Part 4, as applicable.

**Part 2 – Type of involvement with the financial statements**

Choose the option that represents the highest level of involvement of the accountant: **198**

Completed an auditor's report **1**

Completed a review engagement report **2**

Conducted a compilation engagement **3**

**Part 3 – Reservations**

If you selected option "1" or "2" under **Type of involvement with the financial statements** above, answer the following question:

Has the accountant expressed a reservation? **099** 1 Yes  2 No

**Part 4 – Other information**

If you have a professional designation and are not the accountant associated with the financial statements in Part 1 above, choose one of the following options: **110**

Prepared the tax return (financial statements prepared by client) **1**

Prepared the tax return and the financial information contained therein (financial statements have not been prepared) **2**

Were notes to the financial statements prepared? **101** 1 Yes  2 No

If yes, complete lines 104 to 107 below:

Are subsequent events mentioned in the notes? **104** 1 Yes  2 No

Is re-evaluation of asset information mentioned in the notes? **105** 1 Yes  2 No

Is contingent liability information mentioned in the notes? **106** 1 Yes  2 No

Is information regarding commitments mentioned in the notes? **107** 1 Yes  2 No

Does the corporation have investments in joint venture(s) or partnership(s)? **108** 1 Yes  2 No

**Part 4 – Other information (continued)**

**Impairment and fair value changes**

In any of the following assets, was an amount recognized in net income or other comprehensive income (OCI) as a result of an impairment loss in the tax year, a reversal of an impairment loss recognized in a previous tax year, or a change in fair value during the tax year?

**200** 1 Yes  2 No

If yes, enter the amount recognized:

	In net income Increase (decrease)	In OCI Increase (decrease)
Property, plant, and equipment	<b>210</b>	<b>211</b>
Intangible assets	<b>215</b>	<b>216</b>
Investment property	<b>220</b>	
Biological assets	<b>225</b>	
Financial instruments	<b>230</b>	<b>231</b>
Other	<b>235</b>	<b>236</b>

**Financial instruments**

Did the corporation derecognize any financial instrument(s) during the tax year?

**250** 1 Yes  2 No

Did the corporation apply hedge accounting during the tax year?

**255** 1 Yes  2 No

Did the corporation discontinue hedge accounting during the tax year?

**260** 1 Yes  2 No

**Adjustments to opening equity**

Was an amount included in the opening balance of retained earnings or equity, in order to correct an error, to recognize a change in accounting policy, or to adopt a new accounting standard in the current tax year?

**265** 1 Yes  2 No

If yes, you have to maintain a separate reconciliation.

**SCHEDULE 100**

**GENERAL INDEX OF FINANCIAL INFORMATION – GIF1**

Form identifier 100

Name of corporation	Business Number	Tax year-end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2011-12-31

**Assets – lines 1000 to 2599**

<b>1000</b>	5,682,567	<b>1060</b>	7,156,262	<b>1120</b>	396,754
<b>1484</b>	71,318	<b>1599</b>	13,306,901	<b>1900</b>	25,361,408
<b>2008</b>	25,361,408	<b>2240</b>	130,649	<b>2300</b>	19,684
<b>2420</b>	2,869,521	<b>2589</b>	3,019,854	<b>2599</b>	41,688,163

**Liabilities – lines 2600 to 3499**

<b>2620</b>	3,444,928	<b>2920</b>	915,340	<b>2960</b>	416,339
<b>3139</b>	4,776,607	<b>3140</b>	17,349,953	<b>3320</b>	4,108,749
<b>3321</b>	1,427,938	<b>3450</b>	22,886,640	<b>3499</b>	27,663,247

**Shareholder equity – lines 3500 to 3640**

<b>3500</b>	12,953,180	<b>3540</b>	630,158	<b>3600</b>	441,578
<b>3620</b>	14,024,916	<b>3640</b>	41,688,163		

**Retained earnings – lines 3660 to 3849**

<b>3660</b>	185,261	<b>3680</b>	906,317	<b>3700</b>	-650,000
<b>3849</b>	441,578				

SCHEDULE 125

GENERAL INDEX OF FINANCIAL INFORMATION - GIF

Form identifier 125

Name of corporation	Business Number	Tax year-end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2011-12-31

Description

Sequence number	0003	01
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Revenue - lines 8000 to 8299

<b>8000</b>	47,546,635	<b>8089</b>	47,546,635	<b>8230</b>	668,868
<b>8299</b>	48,215,503				

Cost of sales - lines 8300 to 8519

<b>8320</b>	38,654,200	<b>8518</b>	38,654,200	<b>8519</b>	8,892,435
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Operating expenses - lines 8520 to 9369

<b>8670</b>	1,960,187	<b>8710</b>	988,060	<b>9010</b>	2,540,702
<b>9270</b>	1,265,929	<b>9284</b>	1,711,671	<b>9367</b>	8,466,549
<b>9368</b>	47,120,749	<b>9369</b>	1,094,754		

Farming revenue - lines 9370 to 9659

<b>9659</b>	0
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Farming expenses - lines 9660 to 9899

<b>9898</b>	0
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Extraordinary items and taxes - lines 9970 to 9999

<b>9970</b>	1,094,754	<b>9990</b>	188,437	<b>9999</b>	906,317
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**NET INCOME (LOSS) FOR INCOME TAX PURPOSES**

**SCHEDULE 1**

Corporation's name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number 86375 9692 RC0001	Tax year end Year Month Day 2011-12-31
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- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125 ..... 906,317 A

**Add:**

Provision for income taxes – current	<b>101</b>	188,437	
Amortization of tangible assets	<b>104</b>	1,960,187	
Charitable donations and gifts from Schedule 2	<b>112</b>	35,944	
Scientific research expenditures deducted per financial statements	<b>118</b>	90,406	
Non-deductible meals and entertainment expenses	<b>121</b>	5,602	
Other reserves on lines 270 and 275 from Schedule 13	<b>125</b>	113,524	
Reserves from financial statements – balance at the end of the year	<b>126</b>	1,662,611	
Subtotal of additions		4,056,711	<u>4,056,711</u>

**Other additions:**

**Miscellaneous other additions:**

<b>603</b> Closing Adj for Expenditures included in Regulatory Asset	1,339,742		
Inducement - ITA 12(1)x	926		
Total	1,340,668	<b>293</b>	1,340,668
<b>604</b> CY Ontario Apprenticeship Tax Credits	12,665		
CY Federal Credit	958		
Total	13,623	<b>294</b>	13,623
Subtotal of other additions		<b>199</b>	1,354,291
<b>Total additions</b>		<b>500</b>	<u>5,411,002</u>

**Deduct:**

Gain on disposal of assets per financial statements	<b>401</b>	14,409	
Capital cost allowance from Schedule 8	<b>403</b>	2,146,487	
Cumulative eligible capital deduction from Schedule 10	<b>405</b>	98,874	
SR&ED expenditures claimed in the year from Form T661 (line 460)	<b>411</b>	78,281	
Other reserves on line 280 from Schedule 13	<b>413</b>	107,764	
Reserves from financial statements – balance at the beginning of the year	<b>414</b>	1,655,682	
Subtotal of deductions		4,101,497	<u>4,101,497</u>

**Other deductions:**

**Miscellaneous other deductions:**

<b>700</b> Opening Adj for Expenditures included in Regulatory Asset	<b>390</b>	1,432,819	
<b>704</b>			
Total	<b>394</b>		
Subtotal of other deductions	<b>499</b>	1,432,819	<u>1,432,819</u>
<b>Total deductions</b>	<b>510</b>	5,534,316	<u>5,534,316</u>

Net income (loss) for income tax purposes – enter on line 300 of the T2 return ..... 783,003

CHARITABLE DONATIONS AND GIFTS

Name of corporation	Business Number	Tax year-end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2011-12-31

- For use by corporations to claim any of the following:
  - charitable donations;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- Under proposed changes, the eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- Under proposed changes, a gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation – Income Tax Guide*.

Part 1 – Charitable donations

Charity/Recipient	Amount (\$100 or more only)
Community Living Welland	100
Niagara College Canada	10,000
The Hope Center	12,000
Welland Heritage Foundation	500
Niagara College Canada	10,000
Hospice Niagara	100
Juvenile Diabetes	100
Bethesda	100
Heart and Stroke	100
Sistering - Woman's Place	144
Hospice Niagara	100
Heart and Stroke	100
St. Vincent Depaul	2,500
Hospice Niagara	100
	Subtotal 35,944
	Add: Total donations of less than \$100 each
	Total donations in current tax year 35,944

		Federal	Québec	Alberta
Charitable donations at the end of the previous tax year				
<b>Deduct:</b> Charitable donations expired after five tax years*	<b>239</b>			
Charitable donations at the beginning of the tax year	<b>240</b>			
<b>Add:</b>				
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	<b>250</b>			
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	<b>210</b> 35,944			
Subtotal (line 250 plus line 210)		35,944	35,944	35,944
<b>Deduct:</b> Adjustment for an acquisition of control (for donations made after March 22, 2004)	<b>255</b>			
Total charitable donations available		35,944 A	35,944	35,944
<b>Deduct:</b> Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return)	<b>260</b>	35,944	35,944	35,944
Charitable donations closing balance	<b>280</b>			

\* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

**Amounts carried forward – Charitable donations**

Year of origin:		Federal	Québec	Alberta
1 <sup>st</sup> prior year	2010-12-31			
2 <sup>nd</sup> prior year	2009-12-31			
3 <sup>rd</sup> prior year	2008-12-31			
4 <sup>th</sup> prior year	2007-12-31			
5 <sup>th</sup> prior year	2006-12-31			
5 <sup>th</sup> prior year*	2005-12-31			
7 <sup>th</sup> prior year	2004-12-31			
8 <sup>th</sup> prior year	2003-12-31			
9 <sup>th</sup> prior year	2002-12-31			
10 <sup>th</sup> prior year	2001-12-31			
11 <sup>th</sup> prior year	2000-12-31			
12 <sup>th</sup> prior year	1999-12-31			
13 <sup>th</sup> prior year	1998-12-31			
14 <sup>th</sup> prior year	1997-12-31			
15 <sup>th</sup> prior year	1996-12-31			
16 <sup>th</sup> prior year	1995-12-31			
17 <sup>th</sup> prior year	1994-12-31			
18 <sup>th</sup> prior year	1993-12-31			
19 <sup>th</sup> prior year	1992-12-31			
20 <sup>th</sup> prior year	1991-12-31			
21 <sup>st</sup> prior year*	1990-12-31			
<b>Total (to line A)</b>				

\* For the federal and Alberta, the 6<sup>th</sup> prior year gifts expire in the current year. For Québec, the 6<sup>th</sup> prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21<sup>st</sup> prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

**Part 2 – Calculation of the maximum allowable deduction for charitable donations**

Net income for tax purposes* multiplied by 75 %		587,252	B
Taxable capital gains arising in respect of gifts of capital property included in Part 1**	225		C
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)	227		D
The amount of the recapture of capital cost allowance in respect of charitable gifts	230		
Proceeds of disposition, less outlays and expenses**		E	
Capital cost**		F	
Amount E or F, whichever is less	235		
Amount on line 230 or 235, whichever is less			G
			H
			I
			J
			K

Subtotal (add amounts C, D, and G) \_\_\_\_\_  
 Amount H multiplied by 25 % \_\_\_\_\_  
 Subtotal (amount B plus amount I) 587,252

Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less) 35,944

\* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.  
 \*\* This amount must be prorated by the following calculation: eligible amount of the gift divided by the proceeds of disposition of the gift.

**Part 3 – Gifts to Canada, a province, or a territory**

Gifts to Canada, a province, or a territory at the end of the previous tax year	339	
Deduct: Gifts to Canada, a province, or a territory expired after five tax years	340	
Gifts to Canada, a province, or a territory at the beginning of the tax year		
Add: Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350	
Total current-year gifts made to Canada, a province, or a territory*	310	
		Subtotal (line 350 plus line 310) _____
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	355	
Total gifts to Canada, a province, or a territory available		
Deduct: Amount applied against taxable income (enter this amount on line 312 of the T2 return).	360	
Gifts to Canada, a province, or a territory closing balance	380	

\* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

**Part 4 – Gifts of certified cultural property**

	Federal	Québec	Alberta
Gifts of certified cultural property at the end of the previous tax year			
Deduct: Gifts of certified cultural property expired after five tax years*	439		
Gifts of certified cultural property at the beginning of the tax year	440		
Add: Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450		
Total current-year gifts of certified cultural property	410		
			Subtotal (line 450 plus line 410) _____
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455		
Total gifts of certified cultural property available			
Deduct: Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460		
Gifts of certified cultural property closing balance	480		

\* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

**Amount carried forward – Gifts of certified cultural property**

Year of origin:		Federal	Québec	Alberta
1 <sup>st</sup> prior year	2010-12-31			
2 <sup>nd</sup> prior year	2009-12-31			
3 <sup>rd</sup> prior year	2008-12-31			
4 <sup>th</sup> prior year	2007-12-31			
5 <sup>th</sup> prior year	2006-12-31			
6 <sup>th</sup> prior year*	2005-12-31			
7 <sup>th</sup> prior year	2004-12-31			
8 <sup>th</sup> prior year	2003-12-31			
9 <sup>th</sup> prior year	2002-12-31			
10 <sup>th</sup> prior year	2001-12-31			
11 <sup>th</sup> prior year	2000-12-31			
12 <sup>th</sup> prior year	1999-12-31			
13 <sup>th</sup> prior year	1998-12-31			
14 <sup>th</sup> prior year	1997-12-31			
15 <sup>th</sup> prior year	1996-12-31			
16 <sup>th</sup> prior year	1995-12-31			
17 <sup>th</sup> prior year	1994-12-31			
18 <sup>th</sup> prior year	1993-12-31			
19 <sup>th</sup> prior year	1992-12-31			
20 <sup>th</sup> prior year	1991-12-31			
21 <sup>st</sup> prior year*	1990-12-31			
<b>Total</b>				

\* For the federal and Alberta, the 6<sup>th</sup> prior year gifts expire in the current year. For Québec, the 6<sup>th</sup> prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21<sup>st</sup> prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

**Part 5 – Gifts of certified ecologically sensitive land**

	Federal	Québec	Alberta
Gifts of certified ecologically sensitive land at the end of the previous tax year			
<b>Deduct:</b> Gifts of certified ecologically sensitive land expired after five tax years*	<b>539</b>		
Gifts of certified ecologically sensitive land at the beginning of the tax year	<b>540</b>		
<b>Add:</b> Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	<b>550</b>		
Total current-year gifts of certified ecologically sensitive land	<b>510</b>		
Subtotal (line 550 plus line 510)			
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	<b>555</b>		
Total gifts of certified ecologically sensitive land available			
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 314 of the T2 return)	<b>560</b>		
Gifts of certified ecologically sensitive land closing balance	<b>580</b>		

\* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

**Amounts carried forward – Gifts of certified ecologically sensitive land**

Year of origin:		Federal	Québec	Alberta
1 <sup>st</sup> prior year	2010-12-31			
2 <sup>nd</sup> prior year	2009-12-31			
3 <sup>rd</sup> prior year	2008-12-31			
4 <sup>th</sup> prior year	2007-12-31			
5 <sup>th</sup> prior year	2006-12-31			
6 <sup>th</sup> prior year*	2005-12-31			
7 <sup>th</sup> prior year	2004-12-31			
8 <sup>th</sup> prior year	2003-12-31			
9 <sup>th</sup> prior year	2002-12-31			
10 <sup>th</sup> prior year	2001-12-31			
11 <sup>th</sup> prior year	2000-12-31			
12 <sup>th</sup> prior year	1999-12-31			
13 <sup>th</sup> prior year	1998-12-31			
14 <sup>th</sup> prior year	1997-12-31			
15 <sup>th</sup> prior year	1996-12-31			
16 <sup>th</sup> prior year	1995-12-31			
17 <sup>th</sup> prior year	1994-12-31			
18 <sup>th</sup> prior year	1993-12-31			
19 <sup>th</sup> prior year	1992-12-31			
20 <sup>th</sup> prior year	1991-12-31			
21 <sup>st</sup> prior year*	1990-12-31			
<b>Total</b>				

\* For the federal and Alberta, the 6<sup>th</sup> prior year gifts expire in the current year. For Québec, the 6<sup>th</sup> prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21<sup>st</sup> prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

**Part 6 – Additional deduction for gifts of medicine**

		Federal	Québec	Alberta
Additional deduction for gifts of medicine at the end of the previous tax year				
<b>Deduct:</b> Additional deduction for gifts of medicine expired after five tax years	639			
Additional deduction for gifts of medicine at the beginning of the tax year	640			
<b>Add:</b> Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary	650			
Additional deduction for gifts of medicine for the current year:				
Proceeds of disposition	602	1	1	1
Cost of gifts of medicine	601	2	2	2
Subtotal (line 1 minus line 2)		3	3	3
Line 3 multiplied by 50 %		4	4	4
Eligible amount of gifts	600	5	5	5
A	$A = \frac{B}{C} \times$	Additional deduction for gifts of medicine for the current year	610	
Federal				
Québec				
Alberta				
where:				
A is the lesser of line 2 and line 4				
B is the eligible amount of gifts (line 600)				
C is the proceeds of disposition (line 602)				
Subtotal (line 650 plus line 610)				
<b>Deduct:</b> Adjustment for an acquisition of control	655			
Total additional deduction for gifts of medicine available				
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 315 of the T2 return)	660			
Additional deduction for gifts of medicine closing balance	680			

**- Amounts carried forward – Additional deduction for gifts of medicine**

Year of origin:		Federal	Québec	Alberta
1 <sup>st</sup> prior year	2010-12-31			
2 <sup>nd</sup> prior year	2009-12-31			
3 <sup>rd</sup> prior year	2008-12-31			
4 <sup>th</sup> prior year	2007-12-31			
5 <sup>th</sup> prior year	2006-12-31			
6 <sup>th</sup> prior year*	2005-12-31			
Total				

\* These donations expired in the current year.

**Québec – Gifts of musical instruments**

Gifts of musical instruments at the end of the previous tax year	_____	A
<b>Deduct:</b> Gifts of musical instruments expired after twenty tax years	_____	B
Gifts of musical instruments at the beginning of the tax year	_____	C
<b>Add:</b>		
Gifts of musical instruments transferred on an amalgamation or the wind-up of a subsidiary	_____	D
Total current-year gifts of musical instruments	_____	E
	Subtotal (line D plus line E)	F
<b>Deduct:</b> Adjustment for an acquisition of control	_____	G
Total gifts of musical instruments available	_____	H
<b>Deduct:</b> Amount applied against taxable income	_____	I
Gifts of musical instruments closing balance	_____	J

**Amounts carried forward – Gifts of musical instruments**

Year of origin:		Québec
1 <sup>st</sup> prior year	2010-12-31	_____
2 <sup>nd</sup> prior year	2009-12-31	_____
3 <sup>rd</sup> prior year	2008-12-31	_____
4 <sup>th</sup> prior year	2007-12-31	_____
5 <sup>th</sup> prior year	2006-12-31	_____
6 <sup>th</sup> prior year*	2005-12-31	_____
7 <sup>th</sup> prior year	2004-12-31	_____
8 <sup>th</sup> prior year	2003-12-31	_____
9 <sup>th</sup> prior year	2002-12-31	_____
10 <sup>th</sup> prior year	2001-12-31	_____
11 <sup>th</sup> prior year	2000-12-31	_____
12 <sup>th</sup> prior year	1999-12-31	_____
13 <sup>th</sup> prior year	1998-12-31	_____
14 <sup>th</sup> prior year	1997-12-31	_____
15 <sup>th</sup> prior year	1996-12-31	_____
16 <sup>th</sup> prior year	1995-12-31	_____
17 <sup>th</sup> prior year	1994-12-31	_____
18 <sup>th</sup> prior year	1993-12-31	_____
19 <sup>th</sup> prior year	1992-12-31	_____
20 <sup>th</sup> prior year	1991-12-31	_____
21 <sup>st</sup> prior year*	1990-12-31	_____
<b>Total</b>		_____

\* These gifts expired in the current year.

**DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION**

**SCHEDULE 3**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid in the tax year that qualify for a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in a tax year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- "X" under column A if dividend received from a foreign source (connected corporation only).
- Enter in column F1, the amount of dividends received reported in column 240 that are eligible.
- Under column F2, enter the code that applies to the deductible taxable dividend.

**Part 1 – Dividends received in the tax year**

Do not include dividends received from foreign non-affiliates.

Complete if payer corporation is connected

Name of payer corporation (from which the corporation received the dividend)	A	B Enter 1 if payer corporation is connected	C Business Number of connected corporation	D Tax year-end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends in column F were paid YYYY/MM/DD	E Non-taxable dividend under section 83
<b>200</b>		<b>205</b>	<b>210</b>	<b>220</b>	<b>230</b>
<b>Total (enter on line 402 of Schedule 1)</b>					

Note: If your corporation's tax year-end is different than that of the connected payer corporation, your corporation could have received dividends from more than one tax year of the payer corporation. If so, use a separate line to provide the information for each tax year of the payer corporation.

F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)*	F1 Eligible dividends (included in column F)	F2	G Total taxable dividends paid by connected payer corporation (for tax year in column D)	H Dividend refund of the connected payer corporation (for tax year in column D)**	I Part IV tax before deductions F x 1 / 3 ***
<b>240</b>			<b>250</b>	<b>260</b>	<b>270</b>
<b>Total (enter the amount from column F on line 320 of the T2 return and amount J in Part 2)</b>					<b>J</b>

\* If taxable dividends are received, enter the amount in column 240, but if the corporation is not subject to Part IV tax (such as a public corporation other than a subject corporation as defined in subsection 186(3)), enter "0" in column 270. Life insurers are not subject to Part IV tax on subsection 138(6) dividends.

\*\* if the connected payer corporation's tax year ends after the corporation's balance-due day for the tax year (two or three months, as applicable), you have to estimate the payer's dividend refund when you calculate the corporation's Part IV tax payable.

\*\*\* For dividends received from connected corporations: 
$$\text{Part IV tax} = \frac{\text{Column F} \times \text{Column H}}{\text{Column G}}$$

**Part 2 – Calculation of Part IV tax payable**

Part IV tax before deductions (amount J in Part 1) \_\_\_\_\_

**Deduct:**

Part IV.I tax payable on dividends subject to Part IV tax \_\_\_\_\_ **320**

Subtotal \_\_\_\_\_

**Deduct:**

Current-year non-capital loss claimed to reduce Part IV tax \_\_\_\_\_ **330**

Non-capital losses from previous years claimed to reduce Part IV tax \_\_\_\_\_ **335**

Current-year farm loss claimed to reduce Part IV tax \_\_\_\_\_ **340**

Farm losses from previous years claimed to reduce Part IV tax \_\_\_\_\_ **345**

Total losses applied against Part IV tax \_\_\_\_\_ x 1 / 3 = \_\_\_\_\_

Part IV tax payable (enter amount on line 712 of the T2 return) \_\_\_\_\_ **360**

**Part 3 – Taxable dividends paid in the tax year that qualify for a dividend refund**

A	B	C	D	D1
Name of connected recipient corporation	Business Number	Tax year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD	Taxable dividends paid to connected corporations	Eligible dividends (included in column D)
<b>400</b>	<b>410</b>	<b>420</b>	<b>430</b>	
1 Welland Hydro-Electric Holding Corp	86360 4328 RC0001	2011-12-31	650,000	

**Note**  
If your corporation's tax year-end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one tax year of the recipient corporation. If so, use a separate line to provide the information for each tax year of the recipient corporation.

Total **650,000**

Total taxable dividends paid in the tax year to other than connected corporations \_\_\_\_\_ **450**

Eligible dividends (included in line 450) \_\_\_\_\_ 450a \_\_\_\_\_

Total taxable dividends paid in the tax year that qualify for a dividend refund (total of column D above plus line 450) \_\_\_\_\_ **460** 650,000

**Part 4 – Total dividends paid in the tax year**

Complete this part if the total taxable dividends paid in the tax year that qualify for a dividend refund (line 460 above) is different from the total dividends paid in the tax year.

Total taxable dividends paid in the tax year for the purposes of a dividend refund (from above) \_\_\_\_\_ **650,000**

Other dividends paid in the tax year (total of 510 to 540) \_\_\_\_\_

Total dividends paid in the tax year \_\_\_\_\_ **500** 650,000

**Deduct:**

Dividends paid out of capital dividend account \_\_\_\_\_ **510**

Capital gains dividends \_\_\_\_\_ **520**

Dividends paid on shares described in subsection 129(1.2) \_\_\_\_\_ **530**

Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year \_\_\_\_\_ **540**

Subtotal \_\_\_\_\_ **650,000**

Total taxable dividends paid in the tax year that qualify for a dividend refund \_\_\_\_\_ **650,000**

Canada Revenue Agency Agence du revenu du Canada **CAPITAL COST ALLOWANCE (CCA)**

Name of corporation: **WELLAND HYDRO ELECTRIC SYSTEM CORP.** Business Number: **86375 9692 RC0001** Tax year end: **2011-12-31**

For more information, see the section called "Capital Cost Allowance" in the T2 Corporation Income Tax Guide.

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes  2 No

1 Class number (See Note)	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year)	3 Cost of acquisitions during the year (new property must be available for use)*	4 Net adjustments**	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)***	7 Reduced undepreciated capital cost	8 CCA rate %****	9 Recapture of capital cost allowance (line 107 of Schedule 1)	10 Terminal loss (line 404 of Schedule 1)	11 Capital cost allowance (for declining balance method, column 7 multiplied by column 8, or a lower amount) (line 403 of Schedule 1)*****	12 Undepreciated capital cost at the end of the year (column 6 plus column 7 minus column 11)
<b>200</b>	<b>201</b>	<b>203</b>	<b>205</b>	<b>207</b>	<b>211</b>	<b>212</b>	<b>213</b>	<b>215</b>	<b>217</b>	<b>220</b>	
1.	Buildings/Substation	2,838,357		0		2,838,357	4	0	0	113,534	2,724,823
2.	Plant Feeders	4,163,933		0		4,163,933	4	0	0	166,557	3,997,376
3.	Plant Distribution	7,219,452		0		7,219,452	4	0	0	288,778	6,930,674
4.	Transformers	2,359,065		0		2,359,065	4	0	0	94,363	2,264,702
5.	Meters	1,115,759		0		1,115,759	4	0	0	44,630	1,071,129
6.	Other Equipment	485,578	15,424	0	7,712	493,290	20	0	0	98,658	402,344
7.	Vehicles	181,281	66,729	8,373	29,178	210,459	30	0	0	63,138	176,499
8.	Computer Hardware	3,650		0		3,650	45	0	0	1,643	2,007
9.	Poles & Transmission Lines/Equi	10,305,740	2,136,180	6,076	1,065,052	11,370,792	8	0	0	909,663	11,526,181
10.	Software	170,258	256,734	0	128,367	298,625	100	0	0	298,625	128,367
11.	Computer Hardware > 3/19/200	3,600	32,544	0	16,272	19,872	55	0	0	10,930	25,214
12.	Paving	16,769		0		16,769	8	0	0	1,342	15,427
13.	Computer Hardware before Feb	2,144		0		2,144	100	0	0	2,144	
14.	Buildings/Substation	351,527		0	175,764	175,763	6	0	0	10,546	340,981
15.	Solar Panel microfits installations	167,744		0	83,872	83,872	50	0	0	41,936	125,808
<b>Totals</b>		<b>28,863,442</b>	<b>3,029,026</b>	<b>14,449</b>	<b>1,506,217</b>	<b>30,371,802</b>				<b>2,146,487</b>	<b>29,731,532</b>

**Note:** Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed.  
Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

- \* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).
- \*\* Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.
- \*\*\* The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.
- \*\*\*\* Enter a rate only, if you are using the declining balance method. For any other method (for example the straight-line method, where calculations are always based on the cost of acquisitions), enter N/A. Then enter the amount you are claiming in column 11.
- \*\*\*\*\* If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

T2 SCH 8 (11)



# Fixed Assets Reconciliation

Reconciliation of change in fixed assets per financial statements to amounts used per tax return.

**- Tax return**

Additions for tax purposes – Schedule 8 regular classes		3,029,026	
Additions for tax purposes – Schedule 8 leasehold improvements	+		
Operating leases capitalized for book purposes	+		
Capital gain deferred	+		
Recapture deferred	+		
Deductible expenses capitalized for book purposes – Schedule 1	+		
	+		
<b>Total additions per books</b>	<b>=</b>	3,029,026	▶ 3,029,026
Proceeds up to original cost – Schedule 8 regular classes		14,449	
Proceeds up to original cost – Schedule 8 leasehold improvements	+		
Proceeds in excess of original cost – capital gain	+		
Recapture deferred – as above	+		
Capital gain deferred – as above	+		
Pre V-day appreciation	+		
	+		
<b>Total proceeds per books</b>	<b>=</b>	14,449	▶ 14,449
Depreciation and amortization per accounts – Schedule 1			- 1,960,187
Loss on disposal of fixed assets per accounts			-
Gain on disposal of fixed assets per accounts			+ 14,409
<b>Net change per tax return</b>	<b>=</b>		1,068,799

**- Financial statements**

<b>Fixed assets (excluding land) per financial statements</b>			
Closing net book value			25,111,408
Opening net book value			- 24,042,609
<b>Net change per financial statements</b>	<b>=</b>		1,068,799

If the amounts from the tax return and the financial statements differ, explain why below.

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# Attached Schedule with Total

Financial statements – Fixed assets (excluding land) per financial statements – Opening net book value

File Financial statements – Fixed assets (excluding land) per financial statemen

Description	Amount
Net book value 2010	24,292,609 00
Inventory full basis	-250,000 00
<b>Total</b>	<b>24,042,609 00</b>

# Attached Schedule with Total

Financial statements – Fixed assets (excluding land) per financial statements – Closing net book value

Title Financial statements – Fixed assets (excluding land) per financial statements

Description	Amount
Closing NBV	25,361,408 00
Inventory full basis	-250,000 00
<b>Total</b>	<b>25,111,408 00</b>



RELATED AND ASSOCIATED CORPORATIONS

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2011-12-31</b>
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- Complete this schedule if the corporation is related to or associated with at least one other corporation.
- For more information, see the *T2 Corporation Income Tax Guide*.

	<b>100</b>	<b>200</b>	<b>300</b>	<b>400</b>	<b>500</b>	<b>550</b>	<b>600</b>	<b>650</b>	<b>700</b>
Name	Country of residence (other than Canada)	Business number (see note 1)	Relationship code (see note 2)	Number of common shares you own	% of common shares you own	Number of preferred shares you own	% of preferred shares you own	Book value of capital stock	
1. WELLAND HYDRO-ELECTRIC HOLD.		86360 4328 RC0001	1						
2. WELLAND HYDRO ENERGY SERVIC		86375 9494 RC0001	3						
3. City of Welland		NR	3						
4. WELLAND WIFI CORPORATTON		85056 2364 RC0001	3						
5. Welland Solar Corp.		80968 5860 RC0001	3						

Note 1: Enter "NR" if the corporation is not registered or does not have a business number.

Note 2: Enter the code number of the relationship that applies from the following order: 1 - Parent 2 - Subsidiary 3 - Associated 4 - Related but not associated

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2011-12-31</b>
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- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

**Part 1 – Calculation of current year deduction and carry-forward**

<b>Cumulative eligible capital - Balance at the end of the preceding taxation year</b> (if negative, enter "0")	<b>200</b>	<u>1,412,487</u>	<b>A</b>
<b>Add:</b>			
Cost of eligible capital property acquired during the taxation year	<b>222</b>	_____	
Other adjustments	<b>226</b>	_____	
Subtotal (line 222 plus line 226)		_____	<b>B</b>
$\times 3 / 4 =$ _____			
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	<b>228</b>	_____	
$\times 1 / 2 =$ _____			
amount B minus amount C (if negative, enter "0")		_____	<b>D</b>
Amount transferred on amalgamation or wind-up of subsidiary	<b>224</b>	_____	<b>E</b>
Subtotal (add amounts A, D, and E)	<b>230</b>	<u>1,412,487</u>	<b>F</b>
<b>Deduct:</b>			
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	<b>242</b>	_____	<b>G</b>
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	<b>244</b>	_____	<b>H</b>
Other adjustments	<b>246</b>	_____	<b>I</b>
$(\text{add amounts G, H, and I}) \times 3 / 4 =$ <b>248</b> _____ <b>J</b>			
<b>Cumulative eligible capital balance</b> (amount F minus amount J)		<u>1,412,487</u>	<b>K</b>
(if amount K is negative, enter "0" at line M and proceed to Part 2)			
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	<b>249</b>	_____	
amount K		<u>1,412,487</u>	
less amount from line 249		_____	
<b>Current year deduction</b>		<u>1,412,487</u> $\times 7.00\% =$ <b>250</b> <u>98,874</u> *	
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		<u>98,874</u>	<b>L</b>
<b>Cumulative eligible capital – Closing balance</b> (amount K minus amount L) (if negative, enter "0")	<b>300</b>	<u>1,313,613</u>	<b>M</b>

\* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

**Part 2 – Amount to be included in income arising from disposition**

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)	.....	_____	N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988	..... <b>400</b>	_____ 1	
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)	..... <b>401</b>	_____ 2	
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	..... <b>402</b>	_____ 3	
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	..... <b>408</b>	_____ 4	
Line 3 minus line 4 (if negative, enter "0")	.....	_____ 5	
Total of lines 1, 2 and 5	.....	_____ 6	
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400	.....	_____ 7	
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000	.....	_____ 8	
Subtotal (line 7 plus line 8)	..... <b>409</b>	_____ 9	
Line 6 minus line 9 (if negative, enter "0")	.....	_____	O
Line N minus line O (if negative, enter "0")	.....	_____	P
	Line 5 _____ × 1 / 2 =	_____	Q
Line P minus line Q (if negative, enter "0")	.....	_____	R
	Amount R _____ × 2 / 3 =	_____	S
Amount N or amount O, whichever is less	.....	_____	T
<b>Amount to be included in income</b> (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	..... <b>410</b>	_____	

CONTINUITY OF RESERVES

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2011-12-31</b>
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- For use by corporations to provide a continuity of all reserves claimed which are allowed for tax purposes.
- File one completed copy of this schedule with the corporation's *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation Income Tax Guide*.

Part 1 – Capital gains reserves

Description of property	Balance at the beginning of the year \$	Transfer on an amalgamation or the wind-up of a subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
<b>001</b>	<b>002</b>	<b>003</b>			<b>004</b>
1					
<b>Totals</b>	<b>008</b>	<b>009</b>			<b>010</b>

The amount from line 008 plus the amount from line 009 should be entered on line 880 of Schedule 6, *Summary of Dispositions of Capital Property*. The amount from line 010 should be entered on line 885 of Schedule 6.

Part 2 – Other reserves

Description	Balance at the beginning of the year \$	Transfer on an amalgamation or the wind-up of a subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
Reserve for doubtful debts <input checked="" type="checkbox"/>	<b>110</b> 113,524	<b>115</b>	107,764	113,524	<b>120</b> 107,764
Reserve for undelivered goods and services not rendered <input type="checkbox"/>	<b>130</b>	<b>135</b>			<b>140</b>
Reserve for prepaid rent <input type="checkbox"/>	<b>150</b>	<b>155</b>			<b>160</b>
Reserve for refundable containers <input type="checkbox"/>	<b>190</b>	<b>195</b>			<b>200</b>
Reserve for unpaid amounts <input type="checkbox"/>	<b>210</b>	<b>215</b>			<b>220</b>
Other tax reserves <input type="checkbox"/>	<b>230</b>	<b>235</b>			<b>240</b>
<b>Totals</b>	<b>270</b> 113,524	<b>275</b>	107,764	113,524	<b>280</b> 107,764

Enter "X" in the column above if the tax reserve has also been reported on the corporation's financial statements. This allows offsetting entries on Schedule 1, resulting in a zero effect on net income for tax purposes.

The amount from line 270 plus the amount from line 275 should be entered on line 125 of Schedule 1, *Net Income (Loss) for Income Tax Purposes*, as an addition. The amount from line 280 should be entered on line 413 of Schedule 1 as a deduction.

## Continuity of financial statement reserves (not deductible)

### Financial statement reserves (not deductible)

Description	Balance at the beginning of the year	Transfer on an amalgamation or the wind-up of a subsidiary	Add	Deduct	Balance at the end of the year
1 PILs deferred revenue reserv	6,541			6,541	
2 Pension Liability - non-current	1,479,364		1,427,938	1,479,364	1,427,938
3 Pension Liability - current	56,253		126,909	56,253	126,909
4 Smart Meter Reserve					
5 Regulatory Asset Recoveries					
6					
Reserves from Part 2 of Schedule 13	113,524		107,764	113,524	107,764
<b>Totals</b>	<b>1,655,682</b>		<b>1,662,611</b>	<b>1,655,682</b>	<b>1,662,611</b>

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.  
The total closing balance should be entered on line 126 of Schedule 1 as an addition.



### AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

**Column 1:** Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

**Column 2:** Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

**Column 3:** Enter the association code that applies to each corporation:

- 1 – Associated for purposes of allocating the business limit (unless code 5 applies)
- 2 – CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
- 3 – Non-CCPC that is a "third corporation" as defined in subsection 256(2)
- 4 – Associated non-CCPC
- 5 – Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

**Column 4:** Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

**Column 5:** Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

**Column 6:** Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2006	maximum \$300,000
2007	\$300,001 to \$400,000

Calendar year	Acceptable range
2008	maximum \$400,000
2009	\$400,001 to \$500,000

If the calendar year to which this agreement applies is after 2009, ensure that the total at line A does not exceed \$500,000.

#### Allocating the business limit

Date filed (do not use this area) ..... **025** Year Month Day

Enter the calendar year to which the agreement applies ..... **050** Year  
2011

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? ..... **075** 1 Yes  2 No

	1 Names of associated corporations	2 Business Number of associated corporations	3 Association code	4 Business limit for the year (before the allocation) \$	5 Percentage of the business limit %	6 Business limit allocated* \$
	<b>100</b>	<b>200</b>	<b>300</b>		<b>350</b>	<b>400</b>
1	WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	1	500,000	100.0000	500,000
2	WELLAND HYDRO-ELECTRIC HOLDING CORP.	86360 4328 RC0001	1	500,000		
3	WELLAND HYDRO ENERGY SERVICES CORP.	86375 9494 RC0001	1	500,000		
4	City of Welland	NR	4			
5	WELLAND WIFI CORPORATION	85056 2364 RC0001	1	500,000		
6	Welland Solar Corp.	80968 5860 RC0001	1	500,000		
<b>Total</b>					<b>100.0000</b>	<b>500,000</b> <b>A</b>



## INVESTMENT TAX CREDIT – CORPORATIONS

### - General information

- For use by a corporation that during a tax year:
  - earned an investment tax credit (ITC);
  - is claiming a deduction against its Part I tax payable;
  - is claiming a refund of credit earned during the current tax year;
  - is claiming a carryforward of credit from previous tax years;
  - is transferring a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
  - is requesting a credit carryback; or
  - is subject to a recapture of ITC.
- References to parts, sections, and subsections on this schedule are from the federal *Income Tax Act* and the federal *Income Tax Regulations*. References to interpretation bulletins and information circulars are to the latest versions.
- The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward.
- Investments or expenditures, as defined in subsection 127(9) and Part XLVI of the federal *Income Tax Regulations*, that earn the ITC are:
  - qualified property (Parts 4 to 7);
  - expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). Complete and file Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*;
  - pre-production mining expenditures (Parts 18 to 20);
  - apprenticeship job creation expenditures (Parts 21 to 23); and
  - child care spaces expenditures (Parts 24 to 28).
- Attach a completed copy of this schedule with the *T2 Corporation Income Tax Return*.
- For more information on ITCs, see the section called "Investment Tax Credit" in the *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release. Also, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*.
- For information on SR&ED, see Interpretation Bulletin IT-151 (**consolidated**), *Scientific Research and Experimental Development Expenditures*; Information Circular 86-4, *Scientific Research and Experimental Development*; Brochure RC4472, *Overview of the Scientific Research and Experimental Development Program (SR&ED) Tax Incentive Program*; Brochure RC4467, *Support for your R&D in Canada* and T4088, *Guide to Form T661 Scientific Research and Experimental Development (SR&ED) Expenditures Claim*.

