

October 9, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Young Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

**Re: Welland Hydro Electric System Corp. (Licence ED-2003-0002)
2013 Electricity Distribution Rates Application EB-2012-0173**

We are in receipt of the Board's letter dated October 2, 2012 seeking additional information in relation to Welland Hydro's 2013 Cost of Service Rate Application EB-2012-0173.

Please find enclosed two (2) paper copies containing the information requested. Please note also that this information has been filed in searchable PDF format through the Board's Regulatory Electronic Submission System (RESS).

Please note the explanation below, in response to the Board's Letter.

- 1) Statement as to when the forecast was prepared and when it was approved by the utility's management and/or Board of Directors for use in the application.**

Response:

The forecast that underpins the rate application was developed from March, 2012 to July, 2012 and is based upon twelve months forecast. It was approved by Welland Hydro's Board of Directors on August 30, 2012.

- 2) Tables should be provided in excel spreadsheet format.**

Response:

Welland Hydro can confirm that the 2013 EDDVAR_V2, the 2013 PILs Workform_V2, the 2013 RTSR Model_V3, the 2013 Revenue Requirement Work Form_V3, the 2013 Chapter 2 Appendices_V1.1, and the 2013 Cost Allocation Model_V3 were all filed in excel format in the original application. Welland Hydro has since filed the 2013 Load Forecast File in excel format.

3) Administrative documents should contain an application.

Response:

This information has been added as Addendum- Appendix A attached.

4) Certification from a senior officer of the applicant that the evidence filed is accurate to the best of his/her knowledge or belief.

Response:

This information has been added as Addendum- Appendix A attached.

5) Schedule providing the most recent Board-approved revenue requirement and breakdown.

Response:

This information was filed in the original application on Exhibit 6, Tab 1, Schedule 1, Page 4 as Table 6.3.

Table 6.3 can be summarized similar to Table 8-1 in the original application as follows:

	2009 COS Revenue <u>Requirement</u>
OM&A Expenses	\$4,940,683
Amortization Expense	<u>\$1,717,160</u>
Total Distribution Expenses	\$6,657,843
Regulated Return on Capital	\$2,029,903
PILS	<u>\$ 391,256</u>
Service Revenue Requirement	\$9,079,002
Less Revenue Offsets	<u>(581,531)</u>
Base Revenue Requirement	<u>\$8,497,471</u>

6) Explanation of variances from the last Board-approved capital budget.

Response:

Exhibit 2 Tab 1 Schedule 1 Table 2.1 Summary of Rate Base shows the 2009 OEB Approved Average Net Book Value (from 2009 COS) of \$20,843,654 included in Rate Base. Table 2.1 also shows 2009 Actual Average Net Book Value of \$20,797,145 included in Rate Base. The difference of \$46,509 would have a minimum effect on Return on Capital approved in the 2009 Cost of Service Rate Application.

Exhibit 2 Tab 3 Schedule 2 contains a copy of Appendix 2-A Capital Projects Table which contains 2009 Actual Capital Expenditures by project. Also provided in Exhibit 2 Tab 3 Schedule 2 Pages 1 thru 6 are details of 2009 Capital Expenditures which exceed the materiality threshold of \$50,000. However, Welland Hydro did not provide a comparison to capital expenditures included in the 2009 COS.

The following table provides detail for the 2009 Actual versus 2009 Board Approved Capital Expenditures by project:

Projects	2008	2009	2009	2010
Reporting Basis	CGAAP	Board Approved	CGAAP	CGAAP
Wholesale Metering-TS	0	280,000	5,485	433,700
Sub-Total TS>50 kV	0	280,000	5,485	433,700
Substations				
Rebuild MS#11 Darby Road	175,258	0	24,523	0
Rebuild MS#2 McMaster Ave	0	300,000	133,385	249,644
Sub-Total DS<50 kV	175,258	300,000	157,908	249,644
Overhead/Underground				
Major Street Rebuild	31,800		0	0
Load Transfer Hydro One	84,178		0	0
Colbeck Drive 27.6	217,031		0	0
Churchhill Ave 27.6	76,862		9,982	0
Lincoln to Cartier 4.16	52,388		0	0
Cartier Court Underground	50,029		0	0
Harold to Major 4.16	81,771		0	0
Barrington to Fairlawn Undergrd	151,481	160,000	0	0
Mill Street Rebuild	171,307	150,000	186,228	0
Darby Road Rebuild	0		64,647	0
Ontario Road 27.6	0	100,000	67,892	0
Wilton, Oakwood, Elmwood 27.6	0		145,132	392,452
Burgar Street Rebuild 4.16	0		173,526	0
Shotwell & Church 4.16	0		106,635	4,241
Smith Street Rebuild	0		72,002	0
Margaret, Nye, Thorold 4.16	0	250,000	123,222	0
Relocate Poles Thorold & Clare	0		82,824	2,155
King Street & Merritt 27.6	0		66,713	0
Acadia Ave Underground	0		203,172	0
McMaster Ave Rebuild	0		0	282,900
Marc Blvd Underground	0		0	172,543
Pole Replace First Ave	0		0	73,458
Pole Replace Wavel Court	0		0	64,166
East Main to Centre 27.6	0		0	67,183
Rolling Acres Drive Underground	0		0	177,533
East Main to Wellington 4.16	0		0	0
Ridge, Rusholme Rebuild	0	100,000	0	0
Townline Road/Dain City 27.6	0	200,000	0	0
Change Transformer Inventory	76,329	0	-109,366	-399
Misc Pole Replacement	239,746	200,000	146,453	90,495
Misc Underground Rebuild	60,224	100,000	85,939	23,022
Misc Overhead Primary	155,309	50,000	15,901	63,531
Misc Transformer Replacement	190,861	200,000	67,514	70,480
Sub-Total Overhead/Underground	1,639,316	1,510,000	1,508,416	1,483,760

Projects	2008	2009	2009	2010
Reporting Basis	CGAAP	Board Approved	CGAAP	CGAAP
Other				
Contributed Capital	-72,017	50,000	11,503	-24,288
Scada Switches	0		0	104,364
Back Up Generator	109,380		144,796	0
Single Bucket Truck	195,126		29,804	0
Pickup Trucks/Vans	0		0	25,545
New CIS/Financial System	0		0	330,030
Building & Fixtures	28,972		29,920	10,200
Meters	23,826		16,417	84,374
Furniture & Equipment	16,527	7,000	6,564	0
Computer Hardware	11,096	31,000	20,314	16,315
Computer Software	57,068	35,000	2,500	2,985
Sub-Total Other	369,978	123,000	261,818	549,525
Miscellaneous	89,665	65,000	81,593	35,555
Total	2,274,217	2,278,000	2,015,220	2,752,184

Total Capital Spending in 2009 was \$262,780 less than plan as a result of timing issues with Hydro One related to the Wholesale Metering project at the TS. This project was completed in 2010 at a total cost of \$467,359 versus a Board Approved amount of \$280,000 as indicated in the table above.

Welland Hydro looks at total overhead and underground capital spending as the timing of projects may vary depending upon priorities. The 2009 total actual overhead and underground capital spending of \$1,508,416 mirrors the Board Approved total of \$1,510,000.

Other Capital Expenditures of \$261,818 exceeded 2009 Board Approved of \$123,000 due to the completion of the back-up generator.

7) Identification of burden rates related to capitalization of costs of self-constructed assets.

Response:

This information was filed in the original application in Exhibit 2, Tab 3, Schedule 5 Page 2 & Page 3 under the section entitled Capitalized Overheads. Overheads are capitalized on self-constructed assets as a percentage of either Direct Labor dollars or Stores Material as follows:

	<u>CGAAP</u>	<u>MIFRS</u>
Payroll Burden (%labor)	50%	50%
Engineering Burden (%labor)	32%	nil
Administrative Burden (%labor)	nil	nil
Stores (% material)	25%	nil
Equipment (hourly rate)	\$15-\$65/hr	nil

The dollar amount related to the removal of Engineering Burden, Stores Burden, and Equipment charges under MIFRS were summarized in Exhibit 2, Tab 3, Schedule 5, Page 4.

8) Identification of one-time costs in historical, bridge and test years and an explanation of how test year costs are to be recovered.

Response:

This information was provided in the original application as stated below.

Welland Hydro can confirm for the Board that it has only one item which it considers to be “one-time” costs which are costs related to the filing of the 2013 Rate Application. Welland Hydro has identified the timing of actual costs (Bridge & Test Years) related to the rate application and the treatment of cost recovery in Exhibit 4, Tab 1, Schedule 2, Page 6 & Page 15.

Although tree trimming expenses (three year cycle) are not considered a one-time cost, Welland Hydro has outlined the timing of actual (historical) and forecasted (bridge & test years) costs and the treatment of cost recovery for these expenses in Exhibit 4, Tab 1, Schedule 2, Page 15 & Page 16.

9) Status of pension funding and all assumptions used in the analysis.