### - Detailed information

- For the purpose of this schedule, "investment" means:  
The capital cost of the property (excluding amounts added by an election under section 21), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
- An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
- Property acquired has to be "available for use" before a claim for an ITC can be made.
- Expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which the expenditures or capital costs were incurred.
- Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITC's is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 of the Act is not applicable for the agreement to share any income or loss. Special rules apply to specified and limited partners. For more information, see Guide T4068-1, 2010 Supplement to the 2006 T4068, Guide for the T5013 Partnership Information Return.
- For SR&ED expenditures, the expression "in Canada" includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone.

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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**Part 1 – Investments, expenditures and percentages**

	Specified percentage
<b>Investments</b>	
Qualified property acquired primarily for use in Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula, or a prescribed offshore region	10 %
<b>Expenditures</b>	
If you are a Canadian-controlled private corporation (CCPC), this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
<b>Note:</b> If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate.	
If you are a corporation that is not a CCPC that incurred qualified expenditures for SR&ED in any area in Canada	20 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures	10 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %

**Part 2 – Determination of a qualifying corporation**

Is the corporation a qualifying corporation? **101** 1 Yes  2 No

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC and the taxable income (before any loss carrybacks) for its previous tax year cannot be more than its **qualifying income limit** for the particular tax year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than their qualifying income limit for the particular tax year.

**Note:** A CCPC calculating a refundable ITC, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a **100%** refund on your share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

Some CCPCs that are **not qualifying** corporations may also earn a **100%** refund on their share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

- one or more persons exempt from Part I tax under section 149;
- Her Majesty in right of a province, a Canadian municipality, or any other public authority; or
- any combination of persons referred to in a) or b) above.

**Part 3 – Corporations in the farming industry**

Complete this area if the corporation is making SR&ED contributions

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? **102** 1 Yes  2 No

Contributions to agricultural organizations for SR&ED **103** \_\_\_\_\_

If yes, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see the *Guide to the General Index of Financial Information (GIFI) for Corporations*. Enter contributions on line 350 of Part 8.

**QUALIFIED PROPERTY**

**- Part 4 – Eligible investments for qualified property from the current tax year**

CCA* class number	Description of investment	Date available for use	Location used (province or territory)	Amount of investment
<b>105</b>	<b>110</b>	<b>115</b>	<b>120</b>	<b>125</b>
1.				
* CCA: capital cost allowance				
Total investment – enter in formula on line 240 in Part 5				

**- Part 5 – Calculation of current-year credit and account balances – ITC from investments in qualified property**

ITC at the end of the previous tax year \_\_\_\_\_

**Deduct:**

Credit deemed as a remittance of co-op corporations **210** \_\_\_\_\_

Credit expired **215** \_\_\_\_\_

Subtotal **220** \_\_\_\_\_

ITC at the beginning of the tax year \_\_\_\_\_

**Add:**

Credit transferred on amalgamation or wind-up of subsidiary **230** \_\_\_\_\_

ITC from repayment of assistance **235** \_\_\_\_\_

Total current-year credit: total of column 125 \_\_\_\_\_ x 10 % = **240** \_\_\_\_\_

Credit allocated from a partnership **250** \_\_\_\_\_

Subtotal \_\_\_\_\_

Total credit available \_\_\_\_\_

**Deduct:**

Credit deducted from Part I tax (enter on line B1 in Part 30) **260** \_\_\_\_\_

Credit carried back to the previous year(s) (from Part 6) \_\_\_\_\_ **A**

Credit transferred to offset Part VII tax liability **280** \_\_\_\_\_

Subtotal \_\_\_\_\_

Credit balance before refund \_\_\_\_\_ **B**

**Deduct:**

Refund of credit claimed on investments from qualified property (from Part 7) **310** \_\_\_\_\_

ITC closing balance of investments from qualified property **320** \_\_\_\_\_

**- Part 6 – Request for carryback of credit from investments in qualified property**

	Year	Month	Day	
1st previous tax year				Credit to be applied <b>901</b> _____
2nd previous tax year				Credit to be applied <b>902</b> _____
3rd previous tax year				Credit to be applied <b>903</b> _____
				Total (enter on line A in Part 5) _____

**- Part 7 – Calculation of refund for qualifying corporations on investments from qualified property**

Current-year ITCs (total of lines 240 and 250 in Part 5) \_\_\_\_\_ **C**

Credit balance before refund (amount B from Part 5) \_\_\_\_\_ **D**

Refund ( 40 % of amount C or D, whichever is less) \_\_\_\_\_ **E**

Enter amount E or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

**SR&ED**

**- Part 8 – Qualified SR&ED expenditures**

**Current expenditures**

Current expenditures (from line 557 on Form T661) ..... 148,849

**Add:**

Contributions to agricultural organizations for SR&ED\* .....

Current expenditures (including contributions to agricultural organizations for SR&ED at line 103 in Part 3)\* (from line 557 on Form T661) ..... 148,849 ▶ **350** 148,849

Capital expenditures (from line 558 on Form T661) ..... **360**

Repayments made in the year (from line 560 on Form T661) ..... **370**

**Total** (this must equal the amount from line 570 on Form T661)\* ..... **380** 148,849

\* Do not file form T661 if you are only claiming contributions made to agricultural organizations for SR&ED.

**- Part 9 – Components of the SR&ED expenditure limit calculation**

Part 9 only applies if the corporation is a CCPC.

**Note:** A CCPC that calculates SR&ED expenditure limit, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? ..... **385** 1 Yes  2 No

Complete lines 390 and 398, if you answered no to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

Enter your taxable income for the previous tax year\* (prior to any loss carry-backs applied). ..... **390**

Enter your taxable capital employed in Canada for the previous tax year minus \$10 million. If this amount is nil or negative, enter "0".  
If this amount is over \$40 million, enter \$40 million. .... **398**

\* If either of the tax years referred to at line 390 is less than 51 weeks, multiply the taxable income by the following result: 365 divided by the number of days in these tax years.

**Part 10 – Calculation of SR&ED expenditure limit for a CCPC**

**For stand-alone corporations:**

**Calculation 1A:** Tax year ends before January 1, 2010.

$$\frac{[(\$7,000,000 \text{ minus } (10 \times (\text{line 390 from Part 9 or } \$400,000, \text{ whichever is more})) \times ((\$40,000,000 \text{ minus line 398 from Part 9) divided by } \$40,000,000)]}{\dots\dots\dots}$$

**Calculation 1:** Tax year starts after December 31, 2009.

$$\frac{[(\$8,000,000 \text{ minus } (10 \times (\text{line 390 from Part 9 or } \$500,000, \text{ whichever is more})) \times ((\$40,000,000 \text{ minus line 398 from Part 9) divided by } \$40,000,000)]}{\dots\dots\dots}$$

**Calculation 2:** Tax year straddles January 1, 2010.

$$EE + \frac{[(FF \text{ minus } EE) \times (GG \text{ divided by } HH)]}{\dots\dots\dots}$$
 where,

$$EE = \frac{[(\$7,000,000 \text{ minus } (10A)) \times ((\$40,000,000 \text{ minus } B) \text{ divided by } \$40,000,000)]}{\dots\dots\dots}$$

$$FF = \frac{[(\$8,000,000 \text{ minus } (10 \times (\text{line 390 from Part 9 or } \$500,000, \text{ whichever is more})) \times ((\$40,000,000 \text{ minus line 398 from Part 9) divided by } \$40,000,000)]}{\dots\dots\dots}$$

GG = number of days in the tax year after December 31, 2009;

HH = number of days in the tax year.

Amount A **408** Amount B **409**

A = the greater of:

- \$400,000; and
- your taxable income for the last tax year\* ending in the previous calendar year (tax years ending in 2008) (prior to any loss carry-backs applied).

B = the taxable capital employed in Canada for the last tax year ending in the previous calendar year (tax years ending in 2008) minus \$10 million. If this amount is nil or negative, enter "0". If this amount is over \$40 million, enter \$40 million.

\* If any of the tax years referred to in A above are less than 51 weeks, gross up the taxable incomes for those tax years by the ratio that 365 is of the number of days in those tax years. Use these grossed up amounts when calculating the expenditure limit.

Enter the amount from Calculation 1A, 1 or 2, whichever is applicable **400** G\*

**For associated corporations:**

If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49 **400** H\*

Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

$$\text{line G or H} \times \frac{\text{Number of days in the tax year}}{365} = \text{I}$$

Your SR&ED expenditure limit for the year (enter the amount from line G, H, or I, whichever applies) **410**

\* Amount G or H cannot be more than \$3,000,000.

**Part 11 – Calculation of investment tax credits on SR&ED expenditures**

Enter whichever is less: current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10)*	420	x	35 % =	J
Line 350 minus line 410 (if negative, enter "0")	430	148,849	x 20 % =	29,770 K
Line 410 minus line 350 (if negative, enter "0")			L	
Enter whichever is less: capital expenditures (line 360 from Part 8) or line L above*	440	x	35 % =	M
Line 360 minus line L (if negative, enter "0")	450	x	20 % =	N

Repayments (amount from line 370 in Part 8)

If a corporation makes a repayment of any government or non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount. Enter the amount of the repayment on the line that corresponds to the appropriate rate.	460	x	35 % =	
	480	x	20 % =	
			Total	O

Current-year SR&ED ITC (total of lines J, K, M, N, and O; enter on line 540 in Part 12) 29,770

\* For corporations that are not CCPCs, enter "0" on lines J and M.

**Part 12 – Calculation of current-year credit and account balances – ITC from SR&ED expenditures**

ITC at the end of the previous tax year				
<b>Deduct:</b>				
Credit deemed as a remittance of co-op corporations	510			
Credit expired	515			
			Subtotal	520
ITC at the beginning of the tax year				
<b>Add:</b>				
Credit transferred on amalgamation or wind-up of subsidiary	530			
Total current-year credit	540	29,770		
Credit allocated from a partnership	550			
			Subtotal	29,770
Total credit available				29,770
<b>Deduct:</b>				
Credit deducted from Part I tax (enter on line B2 in Part 30)	560			
Credit carried back to the previous year(s) (from Part 13)				P
Credit transferred to offset Part VII tax liability	580			
			Subtotal	29,770
Credit balance before refund				29,770 Q
<b>Deduct:</b>				
Refund of credit claimed on expenditures of SR&ED (from Part 14 or 15, whichever applies)				610
ITC closing balance on SR&ED				620 29,770

**Part 13 – Request for carryback of credit from SR&ED expenditures**

	Year	Month	Day		
1st previous tax year				Credit to be applied	911
2nd previous tax year				Credit to be applied	912
3rd previous tax year				Credit to be applied	913
				Total (enter on line P in Part 12)	

**Part 14 – Calculation of refund of ITC for qualifying corporations – SR&ED**

Complete this part only if you are a qualifying corporation as determined at line 101.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? ..... **650** 1 Yes  2 No

Credit balance before refund (amount Q from Part 12) ..... R

Current-year ITC (lines 540 plus 550 from Part 12 minus line O from Part 11) ..... S

Refundable credits (amount R or S, whichever is less)\* ..... T

Amount J from Part 11 ..... U

**Subtract:** Amount T or U, whichever is less ..... V

Net amount (if negative, enter "0") ..... W

Amount W ..... x 40 % ..... X

**Add:** Amount V ..... Y

**Refund of ITC** (amounts X plus Y – enter this, or a lesser amount, on line 610 in Part 12) ..... Z

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

\* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%. Claim this, or a lesser amount, as your refund of ITC on line Z.

**Part 15 – Calculation of refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED**

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined in Part 2.

Credit balance before refund (amount Q from Part 12) ..... 29,770 AA

Amount J from Part 11 ..... BB

**Subtract:** Amount AA or BB, whichever is less ..... CC

Net amount (if negative, enter "0") ..... 29,770 DD

Amount M from Part 11 ..... EE

Amount DD or EE, whichever is less ..... x 40 % ..... FF

**Add:** Amount CC above ..... GG

**Refund of ITC** (amounts FF plus GG) ..... HH

Enter HH, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

**RECAPTURE – SR&ED**

**Part 16 – Calculating the recapture of ITC for corporations and corporate partnerships – SR&ED**

You will have a recapture of ITC in a year when all of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997 and did not expire before 2008;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

**Note:**

The recapture **does not apply** if you disposed of the property to a non-arm's length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

**Calculation 1 – If you meet all of the above conditions**

Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above  <b>700</b>	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case)  <b>710</b>	Amount from column 700 or 710, whichever is less
1.		

**Subtotal** (enter this amount on line LL in Part 17) \_\_\_\_\_ **II**

**Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil at line JJ in Part 16.**

<b>A</b> Rate that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement  <b>720</b>	<b>B</b> Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition  <b>730</b>	<b>C</b> Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.)  <b>740</b>
1.		

**Calculation 2 (continued) – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil on line JJ below.**

<b>D</b> Amount determined by the formula $(A \times B) - C$	<b>E</b> ITC earned by the transferee for the qualified expenditures that were transferred  <b>750</b>	<b>F</b> Amount from column D or E, whichever is less
1.		

**Subtotal** (enter this amount on line MM in Part 17) \_\_\_\_\_ **JJ**

**Calculation 3**

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 550 in Part 12. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line KK below.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported on line NN in Part 17) **760** \_\_\_\_\_ **KK**

**Part 17 – Total recapture of SR&ED investment tax credit**

Recaptured ITC for calculation 1 from line II in Part 16	.....	_____	LL
Recaptured ITC for calculation 2 from line JJ in Part 16 above	.....	_____	MM
Recaptured ITC for calculation 3 from line KK in Part 16 above	.....	_____	NN
<b>Total recapture of SR&amp;ED investment tax credit</b> – Add lines LL, MM and NN	.....	_____	<b>OO</b>

Enter amount OO at line A1 in Part 29.

**PRE-PRODUCTION MINING**

**Part 18 – Pre-production mining expenditures**

**Exploration information**

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year.

List of minerals <b>800</b>
1.

For each of the minerals reported in column 800 above, identify each project, mineral title, and mining division where title is registered. If there is no mineral title, identify the project and mining division only.

Project name <b>805</b>	Mineral title <b>806</b>	Mining division <b>807</b>
1.		

**Pre-production mining expenditures \***

Pre-production mining expenditures that the corporation incurred in the tax year for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting	.....	<b>810</b>		PP
Geological, geophysical, or geochemical surveys	.....	<b>811</b>		QQ
Drilling by rotary, diamond, percussion, or other methods	.....	<b>812</b>		RR
Trenching, digging test pits, and preliminary sampling	.....	<b>813</b>		SS

Pre-production mining expenditures incurred in the tax year for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping	.....	<b>820</b>		TT
Sinking a mine shaft, constructing an adit, or other underground entry	.....	<b>821</b>		UU

Other pre-production mining expenditures incurred in the tax year:

Description <b>825</b>	Amount <b>826</b>
1.	

Add amounts at column 826 ▶ \_\_\_\_\_ VV

Total pre-production mining expenditures (add amounts PP to VV) **830** \_\_\_\_\_

**Deduct:** Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above **832** \_\_\_\_\_

Excess (line 830 minus line 832) (if negative, enter "0") \_\_\_\_\_ WW

**Add:** Repayments of government and non-government assistance **835** \_\_\_\_\_ XX

**Pre-production mining expenditures** (amount WW plus amount XX) \_\_\_\_\_ YY

\* A pre-production mining expenditure is defined under subsection 127(9).

**Part 19 – Calculation of current-year credit and account balances – ITC from pre-production mining expenditures**

ITC at the end of the previous tax year \_\_\_\_\_

**Deduct:**

Credit deemed as a remittance of co-op corporations ..... **841** \_\_\_\_\_

Credit expired ..... **845** \_\_\_\_\_

Subtotal **850** \_\_\_\_\_

ITC at the beginning of the tax year ..... **850** \_\_\_\_\_

**Add:**

Credit transferred on amalgamation or wind-up of subsidiary ..... **860** \_\_\_\_\_

Expenditures from line YY in Part 18: **870** \_\_\_\_\_ x 10 % = **880** \_\_\_\_\_

Total credit available ..... \_\_\_\_\_

**Deduct:**

Credit deducted from Part I tax (enter on line B3 in Part 30) ..... **885** \_\_\_\_\_

Credit carried back to the previous year(s) (from Part 20) ..... \_\_\_\_\_ CCC

Subtotal **890** \_\_\_\_\_

**ITC closing balance from pre-production mining expenditures** ..... **890** \_\_\_\_\_

**Part 20 – Request for carryback of credit from pre-production mining expenditures**

	Year	Month	Day		
1st previous tax year				.....	Credit to be applied <b>921</b> _____
2nd previous tax year				.....	Credit to be applied <b>922</b> _____
3rd previous tax year				.....	Credit to be applied <b>923</b> _____
<b>Total (enter on line CCC in Part 19)</b>					_____

**APPRENTICESHIP JOB CREATION**

**Part 21 – Calculation of total current-year credit – ITC from apprenticeship job creation expenditures**

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) ..... **611** 1 Yes  2 No

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice. Attach additional schedules if more space is needed.

	A Contract number (SIN or name of apprentice)	B Name of eligible trade	C Eligible salary and wages*	D Column C x 10 %	E Lesser of column D or \$ 2,000
	<b>601</b>	<b>602</b>	<b>603</b>	<b>604</b>	<b>605</b>
1.	Kevin Bovine	Powerline Technician	9,580	958	958
2.					
<b>Total current-year credit (enter at line 640)</b>					<b>958</b>

\* Net of any other government or non-government assistance received or to be received.

**Part 22 – Calculation of current-year credit and account balances – ITC from apprenticeship job creation expenditures**

TC at the end of the previous tax year .....				
<b>Deduct:</b>				
Credit deemed as a remittance of co-op corporations .....		<b>612</b>		
Credit expired after 20 tax years .....		<b>615</b>		
	Subtotal		<b>▶</b>	
ITC at the beginning of the tax year .....				<b>625</b>
<b>Add:</b>				
Credit transferred on amalgamation or wind-up of subsidiary .....		<b>630</b>		
ITC from repayment of assistance .....		<b>635</b>		
Total current-year credit (total of column 605) .....		<b>640</b>	958	
Credit allocated from a partnership .....		<b>655</b>		
	Subtotal		<b>▶</b>	958
Total credit available .....				958
<b>Deduct:</b>				
Credit deducted from Part I tax (enter on line B4 in Part 30) .....		<b>660</b>		
Credit carried back to the previous year(s) (from Part 23) .....			DDD	
	Subtotal		<b>▶</b>	
ITC closing balance from apprenticeship job creation expenditures .....				<b>690</b>
				958

**Part 23 – Request for carryback of credit from apprenticeship job creation expenditures**

	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 33%;">Year</th> <th style="width: 33%;">Month</th> <th style="width: 33%;">Day</th> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </table>	Year	Month	Day											
Year	Month	Day													
1st previous tax year .....		Credit to be applied	<b>931</b>												
2nd previous tax year .....		Credit to be applied	<b>932</b>												
3rd previous tax year .....		Credit to be applied	<b>933</b>												
Total (enter on line DDD in Part 22)															

**CHILD CARE SPACES**

**Part 24 – Eligible child care spaces expenditures**

Enter the eligible expenditures that the corporation incurred to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation cannot be carrying on a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

Cost of depreciable property from the current tax year			
CCA* class number	Description of investment	Date available for use	Amount of investment
<b>665</b>	<b>675</b>	<b>685</b>	<b>695</b>
1.			
Total cost of depreciable property from the current tax year			<b>715</b> <span style="float: right;">EEE</span>
Add: Specified child care start-up expenditures from the current tax year			<b>705</b> <span style="float: right;">FFF</span>
Total gross eligible expenditures for child care spaces (line 715 plus line 705)			GGG <span style="float: right;">GGG</span>
<b>Deduct:</b> Total of all assistance (including grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line GGG)			<b>725</b> <span style="float: right;">HHH</span>
Excess (amount GGG minus amount HHH) (if negative, enter "0")			III <span style="float: right;">III</span>
Add: Repayments of government and non-government assistance			<b>735</b> <span style="float: right;">JJJ</span>
Total eligible expenditures for child care spaces (amount III plus amount JJJ)			<b>745</b>

\* CCA: capital cost allowance

**Part 25 – Calculation of current-year credit – ITC from child care spaces expenditures**

The credit is equal to 25% of eligible child care spaces expenditures incurred to a maximum of \$10,000 per child care space created in a licensed child care facility.

Eligible expenditures (line 745)	.....	x	25 %	=	.....	KKK	
Number of child care spaces	.....	<b>755</b>	x \$	10,000	=	.....	LLL
ITC from child care spaces expenditures (amount KKK or LLL, whichever is less)					.....	MMM	

**Part 26 – Calculation of current-year credit and account balances – ITC from child care spaces expenditures**

ITC at the end of the previous tax year	.....	
<b>Deduct:</b>		
Credit deemed as a remittance of co-op corporations	.....	<b>765</b>
Credit expired after 20 tax years	.....	<b>770</b>
	Subtotal	▶
ITC at the beginning of the tax year	.....	<b>775</b>
<b>Add:</b>		
Credit transferred on amalgamation or wind-up of subsidiary	.....	<b>777</b>
Total current-year credit (amount MMM above)	.....	<b>780</b>
Credit allocated from a partnership	.....	<b>782</b>
	Subtotal	▶
Total credit available	.....	
<b>Deduct:</b>		
Credit deducted from Part I tax (enter on line B5 in Part 30)	.....	<b>785</b>
Credit carried back to the previous year(s) (from Part 27)	.....	NNN
	Subtotal	▶
ITC closing balance from child care spaces expenditures	.....	<b>790</b>

**Part 27 – Request for carryback of credit from child care space expenditures**

	<table border="1"> <thead> <tr> <th>Year</th> <th>Month</th> <th>Day</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>12</td> <td>31</td> </tr> <tr> <td>2009</td> <td>12</td> <td>31</td> </tr> <tr> <td>2008</td> <td>12</td> <td>31</td> </tr> </tbody> </table>	Year	Month	Day	2010	12	31	2009	12	31	2008	12	31	
Year	Month	Day												
2010	12	31												
2009	12	31												
2008	12	31												
1st previous tax year	.....	Credit to be applied	<b>941</b>											
2nd previous tax year	.....	Credit to be applied	<b>942</b>											
3rd previous tax year	.....	Credit to be applied	<b>943</b>											
Total (enter on line NNN in Part 26)			.....											

**RECAPTURE – CHILD CARE SPACES**

**Part 28 – Calculating the recapture of ITC for corporations and corporate partnerships – Child care spaces**

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
  - disposed of or leased to a lessee; or
  - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) ..... **792** \_\_\_\_\_ ZZZ

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC ..... **795** \_\_\_\_\_

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property ..... **797** \_\_\_\_\_

Amount from line 795 or line 797, whichever is less ..... **OOO** \_\_\_\_\_

**Corporate partnerships**

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line PPP below.

Corporate partner's share of the excess of ITC ..... **799** \_\_\_\_\_ PPP

**Total recapture of child care spaces investment tax credit – Add lines ZZZ, OOO, and PPP** ..... **QQQ** \_\_\_\_\_  
Enter amount QQQ on line A2 in Part 29.

**Part 29 – Total recapture of investment tax credit**

Recaptured SR&ED ITC from line OO in Part 17 ..... \_\_\_\_\_ A1

Recaptured child care spaces ITC from line QQQ in Part 28 above ..... \_\_\_\_\_ A2

**Total recapture of investment tax credit – Add lines A1 and A2** ..... \_\_\_\_\_ A3

Enter amount A3 on line 602 of the T2 return.

**Part 30 – Total ITC deducted from Part I tax**

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5) ..... \_\_\_\_\_ B1

TC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12) ..... \_\_\_\_\_ B2

ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19) ..... \_\_\_\_\_ B3

TC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22) ..... \_\_\_\_\_ B4

ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26) ..... \_\_\_\_\_ B5

**Total ITC deducted from Part I tax (add lines B1, B2, B3, B4, and B5)** ..... \_\_\_\_\_ B6

Enter amount B6 at line 652 of the T2 return.

Privacy Act, Personal Information Bank number CRA PPU 047

# Attached Schedule with Total

C – Eligible salary and wages

Title C – Eligible salary and wages

Description	Amount
Eligible amount of salaries	14,738 00
Less ON credit on above	-5,158 00
<b>Total</b>	<b>9,580 00</b>

# Summary of Investment Tax Credit Carryovers

## Continuity of investment tax credit carryovers

CCA class number 97 Apprenticeship job creation ITC

### Current year

	Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
	958				958

### Prior years

#### Taxation year

	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2010-12-31				
2009-12-31				
2008-12-31				
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				
2003-12-31				
2002-12-31				
2001-12-31				*
2000-12-31				
1999-12-31				
1998-12-31				
1997-12-31				
1996-12-31				
1995-12-31				
1994-12-31				
1993-12-31				
1992-12-31				
1991-12-31				*
<b>Total</b>				

B+C+D+G

**Total ITC utilized**

\* The ITC end of year includes the amount of ITC expired from the 10<sup>th</sup> preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20<sup>th</sup> preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

# Summary of Investment Tax Credit Carryovers

## Continuity of investment tax credit carryovers

CCA class number 99 Cur. or cap. R&D for ITC

### Current year

	Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
	29,770				29,770

### Prior years

#### Taxation year

	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2010-12-31				
2009-12-31				
2008-12-31				
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				
2003-12-31				
2002-12-31				
2001-12-31				*
2000-12-31				
1999-12-31				
1998-12-31				
1997-12-31				
1996-12-31				
1995-12-31				
1994-12-31				
1993-12-31				
1992-12-31				
1991-12-31				*
<b>Total</b>				

3+C+D+G

**Total ITC utilized**

\* The ITC end of year includes the amount of ITC expired from the 10<sup>th</sup> preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20<sup>th</sup> preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

**SHAREHOLDER INFORMATION**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2011-12-31</b>
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All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)	Provide only one number per shareholder				Percentage common shares	Percentage preferred shares
		Business Number (If a corporation is not registered, enter "NR")	Social insurance number	Trust number			
	<b>100</b>	<b>200</b>	<b>300</b>	<b>350</b>	<b>400</b>	<b>500</b>	
1	Welland Hydro-Electric Holding Corp.	86360 4328 RC0001			100.000		
2							
3							
4							
5							
6							
7							
8							
9							
10							



GENERAL RATE INCOME POOL (GRIP) CALCULATION

Name of corporation <u>WELLAND HYDRO ELECTRIC SYSTEM CORP.</u>	Business Number <u>86375 9692 RC0001</u>	Tax year-end Year Month Day <u>2011-12-31</u>
---	---	---

On: 2011-12-31

- If you are a Canadian-controlled private corporation (CCPC) or a deposit insurance corporation (DIC), use this schedule to determine the general rate income pool (GRIP).
- When an eligible dividend was paid in the tax year, file a completed copy of this schedule with your *T2 Corporation Income Tax Return*. Do not send your worksheets with your return, but keep them in your records in case we ask to see them later.
- Subsections referred to in this schedule are from the *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool, and low rate income pool.

Eligibility for the various additions

Answer the following questions to determine the corporation's eligibility for the various additions:

2006 addition

1. Is this the corporation's first taxation year that includes January 1, 2006?  Yes  No
2. If not, what is the date of the taxation year end of the corporation's first year that includes January 1, 2006?  
Enter the date and go directly to question 4 2006-12-31
3. During that first year, was the corporation a CCPC or would it have been a CCPC if not for the election of subsection 89(11) ITA?  Yes  No  
If the answer to question 3 is yes, complete Part "GRIP addition for 2006".

Change in the type of corporation

4. Was the corporation a CCPC during its preceding taxation year?  Yes  No
5. Corporations that become a CCPC or a DIC  Yes  No  
If the answer to question 5 is yes, complete Part 4.

Amalgamation (first year of filing after amalgamation)

6. Corporations that were formed as a result of an amalgamation  Yes  No  
If the answer to question 6 is yes, answer questions 7 and 8. If the answer is no, go to question 9.
7. Was one or more of the predecessor corporations neither a CCPC nor a DIC?  Yes  No  
If the answer to question 7 is yes, complete Part 4.
8. Was one or more of the predecessor corporation a CCPC or a DIC during the taxation year that ended immediately before amalgamation?  Yes  No  
If the answer to question 8 is yes, complete Part 3.

Winding-up

9. Corporations that wound-up a subsidiary  Yes  No  
If the answer to question 9 is yes, answer questions 10 and 11. If the answer is no, go to Part 1.
10. Was the subsidiary neither a CCPC nor a DIC during its last taxation year?  Yes  No  
If the answer to question 10 is yes, complete Part 4.
11. Was the subsidiary a CCPC or a DIC during its last taxation year?  Yes  No  
If the answer to question 11 is yes, complete Part 3.



**Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)**

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences . . . . . P1

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . Q1

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . R1

Aggregate investment income (line 440 of the T2 return) . . . . . S1

Subtotal (add lines Q1, R1, and S1) . . . . . T1

Subtotal (line P1 minus line T1) (if negative, enter "0") . . . . . U1

Subtotal (line O1 minus line U1) (if negative, enter "0") . . . . . V1

**GRIP adjustment for specified future tax consequences to the first previous tax year**

(line V1 multiplied by the general rate factor for the tax year 0.7 ) . . . . . **500**

**Second previous tax year 2009-12-31**

Taxable income before specified future tax consequences from the current tax year . . . . . 1,390,885 J2

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . K2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . L2

Aggregate investment income (line 440 of the T2 return) . . . . . M2

Subtotal (add lines K2, L2, and M2) . . . . . N2

Subtotal (line J2 minus line N2) (if negative, enter "0") . . . . . 1,390,885 O2

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences . . . . . P2

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . Q2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . R2

Aggregate investment income (line 440 of the T2 return) . . . . . S2

Subtotal (add lines Q2, R2, and S2) . . . . . T2

Subtotal (line P2 minus line T2) (if negative, enter "0") . . . . . U2

Subtotal (line O2 minus line U2) (if negative, enter "0") . . . . . V2

**GRIP adjustment for specified future tax consequences to the second previous tax year**

(line V2 multiplied by the general rate factor for the tax year 0.7 ) . . . . . **520**

**Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)**

Third previous tax year 2008-12-31

Taxable income before specified future tax consequences from the current tax year 1,619,986 J3

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . K3  
 Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . L3  
 Aggregate investment income (line 440 of the T2 return) . . . . . 924 M3  
 Subtotal (add lines K3, L3, and M3) 924 ▶ 924 N3  
 Subtotal (line J3 minus line N3) (if negative, enter "0") 1,619,062 ▶ 1,619,062 O3

**Future tax consequences that occur for the current year**

Amount carried back from the current year to a prior year

Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences . . . . . P3

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . Q3  
 Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . R3  
 Aggregate investment income (line 440 of the T2 return) . . . . . S3  
 Subtotal (add lines Q3, R3, and S3)   ▶   T3  
 Subtotal (line P3 minus line T3) (if negative, enter "0")   ▶   U3  
 Subtotal (line O3 minus line U3) (if negative, enter "0")   ▶   V3

**GRIP adjustment for specified future tax consequences to the third previous tax year**

(line V3 multiplied by the general rate factor for the tax year 0.7 ) . . . . . **540**

**Total GRIP adjustment for specified future tax consequences to previous tax years:**

(add lines 500, 520, and 540) (if negative, enter "0") . . . . . W

Enter amount W on line 560.

**Part 3 – Worksheet to calculate the GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or a DIC in its last tax year)**

1b. 1 Post amalgamation . . .  Post wind-up . . . . .

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary corporation was a CCPC or a DIC in its last tax year. In the calculation below, **corporation** means a predecessor or a subsidiary. The last tax year for a predecessor corporation was its tax year that ended immediately before the amalgamation and for a subsidiary corporation was its tax year during which its assets were distributed to the parent on the wind-up.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for each predecessor and each subsidiary that was a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Corporation's GRIP at the end of its last tax year . . . . . AA

Eligible dividends paid by the corporation in its last tax year . . . . . BB

Excessive eligible dividend designations made by the corporation in its last tax year . . . . . CC

Subtotal (line BB minus line CC)   ▶   DD

GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or a DIC in its last tax year) (line AA minus line DD) . . . . . EE

After you complete this calculation for each predecessor and each subsidiary, calculate the total of all the EE lines. Enter this total amount on:

- line 230 for post-amalgamation; or
- line 240 for post-wind-up.



**CORPORATIONS INFORMATION ACT ANNUAL RETURN FOR ONTARIO CORPORATIONS**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- This schedule should be completed by a corporation that is incorporated, continued, or amalgamated in Ontario and subject to the Ontario *Business Corporations Act* (BCA) or Ontario *Corporations Act* (CA), except for registered charities under the federal *Income Tax Act*. This completed schedule serves as a *Corporations Information Act* Annual Return under the Ontario *Corporations Information Act*.
- Complete parts 1 to 4. Complete parts 5 to 7 only to report change(s) in the information recorded on the Ontario Ministry of Government Services (MGS) public record.
- This schedule must set out the required information for the corporation as of the date of delivery of this schedule.
- A completed Ontario *Corporations Information Act* Annual Return must be delivered within six months after the end of the corporation's tax year-end. The MGS considers this return to be delivered on the date that it is filed with the Canada Revenue Agency (CRA) together with the corporation's income tax return.
- It is the corporation's responsibility to ensure that the information shown on the MGS public record is accurate and up-to-date. To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. Visit [www.ServiceOntario.ca](http://www.ServiceOntario.ca) for more information.
- This schedule contains non-tax information collected under the authority of the Ontario *Corporations Information Act*. This information will be sent to the MGS for the purposes of recording the information on the public record maintained by the MGS.

**Part 1 – Identification**

<b>100</b> Corporation's name (exactly as shown on the MGS public record) <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>			
Jurisdiction incorporated, continued, or amalgamated, whichever is the most recent <b>Ontario</b>	<b>110</b> Date of incorporation or amalgamation, whichever is the most recent Year Month Day <b>2000-07-01</b>	<b>120</b> Ontario Corporation No. <b>1426855</b>	

**Part 2 – Head or registered office address (P.O. box not acceptable as stand-alone address)**

<b>200</b> Care of (if applicable)			
<b>210</b> Street number <b>950</b>	<b>220</b> Street name/Rural route/Lot and Concession number <b>E Main St</b>	<b>230</b> Suite number	
<b>240</b> Additional address information if applicable (line 220 must be completed first) <b>PO Box 280</b>			
<b>250</b> Municipality (e.g., city, town) <b>Welland</b>	<b>260</b> Province/state <b>ON</b>	<b>270</b> Country <b>CA</b>	<b>280</b> Postal/zip code <b>L3B 5P6</b>

**Part 3 – Change identifier**

Have there been any changes in any of the information most recently filed for the public record maintained by the MGS for the corporation with respect to names, addresses for service, and the date elected/appointed and, if applicable, the date the election/appointment ceased of the directors and five most senior officers, or with respect to the corporation's mailing address or language of preference? To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. For more information, visit [www.ServiceOntario.ca](http://www.ServiceOntario.ca).

**300**  **1** If there have been no changes, enter 1 in this box and then go to "Part 4 – Certification."  
 **2** If there are changes, enter 2 in this box and complete the applicable parts on the next page, and then go to "Part 4 – Certification."

**Part 4 – Certification**

I certify that all information given in this *Corporations Information Act* Annual Return is true, correct, and complete.

**450** PEEVER Last name      **451** ROSS First name

**454** \_\_\_\_\_ Middle name(s)

**460**  **2** Please enter one of the following numbers in this box for the above-named person: 1 for director, 2 for officer, or 3 for other individual having knowledge of the affairs of the corporation. If you are a director and officer, enter 1 or 2.

Note: Sections 13 and 14 of the Ontario *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Complete the applicable parts to report changes in the information recorded on the MGS public record.

**- Part 5 - Mailing address**

**500**  Please enter one of the following numbers in this box:

- 1 - Show no mailing address on the MGS public record.
- 2 - The corporation's mailing address is the same as the head or registered office address in Part 2 of this schedule.
- 3 - The corporation's complete mailing address is as follows:

**510** Care of (if applicable)

**520** Street number    **530** Street name/Rural route/Lot and Concession number    **540** Suite number

**550** Additional address information if applicable (line 530 must be completed first)

**560** Municipality (e.g., city, town)    **570** Province/state    **580** Country    **590** Postal/zip code

**- Part 6 - Language of preference**

**600**  Indicate your language of preference by entering 1 for English or 2 for French. This is the language of preference recorded on the MGS public record for communications with the corporation. It may be different from line 990 on the T2 return.

### SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) EXPENDITURES CLAIM

**Use this form:**

- to provide technical information on your SR&ED projects;
- to calculate your SR&ED expenditures; and
- to calculate your qualified SR&ED expenditures for investment tax credits (ITC).

**To claim an ITC, use either:**

- Schedule T2SCH31, *Investment Tax Credit – Corporations*, or
- Form T2038(IND), *Investment Tax Credit (Individuals)*.

The information requested in this form and documents supporting your expenditures are prescribed information.

Your SR&ED claim must be filed within 12 months of the filing due date of your income tax return.

To help you fill out this form, use the T4088, *Guide to Form T661*, which is available on our Web site: [www.cra.gc.ca/sred](http://www.cra.gc.ca/sred).

**Part 1 – General information**

<p><b>010</b> Name of claimant</p> <p>WELLAND HYDRO ELECTRIC SYSTEM CORP.</p>	<p>Enter one of the following:</p> <p style="text-align: center;">86375 9692 RC0001 Business Number (BN)</p> <p style="text-align: center;">Social Insurance Number (SIN)</p>	
<p>Tax year</p> <p>From: 2011-01-01 Year Month Day</p> <p>To: 2011-12-31 Year Month Day</p>		
<p><b>050</b> Total number of projects you are claiming this tax year:</p> <p style="text-align: center;">2</p>		
<p><b>100</b> Contact person for the financial information</p> <p>Rob Galipeau</p>	<p><b>105</b> Telephone number/extension</p> <p>(416) 360-7733</p>	<p><b>110</b> Fax number</p> <p>(416) 360-7733</p>
<p><b>115</b> Contact person for the technical information</p> <p>Kevin Bailey</p>	<p><b>120</b> Telephone number/extension</p> <p>(905) 732-1381</p>	<p><b>125</b> Fax number</p>

**151** If this claim is filed for a partnership, was Form T5013 filed? 1  Yes    2  No

If you answered **no** to line 151, complete lines 153, 156 and 157.

<b>153</b> Name of the partners	<b>156</b> %	<b>157</b> BN or SIN
1		
2		
3		
4		
5		

**Part 2 - Project information**

CRA internal form identifier 060  
Code 1101

Complete a separate Part 2 for each project claimed this year.

**Section A - Project identification**

**200** Project title (and identification code if applicable)

See schedule

**Part 3 – Calculation of SR&ED expenditures**

What did you spend on your SR&ED projects?

**Section A – Select the method to calculate the SR&ED expenditures**

I elect (choose) to use the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for this tax year.  
I understand that my election is irrevocable (cannot be changed) for this tax year.

- 160**  I elect to use the proxy method  
(Enter "0" on line 360. Complete Part 5 and you do not need to track any expenditure incurred for overhead)
- 162**  I choose to use the traditional method  
(Enter "0" on line 355. Complete line 360, and track any expenditure incurred for overhead)

**Section B – Calculation of allowable SR&ED expenditures (to the nearest dollar)**

• SR&ED portion of salary or wages of employees directly engaged in the SR&ED:			
a) Employees other than specified employees for work performed in Canada	300	+	90,406
b) Specified employees for work performed in Canada	305	+	
<b>Subtotal (add lines 300 and 305)</b>	<b>306</b>	=	<b>90,406</b>
c) Employees other than specified employees for work performed outside Canada (subject to limitations – see guide)	307	+	
d) Specified employees for work performed outside Canada (subject to limitations – see guide)	309	+	
• Salary or wages identified on line 315 in prior years that were paid in this tax year	310	+	
• Salary or wages incurred in the year but not paid within 180 days of the tax year end	<b>315</b>		
• Cost of materials consumed in performing SR&ED	320	+	
• Cost of materials transformed in performing SR&ED	325	+	
• Contract expenditures for SR&ED performed on your behalf:			
a) Arm's length contracts	340	+	
b) Non-arm's length contracts	345	+	
• Lease costs of equipment used:			
a) All or substantially all (90% of the time or more) for SR&ED	350	+	
b) Primarily (more than 50% of the time but less than 90%) for SR&ED. (Enter 50% of lease costs if you use the proxy method or enter "0" if you use the traditional method)	355	+	
• Overhead and other expenditures (enter "0" if you use the proxy method)	360	+	
• Third-party payments (complete Form T1263*)	370	+	
<b>Total current SR&amp;ED expenditures (add lines 306 to 370; do not add line 315)</b> (Corporations need to adjust line 118 of schedule T2SCH1)	<b>380</b>	=	<b>90,406</b>
• <b>Capital Expenditures</b> (see guide for what qualifies for SR&ED) (Do not include these capital expenditures on schedule T2SCH8)	390	+	
<b>Total allowable SR&amp;ED expenditures (add lines 380 and 390)</b>	<b>400</b>	=	<b>90,406</b>

**Section C – Calculation of pool of deductible SR&ED expenditures (to the nearest dollar)**

Amount from line 400	420		90,406
<b>Deduct</b>			
• provincial government assistance for expenditures included on line 400	429	-	
• other government assistance for expenditures included on line 400	431	-	
• non-government assistance for expenditures included on line 400	432	-	
• SR&ED ITCs applied and/or refunded in the prior year (see guide)	435	-	12,125
• sale of SR&ED capital assets and other deductions	440	-	
<b>Subtotal (line 420 minus lines 429 to 440)</b>	<b>442</b>	=	<b>78,281</b>
<b>Add</b>			
• repayments of government and non-government assistance that previously reduced the SR&ED expenditure pool	445	+	
• prior year's pool balance of deductible SR&ED expenditures (from line 470 of prior year T661)	450	+	
• SR&ED expenditure pool transfer from amalgamation or wind-up	452	+	
• amount of SR&ED ITC recaptured in the prior year	453	+	
<b>Amount available for deduction (add lines 442 to 453)</b> (enter positive amount only, include negative amount in income)	<b>455</b>	=	<b>78,281</b>
• Deduction claimed in the year (Corporations should enter this amount on line 411 of schedule T2SCH1)	460	-	78,281
<b>Pool balance of deductible SR&amp;ED expenditures to be carried forward to future years (line 455 minus 460)</b>	<b>470</b>	=	

Form T1263, Third-Party Payments for Scientific Research and Experimental Development (SR&ED)

**Part 4 – Calculation of qualified SR&ED expenditures for investment tax credit (ITC) purposes**

The resulting amount is used to calculate your refundable and/or non refundable ITC.

Enter the breakdown between current and capital expenditures (to the nearest dollar)

		Current Expenditures		Capital Expenditures
<b>Total expenditures for SR&amp;ED (from line 380 and 390)</b>	<b>492</b>	90,406	<b>496</b>	
<b>Add</b>				
• payment of prior years' unpaid amounts (other than salary or wages)	<b>500</b> +			
• prescribed proxy amount (complete Part 5) (Enter "0" if you use the traditional method)	<b>502</b> +	58,443		
• expenditures on shared-use equipment (see guide)			<b>504</b> +	
• qualified expenditures transferred to you (complete Form T1146**)	<b>508</b> +		<b>510</b> +	
<b>Subtotal (add lines 492 to 508, and add lines 496 to 510)</b>	<b>511</b> =	148,849	<b>512</b> =	
<b>Deduct</b>				
• provincial government assistance	<b>513</b> -		<b>514</b> -	
• other government assistance	<b>515</b> -		<b>516</b> -	
• non-government assistance and contract payments	<b>517</b> -		<b>518</b> -	
• current expenditures (other than salary or wages) not paid within 180 days of the tax year end	<b>520</b> -			
• amounts paid in respect of an SR&ED contract to a person or partnership that is not taxable supplier	<b>528</b> -			
• prescribed expenditures not allowed by regulations (see guide)	<b>530</b> -		<b>532</b> -	
• other deductions (see guide)	<b>533</b> -		<b>535</b> -	
• non-arm's length transactions				
– assistance allocated to you (complete Form T1145*)	<b>538</b> -		<b>540</b> -	
– expenditures for non-arm's length SR&ED contracts (from line 345)	<b>541</b> -			
– adjustments to purchases (limited to costs) of goods and services from non-arm's length suppliers (see guide)	<b>542</b> -		<b>543</b> -	
– qualified expenditures you transferred (complete Form T1146**)	<b>544</b> -		<b>546</b> -	
<b>Subtotal (line 511 minus lines 513 to 544 and line 512 minus lines 514 to 546)</b>	<b>557</b> =	148,849	<b>558</b> =	
<b>Qualified SR&amp;ED expenditures (add lines 557 and 558)</b>			<b>559</b> =	148,849
<b>Add</b>				
• repayments of assistance and contract payments made in the year			<b>560</b> +	
<b>Total qualified SR&amp;ED expenditures for ITC purposes (add lines 559 and 560)</b>			<b>570</b> =	148,849

\* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*

\*\* Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*

**Part 5 – Calculation of prescribed proxy amount (PPA)**

A notional amount representing your overhead and other expenditures.

This part calculates the PPA to enter on line 502 in Part 4. Do not complete this part if you have chosen to use the traditional method in Part 3 (line 162). You can only claim a PPA if you elected to use the proxy method for the year in Part 3 (line 160).

Special rules apply for specified employees. Calculate your salary base in Section A and the PPA in section B.

**Section A – Salary base**

Salary or wages of employees other than specified employees (from line 300 and 307)	810 +	90,406
<b>Deduct</b>		
Bonuses, remuneration based on profits, and taxable benefits that were included on line 810	812 -	494
<b>Subtotal</b> (line 810 minus 812)	814 =	89,912

**Salary or wages of specified employees**

850 Column 1	852 Column 2	854 Column 3	856 Column 4	858 Column 5	860 Column 6
Name of Specified Employee	Total salary or wages for the year (SR&ED and non-SR&ED) excluding bonuses, remuneration based on profits, and taxable benefits (to the nearest dollar)	% of time spent on SR&ED (maximum 75%)	Amount in column 2 multiplied by percentage in column 3	2,5 x A x B/365 A = Year's maximum pensionable earnings B = Number of days employed in tax year	Amount in column 4 or 5, whichever amount is less
(Enter total of column 6 on line 816)					816 +

<b>Salary base</b> (total of lines 814 and 816)	818 =	89,912
---	-------	--------

**Section B – Prescribed proxy amount (PPA)**

Enter 65% of the salary base (line 818 x 65%)	820 =	58,443
Enter the amount from line 820 on line 502 in Part 4 unless the overall cap on PPA applies to you.		

(See the guide for explanation and example of the overall cap on PPA)

**Part 6 – Project costs**

Information requested in this part must be provided for all SR&ED projects claimed in the year. Expenditures should be recorded and allocated on a project basis.

750	752	754	756
Project title or identification code	Salary or wages in the tax year	Cost of materials in the tax year	Contract expenditures for SR&ED performed on your behalf in the tax year
	(Total of lines 306 to 309)	(Total of lines 320 and 325)	(Total of lines 340 and 345)
1. Infrastructure Management and Optimization	53,366		
2. Ensuring 98% read success rate for 20,000 deployed smart	37,040		
<b>Total</b>	90,406		

**Part 7 – Additional information**

Expenditures for SR&ED performed by you in Canada (line 400 minus lines 307, 309, 340, 345, and 370)	<b>605</b>	90,406
From the total you entered on line 605, estimate the percentage of distribution of the sources of funds for SR&ED performed within your organization.		
		Canadian (%)                      Foreign (%)
Internal	<b>600</b>	100.000
Parent companies, subsidiaries, and affiliated companies	<b>602</b>	<b>604</b>
Federal grants (do not include funds or tax credits from SR&ED tax incentives)	<b>606</b>	
Federal contracts	<b>608</b>	
Provincial funding	<b>610</b>	
SR&ED contract work performed for other companies on their behalf	<b>612</b>	<b>614</b>
Other funding (e.g., universities, foreign governments)	<b>616</b>	<b>618</b>

Enter the number of SR&ED personnel in full-time equivalents (FTE):

Scientists and engineers	<b>632</b>	
Technologists and technicians	<b>634</b>	2
Managers and administrators	<b>636</b>	
Other technical supporting staff	<b>638</b>	

**Part 8 – Claim checklist**

To ensure your claim is complete, make sure you have:

- used the current version of this form
- entered the method you have chosen for reporting your SR&ED expenditures in Section A of Part 3
- completed Part 2 for each project
- filed a completed Schedule T2SCH31 or Form T2038(IND) to claim ITCs on your qualified SR&ED expenditures
- filed a completed Form T1145\*, T1146\*\*, T1174\*\*\* and/or T1263\*\*\*\* including any required attachments, if applicable

To expedite the processing of your claim, make sure you have:

- completed Form T2, *Corporation Income Tax Return* or Form T1, *Income Tax and Benefit Return*
- filed the appropriate provincial and/or territorial tax credit forms, if applicable
- retained documents to support the SR&ED expenditures you claimed
- checked boxes 231 and 232 on page 2 of your T2 return to indicate attachment of Form T661 and Schedule T2SCH31

\* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*  
 \*\* Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*  
 \*\*\* Form T1174, *Agreement Between Associated Corporations to Allocate Salary or Wages of Specified Employees for Scientific Research and Experimental Development (SR&ED)*  
 \*\*\*\* Form T1263, *Third-Party Payments for Scientific Research and Experimental Development (SR&ED)*

**Part 9 – Certification**

I certify that I have examined the information provided on this form and on the attachments and it is true, correct, and complete.

<b>165</b> ROSS PEEVER	Signature	<b>170</b> 2012-06-25	Date
Name of authorized signing officer of the corporation, or individual			
<b>175</b> BeneFACT Consulting Group Inc.	Name of person/firm who completed this form		

**Part 2 - Project information (continued)**

Project number 1

CRA internal form identifier 060  
Code 1101

Complete a separate Part 2 for each project claimed this year.

**Section A – Project identification**

**200** Project title (and identification code if applicable)

**Infrastructure Management and Optimization**

**202** Project start date

2010-09

Year Month

**204** Completion or expected completion date

2012-03

Year Month

**206** Field of science or technology code

(See guide for list of codes)

2.02.09

Software engineering and technology

Project claim history

**208** 1  Continuation of a previously claimed project

**210** 1  First claim for the project

**218** Was any of the work done jointly or in collaboration with other businesses?

1  Yes

2  No

If you answered yes to line 218, complete lines 220 and 221.

**220** Names of the businesses

**221** BN

The work was carried out (check any that apply)

**223** 1  In a laboratory

**226** 1  In a commercial plant or facility

**224** 1  In a dedicated research facility

**228** 1  Others, specify **229**

Purpose of the work

**230** 1  To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes.  
(Go to Section B – Experimental development)

**232** 1  For the advancement of scientific knowledge  
(Go to Section C – Basic or applied research)

**Section B – Experimental development**

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products		Processes	
The creation of new	<b>235</b>	1 <input checked="" type="checkbox"/>	<b>236</b>	1 <input type="checkbox"/>
The improvement of existing	<b>237</b>	1 <input type="checkbox"/>	<b>238</b>	1 <input type="checkbox"/>

**240** What technological advancements were you trying to achieve? (Maximum 50 lines)

1. The technological objective for this project was to develop a web-based
2. database system which would work concurrently with the on-ground hard-wired
3. system. The database system would keep in store the vast amount of information
4. present on our physical system with the additional capability of being
5. internet accessible and instantly updatable, so that on-the-field
6. modifications made to the physical system would be recorded in runtime,
7. enabling us to save valuable time and effort and ensuring that the data
8. present to us is always current.
- 9.
10. In order to achieve this goal, we developed a web-based system, as well as
11. programming add-ons to the commercial software platform Autodesk Topobase in
12. order to ensure the smooth integration of this system into the environment
13. without compromising the flexibility or performance characteristic of the end
14. product yet greatly enhancing functionality.
- 15.
16. This project was completed with success during the claim period. The enhanced
17. functionality attained through the project, and the understanding we gained
18. represents a technological advancement with respect to the underlying
19. technology.
- 20.
21. The development of this technology resulted in considerable knowledge gains

**240** What technological advancements were you trying to achieve? (Maximum 50 lines)

22. for our company including:
- 23.
24. \* Leveraging the use of proprietary open source software to develop a highly
25. configurable smart-build system with a web-based interactive interface and an
26. easily accessible information database.
27. \* Enhanced online functionality of the system which resulted in allowing us to
28. perform on-field inspections and instant updates to the database to ensure
29. system information remained up to date.
30. \* Improved system integration and information presentation, so that all
31. necessary information was present to us as required, from all physical
32. connections, characteristics, and work order information for any object of
33. interest in our system, to updated customer information and comprehensive
34. physical system layout, in an easily accessible web-based or report-based
35. format.

**242** What technological obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (Maximum 50 lines)

1. At the onset of the project, limitations in the existing state of the art
2. technology and off-the-shelf software programs prevented us from directly
3. achieving our objectives. These obstacles were specific to the new
4. capabilities we wanted, as developing a tool to monitor a system of our scale
5. and for our specifications was not available a priori. In order to remove
6. these technical problems and achieve the advancements, we needed to overcome
7. the following technological obstacles:
- 8.
9. \* The first challenge was to implement a system which would be able to provide
10. an accurate GIS model and database of the physical on-ground system. The
11. challenge lay in the fact that the leading proprietary software used for our
12. specific modeling application - Autodesk Topobase, was designed primarily to
13. serve European industry standards, and its out-of-the-box applicability to
14. North American systems, standards and environments was minimal.
15. \* Another challenge was to deal with the system performance latency issues
16. which arose due to two main reasons: 1. the large volume of data that the
17. system was required to handle, and 2. the modified version of the software we
18. purchased from a third-party vendor. The vendor modified the software in an
19. attempt to tailor the program to fit our requirements and the standards
20. present in our specific environment. However, due to inaccurate modeling of
21. our specific requirements and the presence of corrupt dll files in their
22. programming, we initially faced many errors and program crashes.
23. \* Our next challenge was the lack of a web-based database system to complement
24. the developed system, which restricted us from runtime database modification,
25. thereby reducing system functionality as a whole.
26. \* Our final challenge was ensuring all information on the system, including
27. customer and specific part information, was up to date, present in multiple
28. formats for improved accessibility and inspection, and fully integrated into
29. one system.

**244** What work did you perform in the tax year to overcome the technological obstacles/uncertainties described in Line 242? (Summarize the systematic investigation) (Maximum 100 lines)

1. The following paragraphs summarize the work we did during the claim period and
2. the incremental results we achieved toward removing the technological
3. obstacles.
- 4.
5. The first challenge involved tailoring the Autodesk Topobase software to fit
6. our specific requirements. This involved performing significant programming
7. modifications to the software using sequel programming, as the inbuilt version
8. of the software was too generic to be implemented for North American
9. industrial standards. Our initial attempts to modify the software led to the
10. development of bugs and system crashes. Variations were made to the software

224 What work did you perform in the tax year to overcome the technological obstacles/uncertainties described in Line 242?  
(Summarize the systematic investigation) (Maximum 100 lines)

11. incrementally to enhance its applicability, and through the course of the  
12. year, after performing multiple iterations we were able to develop and launch  
13. a variant which was fully tested and suitable for our needs. The first step to  
14. achieve this goal was improving the current GIS tracing function, which was  
15. too basic for our requirements. Through reprogramming the system and  
16. integrating the part database with the GIS, the newly developed system is now  
17. able to provide detailed information on any object of interest. Selection of  
18. any object in the system provides details of the individual object as well as  
19. all physical connections, system layout, and customer information pertaining  
20. to that specific object. In this way the system was modified to encompass and  
21. generate all necessary information.

22.  
23. Our next challenge was to ensure optimal system performance. One main obstacle  
24. to this was the large amount of data that the system was required to handle  
25. regularly, especially if the function of consistent information updates was to  
26. be maintained. There are hundreds of thousands of part drawings and files for  
27. transformers, poles, conductors, etc., which needed to be imported into the  
28. system and maintained regularly. Initially system performance suffered due to  
29. the required data rate. Incremental changes were made to the system, and after  
30. performing procedures for system overhaul including hardware optimization and  
31. improved system upkeep, that problem has been fully addressed.

32.  
33. The other obstacle to optimal system performance was the version of the  
34. Autodesk Topobase software we had procured from a third-party vendor. The  
35. vendor was responsible for one-time software installation and support. The  
36. vendor created API's using Autodesk's open-source programming function to  
37. create custom functions and buttons. However, the add-ons they provided led to  
38. system performance deterioration and frequent system crashes. Performance was  
39. improved by reprogramming the software. The corrupt dll's and unnecessary  
40. system features were sequentially eradicated over the year, leading to  
41. significant system performance enhancement.

42.  
43. Our next challenge was to develop an integrated web-based database system to  
44. complement the developed GIS. Through the programming and development of  
45. network-based access to the Oracle database for the GIS system, remote  
46. information update to the system has allowed information update on the  
47. database to be greatly streamlined. Field-to-server communication using 3G  
48. technology now allows inspections to be performed in the field and the  
49. pertaining data to be updated on the server in runtime.

50.  
51. The final challenge is ensuring all system information is up to date and  
52. accessible. The parts and physical system information present in the GIS  
53. software on the Oracle database was made accessible from the field, and can be  
54. modified to include any changes made to the system. Further, we have  
55. programmed a batch file which accesses the customer information database and  
56. updates the oracle database every night, ensuring that the customer  
57. information and physical system information which is accessible every business  
58. day is current.

59.  
60. Improved accessibility has been achieved using two approaches. The first was  
61. through the creation of a php-based web portal which provides access to  
62. available GIS maps as well as options to filter maps to display specific  
63. information. The second is through our development of a programmed subsystem  
64. which generates inspection files for all parts in the system. This system  
65. ensures all data pertaining to a specific part - including part  
66. specifications, location, all physical and customer connections, and a current  
67. digital photograph, is available in a single hardcopy document format based on  
68. the most up to date information.

**Section C – Basic or applied research**

**250** What advancements in scientific knowledge were you trying to achieve? (Maximum 50 lines)

- 1.
- 2.
- 3.
- 4.

**252** What work did you perform in the tax year, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (Maximum 100 lines)

- 1.
- 2.
- 3.
- 4.

**Section D – Additional project information**

Who prepared the responses for Section B or Section C?

**253** 1  Employee directly involved in the project **254** Name  
Kevin Bailey

**255** 1  Other employee of the company **256** Name

**257** 1  External consultant **258** Name  
Benefact Consulting **259** Firm  
Benefact Consulting

List the key individuals directly involved in the project and indicate their qualifications/experience.

<b>260</b>	Names	<b>261</b>	Qualifications/experience and position title
1	Tom Wilga		Engineering Technician; over 10 years industry experience
2			
3			

**265** Are you claiming any salary or wages for SR&ED performed outside Canada? 1  Yes 2  No

**266** Are you claiming expenditures for SR&ED carried out on behalf of another party? 1  Yes 2  No

**267** Are you claiming expenditures for SR&ED performed by people other than your employees? 1  Yes 2  No

If you answered yes to line 267, complete lines 268 and 269.

<b>268</b>	Names of individuals or companies	<b>269</b>	BN
1			

What evidence do you have to support your claim? (Check any that apply)

You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- |  |  |
|--|--|
| <b>270</b> 1 <input type="checkbox"/> Project planning documents                                 | <b>276</b> 1 <input type="checkbox"/> Progress reports, minutes of project meetings                    |
| <b>271</b> 1 <input type="checkbox"/> Records of resources allocated to the project, time sheets | <b>277</b> 1 <input type="checkbox"/> Test protocols, test data, analysis of test results, conclusions |
| <b>272</b> 1 <input type="checkbox"/> Design of experiments                                      | <b>278</b> 1 <input checked="" type="checkbox"/> Photographs and videos                                |
| <b>273</b> 1 <input type="checkbox"/> Project records, laboratory notebooks                      | <b>279</b> 1 <input type="checkbox"/> Samples, prototypes, scrap or other artefacts                    |
| <b>274</b> 1 <input checked="" type="checkbox"/> Design, system architecture and source code     | <b>280</b> 1 <input type="checkbox"/> Contracts  |
| <b>275</b> 1 <input type="checkbox"/> Records of trial runs                                      | <b>281</b> 1 <input checked="" type="checkbox"/> Others, specify <b>282</b> emails                     |

**Part 2 - Project information (continued)**

Project number 2

CRA internal form identifier 060  
Code 1101

Complete a separate Part 2 for each project claimed this year.

**Section A – Project identification**

**200** Project title (and identification code if applicable)

Ensuring 98% read success rate for 20,000 deployed smart met

**202** Project start date

2011-01

Year Month

**204** Completion or expected completion date

2012-03

Year Month

**206** Field of science or technology code

(See guide for list of codes)

2.02.05

Automation and control systems

Project claim history

**208** 1  Continuation of a previously claimed project

**210** 1  First claim for the project

**218** Was any of the work done jointly or in collaboration with other businesses?

1  Yes

2  No

If you answered yes to line 218, complete lines 220 and 221.

**220** Names of the businesses

**221** BN

The work was carried out (check any that apply)

**223** 1  In a laboratory

**226** 1  In a commercial plant or facility

**224** 1  In a dedicated research facility

**228** 1  Others, specify **229**

Purpose of the work

**230** 1  To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes.  
(Go to Section B – Experimental development)

**232** 1  For the advancement of scientific knowledge  
(Go to Section C – Basic or applied research)

**Section B – Experimental development**

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products	Processes
The creation of new	<b>235</b> 1 <input type="checkbox"/>	<b>236</b> 1 <input checked="" type="checkbox"/>
The improvement of existing	<b>237</b> 1 <input type="checkbox"/>	<b>238</b> 1 <input checked="" type="checkbox"/>

**240** What technological advancements were you trying to achieve? (Maximum 50 lines)

1. Our technological objective was to ensure that the network of 20 thousand
2. smart meters was functioning with the desired 98% read success rate as
3. mandated by the provincial authority. Given the large number of meters, our
4. objective was to develop technology to quickly identify the cause of a defect
5. and determine quickly whether the meter should be fixed or replaced.
- 6.
7. At the conclusion of the current claim period our infrastructure has gone
8. live. We have had significant success in identifying typical causes of meter
9. failures. Furthermore, advancements made to the underlying technology has
10. enabled us to minimize the replacement of meters. Below we discuss some of our
11. main advancements:
- 12.
13. \* The deployment of a custom tool on handheld devices has proven to be our
14. first line of defence in detecting defects with an individual meter. The tool
15. enables us to ping the meter as well as place it in buddy mode.
- 16.
17. \* Instead of replacing meters with a weak signal we have leveraged the buddy
18. mode to enable them to piggy back their communication through a neighbouring
19. functional meter. Furthermore, in-house experimentation has revealed that a
20. hard reset on these meters requires a 10 minute power off cycle due to an
21. internal capacitor that requires this time to be completely drained. This

**240** What technological advancements were you trying to achieve? (Maximum 50 lines)

22. previously unknown and undocumented fact has enabled us to reset a large  
23. number of previously dysfunctional meters.  
24.  
25. \* We have deployed a field management tool which lets us not only ping a meter  
26. but detect its mode. Through this tool we are able to identify meters which  
27. were previously set on buddy mode but whose mode had been turned off due to  
28. system maintenance and tuning. This has enabled us to minimize the effort  
29. required in debugging meter failures.  
30.  
31. \* To deal with congested areas we have developed a new mode which minimizes  
32. the number of messages generated. This reduces noise level and prevents the  
33. tower to become bombarded by messages. Furthermore, we have developed, tested  
34. and optimized the messages being sent for each mode. This in-house development  
35. has had one key focus; ensure high reads while minimizing network congestion  
36. by reducing the number of un-necessary messages being sent.

**242** What technological obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (Maximum 50 lines)

1. Installation of 20 thousand smart meters, a technology still in its infancy,  
2. has posed immense technological challenges and obstacles. During the course of  
3. the current claim period we have had to undertake research and experimentation  
4. to deal with the complicated network of 20 thousand meters we have  
5. established. We discuss some of the key technological challenges below:  
6.  
7. \* Our biggest challenge was to ensure that the network of over 20 thousand  
8. smart meters was working as desired. More specifically, we faced the momentous  
9. challenge of achieving the desired 98% success rate which meant that 98% of  
10. meters must communicate with the central repository at least once every 15  
11. minutes. Our first experiment showed a 3% failure rate, which, given the large  
12. number of meters, amounted to experimentally identifying the cause of failure  
13. for 600 meters. We were challenged to develop a methodology to quickly  
14. investigate and identify why each meter was not working.  
15.  
16. \* Our next challenge was dealing with meters with weak radios. For successful  
17. communication the signal strength should be at least 90DB. However, some  
18. meters only read 70DB which was too weak. Furthermore, if through an on-site  
19. experiment a meter could not be pinged within a 15 feet distance we knew that  
20. the meter either had a weak radio or was defective. We were challenged to  
21. identify such meters and find a work-around.  
22.  
23. \* We were challenged to overcome the technological hurdle that network  
24. maintenance on our meters switched off their buddy mode which made meters  
25. relying on buddies to communicate fail. Since we did know when such network  
26. tuning was performed, we faced the challenge of determining why all of a  
27. sudden large number of meters stopped working and then develop a methodology  
28. to handle such occurrences.  
29.  
30. \* The large number of messages generated by meters in congested areas such as  
31. apartment buildings posed a major technological challenge since the tower was  
32. unable to handle being bombarded with so many messages in short spurts. We  
33. were challenged to decrease the number of messages generated by reducing noise  
34. levels emanating from congested areas.

**244** What work did you perform in the tax year to overcome the technological obstacles/uncertainties described in Line 242? (Summarize the systematic investigation) (Maximum 100 lines)

1. To overcome the challenge of investigating the over 600 offline meters, our  
2. first line of experimentation was through a custom tool deployed on a  
3. handheld. We have developed a process through which we identify the cause of  
4. the problem with an individual meter. Using the tool we can ping a meter and

244 What work did you perform in the tax year to overcome the technological obstacles/uncertainties described in Line 242?  
(Summarize the systematic investigation) (Maximum 100 lines)

5. also put it into buddy mode. This mode was developed so that if a meter cannot  
6. directly communicate with a collector it communicates with a buddy meter which  
7. then communicates on its behalf. However, although theoretically ideal, the  
8. tool is cumbersome to use. First, the tool did not always perform as desired  
9. and sometimes was unable to place the meter into buddy mode. Second, even if  
10. the tool was successful in switching the mode on a meter, the solution did not  
11. always work. After research we developed a methodology to ensure that at least  
12. we eliminated the uncertainty that the meter had not been placed in buddy  
13. mode. Once this was resolved, we began investigating the cause of the second  
14. problem i.e. meters not communicating even when placed in buddy mode.

15.  
16. Our next challenge was dealing with meters with weak radios i.e. with signal  
17. strength less than 90DB. Our infrastructure is laid out so that meters talk  
18. to a tower, the tower talks to a collector which is the backbone connection to  
19. the central repository. In an ideal situation, each meter talks to the closest  
20. tower. However, meters with weak radios cannot achieve this. Instead of  
21. replacing the meter (which is time consuming and costly) we chose to manually  
22. enable buddy mode. This means that a meter with a defective radio can still  
23. piggy back on a neighbouring functioning meter. Our on-site experiments  
24. resulted in limited success; switching the defective meters to buddy mode  
25. successfully got a number of meters on line. Meters that could not be brought  
26. online even in buddy mode were taken to our lab for further investigation.  
27. Each meter was placed on a testboard and experiments conducted to ensure that  
28. we only discarded defective meters. Through such experimentation we identified  
29. that meters contain a capacitor which is drained after being off power for 10  
30. minutes. Hence a hard reset requires 10 minutes. We were able to successfully  
31. reset a number of modems after we made this discovery. Any meter which still  
32. did not come live after all these attempts was discarded and replaced with  
33. functioning meters.

34.  
35. The discovery that meters that we had switched to buddy mode randomly turned  
36. their buddy mode off posed another technological hurdle. Further investigation  
37. led to the discovery that network maintenance often updated the meters which  
38. placed the meters in their default settings that included having the buddy  
39. mode turned off. We deployed a field management tool through which we are not  
40. only able to ping the meter but also detect what mode is set on the meter.  
41. Through this mode we are able to quickly identify meters whose buddy mode  
42. becomes disabled. Resetting the mode on these meters fixed the issue.

43.  
44. A last technological challenge was to get meters situated in congested areas  
45. such as apartment buildings to communicate with the tower. Through research we  
46. identified that meters were generating a lot of message traffic. The default  
47. settings on the meters results in multiple messages to the tower as well as  
48. neighbouring meters. We realized that sending so many messages was causing  
49. extraordinary levels of noise which in turn was causing messages to be lost  
50. since the tower was unable to deal with the traffic. We have developed a  
51. clever solution for such congested areas through the development of a new  
52. mode. In the new mode, meters broadcast to everyone in the vicinity. A buddy  
53. forwards the message to the tower. At the same time, the tower acknowledges  
54. the indirect communication so that the meter residing in the congested area  
55. knows which buddy to send future communications through thereby not requiring  
56. new buddy discovery. At the same time other buddies know that the meter found  
57. a buddy that is transmitting on its behalf so that not all buddies try to  
58. communicate on a meter's behalf. Our experiments show that this mode works  
59. extremely well for congested areas by reducing the number of messages that are  
60. generated.

**Section C – Basic or applied research**

**250** What advancements in scientific knowledge were you trying to achieve? (Maximum 50 lines)

- 1.
- 2.
- 3.
- 4.

**252** What work did you perform in the tax year, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (Maximum 100 lines)

- 1.
- 2.
- 3.
- 4.

**Section D – Additional project information**

Who prepared the responses for Section B or Section C?

**253** 1  Employee directly involved in the project **254** Name  
Kevin Bailey

**255** 1  Other employee of the company **256** Name

**257** 1  External consultant **258** Name **259** Firm  
Benefact Consulting Benefact Consulting

List the key individuals directly involved in the project and indicate their qualifications/experience.

<b>260</b>	Names	<b>261</b>	Qualifications/experience and position title
1	Christine Hopson		Meter Technician; 5 + years industry experience
2	Jerry Woods		Asst. Sub Foreman; 20 + years industry experience
3			

**265** Are you claiming any salary or wages for SR&ED performed outside Canada? 1  Yes 2  No

**266** Are you claiming expenditures for SR&ED carried out on behalf of another party? 1  Yes 2  No

**267** Are you claiming expenditures for SR&ED performed by people other than your employees? 1  Yes 2  No

If you answered yes to line 267, complete lines 268 and 269.

**268** Names of individuals or companies **269** BN

What evidence do you have to support your claim? (Check any that apply)

You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- |  |  |
|--|--|
| <b>270</b> 1 <input type="checkbox"/> Project planning documents                                 | <b>276</b> 1 <input type="checkbox"/> Progress reports, minutes of project meetings                    |
| <b>271</b> 1 <input type="checkbox"/> Records of resources allocated to the project, time sheets | <b>277</b> 1 <input type="checkbox"/> Test protocols, test data, analysis of test results, conclusions |
| <b>272</b> 1 <input type="checkbox"/> Design of experiments                                      | <b>278</b> 1 <input type="checkbox"/> Photographs and videos   |
| <b>273</b> 1 <input type="checkbox"/> Project records, laboratory notebooks                      | <b>279</b> 1 <input checked="" type="checkbox"/> Samples, prototypes, scrap or other artefacts         |
| <b>274</b> 1 <input type="checkbox"/> Design, system architecture and source code                | <b>280</b> 1 <input type="checkbox"/> Contracts  |
| <b>275</b> 1 <input checked="" type="checkbox"/> Records of trial runs                           | <b>281</b> 1 <input checked="" type="checkbox"/> Others, specify <b>282</b> Emails                     |

## E-FILING INSTRUCTIONS

*Welland Hydro Electric System Corp.*

### FEDERAL - T2 NIL

**Tax Centre Address:** Canada Revenue Agency  
Tax Centre  
275 Pope Rd  
Summerside PE C1N 6A2

**Courier Address:** *Same As Above*

**Tax Return Due Date:** July 3, 2012

**Tax Due:** No tax owing

**Tax Due Date:** N/A

**Payable To:** N/A

**Tax Refund:** N/A

#### Signing Instruction:

One copy of the Form T183 *Information Return for Corporations Filing Electronically* should be signed where indicated and returned to Deloitte in the enclosed envelope. Please note that we cannot electronically submit the tax return until such time as the aforementioned signed form is in our possession. The Canada Revenue Agency does not currently provide an extension where a corporate income tax return is rejected during the electronic filing process; as such, we request that you provide the signed authorization form at least 3 business days prior to the filing deadline listed above. Where the authorization form is received within 2 days of the filing deadline, we cannot guarantee that the income tax return will be accepted and as a result we cannot guarantee that the income tax return will be filed prior to the deadline.

Form RC59 *Business Consent* should be signed and forwarded to the above tax centre address. Where applicable, a cheque for any outstanding balance can be forwarded along with the Business Consent form to the Canada Revenue Agency.



T2 CORPORATION INCOME TAX RETURN

2011

055 Do not use this area

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

All legislative references on this return are to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of publication.

Send one completed copy of this return, including schedules and the *General Index of Financial Information (GIFI)*, to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see [www.cra.gc.ca](http://www.cra.gc.ca) or Guide T4012, *T2 Corporation - Income Tax Guide*.

Identification

Business Number (BN) 001 86375 9692 RC0001

Corporation's name 002 WELLAND HYDRO ELECTRIC SYSTEM CORP.

Address of head office  
Has this address changed since the last time we were notified? 010 1 Yes  2 No   
(If yes, complete lines 011 to 018.)

011 950 EAST MAIN STREET  
012 P.O. BOX 280  
City Province, territory, or state  
015 WELLAND 016 ON  
Country (other than Canada) Postal code/Zip code  
017 018 L3B 5P6

Mailing address (if different from head office address)  
Has this address changed since the last time we were notified? 020 1 Yes  2 No   
(If yes, complete lines 021 to 028.)

021 c/o  
022  
023  
City Province, territory, or state  
025 026  
Country (other than Canada) Postal code/Zip code  
027 028

Location of books and records  
Has the location of books and records changed since the last time we were notified? 030 1 Yes  2 No   
(If yes, complete lines 031 to 038.)

031 950 EAST MAIN STREET  
032 P.O. BOX 280  
City Province, territory, or state  
035 WELLAND 036 ON  
Country (other than Canada) Postal code/Zip code  
037 038 L3B 5P6

040 Type of corporation at the end of the tax year  
1  Canadian-controlled private corporation (CCPC) 4  Corporation controlled by a public corporation  
2  Other private corporation 5  Other corporation (specify, below)  
3  Public corporation

If the type of corporation changed during the tax year, provide the effective date of the change. 043  
YYYY MM DD

To which tax year does this return apply?  
Tax year start 060 2011-01-01 Tax year-end 061 2011-12-31  
YYYY MM DD YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? 063 1 Yes  2 No   
If yes, provide the date control was acquired 065  
YYYY MM DD

Is the date on line 061 a deemed tax year-end according to:  
subparagraph 88(2)(a)(iv)? 064 1 Yes  2 No   
subsection 249(3.1)? 066 1 Yes  2 No

Is the corporation a professional corporation that is a member of a partnership? 067 1 Yes  2 No

Is this the first year of filing after:  
Incorporation? 070 1 Yes  2 No   
Amalgamation? 071 1 Yes  2 No   
If yes, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? 072 1 Yes  2 No   
If yes, complete and attach Schedule 24.

Is this the final tax year before amalgamation? 076 1 Yes  2 No

Is this the final return up to dissolution? 078 1 Yes  2 No

If an election was made under section 261, state the functional currency used 079

Is the corporation a resident of Canada?  
080 1 Yes  2 No  If no, give the country of residence on line 081 and complete and attach Schedule 97.  
081

Is the non-resident corporation claiming an exemption under an income tax treaty? 082 1 Yes  2 No   
If yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:  
085 1  Exempt under paragraph 149(1)(e) or (l)  
2  Exempt under paragraph 149(1)(j)  
3  Exempt under paragraph 149(1)(t)  
4  Exempt under other paragraphs of section 149

Do not use this area

095 096

**Attachments**

**Financial statement information:** Use GIFL schedules 100, 125, and 141.

**Schedules – Answer the following questions. For each yes response, attach the schedule to the T2 return, unless otherwise instructed.**

	Yes	Schedule
Is the corporation related to any other corporations?	<input checked="" type="checkbox"/>	9
Is the corporation an associated CCPC?	<input checked="" type="checkbox"/>	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	<input type="checkbox"/>	49
Does the corporation have any non-resident shareholders?	<input type="checkbox"/>	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	<input type="checkbox"/>	11
If you answered <b>yes</b> to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	<input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<input checked="" type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	<input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	<input type="checkbox"/>	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust (without reference to section 94)?	<input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	<input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ?	<input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	<input type="checkbox"/>	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	<input checked="" type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<input type="checkbox"/>	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	<input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	<input checked="" type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<input checked="" type="checkbox"/>	3
Is the corporation claiming any type of losses?	<input type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	<input checked="" type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	<input type="checkbox"/>	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) does the corporation have aggregate investment income at line 440?	<input type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	<input checked="" type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	<input checked="" type="checkbox"/>	10
Does the corporation have any resource-related deductions?	<input type="checkbox"/>	12
Is the corporation claiming deductible reserves?	<input checked="" type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	<input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	<input type="checkbox"/>	18
Is the corporation carrying on business in Canada as a non-resident corporation?	<input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	<input type="checkbox"/>	21
Does the corporation have any Canadian manufacturing and processing profits?	<input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	<input checked="" type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<input checked="" type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	<input checked="" type="checkbox"/>	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000?	<input checked="" type="checkbox"/>	
Is the corporation claiming a surtax credit?	<input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	<input type="checkbox"/>	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	<input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	<input type="checkbox"/>	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	<input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	<input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	<input type="checkbox"/>	92

**Attachments – continued from page 2**

	Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	<input type="checkbox"/>	T1134-A
Did the corporation have any controlled foreign affiliates?	<input type="checkbox"/>	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	<input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?	<input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	<input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	<input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	<input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	<input type="checkbox"/>	T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	<input checked="" type="checkbox"/>	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	<input type="checkbox"/>	T2002
Has the corporation revoked any previous election made under subsection 89(11)?	<input type="checkbox"/>	T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	<input checked="" type="checkbox"/>	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	<input type="checkbox"/>	54

**Additional information**

Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	270	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Was the corporation inactive?	280	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's main revenue-generating business activity?		221122 Electric Power Distribution US	
Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	284	POWER DISTRIBUTION	285 100.000 %
	286		287 %
	288		289 %
Did the corporation immigrate to Canada during the tax year?	291	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the tax year?	292	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>
If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible	294	YYYY MM DD	
If the corporation's major business activity is construction, did you have any subcontractors during the tax year?	295	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>

**Taxable income**

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL	300	787,071	A
<b>Deduct:</b> Charitable donations from Schedule 2	311	35,944	
Gifts to Canada, a province, or a territory from Schedule 2	312		
Cultural gifts from Schedule 2	313		
Ecological gifts from Schedule 2	314		
Gifts of medicine from Schedule 2	315		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320		
Part VI.1 tax deduction*	325		
Non-capital losses of previous tax years from Schedule 4	331		
Net capital losses of previous tax years from Schedule 4	332		
Restricted farm losses of previous tax years from Schedule 4	333		
Farm losses of previous tax years from Schedule 4	334		
Limited partnership losses of previous tax years from Schedule 4	335		
Taxable capital gains or taxable dividends allocated from a central credit union	340		
Prospector's and grubstaker's shares	350		
	Subtotal	35,944	B
	Subtotal (amount A minus amount B) (if negative, enter "0")	751,127	C
<b>Add:</b> Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355		D
<b>Taxable income</b> (amount C plus amount D)	360	751,127	
Income exempt under paragraph 149(1)(t)	370		
<b>Taxable income</b> for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370)		751,127	Z

\* This amount is equal to 3.2 times the Part VI.1 tax payable at line 724 on page 8. Use 3.5 for tax years ending after 2011.

**Small business deduction**

**Canadian-controlled private corporations (CCPCs) throughout the tax year**

Income from active business carried on in Canada from Schedule 7	400	787,071	A
Taxable income from line 360 on page 3, minus 100/28* 3.37312 of the amount on line 632** on page 7, minus 1/(0.38 - X***) 3.77358 times the amount on line 636**** on page 7, and minus any amount that, because of federal law, is exempt from Part I tax	405	751,127	B
Business limit (see notes 1 and 2 below)	410	500,000	C

**Notes:**

- For CCPCs that are not associated, enter \$ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.
- For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

**Business limit reduction:**

Amount C	500,000	x	415 *****	52,371	D	=	2,327,600	E
				11,250				
Reduced business limit (amount C minus amount E) (if negative, enter "0")							425	F

**Small business deduction**

Amount A, B, C, or F, whichever is the least	x	17 % =	430	G
--	---	--------	-----	---

Enter amount G on line 1 on page 7.