Response:

All full time staff participates in the OMERS pension plan. Details of the effect on OM&A due to increases in the OMERS pension plan contributions are found in Exhibit 4 Tab 1 Schedule 2 Page 12 third paragraph. OMERS contributions are expensed under both CGAAP and IFRS. Details of the 2012 and 2013 premium rates are as follows:

OMERS 2013 Contribution Rates and Plan Changes Announced

On June 28, 2012, the OMERS Sponsors Corporation (SC) approved changes to the OMERS Primary Pension Plan (OMERS Plan) and Retirement Compensation Arrangement (RCA), contribution rate increases were set for 2013, the third increase as part of a three-year strategy announced in 2010: and

- The funding flexibility of the RCA was enhanced
- The SC also made the decision to file the December 2011 OMERS Primary Plan

Contributions to the OMERS Plan are made by members and matched by employers. Along with investment earnings, contributions provide members with lifetime retirement income. Contribution rate changes are effective with the first full pay in 2013.

Contribution rates for normal retirement age 65 members (Welland Hydro)

- On earnings up to the CPP earnings*: 2012 is 8.3%; 2013 is 9.0%
- On earnings up to the CPP earnings*: 2012 is 12.8%; 2013 is 14.6%

*CPP earnings limit (Year's Maximum Pensionable Earnings or YMPE) in 2012 is \$50,100; the limit for 2013 will be higher and is estimated at \$51,900 for this application. OMERS members pay a lower rate of contributions on earnings up to the YMPE because OMERS and the CPP are designed to work together to provide pension benefits.

10) If applicable, must provide any Notices of Assessment or Statement of Adjustment for the three immediate prior tax years.

Response:

This item has been added as Addendum- Appendix B attached.

11) Integrity Checks as specified at pages 34-35.

11-1) Depreciation and amortization added back in the application's PILS model agree with the numbers disclosed in the rate base section of the application.

Response:

2011 Actual Year Depreciation added back PILs model - \$1,960,187 (Includes Smart Meter Depreciation Expense of \$209,049 for CGAAP leaving \$1,751,140 Exhibit 2 Tab 2 Sch 1 Pg 4)

2011 Appendix 2B CGAAP Exhibit 2 Tab 2 Schedule 1 Page 4 - \$1,751,140 (Excludes Smart Meters)

2012 Bridge Year Depreciation added back PILs model - \$2,113,498

2012 Appendix 2B CGAAP Exhibit 2 Tab 2 Schedule 1 Page 5 (including smart meters) - \$2,113,498

2013 Test Year Depreciation added back PILs model - \$1,228,313

2013 Appendix 2B MIFRS Exhibit 2 Tab 2 Schedule 1 Page 7 - \$1,228,313

11-2) The capital additions and deduction in the UCC/CCA Schedule 8 agree with the rate base section for historic, bridge, and test years.

Response:

The PILS model Schedule 8 for the 2011 Historic only asks for End of Year amounts after additions and deductions.

2012 Bridge Year Additions PILs model - \$1,833,000

2012 Bridge Year Additions 2012 Appendix 2B CGAAP Exhibit 2 Tab 2 Schedule 1 Page 5 - \$2,100,000

2012 Bridge Year Additions 2012 Appendix 2B MIFRS Exhibit 2 Tab 2 Schedule 1 Page 6 - \$1,833,000

Welland Hydro recognizes that it has inadvertently used 2012 MIFRS additions in the PILs model and should have used 2012 CGAAP additions. This would increase the CCA and decrease taxable income by \$20,505 in the 2013 test year resulting in a minor decrease in PILs payable. Welland Hydro will note the change and make the necessary adjustments (along with any other adjustments required) later in the application process.

2013 Test Year Additions PILS model- \$2,001,200

2013 Test Year Additions 2013 Appendix 2B MIFRS Exhibit 2 Tab 2 Schedule 1 Page 7 - \$2,001,200

11-3) Schedule 8 of the most recent federal T2 tax return filed with the application has a closing December 31st historic year UCC that agrees with the opening bridge year UCC at January 1st. If the amounts do not agree, then the applicant must provide a reconciliation with explanations for the reasons.

Response:

UCC End of 2011 Year Historic (including non distribution) per PILs model - \$29,731,532
Schedule 8 Capital Cost Allowance (CCA) per 2011 Federal Tax Return - \$29,731,532

11-4) The CCA deduction in the application's PILs tax model for historic, bridge and test years agree with the number in the UCC schedules for the same years filed in the application.