- \* 10/3 for tax years ending before November 1, 2011. The result of the multiplication by line 632 has to be pro-rated based on the number of days in the tax year that are in each period: before November 1, 2011, and after October 31, 2011.
- \*\* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.
- \*\*\* General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.
- \*\*\*\* Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporation tax reductions under section 123.4.
- \*\*\*\*\* **Large corporations**
  - If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the prior year minus \$10,000,000) x 0.225%.
  - If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the current year minus \$10,000,000) x 0.225%.
  - For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

**General tax reduction for Canadian-controlled private corporations**

**Canadian-controlled private corporations throughout the tax year**

Taxable income from line 360 on page 3*										751,127	A
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27											B
Amount QQ from Part 13 of Schedule 27											C
Personal service business income**						432					D
Amount used to calculate the credit union deduction from Schedule 17											E
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least											F
Aggregate investment income from line 440 on page 6***											G
Total of amounts B to G											H
Amount A minus amount H (if negative, enter "0")										751,127	I
Amount I	751,127	x	Number of days in the tax year after December 31, 2008, and before January 1, 2010		x	9 %	=				J
			Number of days in the tax year	365							
Amount I	751,127	x	Number of days in the tax year after December 31, 2009, and before January 1, 2011		x	10 %	=				K
			Number of days in the tax year	365							
Amount I	751,127	x	Number of days in the tax year after December 31, 2010, and before January 1, 2012	365	x	11.5 %	=	86,380			L
			Number of days in the tax year	365							
Amount I	751,127	x	Number of days in the tax year after December 31, 2011		x	13 %	=				M
			Number of days in the tax year	365							
<b>General tax reduction for Canadian-controlled private corporations – Total of amounts J to M</b>										86,380	N

Enter amount N on line 638 on page 7.

\* For tax years ending after October 31, 2011, line 360 or amount Z, whichever applies.  
 \*\* For tax years beginning after October 31, 2011.  
 \*\*\* Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

**General tax reduction**

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from page 3 (line 360 or amount Z, whichever applies)											O
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27											P
Amount QQ from Part 13 of Schedule 27											Q
Personal service business income*						434					R
Amount used to calculate the credit union deduction from Schedule 17											S
Total of amounts P to S											T
Amount O minus amount T (if negative, enter "0")											U
Amount U		x	Number of days in the tax year after December 31, 2008, and before January 1, 2010		x	9 %	=				V
			Number of days in the tax year	365							
Amount U		x	Number of days in the tax year after December 31, 2009, and before January 1, 2011		x	10 %	=				W
			Number of days in the tax year	365							
Amount U		x	Number of days in the tax year after December 31, 2010, and before January 1, 2012	365	x	11.5 %	=				X
			Number of days in the tax year	365							
Amount U		x	Number of days in the tax year after December 31, 2011		x	13 %	=				Y
			Number of days in the tax year	365							

**General tax reduction – Total of amounts V to Y**

Enter amount Z on line 639 on page 7.

\* For tax years beginning after October 31, 2011.

**Refundable portion of Part I tax**

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7 ..... **440** ..... x 26 2 / 3 % = ..... A

Foreign non-business income tax credit from line 632 on page 7 .....

**Deduct:**  
Foreign investment income from Schedule 7 ..... **445** ..... x 9 1 / 3 % = ..... B  
(if negative, enter "0")

Amount A minus amount B (if negative, enter "0") ..... C

Taxable income from line 360 on page 3 ..... 751,127

**Deduct:**  
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least .....

Foreign non-business income tax credit from line 632 on page 7 ..... x 25/9\* = .....

Foreign business income tax credit from line 636 on page 7 ..... x 1(0.38 - X\*\*) / 3.77358 = .....

751,127  
x 26 2 / 3 % = 200,301 D

Part I tax payable minus investment tax credit refund (line 700 minus line 780 from page 8) ..... 94,547 E

Refundable portion of Part I tax – Amount C, D, or E, whichever is the least ..... **450** ..... F

\* 100/35 for tax years beginning after October 31, 2011.  
\*\* General rate reduction percentage for the tax year. It has to be pro-rated.

**Refundable dividend tax on hand**

Refundable dividend tax on hand at the end of the previous tax year ..... **460** .....

**Deduct:** Dividend refund for the previous tax year ..... **465** ..... G

**Add the total of:**  
Refundable portion of Part I tax from line 450 above .....  
Total Part IV tax payable from Schedule 3 .....

Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation ..... **480** ..... H

Refundable dividend tax on hand at the end of the tax year – Amount G plus amount H ..... **485** .....

**Dividend refund**

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3 ..... 650,000 x 1 / 3 ..... 216,667 I

Refundable dividend tax on hand at the end of the tax year from line 485 above ..... J

Dividend refund – Amount I or J, whichever is less (enter this amount on line 784 on page 8) .....

**Part I tax**

Base amount of Part I tax – Taxable income from page 3 (line 360 or amount Z, whichever applies) multiplied by	38 %	<b>550</b>	285,428	A
Recapture of investment tax credit from Schedule 31		<b>602</b>		B
<b>Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income</b> (if it was a CCPC throughout the tax year)				
Aggregate investment income from line 440 on page 6			i	
Taxable income from line 360 on page 3		751,127		
<b>Deduct:</b>				
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least		751,127		
Net amount		751,127	ii	
Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii			<b>604</b>	C
Subtotal (add lines A to C)			285,428	D
<b>Deduct:</b>				
Small business deduction from line 430 on page 4			75,113	10%
Federal tax abatement	<b>608</b>			
Manufacturing and processing profits deduction from Schedule 27	<b>616</b>			
Investment corporation deduction	<b>620</b>			
Taxed capital gains <b>624</b>				
Additional deduction – credit unions from Schedule 17	<b>628</b>			
Federal foreign non-business income tax credit from Schedule 21	<b>632</b>			
Federal foreign business income tax credit from Schedule 21	<b>636</b>			
General tax reduction for CCPCs from amount N on page 5	<b>638</b>	86,380		11.5%
General tax reduction from amount Z on page 5	<b>639</b>			
Federal logging tax credit from Schedule 21	<b>640</b>			
Federal qualifying environmental trust tax credit	<b>648</b>			
Investment tax credit from Schedule 31	<b>652</b>	29,388		
Subtotal			190,881	E
Subtotal			190,881	
Part I tax payable – Line D minus line E			94,547	F
Enter amount F on line 700 on page 8.				

**Summary of tax and credits**

**Federal tax**

Part I tax payable from page 7	700	94,547
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
<b>Total federal tax</b>		<b>94,547</b>

**Add provincial or territorial tax:**

Provincial or territorial jurisdiction . . . **750** ON  
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Quebec and Alberta)	760	32,639
Provincial tax on large corporations (Nova Scotia Schedule 342)	765	
<b>Total tax payable</b>	<b>770</b>	<b>127,186</b> A

**Deduct other credits:**

Investment tax credit refund from Schedule 31	780	
Dividend refund from page 6	784	
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	<b>801</b>	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	600,000
<b>Total credits</b>	<b>890</b>	<b>600,000</b> B

Refund code **894** 1 Overpayment 472,814 ← Balance (line A minus line B) -472,814

**Direct deposit request**  
To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

Start  Change information

**910** \_\_\_\_\_ Branch number

**914** \_\_\_\_\_ Institution number **918** \_\_\_\_\_ Account number

If the result is negative, you have an **overpayment**.  
If the result is positive, you have a **balance unpaid**.  
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid . . . . .

Enclosed payment **898**

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? **896** 1 Yes  2 No

**Certification**

I, **950** PEEVER **951** ROSS **954** PRESIDENT  
Last name in block letters First name in block letters Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

**955** 2012-06-25 **956** (905) 732-1381  
Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation Telephone number

Is the contact person the same as the authorized signing officer? If no, complete the information below **957** 1 Yes  2 No

**958** Wayne Armstrong **959** (905) 732-1381  
Name in block letters Telephone number

**Language of correspondence – Langue de correspondance**

Indicate your language of correspondence by entering 1 for English or 2 for French. **990** 1  
Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français.

Form identifier 100

**GENERAL INDEX OF FINANCIAL INFORMATION – GIF1**

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2011-12-31

**Balance sheet information**

Account	Description	GIFI	Current year	Prior year
<b>Assets</b>				
	Total current assets	1599 +	13,306,901	16,066,586
	Total tangible capital assets	2008 +	25,361,408	24,292,609
	Total accumulated amortization of tangible capital assets	2009 -		
	Total intangible capital assets	2178 +		
	Total accumulated amortization of intangible capital assets	2179 -		
	Total long-term assets	2589 +	3,019,854	3,137,848
	* Assets held in trust	2590 +		
	<b>Total assets (mandatory field)</b>	<b>2599 =</b>	<b>41,688,163</b>	<b>43,497,043</b>
<b>Liabilities</b>				
	Total current liabilities	3139 +	4,776,607	6,236,345
	Total long-term liabilities	3450 +	22,886,640	23,492,099
	* Subordinated debt	3460 +		
	* Amounts held in trust	3470 +		
	<b>Total liabilities (mandatory field)</b>	<b>3499 =</b>	<b>27,663,247</b>	<b>29,728,444</b>
<b>Shareholder equity</b>				
	<b>Total shareholder equity (mandatory field)</b>	<b>3620 +</b>	<b>14,024,916</b>	<b>13,768,599</b>
	<b>Total liabilities and shareholder equity</b>	<b>3640 =</b>	<b>41,688,163</b>	<b>43,497,043</b>
<b>Retained earnings</b>				
	<b>Retained earnings/deficit – end (mandatory field)</b>	<b>3849 =</b>	<b>441,578</b>	<b>185,261</b>

\* Generic item

**SCHEDULE 100**

# Current Assets

Form identifier 1599

Account	Description	GIFI	Current year	Prior year
<b>Cash and deposits</b>				
	* Cash and deposits	<b>1000</b>	5,682,567	7,331,442
	Cash and deposits		<u>5,682,567</u>	<u>7,331,442</u>
<b>Accounts receivable</b>				
	* Accounts receivable	<b>1060</b>	7,156,262	8,321,610
	Accounts receivable		<u>7,156,262</u>	<u>8,321,610</u>
<b>Inventories</b>				
	* Inventories	<b>1120</b>	396,754	321,394
	Inventories		<u>396,754</u>	<u>321,394</u>
<b>Other current assets</b>				
	Prepaid expenses	<b>1484</b>	71,318	92,140
	Other current assets		<u>71,318</u>	<u>92,140</u>
	<b>Total current assets</b>	<b>1599</b>	<u>13,306,901</u>	<u>16,066,586</u>

\* Generic item

# Tangible Capital Assets and Accumulated Amortization

Form identifier 2008/2009

Account	Description	GIFI	Tangible capital assets	Accumulated amortization	Prior year
<b>Other tangible capital assets</b>					
	* Other tangible capital assets	1900	+	25,361,408	24,292,609
	<b>Total</b>			<u>25,361,408</u>	
	<b>Total tangible capital assets</b>	2008	=	<u>25,361,408</u>	<u>24,292,609</u>
	<b>Total accumulated amortization of tangible capital assets</b>	2009	=	<u>                    </u>	<u>                    </u>
	Generic item				

# Long-term Assets

Form identifier 2589

Account	Description	GIFI	Current year	Prior year
<b>Due from/investment in related parties</b>				
	* Due from/investment in related parties	2240	130,649	125,829
	<b>Due from/investment in related parties</b>		<u>130,649</u>	<u>125,829</u>
<b>Long-term investments</b>				
	* Long-term investments	2300	19,684	19,684
	<b>Long-term investments</b>		<u>19,684</u>	<u>19,684</u>
<b>Other long-term assets</b>				
	* Other long-term assets	2420	2,869,521	2,992,335
	<b>Other long-term assets</b>		<u>2,869,521</u>	<u>2,992,335</u>
	<b>Total long-term assets</b>	<b>2589</b>	<u>3,019,854</u>	<u>3,137,848</u>

\* Generic item

# Current Liabilities

Form identifier 3139

Account	Description	GIFI	Current year	Prior year
<b>Amounts payable and accrued liabilities</b>				
	* Amounts payable and accrued liabilities	<b>2620</b>	3,444,928	5,126,477
	<b>Amounts payable and accrued liabilities</b>		<u>3,444,928</u>	<u>5,126,477</u>
	* Current portion of long-term liability	<b>2920</b>	915,340	1,070,260
<b>Other current liabilities</b>				
	* Other current liabilities	<b>2960</b>	416,339	39,608
	<b>Other current liabilities</b>		<u>416,339</u>	<u>39,608</u>
	<b>Total current liabilities</b>	<b>3139</b>	<u>4,776,607</u>	<u>6,236,345</u>
Generic item				

**SCHEDULE 100**

# Long-term Liabilities

Form identifier 3450

Account	Description	GIFI	Current year	Prior year
<b>Long-term debt</b>				
	* Long-term debt	<b>3140</b>	17,349,953	17,199,953
	Long-term debt		<u>17,349,953</u>	<u>17,199,953</u>
<b>Other long-term liabilities</b>				
	* Other long-term liabilities	<b>3320</b>	4,108,749	4,812,782
	Long-term obligations/commitments/capital leases	<b>3321</b>	1,427,938	1,479,364
	Other long-term liabilities		<u>5,536,687</u>	<u>6,292,146</u>
	<b>Total long-term liabilities</b>	<b>3450</b>	<u>22,886,640</u>	<u>23,492,099</u>

\* Generic item

# Shareholder Equity

SCHEDULE 100

Form identifier 3620

Account	Description	GIFI	Current year	Prior year
	* Common shares	3500	12,953,180	12,953,180
<b>Contributed and other surplus</b>				
	* Contributed and other surplus	3540	630,158	630,158
	<b>Contributed and other surplus</b>		<u>630,158</u>	<u>630,158</u>
	* Retained earnings/deficit	3600	441,578	185,261
	<b>Total shareholder equity</b>	3620	<u>14,024,916</u>	<u>13,768,599</u>

Generic item

SCHEDULE 100

# Retained Earnings/Deficit

Form identifier 3849

Account	Description	GIFI	Current year	Prior year
	* Retained earnings/deficit – start	3660 +	185,261	-352,696
	* Net income/loss	3680 +	906,317	1,037,957
<b>Dividends declared</b>				
	* Dividends declared	3700	650,000	500,000
	Dividends declared	-	650,000	500,000
	Retained earnings/deficit – end	3849 =	441,578	185,261
Generic item				

GENERAL INDEX OF FINANCIAL INFORMATION – GIF1

Form identifier 125

Name of corporation WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number 86375 9692 RC0001	Tax year end Year Month Day 2011-12-31
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Income statement information

Description	GIFI
Operating name	0001
Description of the operation	0002
Sequence number	0003 01

Account	Description	GIFI	Current year	Prior year
<b>- Income statement information</b>				
	Total sales of goods and services	8089 +	47,546,635	44,870,936
	Cost of sales	8518 -	38,654,200	35,898,028
	<b>Gross profit/loss</b>	<b>8519 =</b>	<b>8,892,435</b>	<b>8,972,908</b>
	Cost of sales	8518 +	38,654,200	35,898,028
	Total operating expenses	9367 +	8,466,549	7,924,027
	<b>Total expenses (mandatory field)</b>	<b>9368 =</b>	<b>47,120,749</b>	<b>43,822,055</b>
	Total revenue (mandatory field)	8299 +	48,215,503	45,363,434
	Total expenses (mandatory field)	9368 -	47,120,749	43,822,055
	<b>Net non-farming income</b>	<b>9369 =</b>	<b>1,094,754</b>	<b>1,541,379</b>

<b>Farming income statement information</b>				
	Total farm revenue (mandatory field)	9659 +		
	Total farm expenses (mandatory field)	9898 -		
	<b>Net farm income</b>	<b>9899 =</b>		

	<b>Net income/loss before taxes and extraordinary items</b>	<b>9970 =</b>	<b>1,094,754</b>	<b>1,541,379</b>
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	<b>Total other comprehensive income</b>	<b>9998 =</b>		
--	---	---------------	--	--

<b>- Extraordinary items and income (linked to Schedule 140)</b>				
	Extraordinary item(s)	9975 -		
	Legal settlements	9976 -		
	Unrealized gains/losses	9980 +		
	Unusual items	9985 -		
	Current income taxes	9990 -	188,437	503,422
	Future (deferred) income tax provision	9995 -		
	<b>Total – Other comprehensive income</b>	<b>9998 +</b>		
	<b>Net income/loss after taxes and extraordinary items (mandatory field)</b>	<b>9999 =</b>	<b>906,317</b>	<b>1,037,957</b>

**SCHEDULE 125**

# Revenue

Form identifier 8299

Account	Description	GIFI	Current year	Prior year
	* Trade sales of goods and services	<b>8000</b> +	47,546,635	44,870,936
	<b>Total sales of goods and services</b>	<b>8089</b> =	47,546,635	44,870,936
<b>Other revenue</b>				
	* Other revenue	<b>8230</b>	668,868	492,498
	<b>Other revenue</b>	+	668,868	492,498
	<b>Total revenue</b>	<b>8299</b> =	48,215,503	45,363,434
Generic item				

# Cost of Sales

SCHEDULE 125

Form identifier 8518

Account	Description	GIFI	Current year	Prior year
	* Purchases/cost of materials	8320 +	38,654,200	35,898,028
	<b>Cost of sales</b>	<b>8518 =</b>	<u>38,654,200</u>	<u>35,898,028</u>
	* Generic item			

**SCHEDULE 125**

# Operating Expenses

Form identifier 9367

Account	Description	GIFI	Current year	Prior year
	* Amortization of tangible assets	<b>8670</b>	1,960,187	2,045,109
<b>Interest and bank charges</b>				
	* Interest and bank charges	<b>8710</b>	988,060	978,338
	Interest and bank charges		<u>988,060</u>	<u>978,338</u>
<b>Other repairs and maintenance</b>				
	* Other repairs and maintenance	<b>9010</b>	2,540,702	
	Other repairs and maintenance		<u>2,540,702</u>	
<b>Other expenses</b>				
	* Other expenses	<b>9270</b>	1,265,929	
	General and administrative expenses	<b>9284</b>	1,711,671	4,900,580
	Other expenses		<u>2,977,600</u>	<u>4,900,580</u>
	<b>Total operating expenses</b>	<b>9367</b>	<u>8,466,549</u>	<u>7,924,027</u>

\* Generic item



NOTES CHECKLIST

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- Parts 1, 2, and 3 of this schedule must be completed from the perspective of the person (referred to in these parts as the "accountant") who prepared or reported on the financial statements.
- For more information, see Guide RC4088, *General Index of Financial Information (GIFI)* and Guide T4012, *T2 Corporation – Income Tax Guide*.
- Complete this schedule and include it with your T2 return along with the other GIFI schedules.

If the person preparing the tax return is not the accountant referred to above, they must still complete Parts 1, 2, 3, and 4, as applicable.

**Part 1 – Information on the accountant who prepared or reported on the financial statements**

Does the accountant have a professional designation? **095** 1 Yes  2 No

is the accountant connected\* with the corporation? **097** 1 Yes  2 No

\* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

Note: If the accountant does not have a professional designation or is connected to the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you do have to complete Part 4, as applicable.

**Part 2 – Type of involvement with the financial statements**

Choose the option that represents the highest level of involvement of the accountant: **198**

Completed an auditor's report **1**

Completed a review engagement report **2**

Conducted a compilation engagement **3**

**Part 3 – Reservations**

If you selected option "1" or "2" under **Type of involvement with the financial statements** above, answer the following question:

Has the accountant expressed a reservation? **099** 1 Yes  2 No

**Part 4 – Other information**

If you have a professional designation and are not the accountant associated with the financial statements in Part 1 above, choose one of the following options: **110**

Prepared the tax return (financial statements prepared by client) **1**

Prepared the tax return and the financial information contained therein (financial statements have not been prepared) **2**

Were notes to the financial statements prepared? **101** 1 Yes  2 No

If yes, complete lines 104 to 107 below:

Are subsequent events mentioned in the notes? **104** 1 Yes  2 No

Is re-evaluation of asset information mentioned in the notes? **105** 1 Yes  2 No

Is contingent liability information mentioned in the notes? **106** 1 Yes  2 No

Is information regarding commitments mentioned in the notes? **107** 1 Yes  2 No

Does the corporation have investments in joint venture(s) or partnership(s)? **108** 1 Yes  2 No

**Part 4 – Other information (continued)**

**Impairment and fair value changes**

In any of the following assets, was an amount recognized in net income or other comprehensive income (OCI) as a result of an impairment loss in the tax year, a reversal of an impairment loss recognized in a previous tax year, or a change in fair value during the tax year? **200** 1 Yes  2 No

If yes, enter the amount recognized:

	In net income Increase (decrease)	In OCI Increase (decrease)
Property, plant, and equipment	<b>210</b>	<b>211</b>
Intangible assets	<b>215</b>	<b>216</b>
Investment property	<b>220</b>	
Biological assets	<b>225</b>	
Financial instruments	<b>230</b>	<b>231</b>
Other	<b>235</b>	<b>236</b>

**Financial instruments**

Did the corporation derecognize any financial instrument(s) during the tax year? **250** 1 Yes  2 No   
 Did the corporation apply hedge accounting during the tax year? **255** 1 Yes  2 No   
 Did the corporation discontinue hedge accounting during the tax year? **260** 1 Yes  2 No

**Adjustments to opening equity**

Was an amount included in the opening balance of retained earnings or equity, in order to correct an error, to recognize a change in accounting policy, or to adopt a new accounting standard in the current tax year? **265** 1 Yes  2 No

If yes, you have to maintain a separate reconciliation.

**SCHEDULE 100**

**GENERAL INDEX OF FINANCIAL INFORMATION – GIF1**

Form identifier 100

Name of corporation	Business Number	Tax year-end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2011-12-31

**Assets – lines 1000 to 2599**

<b>1000</b>	5,682,567	<b>1060</b>	7,156,262	<b>1120</b>	396,754
<b>1484</b>	71,318	<b>1599</b>	13,306,901	<b>1900</b>	25,361,408
<b>2008</b>	25,361,408	<b>2240</b>	130,649	<b>2300</b>	19,684
<b>2420</b>	2,869,521	<b>2589</b>	3,019,854	<b>2599</b>	41,688,163

**Liabilities – lines 2600 to 3499**

<b>2620</b>	3,444,928	<b>2920</b>	915,340	<b>2960</b>	416,339
<b>3139</b>	4,776,607	<b>3140</b>	17,349,953	<b>3320</b>	4,108,749
<b>3321</b>	1,427,938	<b>3450</b>	22,886,640	<b>3499</b>	27,663,247

**Shareholder equity – lines 3500 to 3640**

<b>3500</b>	12,953,180	<b>3540</b>	630,158	<b>3600</b>	441,578
<b>3620</b>	14,024,916	<b>3640</b>	41,688,163		

**Retained earnings – lines 3660 to 3849**

<b>3660</b>	185,261	<b>3680</b>	906,317	<b>3700</b>	-650,000
<b>3849</b>	441,578				

**SCHEDULE 125**

**GENERAL INDEX OF FINANCIAL INFORMATION – GIF1**

Form identifier 125

Name of corporation  WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number  86375 9692 RC0001	Tax year-end Year Month Day 2011-12-31
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**Description**

Sequence number . . . . . **0003** 01

**Revenue – lines 8000 to 8299**

<b>8000</b> 47,546,635	<b>8089</b> 47,546,635	<b>8230</b> 668,868
<b>8299</b> 48,215,503		

**Cost of sales – lines 8300 to 8519**

<b>8320</b> 38,654,200	<b>8518</b> 38,654,200	<b>8519</b> 8,892,435
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**Operating expenses – lines 8520 to 9369**

<b>8670</b> 1,960,187	<b>8710</b> 988,060	<b>9010</b> 2,540,702
<b>9270</b> 1,265,929	<b>9284</b> 1,711,671	<b>9367</b> 8,466,549
<b>9368</b> 47,120,749	<b>9369</b> 1,094,754	

**Farming revenue – lines 9370 to 9659**

<b>9659</b> 0
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**Farming expenses – lines 9660 to 9899**

<b>9898</b> 0
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**Extraordinary items and taxes – lines 9970 to 9999**

<b>9970</b> 1,094,754	<b>9990</b> 188,437	<b>9999</b> 906,317
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**NET INCOME (LOSS) FOR INCOME TAX PURPOSES**

**SCHEDULE 1**

Corporation's name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number 86375 9692 RC0001	Tax year end Year Month Day 2011-12-31
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- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125 906,317 A

**Add:**

Provision for income taxes – current	101	188,437	
Amortization of tangible assets	104	1,960,187	
Charitable donations and gifts from Schedule 2	112	35,944	
Scientific research expenditures deducted per financial statements	118	90,406	
Non-deductible meals and entertainment expenses	121	5,602	
Other reserves on lines 270 and 275 from Schedule 13	125	113,524	
Reserves from financial statements – balance at the end of the year	126	1,662,611	
Subtotal of additions		4,056,711	4,056,711

**Other additions:**

**Miscellaneous other additions:**

<b>603</b> Closing Adj for Expenditures included in Regulatory Asset	1,339,742		
Inducement - ITA 12(1)x	926		
Total	1,340,668	293	1,340,668
<b>604</b> CY Ontario Apprenticeship Tax Credits	12,665		
CY Federal Credit	958		
Total	13,623	294	13,623
Subtotal of other additions		199	1,354,291
Total additions		500	5,411,002

**Deduct:**

Gain on disposal of assets per financial statements	401	14,409	
Capital cost allowance from Schedule 8	403	2,146,487	
Cumulative eligible capital deduction from Schedule 10	405	98,874	
SR&ED expenditures claimed in the year from Form T661 (line 460)	411	74,213	
Other reserves on line 280 from Schedule 13	413	107,764	
Reserves from financial statements – balance at the beginning of the year	414	1,655,682	
Subtotal of deductions		4,097,429	4,097,429

**Other deductions:**

**Miscellaneous other deductions:**

<b>700</b> Opening Adj for Expenditures included in Regulatory Asset	1,432,819	390	
<b>704</b>			
Total		394	
Subtotal of other deductions		499	1,432,819
Total deductions		510	5,530,248

Net income (loss) for income tax purposes – enter on line 300 of the T2 return 787,071

**CHARITABLE DONATIONS AND GIFTS**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- For use by corporations to claim any of the following:
  - charitable donations;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- Under proposed changes, the eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- Under proposed changes, a gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation – Income Tax Guide*.

**Part 1 – Charitable donations**

Charity/Recipient	Amount (\$100 or more only)
Community Living Welland	100
Niagara College Canada	10,000
The Hope Center	12,000
Welland Heritage Foundation	500
Niagara College Canada	10,000
Hospice Niagara	100
Juvenile Diabetes	100
Bethesda	100
Heart and Stroke	100
Sistering - Woman's Place	144
Hospice Niagara	100
Heart and Stroke	100
St. Vincent Depaul	2,500
Hospice Niagara	100
	Subtotal 35,944
	<b>Add: Total donations of less than \$100 each</b>
	<b>Total donations in current tax year 35,944</b>

	Federal	Québec	Alberta
Charitable donations at the end of the previous tax year			
<b>Deduct:</b> Charitable donations expired after five tax years*	<b>239</b>		
Charitable donations at the beginning of the tax year	<b>240</b>		
<b>Add:</b>			
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	<b>250</b>		
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	<b>210</b> 35,944		
Subtotal (line 250 plus line 210)	35,944	35,944	35,944
<b>Deduct:</b> Adjustment for an acquisition of control (for donations made after March 22, 2004)	<b>255</b>		
Total charitable donations available	35,944 A	35,944	35,944
<b>Deduct:</b> Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return)	<b>260</b> 35,944	35,944	35,944
Charitable donations closing balance	<b>280</b>		

\* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

**Amounts carried forward – Charitable donations**

Year of origin:		Federal	Québec	Alberta
1 <sup>st</sup> prior year	2010-12-31			
2 <sup>nd</sup> prior year	2009-12-31			
3 <sup>rd</sup> prior year	2008-12-31			
4 <sup>th</sup> prior year	2007-12-31			
5 <sup>th</sup> prior year	2006-12-31			
6 <sup>th</sup> prior year*	2005-12-31			
7 <sup>th</sup> prior year	2004-12-31			
8 <sup>th</sup> prior year	2003-12-31			
9 <sup>th</sup> prior year	2002-12-31			
10 <sup>th</sup> prior year	2001-12-31			
11 <sup>th</sup> prior year	2000-12-31			
12 <sup>th</sup> prior year	1999-12-31			
13 <sup>th</sup> prior year	1998-12-31			
14 <sup>th</sup> prior year	1997-12-31			
15 <sup>th</sup> prior year	1996-12-31			
16 <sup>th</sup> prior year	1995-12-31			
17 <sup>th</sup> prior year	1994-12-31			
18 <sup>th</sup> prior year	1993-12-31			
19 <sup>th</sup> prior year	1992-12-31			
20 <sup>th</sup> prior year	1991-12-31			
21 <sup>st</sup> prior year*	1990-12-31			
<b>Total (to line A)</b>				

\* For the federal and Alberta, the 6<sup>th</sup> prior year gifts expire in the current year. For Québec, the 6<sup>th</sup> prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21<sup>st</sup> prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

**Part 2 – Calculation of the maximum allowable deduction for charitable donations**

Net income for tax purposes* multiplied by 75 %		590,303	B
Taxable capital gains arising in respect of gifts of capital property included in Part 1**	225		C
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)	227		D
The amount of the recapture of capital cost allowance in respect of charitable gifts	230		
Proceeds of disposition, less outlays and expenses**		E	
Capital cost**		F	
Amount E or F, whichever is less	235		
Amount on line 230 or 235, whichever is less			G
			H
			I
			J
			K

Subtotal (add amounts C, D, and G) \_\_\_\_\_  
 Amount H multiplied by 25 % \_\_\_\_\_  
 Subtotal (amount B plus amount I) 590,303

Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less) 35,944

\* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

\*\* This amount must be prorated by the following calculation: eligible amount of the gift divided by the proceeds of disposition of the gift.

**Part 3 – Gifts to Canada, a province, or a territory**

Gifts to Canada, a province, or a territory at the end of the previous tax year	339	
Deduct: Gifts to Canada, a province, or a territory expired after five tax years	340	
Gifts to Canada, a province, or a territory at the beginning of the tax year		
Add: Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350	
Total current-year gifts made to Canada, a province, or a territory*	310	
		Subtotal (line 350 plus line 310)
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	355	
Total gifts to Canada, a province, or a territory available		
Deduct: Amount applied against taxable income (enter this amount on line 312 of the T2 return).	360	
Gifts to Canada, a province, or a territory closing balance	380	

\* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

**Part 4 – Gifts of certified cultural property**

	Federal	Québec	Alberta
Gifts of certified cultural property at the end of the previous tax year			
Deduct: Gifts of certified cultural property expired after five tax years*	439		
Gifts of certified cultural property at the beginning of the tax year	440		
Add: Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450		
Total current-year gifts of certified cultural property	410		
			Subtotal (line 450 plus line 410)
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455		
Total gifts of certified cultural property available			
Deduct: Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460		
Gifts of certified cultural property closing balance	480		

\* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

**Amount carried forward – Gifts of certified cultural property**

Year of origin:		Federal	Québec	Alberta
1 <sup>st</sup> prior year	2010-12-31			
2 <sup>nd</sup> prior year	2009-12-31			
3 <sup>rd</sup> prior year	2008-12-31			
4 <sup>th</sup> prior year	2007-12-31			
5 <sup>th</sup> prior year	2006-12-31			
6 <sup>th</sup> prior year*	2005-12-31			
7 <sup>th</sup> prior year	2004-12-31			
8 <sup>th</sup> prior year	2003-12-31			
9 <sup>th</sup> prior year	2002-12-31			
10 <sup>th</sup> prior year	2001-12-31			
11 <sup>th</sup> prior year	2000-12-31			
12 <sup>th</sup> prior year	1999-12-31			
13 <sup>th</sup> prior year	1998-12-31			
14 <sup>th</sup> prior year	1997-12-31			
15 <sup>th</sup> prior year	1996-12-31			
16 <sup>th</sup> prior year	1995-12-31			
17 <sup>th</sup> prior year	1994-12-31			
18 <sup>th</sup> prior year	1993-12-31			
19 <sup>th</sup> prior year	1992-12-31			
20 <sup>th</sup> prior year	1991-12-31			
21 <sup>st</sup> prior year*	1990-12-31			
<b>Total</b>				

\* For the federal and Alberta, the 6<sup>th</sup> prior year gifts expire in the current year. For Québec, the 6<sup>th</sup> prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21<sup>st</sup> prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

**Part 5 – Gifts of certified ecologically sensitive land**

	Federal	Québec	Alberta
Gifts of certified ecologically sensitive land at the end of the previous tax year			
<b>Deduct:</b> Gifts of certified ecologically sensitive land expired after five tax years*	<b>539</b>		
Gifts of certified ecologically sensitive land at the beginning of the tax year	<b>540</b>		
<b>Add:</b> Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	<b>550</b>		
Total current-year gifts of certified ecologically sensitive land	<b>510</b>		
Subtotal (line 550 plus line 510)			
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	<b>555</b>		
Total gifts of certified ecologically sensitive land available			
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 314 of the T2 return)	<b>560</b>		
Gifts of certified ecologically sensitive land closing balance	<b>580</b>		

\* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

**Amounts carried forward – Gifts of certified ecologically sensitive land**

Year of origin:		Federal	Québec	Alberta
1 <sup>st</sup> prior year	2010-12-31			
2 <sup>nd</sup> prior year	2009-12-31			
3 <sup>rd</sup> prior year	2008-12-31			
4 <sup>th</sup> prior year	2007-12-31			
5 <sup>th</sup> prior year	2006-12-31			
6 <sup>th</sup> prior year*	2005-12-31			
7 <sup>th</sup> prior year	2004-12-31			
8 <sup>th</sup> prior year	2003-12-31			
9 <sup>th</sup> prior year	2002-12-31			
10 <sup>th</sup> prior year	2001-12-31			
11 <sup>th</sup> prior year	2000-12-31			
12 <sup>th</sup> prior year	1999-12-31			
13 <sup>th</sup> prior year	1998-12-31			
14 <sup>th</sup> prior year	1997-12-31			
15 <sup>th</sup> prior year	1996-12-31			
16 <sup>th</sup> prior year	1995-12-31			
17 <sup>th</sup> prior year	1994-12-31			
18 <sup>th</sup> prior year	1993-12-31			
19 <sup>th</sup> prior year	1992-12-31			
20 <sup>th</sup> prior year	1991-12-31			
21 <sup>st</sup> prior year*	1990-12-31			
<b>Total</b>				

\* For the federal and Alberta, the 6<sup>th</sup> prior year gifts expire in the current year. For Québec, the 6<sup>th</sup> prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21<sup>st</sup> prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

**Part 6 – Additional deduction for gifts of medicine**

	Federal	Québec	Alberta
Additional deduction for gifts of medicine at the end of the previous tax year			
<b>Deduct:</b> Additional deduction for gifts of medicine expired after five tax years	<b>639</b>		
Additional deduction for gifts of medicine at the beginning of the tax year	<b>640</b>		
<b>Add:</b> Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary	<b>650</b>		
Additional deduction for gifts of medicine for the current year:			
Proceeds of disposition	<b>602</b>	1	1
Cost of gifts of medicine	<b>601</b>	2	2
Subtotal (line 1 minus line 2)		3	3
Line 3 multiplied by 50 %		4	4
Eligible amount of gifts	<b>600</b>	5	5
<p><b>Federal</b></p> $A \times \left( \frac{B}{C} \right) = \text{Additional deduction for gifts of medicine for the current year } \mathbf{610}$			
<p><b>Québec</b></p> $A \times \left( \frac{B}{C} \right) = \text{Additional deduction for gifts of medicine for the current year}$			
<p><b>Alberta</b></p> $A \times \left( \frac{B}{C} \right) = \text{Additional deduction for gifts of medicine for the current year}$			
<p>where:</p> <p>A is the lesser of line 2 and line 4</p> <p>B is the eligible amount of gifts (line 600)</p> <p>C is the proceeds of disposition (line 602)</p>			
Subtotal (line 650 plus line 610)			
<b>Deduct:</b> Adjustment for an acquisition of control	<b>655</b>		
Total additional deduction for gifts of medicine available			
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 315 of the T2 return)	<b>660</b>		
Additional deduction for gifts of medicine closing balance	<b>680</b>		

**Amounts carried forward – Additional deduction for gifts of medicine**

Year of origin:	Federal	Québec	Alberta
1 <sup>st</sup> prior year	2010-12-31		
2 <sup>nd</sup> prior year	2009-12-31		
3 <sup>rd</sup> prior year	2008-12-31		
4 <sup>th</sup> prior year	2007-12-31		
5 <sup>th</sup> prior year	2006-12-31		
5 <sup>th</sup> prior year*	2005-12-31		
<b>Total</b>			

\* These donations expired in the current year.

**Québec – Gifts of musical instruments**

Gifts of musical instruments at the end of the previous tax year	_____	A
<b>Deduct:</b> Gifts of musical instruments expired after twenty tax years	_____	B
Gifts of musical instruments at the beginning of the tax year	_____	C
<b>Add:</b>		
Gifts of musical instruments transferred on an amalgamation or the wind-up of a subsidiary	_____	D
Total current-year gifts of musical instruments	_____	E
	Subtotal (line D plus line E)	F
<b>Deduct:</b> Adjustment for an acquisition of control	_____	G
Total gifts of musical instruments available	_____	H
<b>Deduct:</b> Amount applied against taxable income	_____	I
Gifts of musical instruments closing balance	_____	J

**Amounts carried forward – Gifts of musical instruments**

Year of origin:		Québec
1 <sup>st</sup> prior year	2010-12-31	_____
2 <sup>nd</sup> prior year	2009-12-31	_____
3 <sup>rd</sup> prior year	2008-12-31	_____
4 <sup>th</sup> prior year	2007-12-31	_____
5 <sup>th</sup> prior year	2006-12-31	_____
6 <sup>th</sup> prior year*	2005-12-31	_____
7 <sup>th</sup> prior year	2004-12-31	_____
8 <sup>th</sup> prior year	2003-12-31	_____
9 <sup>th</sup> prior year	2002-12-31	_____
10 <sup>th</sup> prior year	2001-12-31	_____
11 <sup>th</sup> prior year	2000-12-31	_____
12 <sup>th</sup> prior year	1999-12-31	_____
13 <sup>th</sup> prior year	1998-12-31	_____
14 <sup>th</sup> prior year	1997-12-31	_____
15 <sup>th</sup> prior year	1996-12-31	_____
16 <sup>th</sup> prior year	1995-12-31	_____
17 <sup>th</sup> prior year	1994-12-31	_____
18 <sup>th</sup> prior year	1993-12-31	_____
19 <sup>th</sup> prior year	1992-12-31	_____
20 <sup>th</sup> prior year	1991-12-31	_____
21 <sup>st</sup> prior year*	1990-12-31	_____
<b>Total</b>		_____

\* These gifts expired in the current year.

**DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION**

**SCHEDULE 3**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid in the tax year that qualify for a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in a tax year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- "X" under column A if dividend received from a foreign source (connected corporation only).
- Enter in column F1, the amount of dividends received reported in column 240 that are eligible.
- Under column F2, enter the code that applies to the deductible taxable dividend.

**Part 1 – Dividends received in the tax year**

Do not include dividends received from foreign non-affiliates.		Complete if payer corporation is connected			
A	B	C	D	E	
Name of payer corporation (from which the corporation received the dividend)	Enter 1 if payer corporation is connected	Business Number of connected corporation	Tax year-end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends in column F were paid YYYY/MM/DD	Non-taxable dividend under section 83	
	<b>205</b>	<b>210</b>	<b>220</b>	<b>230</b>	
<b>200</b>					
<b>Total (enter on line 402 of Schedule 1)</b>					

Note: If your corporation's tax year-end is different than that of the connected payer corporation, your corporation could have received dividends from more than one tax year of the payer corporation. If so, use a separate line to provide the information for each tax year of the payer corporation.

			Complete if payer corporation is connected		
F	F1	F2	G	H	I
Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)*	Eligible dividends (included in column F)		Total taxable dividends paid by connected payer corporation (for tax year in column D)	Dividend refund of the connected payer corporation (for tax year in column D)**	Part IV tax before deductions F x 1 / 3 ***
<b>240</b>			<b>250</b>	<b>260</b>	<b>270</b>
<b>Total (enter the amount from column F on line 320 of the T2 return and amount J in Part 2)</b>					<b>J</b>

\* If taxable dividends are received, enter the amount in column 240, but if the corporation is not subject to Part IV tax (such as a public corporation other than a subject corporation as defined in subsection 186(3)), enter "0" in column 270. Life insurers are not subject to Part IV tax on subsection 138(6) dividends.

\*\* If the connected payer corporation's tax year ends after the corporation's balance-due day for the tax year (two or three months, as applicable), you have to estimate the payer's dividend refund when you calculate the corporation's Part IV tax payable.

\*\*\* For dividends received from connected corporations: 
$$\text{Part IV tax} = \frac{\text{Column F} \times \text{Column H}}{\text{Column G}}$$

**Part 2 – Calculation of Part IV tax payable**

Part IV tax before deductions (amount J in Part 1) \_\_\_\_\_

**Deduct:**

Part IV tax payable on dividends subject to Part IV tax **320** \_\_\_\_\_

Subtotal \_\_\_\_\_

**Deduct:**

Current-year non-capital loss claimed to reduce Part IV tax **330** \_\_\_\_\_

Non-capital losses from previous years claimed to reduce Part IV tax **335** \_\_\_\_\_

Current-year farm loss claimed to reduce Part IV tax **340** \_\_\_\_\_

Farm losses from previous years claimed to reduce Part IV tax **345** \_\_\_\_\_

Total losses applied against Part IV tax \_\_\_\_\_ x 1 / 3 = \_\_\_\_\_

Part IV tax payable (enter amount on line 712 of the T2 return) **360** \_\_\_\_\_

**Part 3 – Taxable dividends paid in the tax year that qualify for a dividend refund**

A	B	C	D	D1
Name of connected recipient corporation	Business Number	Tax year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD	Taxable dividends paid to connected corporations	Eligible dividends (included in column D)
<b>400</b>	<b>410</b>	<b>420</b>	<b>430</b>	
1 Welland Hydro-Electric Holding Corp	86360 4328 RC0001	2011-12-31	650,000	

**Note**  
If your corporation's tax year-end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one tax year of the recipient corporation. If so, use a separate line to provide the information for each tax year of the recipient corporation.

Total **650,000**

Total taxable dividends paid in the tax year to other than connected corporations **450** \_\_\_\_\_

Eligible dividends (included in line 450) **450a** \_\_\_\_\_

Total taxable dividends paid in the tax year that qualify for a dividend refund (total of column D above plus line 450) **460** \_\_\_\_\_ **650,000**

**Part 4 – Total dividends paid in the tax year**

Complete this part if the total taxable dividends paid in the tax year that qualify for a dividend refund (line 460 above) is different from the total dividends paid in the tax year.

Total taxable dividends paid in the tax year for the purposes of a dividend refund (from above) \_\_\_\_\_ **650,000**

Other dividends paid in the tax year (total of 510 to 540) \_\_\_\_\_

Total dividends paid in the tax year **500** \_\_\_\_\_ **650,000**

**Deduct:**

Dividends paid out of capital dividend account **510** \_\_\_\_\_

Capital gains dividends **520** \_\_\_\_\_

Dividends paid on shares described in subsection 129(1.2) **530** \_\_\_\_\_

Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year **540** \_\_\_\_\_

Subtotal \_\_\_\_\_

Total taxable dividends paid in the tax year that qualify for a dividend refund \_\_\_\_\_ **650,000**

TAX CALCULATION SUPPLEMENTARY -- CORPORATIONS

Corporation's name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- Use this schedule if, during the tax year, the corporation:
  - had a permanent establishment in more than one jurisdiction (corporations that have no taxable income should only complete columns A, B and D in Part 1);
  - is claiming provincial or territorial tax credits or rebates (see Part 2); or
  - has to pay taxes, other than income tax, for Newfoundland and Labrador, or Ontario (see Part 2).
- Regulations mentioned in this schedule are from the *Income Tax Regulations*.
- For more information, see the *T2 Corporation - Income Tax Guide*.
- Enter the regulation number in field 100 of Part 1.

**Part 1 - Allocation of taxable income**

100		Enter the Regulation that applies (402 to 413).			
A Jurisdiction Tick yes if the corporation had a permanent establishment in the jurisdiction during the tax year. *	B Total salaries and wages paid in jurisdiction	C (B x taxable income**) / G	D Gross revenue	E (D x taxable income**) / H	F Allocation of taxable income (C + E) x 1/2*** (where either G or H is nil, do not multiply by 1/2)
Newfoundland and Labrador 003 1 Yes <input type="checkbox"/>	103		143		
Newfoundland and Labrador offshore 004 1 Yes <input type="checkbox"/>	104		144		
Prince Edward Island 005 1 Yes <input type="checkbox"/>	105		145		
Nova Scotia 007 1 Yes <input type="checkbox"/>	107		147		
Nova Scotia offshore 008 1 Yes <input type="checkbox"/>	108		148		
New Brunswick 009 1 Yes <input type="checkbox"/>	109		149		
Quebec 011 1 Yes <input type="checkbox"/>	111		151		
Ontario 013 1 Yes <input type="checkbox"/>	113		153		
Manitoba 015 1 Yes <input type="checkbox"/>	115		155		
Saskatchewan 017 1 Yes <input type="checkbox"/>	117		157		
Alberta 019 1 Yes <input type="checkbox"/>	119		159		
British Columbia 021 1 Yes <input type="checkbox"/>	121		161		
Yukon 023 1 Yes <input type="checkbox"/>	123		163		
Northwest Territories 025 1 Yes <input type="checkbox"/>	125		165		
Nunavut 026 1 Yes <input type="checkbox"/>	126		166		
Outside Canada 027 1 Yes <input type="checkbox"/>	127		167		
<b>Total</b>	<b>129</b>	<b>G</b>	<b>169</b>	<b>H</b>	

\* "Permanent establishment" is defined in Regulation 400(2).  
 \*\* Starting in 2009, if the corporation has income or loss from an international banking centre: the taxable income is the amount on line 360 or line Z of the T2 return plus the total amount not required to be included, or minus the total amount not allowed to be deducted, in calculating the corporation's income under section 33.1 of the federal *Income Tax Act*.  
 \*\*\* For corporations other than those described under Regulation 402, use the appropriate calculation described in the Regulations to allocate taxable income.

Notes:

- After determining the allocation of taxable income, you have to calculate the corporation's provincial or territorial tax payable. For more information on how to calculate the tax for each province or territory, see the instructions for Schedule 5 in the *T2 Corporation - Income Tax Guide*.
- If the corporation has provincial or territorial tax payable, complete Part 2.

**Part 2 – Ontario tax payable, tax credits, and rebates**

Total taxable income	Income eligible for small business deduction	Provincial or territorial allocation of taxable income	Provincial or territorial tax payable before credits
751,127		751,127	52,002

Ontario basic income tax (from Schedule 500) ..... **270** ..... 88,242

Deduct: Ontario small business deduction (from schedule 500) ..... **402** ..... 36,240

Subtotal ..... **52,002** ▶ ..... 52,002 A6

Add:

Surtax re Ontario small business deduction (from Schedule 500) ..... **272** .....

Ontario additional tax re Crown royalties (from Schedule 504) ..... **274** .....

Ontario transitional tax debits (from Schedule 506) ..... **276** .....

Recapture of Ontario research and development tax credit (from Schedule 508) ..... **277** .....

Subtotal ..... ▶ ..... B6

Subtotal (amount A6 plus amount B6) ..... **52,002** C6

Deduct:

Ontario resource tax credit (from Schedule 504) ..... **404** .....

Ontario tax credit for manufacturing and processing (from Schedule 502) ..... **406** .....

Ontario foreign tax credit (from Schedule 21) ..... **408** .....

Ontario credit union tax reduction (from Schedule 500) ..... **410** .....

Ontario transitional tax credits (from Schedule 506) ..... **414** .....

Ontario political contributions tax credit (from Schedule 525) ..... **415** .....

Subtotal ..... ▶ ..... D6

Subtotal (amount C6 minus amount D6) (if negative, enter "0") ..... **52,002** E6

Deduct: Ontario research and development tax credit (from Schedule 508) ..... **416** ..... 6,698

Ontario corporate income tax payable before Ontario corporate minimum tax credit (amount E6 minus amount on line 416) (if negative, enter "0") ..... **45,304** F6

Deduct: Ontario corporate minimum tax credit (from schedule 510) ..... **418** .....

Ontario corporate income tax payable (amount F6 minus amount on line 418) (if negative, enter "0") ..... **45,304** G6

Add:

Ontario corporate minimum tax (from Schedule 510) ..... **278** .....

Ontario special additional tax on life insurance corporations (from Schedule 512) ..... **280** .....

Ontario capital tax (from Schedule 514 or Schedule 515, whichever applies) ..... **282** .....

Subtotal ..... ▶ ..... H6

Total Ontario tax payable before refundable credits (amount G6 plus amount H6) ..... **45,304** I6

Deduct:

Ontario qualifying environmental trust tax credit ..... **450** .....

Ontario co-operative education tax credit (from Schedule 550) ..... **452** .....

Ontario apprenticeship training tax credit (from Schedule 552) ..... **454** ..... 12,665

Ontario computer animation and special effects tax credit (from Schedule 554) ..... **456** .....

Ontario film and television tax credit (from Schedule 556) ..... **458** .....

Ontario production services tax credit (from Schedule 558) ..... **460** .....

Ontario interactive digital media tax credit (from Schedule 560) ..... **462** .....

Ontario sound recording tax credit (from Schedule 562) ..... **464** .....

Ontario book publishing tax credit (from Schedule 564) ..... **466** .....

Ontario innovation tax credit (from Schedule 566) ..... **468** .....

Ontario business-research institute tax credit (from Schedule 568) ..... **470** .....

Other Ontario tax credits ..... .....

Subtotal ..... **12,665** ▶ ..... 12,665 J6

Net Ontario tax payable or refundable credit (amount I6 minus amount J6) ..... **290** ..... 32,639 K6

(if a credit, enter a negative amount) Include this amount on line 255.



Canada Revenue Agency  
Agence du revenu du Canada

**CAPITAL COST ALLOWANCE (CCA)**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2011-12-31</b>
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For more information, see the section called "Capital Cost Allowance" in the T2 Corporation Income Tax Guide.

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes  2 No

1 Class number (See Note)	2 Description	201 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year)	203 Cost of acquisitions during the year (new property must be available for use)*	205 Net adjustments**	207 Proceeds of dispositions during the year (amount not to exceed the capital cost)	211 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)***	7 Reduced undepreciated capital cost	212 CCA rate %****	9 Recapture of capital cost allowance (line 107 of Schedule 1)	10 Terminal loss (line 404 of Schedule 1)	217 Capital cost allowance (for declining balance method, column 7 multiplied by lower amount) (line 403 of Schedule 1)*****	12 Undepreciated capital cost at the end of the year (column 6 plus column 7 minus column 11)
1.	Buildings/Substation	2,838,357			0		2,838,357	4	0	0	113,534	2,724,823
2.	Plant Feeders	4,163,933			0		4,163,933	4	0	0	166,557	3,997,376
3.	Plant Distribution	7,219,452			0		7,219,452	4	0	0	288,778	6,930,674
4.	Transformers	2,359,065			0		2,359,065	4	0	0	94,363	2,264,702
5.	Meters	1,115,759			0		1,115,759	4	0	0	44,630	1,071,129
6.	Other Equipment	485,578	15,424		0	7,712	493,290	20	0	0	98,658	402,344
7.	Vehicles	181,281	66,729		8,373	29,178	210,459	30	0	0	63,138	176,499
8.	Computer Hardware	3,650			0		3,650	45	0	0	1,643	2,007
9.	Poles & Transmission Lines/Equi	10,305,740	2,136,180		6,076	1,065,052	11,370,792	8	0	0	909,663	11,526,181
10.	Software	170,258	256,734		0	128,367	298,625	100	0	0	298,625	128,367
11.	Computer Hardware > 3/19/200	3,600	32,544		0	16,272	19,872	55	0	0	10,930	25,214
12.	Paving	16,769			0		16,769	8	0	0	1,342	15,427
13.	Computer Hardware before Feb		2,144		0		2,144	100	0	0	2,144	
14.	Buildings/Substation		351,527		0	175,764	175,763	6	0	0	10,546	340,981
15.	Solar Panel microfits Installations		167,744		0	83,872	83,872	50	0	0	41,936	125,808
<b>Totals</b>		28,863,442	3,029,026		14,449	1,506,217	30,371,802				2,146,487	29,731,532

**Note:** Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed.

Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

\* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

\*\* Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

\*\*\* The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

\*\*\*\* Enter a rate only, if you are using the declining balance method. For any other method (for example the straight-line method, where calculations are always based on the cost of acquisitions), enter N/A. Then enter the amount you are claiming in column 11.

\*\*\*\*\* If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

T2 SCH 8 (11)

Canada

# Fixed Assets Reconciliation

Reconciliation of change in fixed assets per financial statements to amounts used per tax return.

## - Tax return

Additions for tax purposes – Schedule 8 regular classes		3,029,026	
Additions for tax purposes – Schedule 8 leasehold improvements	+		
Operating leases capitalized for book purposes	+		
Capital gain deferred	+		
Recapture deferred	+		
Deductible expenses capitalized for book purposes – Schedule 1	+		
	+		
<b>Total additions per books</b>	=	3,029,026	▶ 3,029,026
Proceeds up to original cost – Schedule 8 regular classes		14,449	
Proceeds up to original cost – Schedule 8 leasehold improvements	+		
Proceeds in excess of original cost – capital gain	+		
Recapture deferred – as above	+		
Capital gain deferred – as above	+		
Pre V-day appreciation	+		
	+		
<b>Total proceeds per books</b>	=	14,449	▶ 14,449
Depreciation and amortization per accounts – Schedule 1	-		1,960,187
Loss on disposal of fixed assets per accounts	-		
Gain on disposal of fixed assets per accounts	+		14,409
<b>Net change per tax return</b>	=		1,068,799

## - Financial statements

<b>Fixed assets (excluding land) per financial statements</b>			
Closing net book value			25,111,408
Opening net book value	-		24,042,609
<b>Net change per financial statements</b>	=		1,068,799

If the amounts from the tax return and the financial statements differ, explain why below.

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# Attached Schedule with Total

Financial statements – Fixed assets (excluding land) per financial statements – Opening net book value

Title Financial statements – Fixed assets (excluding land) per financial statements

Description	Amount
Net book value 2010	24,292,609.00
Inventory full basis	-250,000.00
<b>Total</b>	<b>24,042,609.00</b>

# Attached Schedule with Total

Financial statements – Fixed assets (excluding land) per financial statements – Closing net book value

Title Financial statements – Fixed assets (excluding land) per financial statements

Description	Amount
Closing NBV	25,361,408.00
Inventory full basis	-250,000.00
<b>Total</b>	<b>25,111,408.00</b>

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number 86375 9692 RC0001	Tax year end Year Month Day 2011-12-31
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- Complete this schedule if the corporation is related to or associated with at least one other corporation.
- For more information, see the *T2 Corporation Income Tax Guide*.

	<b>100</b>	<b>200</b>	<b>300</b>	<b>400</b>	<b>500</b>	<b>550</b>	<b>600</b>	<b>650</b>	<b>700</b>
	Name	Country of residence (other than Canada)	Business number (see note 1)	Relationship code (see note 2)	Number of common shares you own	% of common shares you own	Number of preferred shares you own	% of preferred shares you own	Book value of capital stock
1.	WELLAND HYDRO-ELECTRIC HOLD.		86360 4328 RC0001	1					
2.	WELLAND HYDRO ENERGY SERVI		86375 9494 RC0001	3					
3.	City of Welland		NR	3					
4.	WELLAND WIFI CORPORATION		85056 2364 RC0001	3					
5.	Welland Solar Corp.		80968 5860 RC0001	3					

Note 1: Enter "NR" if the corporation is not registered or does not have a business number.

Note 2: Enter the code number of the relationship that applies from the following order: 1 - Parent 2 - Subsidiary 3 - Associated 4 - Related but not associated

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number 86375 9692 RC0001	Tax year end Year Month Day 2011-12-31
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- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

<b>Cumulative eligible capital - Balance at the end of the preceding taxation year</b> (if negative, enter "0")	<b>200</b>	1,412,487	A
<b>Add:</b> Cost of eligible capital property acquired during the taxation year	<b>222</b>		
Other adjustments	<b>226</b>		
Subtotal (line 222 plus line 226)		$\times 3 / 4 =$	B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	<b>228</b>	$\times 1 / 2 =$	C
amount B minus amount C (if negative, enter "0")			D
Amount transferred on amalgamation or wind-up of subsidiary	<b>224</b>		E
Subtotal (add amounts A, D, and E)	<b>230</b>	1,412,487	F
<b>Deduct:</b> Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	<b>242</b>		G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	<b>244</b>		H
Other adjustments	<b>246</b>		I
(add amounts G,H, and I)		$\times 3 / 4 =$	<b>248</b> J
<b>Cumulative eligible capital balance</b> (amount F minus amount J)		1,412,487	K
(if amount K is negative, enter "0" at line M and proceed to Part 2)			
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	<b>249</b>		
amount K		1,412,487	
less amount from line 249			
<b>Current year deduction</b>		$1,412,487 \times 7.00\% =$	<b>250</b> 98,874 *
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		98,874	98,874 L
<b>Cumulative eligible capital - Closing balance</b> (amount K minus amount L) (if negative, enter "0")	<b>300</b>	1,313,613	M

\* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.



CONTINUITY OF RESERVES

Name of corporation WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business number 86375 9692 RC0001	Tax year end Year Month Day 2011-12-31
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- For use by corporations to provide a continuity of all reserves claimed which are allowed for tax purposes.
- File one completed copy of this schedule with the corporation's T2 Corporation Income Tax Return.
- For more information, see the T2 Corporation Income Tax Guide.

Part 1 – Capital gains reserves

Description of property	Balance at the beginning of the year \$	Transfer on an amalgamation or the wind-up of a subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
001	002	003			004
1					
<b>Totals</b>	<b>008</b>	<b>009</b>			<b>010</b>

The amount from line 008 plus the amount from line 009 should be entered on line 880 of Schedule 6, Summary of Dispositions of Capital Property. The amount from line 010 should be entered on line 885 of Schedule 6.

Part 2 – Other reserves

Description	Balance at the beginning of the year \$	Transfer on an amalgamation or the wind-up of a subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
	110	115			120
Reserve for doubtful debts <input checked="" type="checkbox"/>	113,524		107,764	113,524	107,764
Reserve for undelivered goods and services not rendered <input type="checkbox"/>					
Reserve for prepaid rent <input type="checkbox"/>					
Reserve for refundable containers <input type="checkbox"/>					
Reserve for unpaid amounts <input type="checkbox"/>					
Other tax reserves <input type="checkbox"/>					
<b>Totals</b>	<b>113,524</b>	<b>275</b>	<b>107,764</b>	<b>113,524</b>	<b>107,764</b>

Enter "X" in the column above if the tax reserve has also been reported on the corporation's financial statements. This allows offsetting entries on Schedule 1, resulting in a zero effect on net income for tax purposes.

The amount from line 270 plus the amount from line 275 should be entered on line 125 of Schedule 1, Net Income (Loss) for Income Tax Purposes, as an addition. The amount from line 280 should be entered on line 413 of Schedule 1 as a deduction.

# Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)					
Description	Balance at the beginning of the year	Transfer on an amalgamation or the wind-up of a subsidiary	Add	Deduct	Balance at the end of the year
1 PILs deferred revenue reserv	6,541			6,541	
2 Pension Liability - non-current	1,479,364		1,427,938	1,479,364	1,427,938
3 Pension Liability - current	56,253		126,909	56,253	126,909
4 Smart Meter Reserve					
5 Regulatory Asset Recoveries					
6					
Reserves from Part 2 of Schedule 13	113,524		107,764	113,524	107,764
<b>Totals</b>	<b>1,655,682</b>		<b>1,662,611</b>	<b>1,655,682</b>	<b>1,662,611</b>

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.  
The total closing balance should be entered on line 126 of Schedule 1 as an addition.

DEFERRED INCOME PLANS

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2011-12-31</b>
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- Complete the information below if the corporation deducted payments from its income made to a registered pension plan (RPP), a registered supplementary unemployment benefit plan (RSUBP), a deferred profit sharing plan (DPSP), or an employee profit sharing plan (EPSP).
- If the trust that governs an employee profit sharing plan is **not resident** in Canada, please indicate if the T4PS, *Statement of Employees Profit Sharing Plan Allocations and Payments*, Supplementary slip(s) were filed for the last calendar year, and whether they were filed by the trustee or the employer.

Type of plan (see note 1)	Amount of contribution \$ (see note 2)	Registration number (RPP, RSUBP, and DPSP only)	Name of EPSP trust	Address of EPSP trust	T4PS slip(s) filed by: (see note 3) (EPSP only)
100	200	300	400	500	600
1	235,237	0345983			

**Note 1:** Enter the applicable code number:  
 1 – RPP  
 2 – RSUBP  
 3 – DPSP  
 4 – EPSP

**Note 2:** You do not need to add to Schedule 1 any payments you made to deferred income plans. To reconcile such payments, calculate the following amount:

Total of all amounts indicated in column 200 of this schedule	235,237	<b>A</b>
<b>Less:</b>		
Total of all amounts for deferred income plans deducted in your financial statements	235,237	<b>B</b>
Deductible amount for contributions to deferred income plans (amount A minus amount B) (if negative, enter "0")		<b>C</b>

**Enter amount C on line 417 of Schedule 1**

**Note 3:** T4PS slip(s) filed by:  
 1 – Trustee  
 2 – Employer

### AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

**Column 1:** Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

**Column 2:** Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

**Column 3:** Enter the association code that applies to each corporation:

- 1 – Associated for purposes of allocating the business limit (unless code 5 applies)
- 2 – CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
- 3 – Non-CCPC that is a "third corporation" as defined in subsection 256(2)
- 4 – Associated non-CCPC
- 5 – Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

**Column 4:** Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

**Column 5:** Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

**Column 6:** Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2006	maximum \$300,000
2007	\$300,001 to \$400,000

Calendar year	Acceptable range
2008	maximum \$400,000
2009	\$400,001 to \$500,000

If the calendar year to which this agreement applies is after 2009, ensure that the total at line A does not exceed \$500,000.

#### - Allocating the business limit

Date filed (do not use this area) ..... **025** Year Month Day

Enter the calendar year to which the agreement applies ..... **050** Year  
2011

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? ..... **075** 1 Yes  2 No

	1 Names of associated corporations	2 Business Number of associated corporations	3 Association code	4 Business limit for the year (before the allocation) \$	5 Percentage of the business limit %	6 Business limit allocated* \$
	<b>100</b>	<b>200</b>	<b>300</b>		<b>350</b>	<b>400</b>
1	WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	1	500,000	100.0000	500,000
2	WELLAND HYDRO-ELECTRIC HOLDING CORP.	86360 4328 RC0001	1	500,000		
3	WELLAND HYDRO ENERGY SERVICES CORP.	86375 9494 RC0001	1	500,000		
4	City of Welland	NR	4			
5	WELLAND WIFI CORPORATION	85056 2364 RC0001	1	500,000		
6	Welland Solar Corp.	80968 5860 RC0001	1	500,000		
<b>Total</b>					<b>100.0000</b>	<b>500,000</b> <b>A</b>

**Business limit reduction under subsection 125(5.1) of the ITA**

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group\*\* of corporations in the current tax year, the amount at line 415 of the T2 return is equal to  $0.225\% \times (A - \$10,000,000)$  where, "A" is the total of taxable capital employed in Canada\*\*\* of each corporation in the associated group for its last tax year ending in the preceding calendar year.

\* Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's tax year is less than 51 weeks, prorate the amount in column 6 by the number of days in the tax year divided by 365, and enter the result on line 410 of the T2 return.

Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. If the tax year straddles January 1, 2009, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit that would have been determined for the first tax year ending in the calendar year, if \$500,000 was used in allocating the amounts among associated corporations and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year. Otherwise, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

\*\* The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

\*\*\* "Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the ITA.



## INVESTMENT TAX CREDIT – CORPORATIONS

### - General information

1. For use by a corporation that during a tax year:
  - earned an investment tax credit (ITC);
  - is claiming a deduction against its Part I tax payable;
  - is claiming a refund of credit earned during the current tax year;
  - is claiming a carryforward of credit from previous tax years;
  - is transferring a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
  - is requesting a credit carryback; or
  - is subject to a recapture of ITC.
2. References to parts, sections, and subsections on this schedule are from the federal *Income Tax Act* and the federal *Income Tax Regulations*. References to interpretation bulletins and information circulars are to the latest versions.
3. The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward.
4. Investments or expenditures, as defined in subsection 127(9) and Part XLVI of the federal *Income Tax Regulations*, that earn the ITC are:
  - qualified property (Parts 4 to 7);
  - expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). Complete and file Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*;
  - pre-production mining expenditures (Parts 18 to 20);
  - apprenticeship job creation expenditures (Parts 21 to 23); and
  - child care spaces expenditures (Parts 24 to 28).
5. Attach a completed copy of this schedule with the *T2 Corporation Income Tax Return*.
6. For more information on ITCs, see the section called "Investment Tax Credit" in the *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release. Also, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*.
7. For information on SR&ED, see Interpretation Bulletin IT-151 (**consolidated**), *Scientific Research and Experimental Development Expenditures*; Information Circular 86-4, *Scientific Research and Experimental Development*; Brochure RC4472, *Overview of the Scientific Research and Experimental Development Program (SR&ED) Tax Incentive Program*; Brochure RC4467, *Support for your R&D in Canada* and T4088, *Guide to Form T661 Scientific Research and Experimental Development (SR&ED) Expenditures Claim*.

### - Detailed information

1. For the purpose of this schedule, "**investment**" means:  
The capital cost of the property (excluding amounts added by an election under section 21), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
2. An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
3. Property acquired has to be "available for use" before a claim for an ITC can be made.
4. Expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which the expenditures or capital costs were incurred.
5. Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITC's is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 of the Act is not applicable for the agreement to share any income or loss. Special rules apply to specified and limited partners. For more information, see Guide T4068-1, 2010 Supplement to the 2006 T4068, *Guide for the T5013 Partnership Information Return*.
5. For SR&ED expenditures, the expression "in Canada" includes the "exclusive economic zone" (as defined in the *Oceans Act*) to generally consist of an area that is within 200 nautical miles from the Canadian coastline, including the airspace, seabed and subsoil for that zone.

Name of corporation WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number 86375 9692 RC0001	Tax year-end Year Month Day 2011-12-31
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**Part 1 – Investments, expenditures and percentages**

	Specified percentage
<b>Investments</b>	
Qualified property acquired primarily for use in Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula, or a prescribed offshore region	10 %
<b>Expenditures</b>	
If you are a Canadian-controlled private corporation (CCPC), this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
<b>Note:</b> If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate.	
If you are a corporation that is not a CCPC that incurred qualified expenditures for SR&ED in any area in Canada	20 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures	10 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %

**Part 2 – Determination of a qualifying corporation**

Is the corporation a qualifying corporation? **101** 1 Yes  2 No

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC and the taxable income (before any loss carrybacks) for its previous tax year cannot be more than its **qualifying income limit** for the particular tax year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), or their last tax year ending in the previous calendar year, cannot be more than their qualifying income limit for the particular tax year.

**Note:** A CCPC calculating a refundable ITC, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a 100% refund on your share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

Some CCPCs that are **not qualifying** corporations may also earn a 100% refund on their share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

- one or more persons exempt from Part I tax under section 149;
- Her Majesty in right of a province, a Canadian municipality, or any other public authority; or
- any combination of persons referred to in a) or b) above.

**Part 3 – Corporations in the farming industry**

Complete this area if the corporation is making SR&ED contributions

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? **102** 1 Yes  2 No

Contributions to agricultural organizations for SR&ED **103** \_\_\_\_\_

If yes, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see the *Guide to the General Index of Financial Information (GIFI) for Corporations*. Enter contributions on line 350 of Part 8.

**QUALIFIED PROPERTY**

**Part 4 – Eligible investments for qualified property from the current tax year**

CCA* class number	Description of investment	Date available for use	Location used (province or territory)	Amount of investment
<b>105</b>	<b>110</b>	<b>115</b>	<b>120</b>	<b>125</b>
1.				
* CCA: capital cost allowance				
<b>Total investment – enter in formula on line 240 in Part 5</b>				

**Part 5 – Calculation of current-year credit and account balances – ITC from investments in qualified property**

ITC at the end of the previous tax year \_\_\_\_\_

**Deduct:**

Credit deemed as a remittance of co-op corporations **210** \_\_\_\_\_

Credit expired **215** \_\_\_\_\_

Subtotal **220** \_\_\_\_\_

ITC at the beginning of the tax year \_\_\_\_\_

**Add:**

Credit transferred on amalgamation or wind-up of subsidiary **230** \_\_\_\_\_

ITC from repayment of assistance **235** \_\_\_\_\_

Total current-year credit: total of column 125 \_\_\_\_\_ x 10 % = **240** \_\_\_\_\_

Credit allocated from a partnership **250** \_\_\_\_\_

Subtotal \_\_\_\_\_

Total credit available \_\_\_\_\_

**Deduct:**

Credit deducted from Part I tax (enter on line B1 in Part 30) **260** \_\_\_\_\_

Credit carried back to the previous year(s) (from Part 6) \_\_\_\_\_ A

Credit transferred to offset Part VII tax liability **280** \_\_\_\_\_

Subtotal \_\_\_\_\_

Credit balance before refund \_\_\_\_\_ B

**Deduct:**

Refund of credit claimed on investments from qualified property (from Part 7) **310** \_\_\_\_\_

ITC closing balance of investments from qualified property **320** \_\_\_\_\_

**Part 6 – Request for carryback of credit from investments in qualified property**

Year	Month	Day

1st previous tax year \_\_\_\_\_ Credit to be applied **901** \_\_\_\_\_

2nd previous tax year \_\_\_\_\_ Credit to be applied **902** \_\_\_\_\_

3rd previous tax year \_\_\_\_\_ Credit to be applied **903** \_\_\_\_\_

Total (enter on line A in Part 5) \_\_\_\_\_

**Part 7 – Calculation of refund for qualifying corporations on investments from qualified property**

Current-year ITCs (total of lines 240 and 250 in Part 5) \_\_\_\_\_ C

Credit balance before refund (amount B from Part 5) \_\_\_\_\_ D

Refund ( 40 % of amount C or D, whichever is less) \_\_\_\_\_ E

Enter amount E or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

**SR&ED**

**Part 8 – Qualified SR&ED expenditures**

**Current expenditures**

Current expenditures (from line 557 on Form T661) ..... 142,151

**Add:**

Contributions to agricultural organizations for SR&ED\* .....

Current expenditures (including contributions to agricultural organizations for SR&ED

at line 103 in Part 3)\* (from line 557 on Form T661) ..... 142,151

Capital expenditures (from line 558 on Form T661) .....

Repayments made in the year (from line 560 on Form T661) .....

**Total** (this must equal the amount from line 570 on Form T661)\* .....

<b>350</b>	142,151
<b>360</b>	
<b>370</b>	
<b>380</b>	142,151

\* Do not file form T661 if you are only claiming contributions made to agricultural organizations for SR&ED.

**Part 9 – Components of the SR&ED expenditure limit calculation**

Part 9 only applies if the corporation is a CCPC.

**Note:** A CCPC that calculates SR&ED expenditure limit, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? .....

**385** 1 Yes  2 No

Complete lines 390 and 398, if you answered no to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

Enter your taxable income for the previous tax year\* (prior to any loss carry-backs applied) .....

**390** .....

Enter your taxable capital employed in Canada for the previous tax year minus \$10 million. If this amount is nil or negative, enter "0".

If this amount is over \$40 million, enter \$40 million. ....

**398** .....

\* If either of the tax years referred to at line 390 is less than 51 weeks, multiply the taxable income by the following result: 365 divided by the number of days in these tax years.

**Part 10 – Calculation of SR&ED expenditure limit for a CCPC**

**For stand-alone corporations:**

**Calculation 1A:** Tax year ends before January 1, 2010.

$[(\$7,000,000 \text{ minus } (10 \times (\text{line 390 from Part 9 or } \$400,000, \text{ whichever is more}))) \times ((\$40,000,000 \text{ minus line 398 from Part 9) divided by } \$40,000,000)]$

**Calculation 1:** Tax year starts after December 31, 2009.

$[(\$8,000,000 \text{ minus } (10 \times (\text{line 390 from Part 9 or } \$500,000, \text{ whichever is more}))) \times ((\$40,000,000 \text{ minus line 398 from Part 9) divided by } \$40,000,000)]$

**Calculation 2:** Tax year straddles January 1, 2010.

$EE + [(FF \text{ minus } EE) \times (GG \text{ divided by } HH)]$  where,

$EE = [(\$7,000,000 \text{ minus } (10A)) \times ((\$40,000,000 \text{ minus } B) \text{ divided by } \$40,000,000)]$ ;

$FF = [(\$8,000,000 \text{ minus } (10 \times (\text{line 390 from Part 9 or } \$500,000, \text{ whichever is more}))) \times ((\$40,000,000 \text{ minus line 398 from Part 9) divided by } \$40,000,000)]$ ;

$GG =$  number of days in the tax year after December 31, 2009;

$HH =$  number of days in the tax year.

Amount A **408**

Amount B **409**

A = the greater of:

- \$400,000; and
- your taxable income for the last tax year\* ending in the previous calendar year (tax years ending in 2008) (prior to any loss carry-backs applied).

B = the taxable capital employed in Canada for the last tax year ending in the previous calendar year (tax years ending in 2008) minus \$10 million. If this amount is nil or negative, enter "0". If this amount is over \$40 million, enter \$40 million.

\* If any of the tax years referred to in A above are less than 51 weeks, gross up the taxable incomes for those tax years by the ratio that 365 is of the number of days in those tax years. Use these grossed up amounts when calculating the expenditure limit.

Enter the amount from Calculation 1A, 1 or 2, whichever is applicable **G\***

**For associated corporations:**

If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49 **400 H\***

**Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:**

Line G or H  $\times$  Number of days in the tax year **365** = **I**

Your SR&ED expenditure limit for the year (enter the amount from line G, H, or I, whichever applies) **410**

Amount G or H cannot be more than \$3,000,000.

**Part 11 – Calculation of investment tax credits on SR&ED expenditures**

Enter whichever is less: current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10)*	420		x	35 %	=		J
Line 350 minus line 410 (if negative, enter "0")	430	142,151	x	20 %	=	28,430	K
Line 410 minus line 350 (if negative, enter "0")			L				
Enter whichever is less: capital expenditures (line 360 from Part 8) or line L above*	440		x	35 %	=		M
Line 360 minus line L (if negative, enter "0")	450		x	20 %	=		N

Repayments (amount from line 370 in Part 8)

If a corporation makes a repayment of any government or non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount. Enter the amount of the repayment on the line that corresponds to the appropriate rate.	460		x	35 %	=		
	480		x	20 %	=		
				Total			O

Current-year SR&ED ITC (total of lines J, K, M, N, and O; enter on line 540 in Part 12) 28,430

\* For corporations that are not CCPCs, enter "0" on lines J and M.

**Part 12 – Calculation of current-year credit and account balances – ITC from SR&ED expenditures**

TC at the end of the previous tax year							
<b>Deduct:</b>							
Credit deemed as a remittance of co-op corporations	510						
Credit expired	515						
				Subtotal			
ITC at the beginning of the tax year						520	
<b>Add:</b>							
Credit transferred on amalgamation or wind-up of subsidiary	530						
Total current-year credit	540	28,430					
Credit allocated from a partnership	550						
				Subtotal	28,430		28,430
Total credit available							28,430
<b>Deduct:</b>							
Credit deducted from Part I tax (enter on line B2 in Part 30)	560	28,430					
Credit carried back to the previous year(s) (from Part 13)							P
Credit transferred to offset Part VII tax liability	580						
				Subtotal	28,430		28,430
Credit balance before refund							Q
<b>Deduct:</b>							
Refund of credit claimed on expenditures of SR&ED (from Part 14 or 15, whichever applies)	610						
TC closing balance on SR&ED						620	

**Part 13 – Request for carryback of credit from SR&ED expenditures**

	Year	Month	Day				
1st previous tax year					Credit to be applied	911	
2nd previous tax year					Credit to be applied	912	
3rd previous tax year					Credit to be applied	913	
					Total (enter on line P in Part 12)		

**Part 14 – Calculation of refund of ITC for qualifying corporations – SR&ED**

Complete this part only if you are a qualifying corporation as determined at line 101.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? **650** 1 Yes  2 No

Credit balance before refund (amount Q from Part 12) ..... R

Current-year ITC (lines 540 plus 550 from Part 12 minus line O from Part 11) ..... S

Refundable credits (amount R or S, whichever is less)\* ..... T

Amount J from Part 11 ..... U

**Subtract:** Amount T or U, whichever is less ..... V

Net amount (if negative, enter "0") ..... W

Amount W x 40 % ..... X

**Add:** Amount V ..... Y

**Refund of ITC** (amounts X plus Y – enter this, or a lesser amount, on line 610 in Part 12) ..... Z

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

\* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%.  
Claim this, or a lesser amount, as your refund of ITC on line Z.

**Part 15 – Calculation of refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED**

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined in Part 2.

Credit balance before refund (amount Q from Part 12) ..... AA

Amount J from Part 11 ..... BB

**Subtract:** Amount AA or BB, whichever is less ..... CC

Net amount (if negative, enter "0") ..... DD

Amount M from Part 11 ..... EE

Amount DD or EE, whichever is less x 40 % ..... FF

**Add :** Amount CC above ..... GG

**Refund of ITC** (amounts FF plus GG) ..... HH

Enter HH, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

**RECAPTURE – SR&ED**

**Part 16 – Calculating the recapture of ITC for corporations and corporate partnerships – SR&ED**

You will have a recapture of ITC in a year when all of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997 and did not expire before 2008;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

**Note:**

The recapture **does not apply** if you disposed of the property to a non-arm's length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 – If you meet all of the above conditions

Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above  <b>700</b>	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case)  <b>710</b>	Amount from column 700 or 710, whichever is less
1.		

Subtotal (enter this amount on line LL in Part 17) \_\_\_\_\_ II

Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil at line JJ in Part 16.

<b>A</b> Rate that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement  <b>720</b>	<b>B</b> Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition  <b>730</b>	<b>C</b> Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.)  <b>740</b>
1.		

Calculation 2 (continued) – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil on line JJ below.

<b>D</b> Amount determined by the formula $(A \times B) - C$	<b>E</b> ITC earned by the transferee for the qualified expenditures that were transferred  <b>750</b>	<b>F</b> Amount from column D or E, whichever is less
1.		

Subtotal (enter this amount on line MM in Part 17) \_\_\_\_\_ JJ

Calculation 3

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 550 in Part 12. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line KK below.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported on line NN in Part 17) **760** \_\_\_\_\_ KK

**Part 17 – Total recapture of SR&ED investment tax credit**

Recaptured ITC for calculation 1 from line II in Part 16	.....	_____	LL
Recaptured ITC for calculation 2 from line JJ in Part 16 above	.....	_____	MM
Recaptured ITC for calculation 3 from line KK in Part 16 above	.....	_____	NN
<b>Total recapture of SR&amp;ED investment tax credit</b> – Add lines LL, MM and NN	.....	=====	OO
Enter amount OO at line A1 in Part 29.			

**PRE-PRODUCTION MINING**

**Part 18 – Pre-production mining expenditures**

**Exploration information**

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year.

List of minerals 800
1. _____

For each of the minerals reported in column 800 above, identify each project, mineral title, and mining division where title is registered. If there is no mineral title, identify the project and mining division only.

Project name 805	Mineral title 806	Mining division 807
1. _____	_____	_____

**Pre-production mining expenditures \***

Pre-production mining expenditures that the corporation incurred in the tax year for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting	.....	<b>810</b>	_____	PP
Geological, geophysical, or geochemical surveys	.....	<b>811</b>	_____	QQ
Drilling by rotary, diamond, percussion, or other methods	.....	<b>812</b>	_____	RR
Trenching, digging test pits, and preliminary sampling	.....	<b>813</b>	_____	SS

Pre-production mining expenditures incurred in the tax year for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping	.....	<b>820</b>	_____	TT
Sinking a mine shaft, constructing an adit, or other underground entry	.....	<b>821</b>	_____	UU

Other pre-production mining expenditures incurred in the tax year:

Description 825	Amount 826
1. _____	_____

Add amounts at column 826 \_\_\_\_\_ **VV**

Total pre-production mining expenditures (add amounts PP to VV) **830** \_\_\_\_\_

**Deduct:** Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above **832** \_\_\_\_\_

Excess (line 830 minus line 832) (if negative, enter "0") \_\_\_\_\_ **WW**

Add: Repayments of government and non-government assistance \_\_\_\_\_ **835** \_\_\_\_\_ **XX**

**Pre-production mining expenditures** (amount WW plus amount XX) \_\_\_\_\_ **YY**

\* A pre-production mining expenditure is defined under subsection 127(9).

**Part 19 – Calculation of current-year credit and account balances – ITC from pre-production mining expenditures**

ITC at the end of the previous tax year \_\_\_\_\_

**Deduct:**

Credit deemed as a remittance of co-op corporations ..... **841** \_\_\_\_\_

Credit expired ..... **845** \_\_\_\_\_

Subtotal **850** \_\_\_\_\_

ITC at the beginning of the tax year ..... **850** \_\_\_\_\_

**Add:**

Credit transferred on amalgamation or wind-up of subsidiary ..... **860** \_\_\_\_\_

Expenditures from line YY in Part 18: **870** \_\_\_\_\_ x 10 % = **880** \_\_\_\_\_

Total credit available ..... \_\_\_\_\_

**Deduct:**

Credit deducted from Part I tax (enter on line B3 in Part 30) ..... **885** \_\_\_\_\_

Credit carried back to the previous year(s) (from Part 20) ..... CCC \_\_\_\_\_

Subtotal **890** \_\_\_\_\_

ITC closing balance from pre-production mining expenditures ..... **890** \_\_\_\_\_

**Part 20 – Request for carryback of credit from pre-production mining expenditures**

Year	Month	Day

1st previous tax year ..... Credit to be applied **921** \_\_\_\_\_

2nd previous tax year ..... Credit to be applied **922** \_\_\_\_\_

3rd previous tax year ..... Credit to be applied **923** \_\_\_\_\_

Total (enter on line CCC in Part 19) \_\_\_\_\_

**APPRENTICESHIP JOB CREATION**

**Part 21 – Calculation of total current-year credit – ITC from apprenticeship job creation expenditures**

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) ..... **611** 1 Yes  2 No

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice. Attach additional schedules if more space is needed.

A Contract number (SIN or name of apprentice)	B Name of eligible trade	C Eligible salary and wages*	D Column C x 10 %	E Lesser of column D or \$ 2,000
<b>601</b>	<b>602</b>	<b>603</b>	<b>604</b>	<b>605</b>
1. Kevin Bovine	Powerline Technician	9,580	958	958
2.				
Total current-year credit (enter at line 640)				958

\* Net of any other government or non-government assistance received or to be received.

**Part 25 – Calculation of current-year credit – ITC from child care spaces expenditures**

The credit is equal to 25% of eligible child care spaces expenditures incurred to a maximum of \$10,000 per child care space created in a licensed child care facility.

Eligible expenditures (line 745)	_____	x	25 %	=	_____	KKK	
Number of child care spaces	<b>755</b>	x	\$ 10,000	=	_____	LLL	
ITC from child care spaces expenditures (amount KKK or LLL, whichever is less)						_____	MMM

**Part 26 – Calculation of current-year credit and account balances – ITC from child care spaces expenditures**

ITC at the end of the previous tax year		_____
<b>Deduct:</b>		
Credit deemed as a remittance of co-op corporations	<b>765</b>	_____
Credit expired after 20 tax years	<b>770</b>	_____
	Subtotal	_____ ▶
ITC at the beginning of the tax year		<b>775</b>
<b>Add:</b>		
Credit transferred on amalgamation or wind-up of subsidiary	<b>777</b>	_____
Total current-year credit (amount MMM above)	<b>780</b>	_____
Credit allocated from a partnership	<b>782</b>	_____
	Subtotal	_____ ▶
Total credit available		_____
<b>Deduct:</b>		
Credit deducted from Part I tax (enter on line B5 in Part 30)	<b>785</b>	_____
Credit carried back to the previous year(s) (from Part 27)		_____ NNN
	Subtotal	_____ ▶
ITC closing balance from child care spaces expenditures		<b>790</b>

**Part 27 – Request for carryback of credit from child care space expenditures**

	<table border="1"> <thead> <tr> <th>Year</th> <th>Month</th> <th>Day</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>12</td> <td>31</td> </tr> <tr> <td>2009</td> <td>12</td> <td>31</td> </tr> <tr> <td>2008</td> <td>12</td> <td>31</td> </tr> </tbody> </table>	Year	Month	Day	2010	12	31	2009	12	31	2008	12	31	
Year	Month	Day												
2010	12	31												
2009	12	31												
2008	12	31												
1st previous tax year	_____	Credit to be applied	<b>941</b>	_____										
2nd previous tax year	_____	Credit to be applied	<b>942</b>	_____										
3rd previous tax year	_____	Credit to be applied	<b>943</b>	_____										
Total (enter on line NNN in Part 26)			_____	_____										

**RECAPTURE – CHILD CARE SPACES**

**Part 28 – Calculating the recapture of ITC for corporations and corporate partnerships – Child care spaces**

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
  - disposed of or leased to a lessee; or
  - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) ..... **792** ZZZ

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC ..... **795**

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property ..... **797**

Amount from line 795 or line 797, whichever is less ..... 000

**Corporate partnerships**

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line PPP below.

Corporate partner's share of the excess of ITC **799** PPP

**Total recapture of child care spaces investment tax credit** – Add lines ZZZ, 000, and PPP ..... **QQQ**  
Enter amount QQQ on line A2 in Part 29.

**Part 29 – Total recapture of investment tax credit**

Recaptured SR&ED ITC from line OO in Part 17 ..... A1

Recaptured child care spaces ITC from line QQQ in Part 28 above ..... A2

**Total recapture of investment tax credit** – Add lines A1 and A2 ..... A3

Enter amount A3 on line 602 of the T2 return.

**Part 30 – Total ITC deducted from Part I tax**

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5) ..... B1

TC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12) ..... 28,430 B2

ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19) ..... B3

TC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22) ..... 958 B4

ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26) ..... B5

**Total ITC deducted from Part I tax** (add lines B1, B2, B3, B4, and B5) ..... 29,388 B6

Enter amount B6 at line 652 of the T2 return.

Privacy Act, Personal Information Bank number CRA PPU 047

# Attached Schedule with Total

C – Eligible salary and wages

Title C – Eligible salary and wages

Description	Amount
<u>Eligible amount of salaries</u>	<u>14,738 00</u>
<u>Less ON credit on above</u>	<u>-5,158 00</u>
<b>Total</b>	<b>9,580 00</b>

# Summary of Investment Tax Credit Carryovers

## - Continuity of investment tax credit carryovers

CCA class number 97 Apprenticeship job creation ITC

### Current year

Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
958	958			

### Prior years

Taxation year	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2010-12-31				
2009-12-31				
2008-12-31				
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				
2003-12-31				
2002-12-31				
2001-12-31				*
2000-12-31				
1999-12-31				
1998-12-31				
1997-12-31				
1996-12-31				
1995-12-31				
1994-12-31				
1993-12-31				
1992-12-31				
1991-12-31				*
<b>Total</b>				

B+C+D+G **Total ITC utilized** 958

\* The ITC end of year includes the amount of ITC expired from the 10<sup>th</sup> preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20<sup>th</sup> preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

# Summary of Investment Tax Credit Carryovers

## Continuity of investment tax credit carryovers

CCA class number 99 Cur. or cap. R&D for ITC

### Current year

Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
28,430	28,430			

### Prior years

#### Taxation year

	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2010-12-31				
2009-12-31				
2008-12-31				
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				
2003-12-31				
2002-12-31				
2001-12-31				*
2000-12-31				
1999-12-31				
1998-12-31				
1997-12-31				
1996-12-31				
1995-12-31				
1994-12-31				
1993-12-31				
1992-12-31				
1991-12-31				*
<b>Total</b>				

B+C+D+G

**Total ITC utilized** 28,430

\* The ITC end of year includes the amount of ITC expired from the 10<sup>th</sup> preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20<sup>th</sup> preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

**SHAREHOLDER INFORMATION**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2011-12-31</b>
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All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

		Provide only one number per shareholder					
Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)		Business Number (If a corporation is not registered, enter "NR")	Social insurance number	Trust number	Percentage common shares	Percentage preferred shares	
		<b>100</b>	<b>200</b>	<b>300</b>	<b>400</b>	<b>500</b>	
1	Welland Hydro-Electric Holding Corp.	86360 4328 RC0001			100.000		
2							
3							
4							
5							
6							
7							
8							
9							
10							

GENERAL RATE INCOME POOL (GRIP) CALCULATION

Table with 3 columns: Name of corporation (WELLAND HYDRO ELECTRIC SYSTEM CORP.), Business Number (86375 9692 RC0001), Tax year-end (2011-12-31)

On: 2011-12-31

- If you are a Canadian-controlled private corporation (CCPC) or a deposit insurance corporation (DIC), use this schedule to determine the general rate income pool (GRIP).
• When an eligible dividend was paid in the tax year, file a completed copy of this schedule with your T2 Corporation Income Tax Return. Do not send your worksheets with your return, but keep them in your records in case we ask to see them later.
• Subsections referred to in this schedule are from the Income Tax Act.
• Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool, and low rate income pool.

Eligibility for the various additions

Answer the following questions to determine the corporation's eligibility for the various additions:

2006 addition

- 1. Is this the corporation's first taxation year that includes January 1, 2006? [ ] Yes [X] No
2. If not, what is the date of the taxation year end of the corporation's first year that includes January 1, 2006? Enter the date and go directly to question 4 [ ] 2006-12-31
3. During that first year, was the corporation a CCPC or would it have been a CCPC if not for the election of subsection 89(11) ITA? [X] Yes [ ] No

Change in the type of corporation

- 4. Was the corporation a CCPC during its preceding taxation year? [X] Yes [ ] No
5. Corporations that become a CCPC or a DIC [ ] Yes [X] No

Amalgamation (first year of filing after amalgamation)

- 6. Corporations that were formed as a result of an amalgamation [ ] Yes [X] No
7. Was one or more of the predecessor corporations neither a CCPC nor a DIC? [ ] Yes [ ] No
8. Was one or more of the predecessor corporation a CCPC or a DIC during the taxation year that ended immediately before amalgamation? [ ] Yes [ ] No

Winding-up

- 9. Corporations that wound-up a subsidiary [ ] Yes [X] No
10. Was the subsidiary neither a CCPC nor a DIC during its last taxation year? [ ] Yes [ ] No
11. Was the subsidiary a CCPC or a DIC during its last taxation year? [ ] Yes [ ] No

**Part 1 – Calculation of general rate income pool (GRIP)**

GRIP at the end of the previous tax year	<b>100</b>	6,095,629	A
Taxable income for the year (DICs enter "0") *	<b>110</b>	751,127	B
Income for the credit union deduction * (amount E in Part 3 of Schedule 17)	<b>120</b>		
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less *	<b>130</b>		
For a CCPC, the lesser of aggregate investment income (line 440 of the T2 return) and taxable income *	<b>140</b>		
Subtotal (add lines 120, 130, and 140)			C
Income taxable at the general corporate rate (line B minus line C) (if negative enter "0")	<b>150</b>	751,127	
After-tax income (line 150 x general rate factor for the tax year ** 0.7 )		<b>190</b>	525,789 D
Eligible dividends received in the tax year	<b>200</b>		
Dividends deductible under section 113 received in the tax year	<b>210</b>		
Subtotal (add lines 200 and 210)			E
GRIP addition:			
Becoming a CCPC (line PP from Part 4)	<b>220</b>		
Post-amalgamation (total of lines EE from Part 3 and lines PP from Part 4)	<b>230</b>		
Post-wind-up (total of lines EE from Part 3 and lines PP from Part 4)	<b>240</b>		
Subtotal (add lines 220, 230, and 240)		<b>290</b>	F
Subtotal (add lines A, D, E, and F)		6,621,418	G
Eligible dividends paid in the previous tax year	<b>300</b>		
Excessive eligible dividend designations made in the previous tax year	<b>310</b>		
<b>Note:</b> If becoming a CCPC (subsection 89(4) applies), enter "0" on lines 300 and 310.			
Subtotal (line 300 minus line 310)			H
GRIP before adjustment for specified future tax consequences (line G minus line H) (amount can be negative)	<b>490</b>	6,621,418	
Total GRIP adjustment for specified future tax consequences to previous tax years (amount W from Part 2)	<b>560</b>		
<b>GRIP at the end of the tax year</b> (line 490 minus line 560)	<b>590</b>	6,621,418	

Enter this amount on line 160 of Schedule 55.

\* For lines 110, 120, 130, and 140, the income amount is the amount before considering specified future tax consequences. This phrase is defined in subsection 248(1). It includes the deduction of a loss carryback from subsequent tax years, a reduction of Canadian exploration expenses and Canadian development expenses that were renounced in subsequent tax years (e.g., flow-through share renunciations), reversals of income inclusions where an option is exercised in subsequent tax years, and the effect of certain foreign tax credit adjustments.

\*\* The **general rate factor** for a tax year is 0.68 for any portion of the tax year that falls before 2010, 0.69 for any portion of the tax year that falls in 2010, 0.70 for any portion of the tax year that falls in 2011, and 0.72 for any portion of the tax year that falls after 2011. Calculate the general rate factor in Part 5 for tax years that straddle these dates.

**Part 2 – GRIP adjustment for specified future tax consequences to previous tax years**

Complete this part if the corporation's taxable income of any of the previous three tax years took into account the specified future tax consequences defined in subsection 248(1) from the current tax year. Otherwise, enter "0" on line 560.

First previous tax year 2010-12-31

Taxable income before specified future tax consequences from the current tax year	2,093,786		J1
Enter the following amounts before specified future tax consequences from the current tax year:			
Income for the credit union deduction (amount E in Part 3 of Schedule 17)			K1
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less			L1
Aggregate investment income (line 440 of the T2 return)			M1
Subtotal (add lines K1, L1, and M1)			N1
Subtotal (line J1 minus line N1) (if negative, enter "0")	2,093,786	2,093,786	O1

**Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)**

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences . . . . . P1

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . Q1

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . R1

Aggregate investment income (line 440 of the T2 return) . . . . . S1

Subtotal (add lines Q1, R1, and S1) . . . . . T1

Subtotal (line P1 minus line T1) (if negative, enter "0") . . . . . U1

Subtotal (line O1 minus line U1) (if negative, enter "0") . . . . . V1

**GRIP adjustment for specified future tax consequences to the first previous tax year**

(line V1 multiplied by the general rate factor for the tax year 0.7 ) . . . . . **500**

Second previous tax year 2009-12-31

Taxable income before specified future tax consequences from the current tax year . . . . . 1,390,885 J2

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . K2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . L2

Aggregate investment income (line 440 of the T2 return) . . . . . M2

Subtotal (add lines K2, L2, and M2) . . . . . N2

Subtotal (line J2 minus line N2) (if negative, enter "0") . . . . . 1,390,885 O2

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences . . . . . P2

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . Q2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . R2

Aggregate investment income (line 440 of the T2 return) . . . . . S2

Subtotal (add lines Q2, R2, and S2) . . . . . T2

Subtotal (line P2 minus line T2) (if negative, enter "0") . . . . . U2

Subtotal (line O2 minus line U2) (if negative, enter "0") . . . . . V2

**GRIP adjustment for specified future tax consequences to the second previous tax year**

(line V2 multiplied by the general rate factor for the tax year 0.7 ) . . . . . **520**

**Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)**

Third previous tax year 2008-12-31

Taxable income before specified future tax consequences from the current tax year 1,619,986 J3

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17)                      K3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less                      L3

Aggregate investment income (line 440 of the T2 return)                     924 M3

Subtotal (add lines K3, L3, and M3)                     924 ▶                     924 N3

Subtotal (line J3 minus line N3) (if negative, enter "0")                     1,619,062 ▶                     1,619,062 O3

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences                      P3

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17)                      Q3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less                      R3

Aggregate investment income (line 440 of the T2 return)                      S3

Subtotal (add lines Q3, R3, and S3)                      ▶                      T3

Subtotal (line P3 minus line T3) (if negative, enter "0")                      ▶                      U3

Subtotal (line O3 minus line U3) (if negative, enter "0")                      ▶                      V3

**GRIP adjustment for specified future tax consequences to the third previous tax year**

(line V3 multiplied by the general rate factor for the tax year 0.7)                      **540**

**Total GRIP adjustment for specified future tax consequences to previous tax years:**  
add lines 500, 520, and 540) (if negative, enter "0")                      W

Enter amount W on line 560.

**Part 3 – Worksheet to calculate the GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or a DIC in its last tax year)**

nb. 1 Post amalgamation  Post wind-up

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary corporation was a CCPC or a DIC in its last tax year. In the calculation below, corporation means a predecessor or a subsidiary. The last tax year for a predecessor corporation was its tax year that ended immediately before the amalgamation and for a subsidiary corporation was its tax year during which its assets were distributed to the parent on the wind-up.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for each predecessor and each subsidiary that was a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Corporation's GRIP at the end of its last tax year                      AA

Eligible dividends paid by the corporation in its last tax year                      BB

Excessive eligible dividend designations made by the corporation in its last tax year                      CC

Subtotal (line BB minus line CC)                      ▶                      DD

**GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or a DIC in its last tax year)**  
(line AA minus line DD)                      EE

After you complete this calculation for each predecessor and each subsidiary, calculate the total of all the EE lines. Enter this total amount on:

- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

**Part 4 – Worksheet to calculate the GRIP addition post-amalgamation, post-wind-up  
(predecessor or subsidiary was not a CCPC or a DIC in its last tax year),  
or the corporation is becoming a CCPC**

**nb. 1** Corporation becoming a CCPC  Post amalgamation  Post wind-up

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary was not a CCPC or a DIC in its last tax year. Also, use this part for a corporation becoming a CCPC. In the calculation below, **corporation** means a corporation becoming a CCPC, a predecessor, or a subsidiary.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for each predecessor and each subsidiary that was not a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Cost amount to the corporation of all property immediately before the end of its previous/last tax year ..... FF

The corporation's money on hand immediately before the end of its previous/last tax year ..... GG

Unused and unexpired losses at the end of the corporation's previous/last tax year:

Non-capital losses ..... \_\_\_\_\_

Net capital losses ..... \_\_\_\_\_

Farm losses ..... \_\_\_\_\_

Restricted farm losses ..... \_\_\_\_\_

Limited partnership losses ..... \_\_\_\_\_

Subtotal ..... **HH**

Subtotal (add lines FF, GG, and HH) ..... **II**

All the corporation's debts and other obligations to pay that were outstanding immediately before the end of its previous/last tax year ..... **JJ**

Paid-up capital of all the corporation's issued and outstanding shares of capital stock immediately before the end of its previous/last tax year ..... **KK**

All the corporation's reserves deducted in its previous/last tax year ..... **LL**

The corporation's capital dividend account immediately before the end of its previous/last tax year ..... **MM**

The corporation's low rate income pool immediately before the end of its previous/last tax year ..... **NN**

Subtotal (add lines JJ, KK, LL, MM, and NN) ..... **OO**

**GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was not a CCPC or a DIC in its last tax year), or the corporation is becoming a CCPC (line II minus line OO) (if negative, enter "0")** ..... **PP**

After you complete this worksheet for each predecessor and each subsidiary, calculate the total of all the PP lines. Enter this total amount on:

- line 220 for a corporation becoming a CCPC;
- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

**Part 5 – General rate factor for the tax year**

Complete this part to calculate the general rate factor for the tax year.

<u>0.68</u>	x	<u>number of days in the tax year before January 1, 2010</u>	<u>365</u>	=	<u>                    </u>	QQ
		number of days in the tax year	365			
<u>0.69</u>	x	<u>number of days in the tax year in 2010</u>	<u>365</u>	=	<u>                    </u>	RR
		number of days in the tax year	365			
<u>0.7</u>	x	<u>number of days in the tax year in 2011</u>	<u>365</u>	=	<u>0.70000</u>	SS
		number of days in the tax year	365			
<u>0.72</u>	x	<u>number of days in the tax year after December 31, 2011</u>	<u>365</u>	=	<u>                    </u>	TT
		number of days in the tax year	365			
<b>General rate factor for the tax year (total of lines QQ to TT)</b>					<u><u>0.70000</u></u>	UU

**PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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**Do not use this area**

- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1 of this schedule. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation*, or Schedule 54, *Low Rate Income Pool (LRIP) Calculation*, whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- All legislative references on this schedule are to the federal *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

**Part 1 – Canadian-controlled private corporations and deposit insurance corporations**

Taxable dividends paid in the tax year <b>not included</b> in Schedule 3			
Taxable dividends paid in the tax year <b>included</b> in Schedule 3		<b>650,000</b>	
Total taxable dividends paid in the tax year	<b>100</b>	<b>650,000</b>	
Total eligible dividends paid in the tax year		<b>150</b>	A
GRIP at the end of the tax year (line 590 on Schedule 53) (if negative, enter "0")		<b>160</b>	<b>6,621,418</b> B
Excessive eligible dividend designation (line 150 minus line 160)			C
<b>Deduct:</b>			
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*		<b>180</b>	D
			Subtotal (amount C minus amount D) E
Part III.1 tax on excessive eligible dividend designations – CCPC or DIC (amount E multiplied by 20 %)		<b>190</b>	F

Enter the amount from line 190 on line 710 of the T2 return.

**Part 2 – Other corporations**

Taxable dividends paid in the tax year <b>not included</b> in Schedule 3			
Taxable dividends paid in the tax year <b>included</b> in Schedule 3			
Total taxable dividends paid in the tax year	<b>200</b>		
Total excessive eligible dividend designations in the tax year (amount from line A of Schedule 54)			G
<b>Deduct:</b>			
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*		<b>280</b>	H
			Subtotal (amount G minus amount H) I
Part III.1 tax on excessive eligible dividend designations – Other corporations (amount I multiplied by 20 %)		<b>290</b>	J

Enter the amount from line 290 on line 710 of the T2 return.

\* You can elect to treat all or part of your excessive eligible dividend designation as a separate taxable dividend in order to eliminate or reduce the Part III.1 tax otherwise payable. You must file the election on or before the day that is 90 days after the day the notice of assessment for Part III.1 tax was sent. We will accept an election before the assessment of the tax. For more information on how to make this election, go to [www.cra.gc.ca/eligibledividends](http://www.cra.gc.ca/eligibledividends).

ONTARIO CORPORATION TAX CALCULATION

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- Use this schedule if the corporation had a permanent establishment (as defined in section 400 of the federal *Income Tax Regulations*) in Ontario at any time in the tax year and had Ontario taxable income in the year.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- This schedule is a worksheet only and does not have to be filed with your *T2 Corporation Income Tax Return*.

Part 1 – Calculation of Ontario basic rate of tax for the year

Number of days in the tax year before July 1, 2010		x	14.00 %	=		%	A1
Number of days in the tax year	365						
Number of days in the tax year after June 30, 2010, and before July 1, 2011	181	x	12.00 %	=	5.95068 %		A2
Number of days in the tax year	365						
Number of days in the tax year after June 30, 2011	184	x	11.50 %	=	5.79726 %		A3
Number of days in the tax year	365						

Ontario basic rate of tax for the year (total of rates A1 to A3) 11.74794 ▶ 11.74794 % A4

Part 2 – Calculation of Ontario basic income tax

Ontario taxable income *		<u>751,127</u>	B
Ontario basic income tax: amount B multiplied by Ontario basic rate of tax for the year (rate A4 from Part 1)		<u>88,242</u>	C

If the corporation has a permanent establishment in more than one jurisdiction, or is claiming an Ontario tax credit, in addition to Ontario basic income tax, or has Ontario corporate minimum tax, Ontario special additional tax on life insurance corporations or Ontario capital tax payable, enter amount C on line 270 of Schedule 5, *Tax Calculation Supplementary – Corporations*. Otherwise, enter it on line 760 of the T2 return.

\* If the corporation has a permanent establishment only in Ontario, enter the amount from line 360 or line Z, whichever applies, of the T2 return. Otherwise, enter the taxable income allocated to Ontario from column F in Part 1 of Schedule 5.

**Part 4 – Calculation of surtax re Ontario small business deduction**

Complete this part if the corporation is claiming the OSBD and its adjusted taxable income, **plus** the adjusted taxable income of each corporation with which the corporation was associated during its tax year, is greater than \$500,000. If the corporation is a member of an associated group, complete Schedule 501, *Ontario Adjusted Taxable Income of Associated Corporations to Determine Surtax re Ontario Small Business Deduction*.

**Note:** For days in the tax year after June 30, 2010, the small business surtax rate is 0%. You do not have to complete this part if the corporation's tax year begins after June 30, 2010.

Adjusted taxable income *		I	
Adjusted taxable income of all associated corporations (amount from line 500 of Schedule 501)		J	
Aggregate adjusted taxable income (amount I <b>plus</b> amount J)		▶	K
<b>Deduct:</b>			
Ontario business limit		500,000	
Subtotal (amount K <b>minus</b> Ontario business limit) (if negative, enter "0" on this line and on line P)		L	
Small business surtax rate for the year:			
$\frac{\text{Number of days in the tax year before July 1, 2010}}{\text{Number of days in the tax year}} \times 4.25\% = \text{\% M}$	365		
Amount L multiplied by % on line M =		N	
Amount N	x	Ontario small business income (amount F from Part 3)	O
		500,000	500,000
<b>Surtax re Ontario small business deduction:</b> lesser of amount O and OSBD (amount H from Part 3)		P	

Enter amount P on line 272 of Schedule 5.

\* Adjusted taxable income is equal to the corporation's taxable income or taxable income earned in Canada for the year **plus** the amount of the corporation's adjusted Crown royalties for the year **minus** the amount of the corporation's notional resource allowance for the year (from Schedule 504, *Ontario Resource Tax Credit and Ontario Additional Tax re Crown Royalties*).

If the tax year of the corporation is less than 51 weeks, **multiply** the adjusted taxable income of the corporation for the year by 365 and **divide** by the number of days in the tax year.

**Part 5 – Ontario adjusted small business income**

Complete this part if the corporation was a Canadian-controlled private corporation throughout the tax year and is claiming the Ontario tax credit for manufacturing and processing or the Ontario credit union tax reduction.

Lesser of amount D and amount b from Part 3		500,000	Q
<b>Surtax payable (amount P from Part 4)</b>			
Ontario domestic factor (amount E from Part 3) x OSBD rate (rate G6 from Part 3)	7.24795 %	0.07248	R

**Note:** Enter "0" on line R for tax years beginning after June 30, 2010.

Ontario adjusted small business income (amount Q minus amount R) (if negative, enter "0")		500,000	S
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Enter amount S on line U in Part 6 or on line B in Part 2 of Schedule 502, *Ontario Tax Credit for Manufacturing and Processing*, whichever applies.

**Part 6 – Calculation of credit union tax reduction**

Complete this part and Schedule 17, *Credit Union Deductions*, if the corporation was a credit union throughout the tax year.

Amount D from Part 3 of Schedule 17 ..... T

**Deduct:**

Ontario adjusted small business income (amount S from Part 5) ..... U

Subtotal (amount T minus amount U) (if negative, enter "0") ..... V

OSBD rate for the year (rate G6 from Part 3) ..... 7.24795 %

Amount V multiplied by the OSBD rate for the year ..... W

Ontario domestic factor (amount E from Part 3) ..... 1.00000 X

**Ontario credit union tax reduction** (amount W multiplied by amount X) ..... Y

Enter amount Y on line 410 of Schedule 5.

**ONTARIO RESEARCH AND DEVELOPMENT TAX CREDIT**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- Use this schedule to:
  - calculate an Ontario research and development tax credit (ORDTC);
  - claim an ORDTC earned in the tax year or carried forward from any of the 20 previous tax years that are a tax year ending after December 31, 2008, to reduce Ontario corporate income tax payable in the current tax year;
  - carry back an ORDTC to reduce Ontario corporate income tax payable in any of the three previous tax years, but not to a tax year that ends before January 1, 2009;
  - add an ORDTC that was allocated to the corporation by a partnership of which it was a member;
  - transfer an ORDTC after an amalgamation or windup; or
  - calculate a recapture of the ORDTC.
- The ORDTC is a 4.5% non-refundable tax credit on eligible expenditures incurred by a corporation in a tax year that ends after December 31, 2008.
- An eligible expenditure is an expenditure for a permanent establishment in Ontario of a corporation, that is a qualified expenditure for the purposes of section 127 of the federal *Income Tax Act* for scientific research and experimental development (SR&ED) carried on in Ontario.
- Only corporations that are not exempt from Ontario corporate income tax and none of whose income is exempt income can claim the ORDTC.
- Attach a completed copy of this schedule to the *T2 Corporation Income Tax Return*.

**Part 1 – Ontario SR&ED expenditure pool**

Total eligible expenditures incurred by the corporation in Ontario in the tax year	<b>100</b>	<u>148,849</u>	A
Deduct: Government assistance, non-government assistance, or a contract payment for eligible expenditures	<b>105</b>		B
Net eligible expenditures for the tax year (amount A minus amount B) (if negative, enter "0")		<u>148,849</u>	C
Add: Eligible expenditures transferred to the corporation by another corporation	<b>110</b>		D
Subtotal (amount C plus amount D)		<u>148,849</u>	E
Deduct: Eligible expenditures the corporation transferred to another corporation	<b>115</b>		F
Ontario SR&ED expenditure pool (amount E minus amount F) (if negative, enter "0")	<b>120</b>	<u>148,849</u>	G

**Part 2 – Calculation of the current part of the ORDTC**

Ontario SR&ED expenditure pool (amount G in Part 1)	<u>148,849</u>	x	4.50 %	=	<b>200</b>	<u>6,698</u>	H	
ORDTC allocated to a corporation by a partnership of which it is a member (other than a specified member) for a fiscal period that ends in the corporation's tax year *					<b>205</b>		I	
* If there is a disposal or change of use of eligible property, see Part 6								
Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure other than for first term or second term shared-use equipment	<b>210</b>	x	4.50 %	=	<b>215</b>		J	
Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure for first term or second term shared-use equipment	<b>220</b>	x	1 / 4	=		x	4.50 % = <b>225</b>	K
Current part of the ORDTC (total of amounts H to K)					<b>230</b>	<u>6,698</u>	L	

**Part 3 – Calculation of ORDTC available for deduction and ORDTC balance**

ORDTC balance at the end of the previous tax year ..... M

**Deduct:** ORDTC expired after 20 tax years ..... **300** N

ORDTC at the beginning of the tax year (amount M minus amount N) ..... **305** O

**Add:**

ORDTC transferred on amalgamation or windup ..... **310** P

Current part of ORDTC (amount L in Part 2) ..... 6,698 Q

Are you waiving all or part of the current part of the ORDTC? ..... **315** Yes 1  No 2

If you answered **yes** at line 315, enter the amount of the tax credit waived on line 320.

If you answered **no** at line 315, enter "0" on line 320.

**Deduct:** Waiver of the current part of the ORDTC ..... **320** R

Subtotal (amount Q minus amount R) ..... 6,698 ▶ ..... 6,698 S

ORDTC available for deduction (total of amounts O, P and S) ..... 6,698 ▶ ..... 6,698 T

**Deduct:**

ORDTC claimed \* (Enter amount U on line 416 of Schedule 5, *Tax Calculation Supplementary – Corporations*) ..... 6,698 U

ORDTC carried back to a previous tax year (from Part 4) ..... V

Subtotal (amount U plus amount V) ..... 6,698 ▶ ..... 6,698 W

ORDTC balance at the end of the tax year (amount T minus amount W) ..... **325** ..... X

\* This amount cannot be more than the lesser of the following amounts:  
– ORDTC available for deduction (amount T); or  
– Ontario corporate income tax payable before the ORDTC and the Ontario corporate minimum tax credit (amount from line E6 of Schedule 5).

**Part 4 – Request for carryback of tax credit**

	Year	Month	Day		
1 <sup>st</sup> previous tax year	2010	12	31	.....	Credit to be applied <b>901</b> .....
2 <sup>nd</sup> previous tax year	2009	12	31	.....	Credit to be applied <b>902</b> .....
3 <sup>rd</sup> previous tax year	2008	12	31	.....	Credit to be applied <b>903</b> .....

Total (enter amount on line V in Part 3) .....

**Part 5 – Analysis of tax credit available for carryforward by tax year of origin**

You can complete this part to show all the credits from preceding tax years available for carryforward, by year of origin. This will help you determine the amount of credit that could expire in following years.

Tax year of origin (earliest tax year first)			Credit available	Tax year of origin (earliest tax year first)			Credit available
Year	Month	Day		Year	Month	Day	
1991-12-31				2001-12-31			
1992-12-31				2002-12-31			
1993-12-31				2003-12-31			
1994-12-31				2004-12-31			
1995-12-31				2005-12-31			
1996-12-31				2006-12-31			
1997-12-31				2007-12-31			
1998-12-31				2008-12-31			
1999-12-31				2009-12-31			
2000-12-31				2010-12-31			
			Current tax year	2011-12-31			
<b>Total (equals line 325 in Part 3)</b>							

The amount available from the 20th preceding tax year will expire after this year. When you file your return for the next year, you will enter the expired amount on line 300 of Schedule 508 for that year.

**Part 6 – Calculation of a recapture of ORDTC**

You will have a recapture of ORDTC in a tax year when you meet **all** of the following conditions:

- you acquired a particular property in the current year or in any of the 20 previous tax years if the ORDTC was earned in a tax year ending after 2008;
- you claimed the cost of the property as an eligible expenditure for the ORDTC;
- the cost of the property was included in computing your ORDTC or was subject to an agreement made under subsection 127(13) of the federal Act to transfer qualified expenditures and section 42 of the *Taxation Act, 2007* (Ontario) applied; and
- you disposed of the property or converted it to commercial use in a tax year ending after December 31, 2008. You also meet this condition if you disposed of or converted to commercial use a property which incorporates the particular property previously referred to.

**Note:** The recapture **does not apply** if you disposed of the property to a non-arm's length purchaser who intended to use it all or substantially all for SR&ED in Ontario. When the non-arm's length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical federal investment tax credit (ITC) rate \* of the original user in Calculation 1 below.

You have to report the recapture on Schedule 5 for the year in which you disposed of the property or converted it to commercial use. If the corporation is a member of a partnership, report its share of the recapture.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

\* Federal ITC in calculations 1 and 2 should be determined without reference to paragraph (e) of the definition **investment tax credit** in subsection 127(9) of the federal Act.

**Calculation 1 – If you meet all of the above conditions**

Y	Z	AA
Amount of federal ITC you originally calculated for the property you acquired, or the original user's federal ITC where you acquired the property from a non-arm's length party, as described in the note above	Amount calculated using the federal ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case)	Amount from column 700 or 710, whichever is less
<b>700</b>	<b>710</b>	
1.		

Subtotal (enter amount BB, on line KK in Part 7) \_\_\_\_\_ **BB**

**Calculation 2** – If the corporation is deemed by subsection 42(1) of the *Taxation Act, 2007* (Ontario) to have transferred all or part of the eligible expenditure to another corporation as a consequence of an agreement described in subsection 127(13) of the federal Act complete Calculation 2. Otherwise, enter nil on line II.

CC	DD	EE
The rate percentage that the transferee used to determine its federal ITC for a qualified expenditure that was transferred under an agreement under subsection 127(13) of the federal Act  <b>720</b>	The proceeds of disposition of the property if you dispose of it to a person at arm's length; or, in any other case, the fair market value of the property at conversion or disposition  <b>730</b>	The amount, if any, already provided for in Calculation 1 (this allows for the situation where only part of the cost of a property is transferred for an agreement under subsection 127(13) of the federal Act)  <b>740</b>
Subtotal (enter amount II on line LL below) _____ <b>II</b>		

FF	GG	HH
Amount determined by the formula (CC x DD) – EE (using the columns above)	The federal ITC earned by the transferee for the qualified expenditure that was transferred  <b>750</b>	Amount from column FF or GG, whichever is less
Subtotal (enter amount II on line LL below) _____ <b>II</b>		

**Calculation 3**

As a member of a partnership, you will report your share of the ORDTC of the partnership after the ORDTC has been reduced by the amount of the recapture. If this is a positive amount, you will report it on line 205 in Part 2. However, if the partnership does not have enough ORDTC otherwise available to offset the recapture, then the amount by which reductions to the ORDTC exceeds additions (the excess) will be determined and reported on line JJ.

Corporate partner's share of the excess of ORDTC (enter amount JJ at line NN below) ..... **760** \_\_\_\_\_ **JJ**

**Part 7 – Total recapture of ORDTC**

Recaptured federal ITC for Calculation 1 (amount from line BB) .....	_____	<b>KK</b>
Recaptured federal ITC for Calculation 2 (amount from line II above) .....	_____	<b>LL</b>
Amount <b>KK</b> plus amount <b>LL</b> .....	_____	<b>MM</b>
<b>Add:</b> Corporate partner's share of the excess of ORDTC for Calculation 3 (amount from line JJ above) .....	_____	<b>NN</b>
<b>Recapture of ORDTC</b> (amount <b>MM</b> plus amount <b>NN</b> ) (enter amount <b>OO</b> on line 277 of Schedule 5) .....	_____	<b>OO</b>

**Schedule A - Worksheet for eligible expenditures incurred by the corporation  
in Ontario for the current taxation year**

This worksheet allows you to report the amount of eligible expenditures entered on Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim* which represents eligible expenditures as defined in section 127 of the *Income Tax Act (ITA)* with regard to scientific research and experimental development (SR&ED) carried on in Ontario and attributable to a permanent establishment in Ontario of a corporation.

Data on the worksheet is calculated based on the amounts on Form T661, but will have to be adjusted according to the rules of Ontario, if applicable, in particular when the corporation has had a permanent establishment in more than one jurisdiction. This data will be used when calculating Schedule 508 and Schedule 566.

**Enter the breakdown between current and capital expenditures**

	Current Expenditures	Capital Expenditures
Total expenditures for SR&ED	90,406	
<b>Add</b>		
• payment of prior years' unpaid expenses (other than salary or wages)	+	
• prescribed proxy amount (Enter "0" if you use the traditional method)	+ 58,443	
• expenditures on shared-use equipment	+	+
• other additions	+	+
<b>Subtotal</b>	<b>= 148,849</b>	<b>=</b>
<b>Less</b>		
• current expenditures (other than salary or wages) not paid within 180 days of the tax year end	-	
• amounts paid in respect of an SR&ED contract to a person or partnership that is not taxable supplier	-	
• prescribed expenditures not allowed by regulations	-	-
• other deductions	-	-
• non-arm's length transactions		
- expenditures for non-arm's length SR&ED contracts	-	
- purchases (limited to costs) of goods and services from non-arm's length suppliers	-	-
<b>Subtotal</b>	<b>= 148,849 I</b>	<b>= II</b>
Total eligible expenditures incurred by the corporation in Ontario in the tax year (add amount I and II)		<b>= 148,849 III</b>
Enter amount III on line 100 of Schedule 508.		

CORPORATIONS INFORMATION ACT ANNUAL RETURN FOR ONTARIO CORPORATIONS

Table with 3 columns: Name of corporation, Business Number, Tax year-end. Row 1: WELLAND HYDRO ELECTRIC SYSTEM CORP., 86375 9692 RC0001, 2011-12-31

- This schedule should be completed by a corporation that is incorporated, continued, or amalgamated in Ontario and subject to the Ontario Business Corporations Act (BCA) or Ontario Corporations Act (CA), except for registered charities under the federal Income Tax Act. This completed schedule serves as a Corporations Information Act Annual Return under the Ontario Corporations Information Act.
Complete parts 1 to 4. Complete parts 5 to 7 only to report change(s) in the information recorded on the Ontario Ministry of Government Services (MGS) public record.
This schedule must set out the required information for the corporation as of the date of delivery of this schedule.
A completed Ontario Corporations Information Act Annual Return must be delivered within six months after the end of the corporation's tax year-end. The MGS considers this return to be delivered on the date that it is filed with the Canada Revenue Agency (CRA) together with the corporation's income tax return.
It is the corporation's responsibility to ensure that the information shown on the MGS public record is accurate and up-to-date. To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. Visit www.ServiceOntario.ca for more information.
This schedule contains non-tax information collected under the authority of the Ontario Corporations Information Act. This information will be sent to the MGS for the purposes of recording the information on the public record maintained by the MGS.

Part 1 - Identification

100 Corporation's name (exactly as shown on the MGS public record)
WELLAND HYDRO ELECTRIC SYSTEM CORP.
Jurisdiction incorporated, continued, or amalgamated, whichever is the most recent: Ontario
110 Date of incorporation or amalgamation, whichever is the most recent: 2000-07-01
120 Ontario Corporation No.: 1426855

Part 2 - Head or registered office address (P.O. box not acceptable as stand-alone address)

200 Care of (if applicable)
210 Street number: 950
220 Street name/Rural route/Lot and Concession number: E Main St
230 Suite number
240 Additional address information if applicable (line 220 must be completed first): PO Box 280
250 Municipality (e.g., city, town): Welland
260 Province/state: ON
270 Country: CA
280 Postal/zip code: L3B 5P6

Part 3 - Change identifier

Have there been any changes in any of the information most recently filed for the public record maintained by the MGS for the corporation with respect to names, addresses for service, and the date elected/appointed and, if applicable, the date the election/appointment ceased of the directors and five most senior officers, or with respect to the corporation's mailing address or language of preference? To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. For more information, visit www.ServiceOntario.ca.

300 1 If there have been no changes, enter 1 in this box and then go to "Part 4 - Certification."
If there are changes, enter 2 in this box and complete the applicable parts on the next page, and then go to "Part 4 - Certification."

Part 4 - Certification

I certify that all information given in this Corporations Information Act Annual Return is true, correct, and complete.

450 PEEVER Last name
451 ROSS First name

454 Middle name(s)

460 2 Please enter one of the following numbers in this box for the above-named person: 1 for director, 2 for officer, or 3 for other individual having knowledge of the affairs of the corporation. If you are a director and officer, enter 1 or 2.

Note: Sections 13 and 14 of the Ontario Corporations Information Act provide penalties for making false or misleading statements or omissions.

Complete the applicable parts to report changes in the information recorded on the MGS public record.

**Part 5 - Mailing address**

**500**  Please enter one of the following numbers in this box:

- 1 - Show no mailing address on the MGS public record.
- 2 - The corporation's mailing address is the same as the head or registered office address in Part 2 of this schedule.
- 3 - The corporation's complete mailing address is as follows:

**510** Care of (if applicable)

**520** Street number    **530** Street name/Rural route/Lot and Concession number    **540** Suite number

**550** Additional address information if applicable (line 530 must be completed first)

**560** Municipality (e.g., city, town)    **570** Province/state    **580** Country    **590** Postal/zip code

**Part 6 - Language of preference**

**500**  Indicate your language of preference by entering 1 for English or 2 for French. This is the language of preference recorded on the MGS public record for communications with the corporation. It may be different from line 990 on the T2 return.

**ONTARIO APPRENTICESHIP TRAINING TAX CREDIT**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2011-12-31</b>
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- Use this schedule to claim an Ontario apprenticeship training tax credit (ATTC) under section 89 of the *Taxation Act, 2007* (Ontario).
- The ATTC is a refundable tax credit that is equal to a specified percentage (25% to 45%) of the eligible expenditures incurred by a corporation for a qualifying apprenticeship. Before March 27, 2009, the maximum credit for each apprentice is \$5,000 per year to a maximum credit of \$15,000 over the first 36-month period of the qualifying apprenticeship. After March 26, 2009, the maximum credit for each apprentice is \$10,000 per year to a maximum credit of \$40,000 over the first 48-month period of the qualifying apprenticeship. The maximum credit amount is prorated for an employment period of an apprentice that straddles March 26, 2009.
- Eligible expenditures are salaries and wages (including taxable benefits) paid to an apprentice in a qualifying apprenticeship or fees paid to an employment agency for the provision of services performed by the apprentice in a qualifying apprenticeship. These expenditures must be:
  - paid on account of employment or services, as applicable, at a permanent establishment of the corporation in Ontario;
  - for services provided by the apprentice during the first 36 months of the apprenticeship program, if incurred before March 27, 2009; and
  - for services provided by the apprentice during the first 48 months of the apprenticeship program, if incurred after March 26, 2009.
- An expenditure is not eligible for an ATTC if:
  - the same expenditure was used, or will be used, to claim a co-operative education tax credit; or
  - it is more than an amount that would be paid to an arm's length apprentice.
- An apprenticeship must meet the following conditions to be a qualifying apprenticeship:
  - the apprenticeship is in a qualifying skilled trade approved by the Ministry of Training, Colleges and Universities (Ontario); and
  - the corporation and the apprentice must be participating in an apprenticeship program in which the training agreement has been registered under the *Ontario College of Trades and Apprenticeship Act, 2009* or the *Apprenticeship and Certification Act, 1998* or in which the contract of apprenticeship has been registered under the *Trades Qualification and Apprenticeship Act*.
- Make sure you keep a copy of the training agreement or contract of apprenticeship to support your claim. Do not submit the training agreement or contract of apprenticeship with your *T2 Corporation Income Tax Return*.
- File this schedule with your *T2 Corporation Income Tax Return*.

**Part 1 – Corporate information (please print)**

<b>110</b> Name of person to contact for more information <b>Wayne Armstrong</b>	<b>120</b> Telephone number including area code <b>(905) 732-1381</b>
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Is the claim filed for an ATTC earned through a partnership? \* ..... **150** 1 Yes  2 No

If **yes** to the question at line 150, what is the name of the partnership? ..... **160** \_\_\_\_\_

Enter the percentage of the partnership's ATTC allocated to the corporation ..... **170** \_\_\_\_\_ %

\* When a corporate member of a partnership is claiming an amount for eligible expenditures incurred by a partnership, complete a Schedule 552 for the partnership as if the partnership were a corporation. Each corporate partner, other than a limited partner, should file a separate Schedule 552 to claim the partner's share of the partnership's ATTC. The total of the partners' allocated amounts can never exceed the amount of the partnership's ATTC.

**Part 2 – Eligibility**

1. Did the corporation have a permanent establishment in Ontario in the tax year? ..... **200** 1 Yes  2 No

2. Was the corporation exempt from tax under Part III of the *Taxation Act, 2007* (Ontario)? ..... **210** 1 Yes  2 No

If you answered **no** to question 1 or **yes** to question 2, then you are **not eligible** for the ATTC.

**Part 3 – Specified percentage**

Corporation's salaries and wages paid in the previous tax year \* **300** 600,000

For eligible expenditures incurred before March 27, 2009:

- If line 300 is \$400,000 or less, enter 30% on line 310.
- If line 300 is \$600,000 or more, enter 25% on line 310.
- If line 300 is more than \$400,000 and less than \$600,000, enter the percentage on line 310 using the following formula:

$$\text{Specified percentage} = 30\% - \left[ 5\% \times \left( \frac{\text{amount on line 300} - 400,000}{200,000} \right) \right]$$

Specified percentage **310** 25.000 %

For eligible expenditures incurred after March 26, 2009:

- If line 300 is \$400,000 or less, enter 45% on line 312.
- If line 300 is \$600,000 or more, enter 35% on line 312.
- If line 300 is more than \$400,000 and less than \$600,000, enter the percentage on line 312 using the following formula:

$$\text{Specified percentage} = 45\% - \left[ 10\% \times \left( \frac{\text{amount on line 300} - 400,000}{200,000} \right) \right]$$

Specified percentage **312** 35.000 %

\* If this is the first tax year of an amalgamated corporation and subsection 89(6) of the *Taxation Act, 2007* (Ontario) applies, enter salaries and wages paid in the previous tax year by the predecessor corporations.

**Part 4 – Calculation of the Ontario apprenticeship training tax credit**

Complete a **separate entry** for each apprentice that is in a qualifying apprenticeship with the corporation. When claiming an ATTC for repayment of government assistance, complete a **separate entry** for each repayment, and complete columns A to G and M and N with the details for the employment period in the previous tax year in which the government assistance was received.

A Trade code	B Apprenticeship program/ trade name	C Name of apprentice		
<b>400</b>	<b>405</b>	<b>410</b>		
1. 434a	Powerline Technician	Kevin Bovine		
2. 434a	Powerline Technician	Chris Turpko		
3. 434a	Powerline Technician	Adrian VanZeyl		
4.				

D Original contract or training agreement number	E Original registration date of apprenticeship contract or training agreement (see note 1 below)	F Start date of employment as an apprentice in the tax year (see note 2 below)	G End date of employment as an apprentice in the tax year (see note 3 below)
<b>420</b>	<b>425</b>	<b>430</b>	<b>435</b>
1. PF1009	2011-03-28	2011-03-28	2011-12-31
2. D 10638	2007-05-31	2011-01-01	2011-05-13
3. D 10637	2007-05-31	2011-01-01	2011-05-21
4.			

Note 1: Enter the original registration date of the apprenticeship contract or training agreement in all cases, even when multiple employers employed the apprentice.

Note 2: When there are multiple employment periods as an apprentice in the tax year with the corporation, enter the date that is the first day of employment as an apprentice in the tax year with the corporation. When claiming an ATTC for repayment of government assistance, enter the start date of employment as an apprentice for the tax year in which the government assistance was received.

Note 3: When there are multiple employment periods as an apprentice in the tax year with the corporation, enter the date that is the last day of employment as an apprentice in the tax year with the corporation. When claiming an ATTC for repayment of government assistance, enter the end date of employment as an apprentice for the tax year in which the government assistance was received.

**Part 4 – Calculation of the Ontario apprenticeship training tax credit (continued)**

	H1 Number of days employed as an apprentice in the tax year before March 27, 2009 (see note 1 below)	H2 Number of days employed as an apprentice in the tax year after March 26, 2009 (see note 1 below)	H3 Number of days employed as an apprentice in the tax year (column H1 plus column H2)	I Maximum credit amount for the tax year (see note 2 below)
	<b>441</b>	<b>442</b>	<b>440</b>	<b>445</b>
1.		279	279	7,644
2.		133	133	3,644
3.		141	141	3,863
4.				

	J1 Eligible expenditures before March 27, 2009 (see note 3 below)	J2 Eligible expenditures after March 26, 2009 (see note 3 below)	J3 Eligible expenditures for the tax year (column J1 plus column J2)	K Eligible expenditures multiplied by specified percentage (see note 4 below)
	<b>451</b>	<b>452</b>	<b>450</b>	<b>460</b>
1.		14,738	14,738	5,158
2.		21,776	21,776	7,622
3.		20,801	20,801	7,280
4.				

	L ATTC on eligible expenditures (lesser of columns I and K)	M ATTC on repayment of government assistance (see note 5 below)	N ATTC for each apprentice (column L or column M, whichever applies)
	<b>470</b>	<b>480</b>	<b>490</b>
1.	5,158		5,158
2.	3,644		3,644
3.	3,863		3,863
4.			

<b>Ontario apprenticeship training tax credit (total of amounts in column N)</b>	<b>500</b>	<b>12,665 O</b>
--	------------	-----------------

or, if the corporation answered yes at line 150 in Part 1, determine the partner's share of amount O:

Amount O \_\_\_\_\_ x percentage on line 170 in Part 1 \_\_\_\_\_ % = \_\_\_\_\_ P

Enter amount O or P, whichever applies, on line 454 of Schedule 5, *Tax Calculation Supplementary – Corporations*. If you are filing more than one Schedule 552, add the amounts from line O or P, whichever applies, on all the schedules, and enter the total amount on line 454 of Schedule 5.

Note 1: When there are multiple employment periods as an apprentice in the tax year with the corporation, do not include days in which the individual was not employed as an apprentice.

For H1: The days employed as an apprentice must be within 36 months of the registration date provided in column E.

For H2: The days employed as an apprentice must be within 48 months of the registration date provided in column E.

Note 2: Maximum credit = (\$5,000 x H1/365\*) + (\$10,000 x H2/365\*)

\* 366 days, if the tax year includes February 29

Note 3: Reduce eligible expenditures by all government assistance, as defined under subsection 89(19) of the *Taxation Act, 2007* (Ontario), that the corporation has received, is entitled to receive, or may reasonably expect to receive, in respect of the eligible expenditures, on or before the filing due date of the *T2 Corporation Income Tax Return* for the tax year.

For J1: Eligible expenditures before March 27, 2009, must be for services provided by the apprentice during the first 36 months of the apprenticeship program.

For J2: Eligible expenditures after March 26, 2009, must be for services provided by the apprentice during the first 48 months of the apprenticeship program.

Note 4: Calculate the amount in column K as follows:

Column K = (J1 x line 310) + (J2 x line 312)

Note 5: Include the amount of government assistance repaid in the tax year multiplied by the specified percentage for the tax year in which the government assistance was received, to the extent that the government assistance reduced the ATTC in that tax year.

Complete a separate entry for each repayment of government assistance.



## SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) EXPENDITURES CLAIM

**Use this form:**

- to provide technical information on your SR&ED projects;
- to calculate your SR&ED expenditures; and
- to calculate your qualified SR&ED expenditures for investment tax credits (ITC).

**To claim an ITC, use either:**

- Schedule T2SCH31, *Investment Tax Credit – Corporations*, or
- Form T2038(IND), *Investment Tax Credit (Individuals)*.

The information requested in this form and documents supporting your expenditures are prescribed information.

Your SR&ED claim must be filed within 12 months of the filing due date of your income tax return.

To help you fill out this form, use the T4088, *Guide to Form T661*, which is available on our Web site: [www.cra.gc.ca/sred](http://www.cra.gc.ca/sred).

**Part 1 – General information**

<p><b>010</b> Name of claimant</p> <p style="text-align: center;">WELLAND HYDRO ELECTRIC SYSTEM CORP.</p> <hr/> <p>Tax year</p> <p>From: <span style="border: 1px solid black; padding: 2px;">2011-01-01</span>  <small style="margin-left: 40px;">Year Month Day</small></p> <p>To: <span style="border: 1px solid black; padding: 2px;">2011-12-31</span>  <small style="margin-left: 40px;">Year Month Day</small></p>	<p>Enter one of the following:</p> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 80%; text-align: center;"> <p>86375 9692 RC0001</p> <p>Business Number (BN)</p> </div> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 80%; text-align: center;"> <p> </p> <p>Social Insurance Number (SIN)</p> </div>								
<p><b>050</b> Total number of projects you are claiming this tax year:</p> <p style="text-align: center; font-size: 1.2em;">2</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"><b>105</b> Telephone number/extension</td> <td style="width: 50%;"><b>110</b> Fax number</td> </tr> <tr> <td style="text-align: center;">(416) 360-7733</td> <td style="text-align: center;">(416) 360-7733</td> </tr> <tr> <td><b>120</b> Telephone number/extension</td> <td><b>125</b> Fax number</td> </tr> <tr> <td style="text-align: center;">(905) 732-1381</td> <td> </td> </tr> </table>	<b>105</b> Telephone number/extension	<b>110</b> Fax number	(416) 360-7733	(416) 360-7733	<b>120</b> Telephone number/extension	<b>125</b> Fax number	(905) 732-1381	
<b>105</b> Telephone number/extension	<b>110</b> Fax number								
(416) 360-7733	(416) 360-7733								
<b>120</b> Telephone number/extension	<b>125</b> Fax number								
(905) 732-1381									
<p><b>100</b> Contact person for the financial information</p> <p style="text-align: center;">Rob Galipeau</p>	<p><b>115</b> Contact person for the technical information</p> <p style="text-align: center;">Kevin Bailey</p>								

**151** If this claim is filed for a partnership, was Form T5013 filed? ..... 1  Yes 2  No

If you answered **no** to line 151, complete lines 153, 156 and 157.

<b>153</b> Name of the partners	<b>156</b> %	<b>157</b> BN or SIN
1		
2		
3		
4		
5		

**Part 2 - Project information**

CRA internal form identifier 060  
Code 1101

Complete a separate Part 2 for each project claimed this year.

<b>Section A - Project identification</b>
<b>200</b> Project title (and identification code if applicable)
See schedule

**Part 3 – Calculation of SR&ED expenditures**

What did you spend on your SR&ED projects?

**Section A – Select the method to calculate the SR&ED expenditures**

I elect (choose) to use the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for this tax year.  
I understand that my election is irrevocable (cannot be changed) for this tax year.

- 160**  I elect to use the proxy method  
(Enter "0" on line 360. Complete Part 5 and you do not need to track any expenditure incurred for overhead)
- 162**  I choose to use the traditional method  
(Enter "0" on line 355. Complete line 360, and track any expenditure incurred for overhead)

**Section B – Calculation of allowable SR&ED expenditures (to the nearest dollar)**

• SR&ED portion of salary or wages of employees directly engaged in the SR&ED:			
a) Employees other than specified employees for work performed in Canada	300	+	90,406
b) Specified employees for work performed in Canada	305	+	
	<b>306</b>	=	90,406
	Subtotal (add lines 300 and 305)		
c) Employees other than specified employees for work performed outside Canada (subject to limitations – see guide)	307	+	
d) Specified employees for work performed outside Canada (subject to limitations – see guide)	309	+	
	<b>310</b>	+	
• Salary or wages identified on line 315 in prior years that were paid in this tax year			
• Salary or wages incurred in the year but not paid within 180 days of the tax year end	315		
• Cost of materials consumed in performing SR&ED	320	+	
• Cost of materials transformed in performing SR&ED	325	+	
• Contract expenditures for SR&ED performed on your behalf:			
a) Arm's length contracts	340	+	
b) Non-arm's length contracts	345	+	
• Lease costs of equipment used:			
a) All or substantially all (90% of the time or more) for SR&ED	350	+	
b) Primarily (more than 50% of the time but less than 90%) for SR&ED. (Enter 50% of lease costs if you use the proxy method or enter "0" if you use the traditional method)	355	+	
• Overhead and other expenditures (enter "0" if you use the proxy method)	360	+	
• Third-party payments (complete Form T1263*)	370	+	
<b>Total current SR&amp;ED expenditures</b> (add lines 306 to 370; do not add line 315) (Corporations need to adjust line 118 of schedule T2SCH1)	<b>380</b>	=	90,406
• <b>Capital Expenditures</b> (see guide for what qualifies for SR&ED) (Do not include these capital expenditures on schedule T2SCH8)	390	+	
<b>Total allowable SR&amp;ED expenditures</b> (add lines 380 and 390)	<b>400</b>	=	90,406

**Section C – Calculation of pool of deductible SR&ED expenditures (to the nearest dollar)**

Amount from line 400	420		90,406
<b>Deduct</b>			
• provincial government assistance for expenditures included on line 400	429	-	4,068
• other government assistance for expenditures included on line 400	431	-	
• non-government assistance for expenditures included on line 400	432	-	
• SR&ED ITCs applied and/or refunded in the prior year (see guide)	435	-	12,125
• sale of SR&ED capital assets and other deductions	440	-	
<b>Subtotal</b> (line 420 minus lines 429 to 440)	<b>442</b>	=	74,213
<b>Add</b>			
• repayments of government and non-government assistance that previously reduced the SR&ED expenditure pool	445	+	
• prior year's pool balance of deductible SR&ED expenditures (from line 470 of prior year T661)	450	+	
• SR&ED expenditure pool transfer from amalgamation or wind-up	452	+	
• amount of SR&ED ITC recaptured in the prior year	453	+	
<b>Amount available for deduction</b> (add lines 442 to 453) (enter positive amount only, include negative amount in income)	<b>455</b>	=	74,213
• Deduction claimed in the year (Corporations should enter this amount on line 411 of schedule T2SCH1)	460	-	74,213
<b>Pool balance of deductible SR&amp;ED expenditures to be carried forward to future years</b> (line 455 minus 460)	<b>470</b>	=	

\* Form T1263, *Third-Party Payments for Scientific Research and Experimental Development (SR&ED)*

**Part 4 – Calculation of qualified SR&ED expenditures for investment tax credit (ITC) purposes**

The resulting amount is used to calculate your refundable and/or non refundable ITC.

Enter the breakdown between current and capital expenditures (to the nearest dollar)

		Current Expenditures		Capital Expenditures
<b>Total expenditures for SR&amp;ED</b> (from line 380 and 390)	<b>492</b>	90,406	<b>496</b>	
<b>Add</b>				
• payment of prior years' unpaid amounts (other than salary or wages)	<b>500</b> +			
• prescribed proxy amount (complete Part 5) (Enter "0" if you use the traditional method)	<b>502</b> +	58,443		
• expenditures on shared-use equipment (see guide)			<b>504</b> +	
• qualified expenditures transferred to you (complete Form T1146**)	<b>508</b> +		<b>510</b> +	
<b>Subtotal</b> (add lines 492 to 508, and add lines 496 to 510)	<b>511</b> =	148,849	<b>512</b> =	
<b>Deduct</b>				
• provincial government assistance	<b>513</b> -	6,698	<b>514</b> -	
• other government assistance	<b>515</b> -		<b>516</b> -	
• non-government assistance and contract payments	<b>517</b> -		<b>518</b> -	
• current expenditures (other than salary or wages) not paid within 180 days of the tax year end	<b>520</b> -			
• amounts paid in respect of an SR&ED contract to a person or partnership that is not taxable supplier	<b>528</b> -			
• prescribed expenditures not allowed by regulations (see guide)	<b>530</b> -		<b>532</b> -	
• other deductions (see guide)	<b>533</b> -		<b>535</b> -	
• non-arm's length transactions				
- assistance allocated to you (complete Form T1145*)	<b>538</b> -		<b>540</b> -	
- expenditures for non-arm's length SR&ED contracts (from line 345)	<b>541</b> -			
- adjustments to purchases (limited to costs) of goods and services from non-arm's length suppliers (see guide)	<b>542</b> -		<b>543</b> -	
- qualified expenditures you transferred (complete Form T1146**)	<b>544</b> -		<b>546</b> -	
<b>Subtotal</b> (line 511 minus lines 513 to 544 and line 512 minus lines 514 to 546)	<b>557</b> =	142,151	<b>558</b> =	
<b>Qualified SR&amp;ED expenditures</b> (add lines 557 and 558)			<b>559</b> =	142,151
<b>Add</b>				
• repayments of assistance and contract payments made in the year			<b>560</b> +	
<b>Total qualified SR&amp;ED expenditures for ITC purposes</b> (add lines 559 and 560)			<b>570</b> =	142,151

\* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*

\*\* Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*

**Part 7 – Additional information**

<b>Expenditures for SR&amp;ED performed by you in Canada</b> (line 400 minus lines 307, 309, 340, 345, and 370)	<b>605</b>	90,406
From the total you entered on line 605, estimate the percentage of distribution of the sources of funds for SR&ED performed within your organization.		
	<b>Canadian (%)</b>	<b>Foreign (%)</b>
Internal	<b>600</b> 100.000	
Parent companies, subsidiaries, and affiliated companies	<b>602</b>	<b>604</b>
Federal grants (do not include funds or tax credits from SR&ED tax incentives)	<b>606</b>	
Federal contracts	<b>608</b>	
Provincial funding	<b>610</b>	
SR&ED contract work performed for other companies on their behalf	<b>612</b>	<b>614</b>
Other funding (e.g., universities, foreign governments)	<b>616</b>	<b>618</b>
Enter the number of SR&ED personnel in full-time equivalents (FTE):		
Scientists and engineers	<b>632</b>	
Technologists and technicians	<b>634</b>	2
Managers and administrators	<b>636</b>	
Other technical supporting staff	<b>638</b>	

**Part 8 – Claim checklist**

To ensure your claim is complete, make sure you have:

- used the current version of this form
- entered the method you have chosen for reporting your SR&ED expenditures in Section A of Part 3
- completed Part 2 for each project
- filed a completed Schedule T2SCH31 or Form T2038(IND) to claim ITCs on your qualified SR&ED expenditures
- filed a completed Form T1145\*, T1146\*\*, T1174\*\*\* and/or T1263\*\*\*\* including any required attachments, if applicable

To expedite the processing of your claim, make sure you have:

- completed Form T2, *Corporation Income Tax Return* or Form T1, *Income Tax and Benefit Return*
- filed the appropriate provincial and/or territorial tax credit forms, if applicable
- retained documents to support the SR&ED expenditures you claimed
- checked boxes 231 and 232 on page 2 of your T2 return to indicate attachment of Form T661 and Schedule T2SCH31

\* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*  
 \*\* Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*  
 \*\*\* Form T1174, *Agreement Between Associated Corporations to Allocate Salary or Wages of Specified Employees for Scientific Research and Experimental Development (SR&ED)*  
 \*\*\*\* Form T1263, *Third-Party Payments for Scientific Research and Experimental Development (SR&ED)*

**Part 9 – Certification**

I certify that I have examined the information provided on this form and on the attachments and it is true, correct, and complete.

<b>165</b> ROSS PEEVER		<b>170</b> 2012-06-25
Name of authorized signing officer of the corporation, or individual	Signature	Date
<b>175</b> BeneFACT Consulting Group Inc.		
Name of person/firm who completed this form		

**Part 2 - Project information (continued)**

Project number 1

CRA internal form identifier 060  
Code 1101

Complete a separate Part 2 for each project claimed this year.

**Section A – Project identification**

**200** Project title (and identification code if applicable)  
Infrastructure Management and Optimization

**202** Project start date **204** Completion or expected completion date **206** Field of science or technology code  
(See guide for list of codes)

2010-09 2012-03 2.02.09 Software engineering and technology  
Year Month Year Month

Project claim history

**208** 1  Continuation of a previously claimed project **210** 1  First claim for the project

**218** Was any of the work done jointly or in collaboration with other businesses? 1  Yes 2  No

If you answered yes to line 218, complete lines 220 and 221.

**220** Names of the businesses **221** BN

1

The work was carried out (check any that apply)

**223** 1  In a laboratory **226** 1  In a commercial plant or facility

**224** 1  In a dedicated research facility **228** 1  Others, specify **229**

Purpose of the work

**230** 1  To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes.  
(Go to Section B – Experimental development)

**232** 1  For the advancement of scientific knowledge  
(Go to Section C – Basic or applied research)

**Section B – Experimental development**

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products		Processes	
The creation of new	<b>235</b>	1 <input checked="" type="checkbox"/>	<b>236</b>	1 <input type="checkbox"/>
The improvement of existing	<b>237</b>	1 <input type="checkbox"/>	<b>238</b>	1 <input type="checkbox"/>

**240** What technological advancements were you trying to achieve? (Maximum 50 lines)

- The technological objective for this project was to develop a web-based
- database system which would work concurrently with the on-ground hard-wired
- system. The database system would keep in store the vast amount of information
- present on our physical system with the additional capability of being
- internet accessible and instantly updatable, so that on-the-field
- modifications made to the physical system would be recorded in runtime,
- enabling us to save valuable time and effort and ensuring that the data
- present to us is always current.
- 
- In order to achieve this goal, we developed a web-based system, as well as
- programming add-ons to the commercial software platform Autodesk Topobase in
- order to ensure the smooth integration of this system into the environment
- without compromising the flexibility or performance characteristic of the end
- product yet greatly enhancing functionality.
- 
- This project was completed with success during the claim period. The enhanced
- functionality attained through the project, and the understanding we gained
- represents a technological advancement with respect to the underlying
- technology.
- 
- The development of this technology resulted in considerable knowledge gains

**240** What technological advancements were you trying to achieve? (Maximum 50 lines)

22. for our company including:
- 23.
24. \* Leveraging the use of proprietary open source software to develop a highly
25. configurable smart-build system with a web-based interactive interface and an
26. easily accessible information database.
27. \* Enhanced online functionality of the system which resulted in allowing us to
28. perform on-field inspections and instant updates to the database to ensure
29. system information remained up to date.
30. \* Improved system integration and information presentation, so that all
31. necessary information was present to us as required, from all physical
32. connections, characteristics, and work order information for any object of
33. interest in our system, to updated customer information and comprehensive
34. physical system layout, in an easily accessible web-based or report-based
35. format.

**242** What technological obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (Maximum 50 lines)

1. At the onset of the project, limitations in the existing state of the art
2. technology and off-the-shelf software programs prevented us from directly
3. achieving our objectives. These obstacles were specific to the new
4. capabilities we wanted, as developing a tool to monitor a system of our scale
5. and for our specifications was not available a priori. In order to remove
6. these technical problems and achieve the advancements, we needed to overcome
7. the following technological obstacles:
- 8.
9. \* The first challenge was to implement a system which would be able to provide
10. an accurate GIS model and database of the physical on-ground system. The
11. challenge lay in the fact that the leading proprietary software used for our
12. specific modeling application - Autodesk Topobase, was designed primarily to
13. serve European industry standards, and its out-of-the-box applicability to
14. North American systems, standards and environments was minimal.
15. \* Another challenge was to deal with the system performance latency issues
16. which arose due to two main reasons: 1. the large volume of data that the
17. system was required to handle, and 2. the modified version of the software we
18. purchased from a third-party vendor. The vendor modified the software in an
19. attempt to tailor the program to fit our requirements and the standards
20. present in our specific environment. However, due to inaccurate modeling of
21. our specific requirements and the presence of corrupt dll files in their
22. programming, we initially faced many errors and program crashes.
23. \* Our next challenge was the lack of a web-based database system to complement
24. the developed system, which restricted us from runtime database modification,
25. thereby reducing system functionality as a whole.
26. \* Our final challenge was ensuring all information on the system, including
27. customer and specific part information, was up to date, present in multiple
28. formats for improved accessibility and inspection, and fully integrated into
29. one system.

**244** What work did you perform in the tax year to overcome the technological obstacles/uncertainties described in Line 242? (Summarize the systematic investigation) (Maximum 100 lines)

1. The following paragraphs summarize the work we did during the claim period and
2. the incremental results we achieved toward removing the technological
3. obstacles.
- 4.
5. The first challenge involved tailoring the Autodesk Topobase software to fit
6. our specific requirements. This involved performing significant programming
7. modifications to the software using sequel programming, as the inbuilt version
8. of the software was too generic to be implemented for North American
9. industrial standards. Our initial attempts to modify the software led to the
10. development of bugs and system crashes. Variations were made to the software

244 What work did you perform in the tax year to overcome the technological obstacles/uncertainties described in Line 242?  
(Summarize the systematic investigation) (Maximum 100 lines)

11. incrementally to enhance its applicability, and through the course of the  
12. year, after performing multiple iterations we were able to develop and launch  
13. a variant which was fully tested and suitable for our needs. The first step to  
14. achieve this goal was improving the current GIS tracing function, which was  
15. too basic for our requirements. Through reprogramming the system and  
16. integrating the part database with the GIS, the newly developed system is now  
17. able to provide detailed information on any object of interest. Selection of  
18. any object in the system provides details of the individual object as well as  
19. all physical connections, system layout, and customer information pertaining  
20. to that specific object. In this way the system was modified to encompass and  
21. generate all necessary information.

22.  
23. Our next challenge was to ensure optimal system performance. One main obstacle  
24. to this was the large amount of data that the system was required to handle  
25. regularly, especially if the function of consistent information updates was to  
26. be maintained. There are hundreds of thousands of part drawings and files for  
27. transformers, poles, conductors, etc., which needed to be imported into the  
28. system and maintained regularly. Initially system performance suffered due to  
29. the required data rate. Incremental changes were made to the system, and after  
30. performing procedures for system overhaul including hardware optimization and  
31. improved system upkeep, that problem has been fully addressed.

32.  
33. The other obstacle to optimal system performance was the version of the  
34. Autodesk Topobase software we had procured from a third-party vendor. The  
35. vendor was responsible for one-time software installation and support. The  
36. vendor created API's using Autodesk's open-source programming function to  
37. create custom functions and buttons. However, the add-ons they provided led to  
38. system performance deterioration and frequent system crashes. Performance was  
39. improved by reprogramming the software. The corrupt dll's and unnecessary  
40. system features were sequentially eradicated over the year, leading to  
41. significant system performance enhancement.

42.  
43. Our next challenge was to develop an integrated web-based database system to  
44. complement the developed GIS. Through the programming and development of  
45. network-based access to the Oracle database for the GIS system, remote  
46. information update to the system has allowed information update on the  
47. database to be greatly streamlined. Field-to-server communication using 3G  
48. technology now allows inspections to be performed in the field and the  
49. pertaining data to be updated on the server in runtime.

50.  
51. The final challenge is ensuring all system information is up to date and  
52. accessible. The parts and physical system information present in the GIS  
53. software on the Oracle database was made accessible from the field, and can be  
54. modified to include any changes made to the system. Further, we have  
55. programmed a batch file which accesses the customer information database and  
56. updates the oracle database every night, ensuring that the customer  
57. information and physical system information which is accessible every business  
58. day is current.

59.  
60. Improved accessibility has been achieved using two approaches. The first was  
61. through the creation of a php-based web portal which provides access to  
62. available GIS maps as well as options to filter maps to display specific  
63. information. The second is through our development of a programmed subsystem  
64. which generates inspection files for all parts in the system. This system  
65. ensures all data pertaining to a specific part - including part  
66. specifications, location, all physical and customer connections, and a current  
67. digital photograph, is available in a single hardcopy document format based on  
68. the most up to date information.

**Section C – Basic or applied research**

**250** What advancements in scientific knowledge were you trying to achieve? (Maximum 50 lines)

- 1.
- 2.
- 3.
- 4.

**252** What work did you perform in the tax year, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (Maximum 100 lines)

- 1.
- 2.
- 3.
- 4.

**Section D – Additional project information**

Who prepared the responses for Section B or Section C?

**253** 1  Employee directly involved in the project **254** Name  
Kevin Bailey

**255** 1  Other employee of the company **256** Name

**257** 1  External consultant **258** Name  
Benefact Consulting **259** Firm  
Benefact Consulting

List the key individuals directly involved in the project and indicate their qualifications/experience.

<b>260</b>	Names	<b>261</b>	Qualifications/experience and position title
1	Tom Wilga		Engineering Technician; over 10 years industry experience
2			
3			

**265** Are you claiming any salary or wages for SR&ED performed outside Canada? . . . . . 1  Yes 2  No

**266** Are you claiming expenditures for SR&ED carried out on behalf of another party? . . . . . 1  Yes 2  No

**267** Are you claiming expenditures for SR&ED performed by people other than your employees? . . . . . 1  Yes 2  No

If you answered **yes** to line 267, complete lines 268 and 269.

<b>268</b>	Names of individuals or companies	<b>269</b>	BN
1			

What evidence do you have to support your claim? (Check any that apply)

You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- |  |  |
|--|--|
| <b>270</b> 1 <input type="checkbox"/> Project planning documents                                 | <b>276</b> 1 <input type="checkbox"/> Progress reports, minutes of project meetings                    |
| <b>271</b> 1 <input type="checkbox"/> Records of resources allocated to the project, time sheets | <b>277</b> 1 <input type="checkbox"/> Test protocols, test data, analysis of test results, conclusions |
| <b>272</b> 1 <input type="checkbox"/> Design of experiments                                      | <b>278</b> 1 <input checked="" type="checkbox"/> Photographs and videos                                |
| <b>273</b> 1 <input type="checkbox"/> Project records, laboratory notebooks                      | <b>279</b> 1 <input type="checkbox"/> Samples, prototypes, scrap or other artefacts                    |
| <b>274</b> 1 <input checked="" type="checkbox"/> Design, system architecture and source code     | <b>280</b> 1 <input type="checkbox"/> Contracts  |
| <b>275</b> 1 <input type="checkbox"/> Records of trial runs                                      | <b>281</b> 1 <input checked="" type="checkbox"/> Others, specify <b>282</b> emails                     |

**Part 2 - Project information (continued)**

Project number 2

CRA internal form identifier 060  
Code 1101

Complete a separate Part 2 for each project claimed this year.

**Section A – Project identification**

**200** Project title (and identification code if applicable)

Ensuring 98% read success rate for 20,000 deployed smart met

**202** Project start date

2011-01

Year Month

**204** Completion or expected completion date

2012-03

Year Month

**206** Field of science or technology code  
(See guide for list of codes)

2.02.05

Automation and control systems

Project claim history

**208** 1  Continuation of a previously claimed project

**210** 1  First claim for the project

**218** Was any of the work done jointly or in collaboration with other businesses?

1  Yes

2  No

If you answered yes to line 218, complete lines 220 and 221.

**220** Names of the businesses

**221** BN

The work was carried out (check any that apply)

**223** 1  In a laboratory

**226** 1  In a commercial plant or facility

**224** 1  In a dedicated research facility

**228** 1  Others, specify

**229**

Purpose of the work

**230** 1  To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes.  
(Go to Section B – Experimental development)

**232** 1  For the advancement of scientific knowledge  
(Go to Section C – Basic or applied research)

**Section B – Experimental development**

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products	Processes
The creation of new	<b>235</b> 1 <input type="checkbox"/>	<b>236</b> 1 <input checked="" type="checkbox"/>
The improvement of existing	<b>237</b> 1 <input type="checkbox"/>	<b>238</b> 1 <input checked="" type="checkbox"/>

**240** What technological advancements were you trying to achieve? (Maximum 50 lines)

1. Our technological objective was to ensure that the network of 20 thousand
2. smart meters was functioning with the desired 98% read success rate as
3. mandated by the provincial authority. Given the large number of meters, our
4. objective was to develop technology to quickly identify the cause of a defect
5. and determine quickly whether the meter should be fixed or replaced.
- 6.
7. At the conclusion of the current claim period our infrastructure has gone
8. live. We have had significant success in identifying typical causes of meter
9. failures. Furthermore, advancements made to the underlying technology has
10. enabled us to minimize the replacement of meters. Below we discuss some of our
11. main advancements:
- 12.
13. \* The deployment of a custom tool on handheld devices has proven to be our
14. first line of defence in detecting defects with an individual meter. The tool
15. enables us to ping the meter as well as place it in buddy mode.
- 16.
17. \* Instead of replacing meters with a weak signal we have leveraged the buddy
18. mode to enable them to piggy back their communication through a neighbouring
19. functional meter. Furthermore, in-house experimentation has revealed that a
20. hard reset on these meters requires a 10 minute power off cycle due to an
21. internal capacitor that requires this time to be completely drained. This

**240** What technological advancements were you trying to achieve? (Maximum 50 lines)

22. previously unknown and undocumented fact has enabled us to reset a large  
23. number of previously dysfunctional meters.  
24.  
25. \* We have deployed a field management tool which lets us not only ping a meter  
26. but detect its mode. Through this tool we are able to identify meters which  
27. were previously set on buddy mode but whose mode had been turned off due to  
28. system maintenance and tuning. This has enabled us to minimize the effort  
29. required in debugging meter failures.  
30.  
31. \* To deal with congested areas we have developed a new mode which minimizes  
32. the number of messages generated. This reduces noise level and prevents the  
33. tower to become bombarded by messages. Furthermore, we have developed, tested  
34. and optimized the messages being sent for each mode. This in-house development  
35. has had one key focus; ensure high reads while minimizing network congestion  
36. by reducing the number of un-necessary messages being sent.

**242** What technological obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240?  
(Maximum 50 lines)

1. Installation of 20 thousand smart meters, a technology still in its infancy,  
2. has posed immense technological challenges and obstacles. During the course of  
3. the current claim period we have had to undertake research and experimentation  
4. to deal with the complicated network of 20 thousand meters we have  
5. established. We discuss some of the key technological challenges below:  
6.  
7. \* Our biggest challenge was to ensure that the network of over 20 thousand  
8. smart meters was working as desired. More specifically, we faced the momentous  
9. challenge of achieving the desired 98% success rate which meant that 98% of  
10. meters must communicate with the central repository at least once every 15  
11. minutes. Our first experiment showed a 3% failure rate, which, given the large  
12. number of meters, amounted to experimentally identifying the cause of failure  
13. for 600 meters. We were challenged to develop a methodology to quickly  
14. investigate and identify why each meter was not working.  
15.  
16. \* Our next challenge was dealing with meters with weak radios. For successful  
17. communication the signal strength should be at least 90DB. However, some  
18. meters only read 70DB which was too weak. Furthermore, if through an on-site  
19. experiment a meter could not be pinged within a 15 feet distance we knew that  
20. the meter either had a weak radio or was defective. We were challenged to  
21. identify such meters and find a work-around.  
22.  
23. \* We were challenged to overcome the technological hurdle that network  
24. maintenance on our meters switched off their buddy mode which made meters  
25. relying on buddies to communicate fail. Since we did know when such network  
26. tuning was performed, we faced the challenge of determining why all of a  
27. sudden large number of meters stopped working and then develop a methodology  
28. to handle such occurrences.  
29.  
30. \* The large number of messages generated by meters in congested areas such as  
31. apartment buildings posed a major technological challenge since the tower was  
32. unable to handle being bombarded with so many messages in short spurts. We  
33. were challenged to decrease the number of messages generated by reducing noise  
34. levels emanating from congested areas.

**244** What work did you perform in the tax year to overcome the technological obstacles/uncertainties described in Line 242?  
(Summarize the systematic investigation) (Maximum 100 lines)

1. To overcome the challenge of investigating the over 600 offline meters, our  
2. first line of experimentation was through a custom tool deployed on a  
3. handheld. We have developed a process through which we identify the cause of  
4. the problem with an individual meter. Using the tool we can ping a meter and

**244** What work did you perform in the tax year to overcome the technological obstacles/uncertainties described in Line 242?  
(Summarize the systematic investigation) (Maximum 100 lines)

5. also put it into buddy mode. This mode was developed so that if a meter cannot  
6. directly communicate with a collector it communicates with a buddy meter which  
7. then communicates on its behalf. However, although theoretically ideal, the  
8. tool is cumbersome to use. First, the tool did not always perform as desired  
9. and sometimes was unable to place the meter into buddy mode. Second, even if  
10. the tool was successful in switching the mode on a meter, the solution did not  
11. always work. After research we developed a methodology to ensure that at least  
12. we eliminated the uncertainty that the meter had not been placed in buddy  
13. mode. Once this was resolved, we began investigating the cause of the second  
14. problem i.e. meters not communicating even when placed in buddy mode.

15.  
16. Our next challenge was dealing with meters with weak radios i.e. with signal  
17. strength less than 90DB. Our infrastructure is laid out so that meters talk  
18. to a tower, the tower talks to a collector which is the backbone connection to  
19. the central repository. In an ideal situation, each meter talks to the closest  
20. tower. However, meters with weak radios cannot achieve this. Instead of  
21. replacing the meter (which is time consuming and costly) we chose to manually  
22. enable buddy mode. This means that a meter with a defective radio can still  
23. piggy back on a neighbouring functioning meter. Our on-site experiments  
24. resulted in limited success; switching the defective meters to buddy mode  
25. successfully got a number of meters on line. Meters that could not be brought  
26. online even in buddy mode were taken to our lab for further investigation.  
27. Each meter was placed on a testboard and experiments conducted to ensure that  
28. we only discarded defective meters. Through such experimentation we identified  
29. that meters contain a capacitor which is drained after being off power for 10  
30. minutes. Hence a hard reset requires 10 minutes. We were able to successfully  
31. reset a number of modems after we made this discovery. Any meter which still  
32. did not come live after all these attempts was discarded and replaced with  
33. functioning meters.

34.  
35. The discovery that meters that we had switched to buddy mode randomly turned  
36. their buddy mode off posed another technological hurdle. Further investigation  
37. led to the discovery that network maintenance often updated the meters which  
38. placed the meters in their default settings that included having the buddy  
39. mode turned off. We deployed a field management tool through which we are not  
40. only able to ping the meter but also detect what mode is set on the meter.  
41. Through this mode we are able to quickly identify meters whose buddy mode  
42. becomes disabled. Resetting the mode on these meters fixed the issue.

43.  
44. A last technological challenge was to get meters situated in congested areas  
45. such as apartment buildings to communicate with the tower. Through research we  
46. identified that meters were generating a lot of message traffic. The default  
47. settings on the meters results in multiple messages to the tower as well as  
48. neighbouring meters. We realized that sending so many messages was causing  
49. extraordinary levels of noise which in turn was causing messages to be lost  
50. since the tower was unable to deal with the traffic. We have developed a  
51. clever solution for such congested areas through the development of a new  
52. mode. In the new mode, meters broadcast to everyone in the vicinity. A buddy  
53. forwards the message to the tower. At the same time, the tower acknowledges  
54. the indirect communication so that the meter residing in the congested area  
55. knows which buddy to send future communications through thereby not requiring  
56. new buddy discovery. At the same time other buddies know that the meter found  
57. a buddy that is transmitting on its behalf so that not all buddies try to  
58. communicate on a meter's behalf. Our experiments show that this mode works  
59. extremely well for congested areas by reducing the number of messages that are  
60. generated.

**Section C – Basic or applied research**

**250** What advancements in scientific knowledge were you trying to achieve? (Maximum 50 lines)

- 1.
- 2.
- 3.
- 4.

**252** What work did you perform in the tax year, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (Maximum 100 lines)

- 1.
- 2.
- 3.
- 4.

**Section D – Additional project information**

Who prepared the responses for Section B or Section C?

<b>253</b> 1 <input checked="" type="checkbox"/> Employee directly involved in the project	<b>254</b> Name Kevin Bailey	
<b>255</b> 1 <input type="checkbox"/> Other employee of the company	<b>256</b> Name	
<b>257</b> 1 <input checked="" type="checkbox"/> External consultant	<b>258</b> Name Benefact Consulting	<b>259</b> Firm Benefact Consulting

List the key individuals directly involved in the project and indicate their qualifications/experience.

	<b>260</b> Names	<b>261</b> Qualifications/experience and position title
1	Christine Hopson	Meter Technician; 5 + years industry experience
2	Jerry Woods	Asst. Sub Foreman; 20 + years industry experience
3		

**265** Are you claiming any salary or wages for SR&ED performed outside Canada? . . . . . 1  Yes 2  No

**266** Are you claiming expenditures for SR&ED carried out on behalf of another party? . . . . . 1  Yes 2  No

**267** Are you claiming expenditures for SR&ED performed by people other than your employees? . . . . . 1  Yes 2  No

If you answered yes to line 267, complete lines 268 and 269.

<b>268</b> Names of individuals or companies	<b>269</b> BN
1	

What evidence do you have to support your claim? (Check any that apply)  
You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

<p><b>270</b> 1 <input type="checkbox"/> Project planning documents</p> <p><b>271</b> 1 <input type="checkbox"/> Records of resources allocated to the project, time sheets</p> <p><b>272</b> 1 <input type="checkbox"/> Design of experiments</p> <p><b>273</b> 1 <input type="checkbox"/> Project records, laboratory notebooks</p> <p><b>274</b> 1 <input type="checkbox"/> Design, system architecture and source code</p> <p><b>275</b> 1 <input checked="" type="checkbox"/> Records of trial runs</p>	<p><b>276</b> 1 <input type="checkbox"/> Progress reports, minutes of project meetings</p> <p><b>277</b> 1 <input type="checkbox"/> Test protocols, test data, analysis of test results, conclusions</p> <p><b>278</b> 1 <input type="checkbox"/> Photographs and videos</p> <p><b>279</b> 1 <input checked="" type="checkbox"/> Samples, prototypes, scrap or other artefacts</p> <p><b>280</b> 1 <input type="checkbox"/> Contracts</p> <p><b>281</b> 1 <input checked="" type="checkbox"/> Others, specify <b>282</b> Emails</p>
--	---

**WELLAND HYDRO ELECTRIC SYSTEMS CORP.  
REGULATION 1100(5b.1)  
FOR THE YEAR ENDED DECEMBER 31, 2011**

The company elects to have the provisions of subsection 1100(5b.1) of the Income Tax Regulations apply to treat as a separate class each eligible non-residential building added by the taxpayer during the period.

---

Date

---

Name

Amount Elected

\$ 351,527

Date Property Acquired

Fiscal 2011

**WELLAND HYDRO ELECTRIC SYSTEMS CORP.  
SECTION 13(7.4) ELECTION  
FOR THE YEAR ENDED DECEMBER 31, 2011**

The company elects to have the provisions of subsection 13(7.4) of the Income Tax Act apply to reduce the undepreciated capital cost balance with respect to capital property received.

<u>Date</u>	<u>Name</u>
Amount Elected	\$ 305,181
Amount of Assistance	\$ 305,181
Date Received	Fiscal 2011
Date Property Acquired	Fiscal 2011
ACB of Property before election	\$ 305,181



Ministry of Finance  
 Corporations Tax  
 33 King St. West  
 PO Box 622  
 Oshawa ON L1H 8H6

## Authorizing or Cancelling a Representative

Complete this form to:

- authorize the release of confidential information about the Corporations Tax, Mining Tax or Electricity Act account(s) to the representative named below.
- cancel an existing authorization.

### Part 1 Client Information

This authorization applies to the following statute(s) and account number(s).

Corporations Tax Act

Mining Tax Act

Electricity Act

1	7																			
1	8	0	0	2	1	5														

Legal name: Welland Hydro Electric System Corp. Phone number: \_\_\_\_\_

Mailing address: Apt./Suite/Unit no. 950 Street number and name / PO Box, RR East Main Street / P.O. Box 280

City: Welland Province/Territory: ON Postal code: L3B 5P6

### Part 2 Authorize the release of information to a representative

Name of representative (If a firm, name of firm.): Deloitte & Touche LLP Phone number: 519 650-7600 Fax number: 519 650-7601

Mailing address: Apt./Suite/Unit no. 4210 Street number and name / PO Box, RR King Street East

City: Kitchener Province/Territory: ON Postal code: N2P 2G5

If your representative is a firm, and you want a specific person in the firm to represent you, state their name and title. If you do not identify a specific individual in the firm, you are authorizing the Ministry of Finance to deal with anyone from that firm.

Name of person in firm: Last \_\_\_\_\_ First \_\_\_\_\_ Title \_\_\_\_\_

### Part 3 Authorization scope and applicable years

Representative to deal fully on your behalf with the Ministry of Finance.

Representative to deal in a limited manner on your behalf, for matters specified here. (e.g., account inquiry, applications, annual returns, payments, etc.) ▼

Representative to act for all years, including all previous and future years.

Representative to act for specific year or years (describe). ▼

### Part 4 Cancel the release of information to a representative

Name of representative (If a firm, name of firm.): Last \_\_\_\_\_ First \_\_\_\_\_

If your representative is an individual within a firm, state their name and title.

Name of person in firm: Last \_\_\_\_\_ First \_\_\_\_\_ Title \_\_\_\_\_

### Part 5 Signature *This form will not be accepted unless it is completed fully, signed and dated.*

I authorize the Ministry of Finance to:

- release confidential information about the tax accounts specified in Part 1 and to deal with the representative named in Part 2 in the manner described in Part 3; and/or
- cancel an existing authorization as described in Part 4.

Name (please print): Last Peever First Ross Title / Relationship to Corporation: President Phone number: 905 732-1381

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## FILING INSTRUCTIONS

*Welland Hydro Electric System Corp.*

### ONTARIO - T2 PIL

**Mailing Address:** Ministry of Finance  
Corporations Tax Branch-Hydro PIL  
PO Box 642  
Oshawa ON L1H 8T1

**Courier Address:** Ministry of Finance  
305 King St W, 9<sup>th</sup> Floor  
Kitchener ON N2G 1B9

**Tax Return Due Date:** July 3, 2012

**Tax Due:** N/A

**Tax Due Date:** N/A

**Payable To:** N/A

**Tax Refund:** \$472,814

#### **Signing Instruction:**

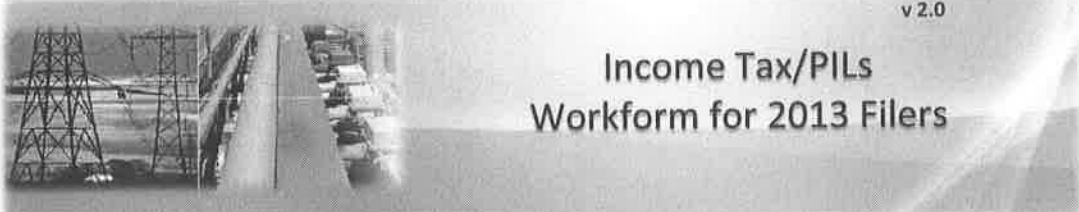
One copy of the T2 Corporate Income Tax Return should be signed where indicated and forwarded to the above address. Also, one copy of each of the Subsection 13(7.4) Election and Regulation 1100(5b.1) Election should be signed and sent to the tax centre. These elections should be sent such that they are received on or before the tax return due date.

One copy of Form T661 *Claim for Scientific Research and Experimental Development (SR&ED) in Canada* should be signed and forwarded with the return. In addition, one copy of the Ontario Corporations Tax – *Authorizing or Cancelling a Representative* form should be signed and forwarded to the above tax centre address.



## Appendix D

### OEB Income Tax/PILs Workform



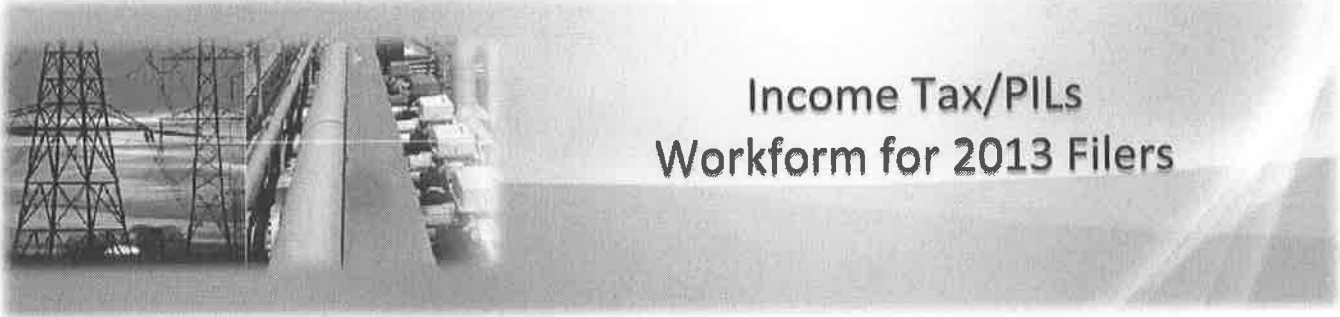
## Income Tax/PILs Workform for 2013 Filers

Utility Name	Welland Hydro Electric System Corp.
Assigned EB Number	EB-2012-0173
Name and Title	Wayne Armstrong-Director of Finance
Phone Number	905-732-1381-Ext 234
Email Address	warmstrong@wellandhydro.com
Date	August 31, 2012
Last COS Re-based Year	2009

Note: Drop-down lists are shaded blue; Input cells are shaded green.

*This Workbook Model is protected by copyright and is being made available to you solely for the purpose of filing your IRM application. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing the application or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.*

*While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.*



# Income Tax/PILs Workform for 2013 Filers

## 1. Info

A. Data Input Sheet

B. Tax Rates & Exemptions

C. Sch 8 Hist

D. Schedule 10 CEC Hist

E. Sch 13 Tax Reserves Hist

F. Sch 7-1 Loss Cfwld Hist

G. Adj. Taxable Income Historic

H. PILs, Tax Provision Historic

I. Schedule 8 CCA Bridge Year

J. Schedule 10 CEC Bridge Year

K. Sch 13 Tax Reserves Bridge

L. Sch 7-1 Loss Cfwld Bridge

M. Adj. Taxable Income Bridge

N. PILs, Tax Provision Bridge

O. Schedule 8 CCA Test Year

P. Schedule 10 CEC Test Year

Q. Sch 13 Tax Reserve Test Year

R. Sch 7-1 Loss Cfwld

S. Taxable Income Test Year

T. PILs, Tax Provision

# Income Tax/PILs Workform for 2013 Filers

**Rate Base**

**\$ 31,884,331**

**Return on Ratebase**

Deemed ShortTerm Debt %  
Deemed Long Term Debt %  
Deemed Equity %

4.00%  
56.00%  
40.00%

T  
U  
V

\$ 1,275,373  
\$ 17,855,225  
\$ 12,753,732

$W = S * T$   
 $X = S * U$   
 $Y = S * V$

Short Term Interest Rate  
Long Term Interest  
**Return on Equity (Regulatory Income)**  
**Return on Rate Base**

2.06%  
4.08%  
9.12%

Z  
AA  
AB

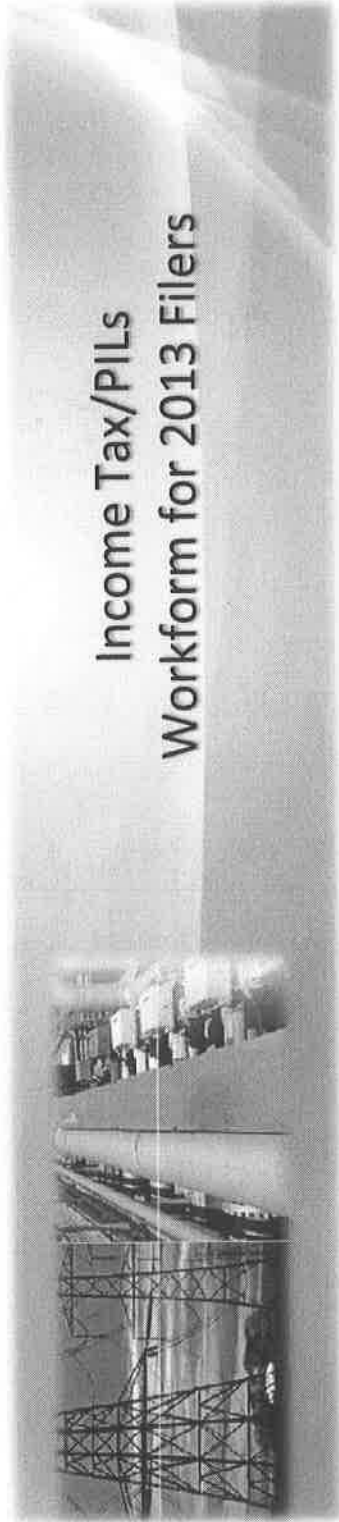
\$ 26,273  
\$ 728,493  
**\$ 1,163,140**  
**\$ 1,917,906**

$AC = W * Z$   
 $AD = X * AA$   
 $AE = Y * AB$   
 $AF = AC + AD + AE$

**Questions that must be answered**

1. Does the applicant have any Investment Tax Credits (ITC)?
2. Does the applicant have any SRED Expenditures?
3. Does the applicant have any Capital Gains or Losses for tax purposes?
4. Does the applicant have any Capital Leases?
5. Does the applicant have any Loss Carry-Forwards (non-capital or net capital)?
6. Since 1999, has the applicant acquired another regulated applicant's assets?
7. Did the applicant pay dividends?  
*If Yes, please describe what was the tax treatment in the manager's summary.*
8. Did the applicant elect to capitalize interest incurred on CWIP for tax purposes?

	Historic	Bridge	Test Year
1. Does the applicant have any Investment Tax Credits (ITC)?	Yes	No	No
2. Does the applicant have any SRED Expenditures?	Yes	No	No
3. Does the applicant have any Capital Gains or Losses for tax purposes?	No	No	No
4. Does the applicant have any Capital Leases?	No	No	No
5. Does the applicant have any Loss Carry-Forwards (non-capital or net capital)?	No	No	No
6. Since 1999, has the applicant acquired another regulated applicant's assets?	No	No	No
7. Did the applicant pay dividends? <i>If Yes, please describe what was the tax treatment in the manager's summary.</i>	Yes	Yes	Yes
8. Did the applicant elect to capitalize interest incurred on CWIP for tax purposes?	No	No	No



# Income Tax/PILs Workform for 2013 Filers

**Tax Rates  
Federal & Provincial  
As of June 20, 2012**

**Federal income tax**  
General corporate rate  
Federal tax abatement  
Adjusted federal rate

Rate reduction

**Ontario income tax**

**Combined federal and Ontario**

**Federal & Ontario Small Business**

Federal small business threshold  
Ontario Small Business Threshold

Federal small business rate

Ontario small business rate

	Effective #####	Effective #####	Effective #####	Effective #####
	38.00%	38.00%	38.00%	38.00%
	-10.00%	-10.00%	-10.00%	-10.00%
	28.00%	28.00%	28.00%	28.00%
	-11.50%	-13.00%	-13.00%	-13.00%
	16.50%	15.00%	15.00%	15.00%
	11.75%	11.50%	11.50%	11.50%
	28.25%	26.50%	26.50%	26.50%
	500,000	500,000	500,000	500,000
	500,000	500,000	500,000	500,000
	11.00%	11.00%	11.00%	11.00%
	4.50%	4.50%	4.50%	4.50%



# Income Tax/PILs Workform for 2013 Filers

## Schedule 10 CEC - Historical Year

**Cumulative Eligible Capital** 1,412,487

**Additions**

Cost of Eligible Capital Property Acquired during Test Year				
Other Adjustments	0			
Subtotal	0	x 3/4 =	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	x 1/2 =	0	
			0	0
Amount transferred on amalgamation or wind-up of subsidiary	0			0
<b>Subtotal</b>				<b>1,412,487</b>


**Deductions**

Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year				
Other Adjustments	0			
<b>Subtotal</b>	<b>0</b>	x 3/4 =		<b>0</b>

**Cumulative Eligible Capital Balance** 1,412,487

**Current Year Deduction** 1,412,487 x 7% = 98,874

**Cumulative Eligible Capital - Closing Balance** 1,313,613



# Income Tax/PILs Workform for 2013 Filers

## Schedule 13 Tax Reserves - Historical

### Continuity of Reserves

Description	Historical Balance as per tax returns	Non-Distribution Eliminations	Utility Only
Capital Gains Reserves ss.40(1)			0
<b>Tax Reserves Not Deducted for accounting purposes</b>			
Reserve for doubtful accounts ss. 20(1)(l)	107,764		107,764
Reserve for goods and services not delivered ss. 20(1)(m)			0
Reserve for unpaid amounts ss. 20(1)(n)			0
Debt & Share Issue Expenses ss. 20(1)(e)			0
Other tax reserves			0
			0
			0
			0
			0
<b>Total</b>	<b>107,764</b>	<b>0</b>	<b>107,764</b>
<b>Financial Statement Reserves (not deductible for Tax Purposes)</b>			
General Reserve for Inventory Obsolescence (non-specific)			0
General reserve for bad debts	107,764		107,764
Accrued Employee Future Benefits:			0
- Medical and Life Insurance			0
-Short & Long-term Disability			0
-Accumulated Sick Leave			0
- Termination Cost			0
- Other Post-Employment Benefits	1,554,847		1,554,847
Provision for Environmental Costs			0
Restructuring Costs			0
Accrued Contingent Litigation Costs			0
Accrued Self-Insurance Costs			0
Other Contingent Liabilities			0
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)			0
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)			0
Other			0
			0
			0
<b>Total</b>	<b>1,662,611</b>	<b>0</b>	<b>1,662,611</b>

# Income Tax/PILs Workform for 2013 Filers

## Schedule 7-1 Loss Carry Forward - Historic

### Corporation Loss Continuity and Application

	Total	Non-Distribution Portion	Utility Balance
<b>Non-Capital Loss Carry Forward Deduction</b>			0
Actual Historic			
<b>Net Capital Loss Carry Forward Deduction</b>			0
Actual Historic			

# Income Tax/PILs Workform for 2013 Filers

## Adjusted Taxable Income - Historic Year

	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Historic Wires Only
<b>Income before PILs/Taxes</b>	<b>A</b>	<b>1,094,754</b>		<b>1,094,754</b>
<b>Additions:</b>				
Interest and penalties on taxes	103			0
Amortization of tangible assets	104	1,960,187		1,960,187
Amortization of intangible assets	106			0
Recapture of capital cost allowance from Schedule 8	107			0
Gain on sale of eligible capital property from Schedule 10	108			0
Income or loss for tax purposes- joint ventures or partnerships	109			0
Loss in equity of subsidiaries and affiliates	110			0
Loss on disposal of assets	111			0
Charitable donations	112	35,944		35,944
Taxable Capital Gains	113			0
Political Donations	114			0
Deferred and prepaid expenses	116			0
Scientific research expenditures deducted on financial statements	118	90,406		90,406
Capitalized interest	119			0
Non-deductible club dues and fees	120			0
Non-deductible meals and entertainment expense	121	5,602		5,602
Non-deductible automobile expenses	122			0
Non-deductible life insurance premiums	123			0
Non-deductible company pension plans	124			0
Tax reserves deducted in prior year	125	113,524		113,524
Reserves from financial statements- balance at end of year	126	1,662,611		1,662,611
Soft costs on construction and renovation of buildings	127			0
Book loss on joint ventures or partnerships	205			0
Capital items expensed	206			0
Debt issue expense	208			0
Development expenses claimed in current year	212			0
Financing fees deducted in books	216			0
Gain on settlement of debt	220			0
Non-deductible advertising	226			0
Non-deductible interest	227			0
Non-deductible legal and accounting fees	228			0
Recapture of SR&ED expenditures	231			0
Share issue expense	235			0
Write down of capital property	236			0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237			0
<b>Other Additions</b>				
Interest Expensed on Capital Leases	290			0
Realized Income from Deferred Credit Accounts	291			0
Pensions	292			0
Non-deductible penalties	293			0
	294	13,623		13,623
	295			0
ARO Accretion expense				0
Capital Contributions Received (ITA 12(1)(x))				0
Lease Inducements Received (ITA 12(1)(x))				0
Deferred Revenue (ITA 12(1)(a))				0
Prior Year Investment Tax Credits received				0



# Income Tax/PILs Workform for 2013 Filers

## PILs Tax Provision - Historic Year

**Note:** Input the actual information from the tax returns for the historic year.

<b>Regulatory Taxable Income</b>						<b>Wires Only</b>
						\$ 881,146 <b>A</b>
<b>Ontario Income Taxes</b>						
<i>Income tax payable</i>	<b>11.75%</b>	<b>B</b>	\$	<b>88,242</b>	<b>C = A * B</b>	
<b>Small business credit</b>						
<i>Ontario Small Business Threshold Rate reduction (negative)</i>	\$ 500,000	<b>D</b>	-	\$	<b>36,240</b>	<b>F = D * E</b>
	-7.25%	<b>E</b>				
<b>Ontario Income tax</b>						\$ 52,002 <b>J = C + F</b>
<b>Combined Tax Rate and PILs</b>						
<i>Effective Ontario Tax Rate</i>				5.90%	<b>K = J / A</b>	
<i>Federal tax rate</i>				16.50%	<b>L</b>	
<i>Combined tax rate</i>				22.40%	<b>M = K + L</b>	
<b>Total Income Taxes</b>						\$ 197,391 <b>N = A * M</b>
<i>Investment Tax Credits</i>						<b>O</b>
<i>Miscellaneous Tax Credits</i>						\$ 48,751 <b>P</b>
<b>Total Tax Credits</b>						\$ 48,751 <b>Q = O + P</b>
<b>Corporate PILs/Income Tax Provision for Historic Year</b>						\$ 148,640 <b>R = N - Q</b>



# Income Tax/PILs Workform for 2013 Filers

## Schedule 10 CEC - Bridge Year

### Cumulative Eligible Capital

1,313,613
-----------

#### Additions

Cost of Eligible Capital Property Acquired during Test Year

Other Adjustments

Subtotal

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002

Amount transferred on amalgamation or wind-up of subsidiary

**Subtotal**

#### Deductions

Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year

Other Adjustments

**Subtotal**

**Cumulative Eligible Capital Balance**

**Current Year Deduction**

**Cumulative Eligible Capital - Closing Balance**

	0				
	0	x 3/4 =	0		
	0	x 1/2 =	0		
	0		0		0
	0				0
<b>Subtotal</b>					<b>1,313,613</b>

	0				
	0	x 3/4 =	0		

1,313,613

1,313,613 x 7% = 91,953

1,221,660

# Income Tax/PILs Workform for 2013 Filers

## Schedule 13 Tax Reserves - Bridge Year

### Continuity of Reserves

Description	Historic Utility Only	Eliminate Amounts Not Relevant for Bridge Year	Bridge Year Adjustments			Balance for Bridge Year	Change During the Year	Disallowed Expenses
			Adjusted Utility Balance	Additions	Disposals			
Capital Gains Reserves ss.401(f)	0					0		0
<b>Tax Reserves Not Deducted for accounting purposes</b>								
Reserve for doubtful accounts ss. 20(1)(l)	107,764		107,764	109,919	107,764	109,919	2,155	
Reserve for goods and services not delivered ss. 20(1)(m)	0					0		0
Reserve for unpaid amounts ss. 20(1)(n)	0					0		0
Debt & Share Issue Expenses ss. 20(1)(e)	0					0		0
Other tax reserves	0					0		0
	0					0		0
<b>Total</b>	<b>107,764</b>	<b>0</b>	<b>107,764</b>	<b>109,919</b>	<b>107,764</b>	<b>109,919</b>	<b>2,155</b>	<b>0</b>
<b>Financial Statement Reserves (not deductible for Tax Purposes)</b>								
General Reserve for Inventory Obsolescence (non-specific)	0					0		0
General reserve for bad debts	107,764		107,764	109,919	107,764	109,919	2,155	
Accrued Employee Future Benefits:	0					0		0
- Medical and Life Insurance	0					0		0
Short & Long-term Disability	0					0		0
-Accumulated Sick Leave	0					0		0
- Termination Cost	0					0		0
- Other Post-Employment Benefits	1,554,847		1,554,847	1,562,011	1,554,847	1,562,011	7,164	
Provision for Environmental Costs	0					0		0
Restructuring Costs	0					0		0
Accrued Contingent Litigation Costs	0					0		0
Accrued Self-Insurance Costs	0					0		0
Other Contingent Liabilities	0					0		0
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0					0		0
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0					0		0
Other	0					0		0
	0					0		0
<b>Total</b>	<b>1,662,611</b>	<b>0</b>	<b>1,662,611</b>	<b>1,671,930</b>	<b>1,662,611</b>	<b>1,671,930</b>	<b>9,319</b>	<b>0</b>

# Income Tax/PILs Workform for 2013 Filers

## Corporation Loss Continuity and Application

### Schedule 7-1 Loss Carry Forward - Bridge Year

Non-Capital Loss Carry Forward Deduction	Total
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
<b>Amount to be used in Bridge Year</b>	
Balance available for use post Bridge Year	0

Net Capital Loss Carry Forward Deduction	Total
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
<b>Amount to be used in Bridge Year</b>	
Balance available for use post Bridge Year	0

# Income Tax/PILs Workform for 2013 Filers

## Adjusted Taxable Income - Bridge Year

	T2S1 line #	Total for Regulated Utility
<b>Income before PILs/Taxes</b>	<b>A</b>	<b>556,201</b>
<b>Additions:</b>		
Interest and penalties on taxes	103	
Amortization of tangible assets	104	2,113,498
Amortization of intangible assets	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	23,600
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	
Capitalized interest	119	
Non-deductible club dues and fees	120	
Non-deductible meals and entertainment expense	121	
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves deducted in prior year	125	107,764
Reserves from financial statements- balance at end of year	126	1,671,930
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	



# Income Tax/PILs Workform for 2013 Filers

## Adjusted Taxable Income - Bridge Year

Interest capitalized for accounting deducted for tax	390	
Capital Lease Payments	391	
Non-taxable imputed interest income on deferral and variance accounts	392	
	393	
	394	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
<b>Total Deductions</b>		<b>3,883,792</b>
<b>Net Income for Tax Purposes</b>		<b>599,301</b>
Charitable donations from Schedule 2	311	23,600
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	
Non-capital losses of preceding taxation years from Schedule 4	331	
Net-capital losses of preceding taxation years from Schedule 4 ( <i>Please include explanation and calculation in Manager's summary</i> )	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
<b>TAXABLE INCOME</b>		<b>575,701</b>





# Income Tax/PILs Workform for 2013 Filers

## Schedule 10 CEC - Test Year

Cumulative Eligible Capital

1,221,660

**Additions**

Cost of Eligible Capital Property Acquired during Test Year

0

Other Adjustments

0

**Subtotal** 0 x 3/4 = 0

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002

0

x 1/2 = 0

0 0

Amount transferred on amalgamation or wind-up of subsidiary

0

0

**Subtotal** 0 1,221,660

**Deductions**

Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year

0

Other Adjustments

0

**Subtotal** 0 x 3/4 = 0

**Cumulative Eligible Capital Balance**

1,221,660

**Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")**

1,221,660 x 7% = 85,516

**Cumulative Eligible Capital - Closing Balance**

1,136,144

# Income Tax/PILs Workform for 2013 Filers

## Schedule 13 Tax Reserves - Test Year

### Continuity of Reserves

Description	Bridge Year	Eliminate Amounts Not Relevant for Bridge Year	Adjusted Utility Balance	Test Year Adjustments			Change During the Year	Disallowed Expenses
				Additions	Disposals	Balance for Test Year		
Capital Gains Reserves ss. 401)	0		0			0	0	0
<b>Tax Reserves Not Deducted for accounting purposes</b>								
Reserve for doubtful accounts ss. 201)(j)	109,919		109,919	113,217	109,919	113,217	3,298	0
Reserve for goods and services not delivered ss. 201)(m)	0		0			0	0	0
Reserve for unpaid amounts ss. 201)(n)	0		0			0	0	0
Debt & Share Issue Expenses ss. 201)(e)	0		0			0	0	0
Other tax reserves	0		0			0	0	0
	0		0			0	0	0
	0		0			0	0	0
<b>Total</b>	<b>109,919</b>	<b>0</b>	<b>109,919</b>	<b>113,217</b>	<b>109,919</b>	<b>113,217</b>	<b>3,298</b>	<b>0</b>
<b>Financial Statement Reserves (not deductible for Tax Purposes)</b>								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	0
General reserve for bad debts	109,919		109,919	113,217	109,919	113,217	3,298	0
Accrued Employee Future Benefits:								
- Medical and Life Insurance	0		0			0	0	0
- Short & Long-term Disability	0		0			0	0	0
- Accumulated Sick Leave	0		0			0	0	0
- Termination Cost	0		0			0	0	0
- Other Post-Employment Benefits	1,562,011		1,562,011	1,562,011	1,562,011	1,562,011	0	0
Provision for Environmental Costs	0		0			0	0	0
Restructuring Costs	0		0			0	0	0
Accrued Contingent Litigation Costs	0		0			0	0	0
Accrued Self-Insurance Costs	0		0			0	0	0
Other Contingent Liabilities	0		0			0	0	0
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	0
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	0
Other	0		0			0	0	0
	0		0			0	0	0
	0		0			0	0	0
<b>Total</b>	<b>1,671,930</b>	<b>0</b>	<b>1,671,930</b>	<b>1,675,228</b>	<b>1,671,930</b>	<b>1,675,228</b>	<b>3,298</b>	<b>0</b>

# Income Tax/PILs Workform for 2013 Filers

## Schedule 7-1 Loss Carry Forward - Test Year

### Corporation Loss Continuity and Application

	Total	Non-Distribution Portion	Utility Balance
<b>Non-Capital Loss Carry Forward Deduction</b>			
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
<b>Amount to be used in Test Year</b>			0
Balance available for use post Test Year	0	0	0

	Total	Non-Distribution Portion	Utility Balance
<b>Net Capital Loss Carry Forward Deduction</b>			
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
<b>Amount to be used in Test Year</b>			0
Balance available for use post Test Year	0	0	0

# Income Tax/PILs Workform for 2013 Filers

## Taxable Income - Test Year

	<b>Test Year Taxable Income</b>
<b>Net Income Before Taxes</b>	<b>1,163,140</b>

	T2 S1 line #	
<b>Additions:</b>		
Interest and penalties on taxes	103	
Amortization of tangible assets <i>2-4 ADJUSTED ACCOUNTING DATA P489</i>	104	1,228,313
Amortization of intangible assets <i>2-4 ADJUSTED ACCOUNTING DATA P490</i>	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	23,600
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	
Capitalized interest	119	
Non-deductible club dues and fees	120	
Non-deductible meals and entertainment expense	121	
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves beginning of year	125	109,919
Reserves from financial statements- balance at end of year	126	1,675,228
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	







## Appendix E

### Deloitte Federal Tax Letter

August 15, 2012

**Private and confidential**

Wayne Armstrong  
Director of Finance  
Welland Hydro-Electric System Corp.  
950 East Main St  
PO Box 280  
Welland ON L3B 5P6

Dear Mr. Armstrong:

**Subject: Federal Small Business Deduction**

We are writing in response to your request for commentary on Welland Hydro-Electric System Corp.'s ("WHESC") eligibility for the federal Small Business Deduction ("SBD"). As discussed with you our commentary below will be confined to the federal income tax calculations as provided in the Income Tax Act of Canada (the "Act") which are the basis used in determining the liability for payment in lieu of tax.

The conclusions contained in this letter are based on our understanding of the facts, assumptions, information, and documents referenced and current tax laws and published tax authorities in effect as at said time, which are subject to change. If there is a change, including a change having retroactive effect, in the above source documents or in the prevailing judicial interpretation of the foregoing, the comments expressed herein would necessarily have to be reevaluated in light of any such changes.

This letter is solely for the benefit of the City of Welland and its subsidiaries and cannot be relied upon by anyone else. We assume no responsibility for tax consequences, or any other consequences, to any other interested parties or to other persons. Instead, any other such interested parties or persons should consult and rely upon the advice of their own counsel, accountant, tax adviser, or other adviser.

**Facts and assumptions**

This letter was drafted with consideration given to the following facts and assumptions:

1. WHESC is a Canadian Controlled Private Corporation ("CCPC") as defined in subsection 125(7) of the Act;
2. WHESC is associated with other corporations;
3. WHESC will be allocated 100% of the small business limit available for the associated group;
4. The taxable capital of the other associated entities in the group is nominal;
5. The taxable income of WHESC will be at or below \$500,000 in any given taxation year (a higher level of income is possible; but it would only reinforce the conclusion); and
6. The taxable capital employed in Canada by WHESC for the 2011 and subsequent taxation year will be in excess of \$30,000,000.

### **Analysis**

Subsection 125(1) of the Act provides for a 17% deduction (the SBD) from Part I tax otherwise payable for a taxation year by a corporation that was, throughout the taxation year, a CCPC. The 17% deduction is provided in lieu of the general rate reduction (13% after 2011) on the applicable income which provides for an effective incremental federal income tax deduction of only 4% of eligible income for the 2012 and subsequent taxation years.

The income of a CCPC is eligible for deduction to the extent of the business limit provided in subsection 125(2) of the Act, which is \$500,000 before adjustments and corporate group allocations. One such adjustment to the business limit is the business limit reduction calculation in subsection 125(5.1) of the Act. Subsection 125(5.1) effectively reduces the business limit for corporations with taxable capital employed in Canada exceeding \$10,000,000 and effectively eliminates the SBD when the taxable capital employed in Canada exceeds \$15,000,000.

Under subsection 125(5.1) of the Act, the business limit reduction is calculated by the formula

$$A * B / \$11,250$$

A is the amount that would, but for this subsection, be the corporation's business limit for the particular year. (A = \$500,000 as provided in subsection 125(2) of the Act).

B is the Part I.3 tax liability (without any deduction under subsections 181.1(2) and 181.1(4) of the Act) for the preceding year. For any and all corporations that WHESC is associated with, B is comprised of WHESC's Part I.3 tax liability as well as the Part I.3 tax liability (without any deduction under subsections 181.1(2) and 181.1(4) of the Act) of each associated corporation for the last taxation year ending in the preceding calendar year.

Part I.3 tax is levied on corporations under section 181 of the Act; however, subsequent to the 2005 calendar year the specified percentage used in the formula ceased to be specified and hence the formula computes a nil liability. The calculation used the taxable capital of the company reduced for the capital deduction in subsection 181.5(1) of the Act multiplied by the specified percentage. Although this tax liability has been eliminated after 2005, these rules are still relevant for calculation of the business limit reduction in subsection 125(5.1) of the Act due to the modifying provisions of subsections 181.1(1.2) and 181.5(1.1) of the Act.

Subsection 181.1(1.2) of the Act is a modification for the purposes of calculating the amount to be used in part B of the calculation above. The effect of the modification is to provide a specified percentage of 0.225% to be applied in the calculation of the Part I.3 tax liability to be used in the formula.

The capital deduction was increased for 2004 and subsequent years to \$50,000,000 in the calculation of the actual Part I.3 tax liability. However, subsection 181.5(1.1) of the Act provides a modification to the capital deduction thereby reducing the capital deduction for a corporation to \$10,000,000 for the purposes of the business limit reduction under subsection 125(5.1) of the Act.

Welland Hydro Electric System Corp.  
August 15, 2012  
Page 3

**Analysis (continued)**

As an example, the expected 2012 taxation year business limit reduction for WHESC should be approximately as follows:

$$\begin{aligned} A * B / \$11,250 &= \$500,000 * [(\$30,000,000 - \$10,000,000) \times 0.225\%] / \$11,250 \\ &= \$500,000 * 4 \\ &= 2,000,000 \end{aligned}$$

Where this is the case, the anticipated business limit would be as follows:

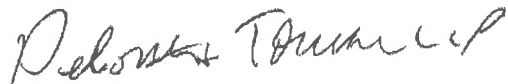
$$\begin{aligned} \$500,000 - \text{Business Limit Reduction} &= \$500,000 - 2,000,000 \\ &= \$0 \end{aligned}$$

**Conclusion**

As the estimated annual business limit reduction is \$2,000,000 which exceeds the \$500,000 business limit, WHESC is not anticipated to benefit from the federal SBD under the current rules, absent a significant decline in the taxable capital employed in Canada. Therefore, WHESC is expected to be subject to the higher federal effective tax rate of 15%.

We trust that the foregoing analysis provides the information that you were looking for. However, if you have any additional questions or if the facts are not as described above, please contact Stuart Cottrell at 519-650-7739.

Yours very truly,



Chartered Accountants