Response:

2011 Historic Year Schedule 8 does not provide detail for the CCA taken in 2011.
2011 Historic Year Adjusted Taxable Income – CCA Deduction \$2,146,487
2011 Historic Year Tax Return – CCA Deduction per Schedule 8 \$2,146,487

2012 Bridge Year PILs Module – CCA Schedule 8 - \$2,019,309
2012 Bridge Year PILs Module – CCA Adjusted Taxable Income - \$2,019,309

2013 Test Year PILs Module – CCA Schedule 8 - \$1,969,421 (requires adjustment per 2 above)
2013 Test Year PILs Module-CCA Adjusted Taxable Income - \$1,969,421

11-5) Loss carry-forwards, if any, from the tax returns (Schedule 4) agree with those disclosed in the application.

Response:

No Loss carry-forward per 2011 tax return filed in Exhibit 4 - Appendix C

11-6) CCA is maximized even if there are tax loss carry-forwards.

Response:

No Loss carry-forward per 2011 tax return filed in Exhibit 4 – Appendix C

11-7) A statement is included in the application as to when the losses, if any, will be fully utilized.

Response:

No Loss carry-forward per 2011 tax return filed in Exhibit 4 – Appendix C

11-8) Accounting OPEB and pension amounts added back on Schedule 1 reconciliation of accounting income net income for tax purposes, must agree with the OM&A analysis for compensation. The amounts deducted must be reasonable when compare with the notes in the audited financial statements, FSCO reports, and the actuarial valuations; and

Response:

OMERS pension expense under both CGAAP and MIFRS are treated as a deduction for expense purposes with no accrual adjustment which would affect Schedule 1 of the tax return. Other Post Employment Benefits are identified below.

2011 Historic Year PILS module- Reserves \$1,662,611 (\$1,554,847 OPEB+\$107,764 Doubtful Accounts)

2011 Financial Statements Short Term \$126,909 Long Term \$1,427,938 Total OPEB \$1,554,847

2012 Bridge Year PILS module-Reserves \$1,671,930 (\$1,562,011 OPEB+ \$109,919 Doubtful Accounts-OPEB Accrual Expense Reversed for Tax purposes \$7,164)

2012 Bridge Year OPEB Accrual Expense \$7,164 as shown in Exhibit 4 Tab 1 Schedule 4 Page 3

2012 OPEB Liability as per Post Retirement Report \$1,567,654 – Accrual Expense \$12,807 Exhibit 4 Appendix A

As detailed in Exhibit 4 Tab 1 Schedule 8 Page 2 Welland Hydro declared that it had only requested a CICA 3461 for 2012 once the first one year deferral for IFRS was announced. As a result the correct liability and accrual expense do not match the Rate Application by \$5,643. This has no impact on the 2013 Test Year calculations.

2013 Test Year PILS module-Reserves \$1,671,930 (\$1,562,011 OPEB + \$109,919 Doubtful Accounts – OPEB Accrual Expense Reversed for Tax purposes \$0)

2013 Test Year OPEB Accrual Expense \$0 as shown in Exhibit 4 Tab 1 Schedule 4 Page 3

2013 OPEB Liability as per Post Retirement Report \$1,685,743 IAS 19 Exhibit 4 Appendix A

Welland Hydro describes the 2013 OPEB in detail in Exhibit 4 Tab 1 Schedule 2 Page 13 & Page 14 and the required entries on the last page of Exhibit 4 Appendix A. Welland Hydro submits that the loss on conversion to IFRS and the 2013 OPEB Accrual Expense be addressed as one issue and not separately.

11-9) The income tax rate used to calculate the tax expense must be consistent with the utility's actual tax facts and evidence filed in the proceeding.

Response:

2013 Grossed Up PILS per PILS Module \$42,628

2013 Grossed Up PILS per Application \$58,513

2013 Grossed Up PILS per Revenue Requirement Workform \$62,416

Welland Hydro addressed this topic in detail in Exhibit 4 Tab 1 Schedule 8 Page 2 & Page 3. Welland Hydro believes it has filed expert evidence to support its treatment of the Federal Small Business Deduction in Exhibit 4 Appendix E. The treatment of this item leads to the differences in the Grossed Up PILS identified above.

12) Summary of cost drivers of revenue deficiency to be mapped to evidence with specific references.

Response:

The Filing Guidelines states "The applicant must provide a summary of the drivers of the test year deficiency/sufficiency, along with how much each driver contributes. Specific references to the data contained in the detailed schedules and tables should be provided so that parties can map the summary of cost driver information to the evidence supporting it."

Exhibit 6 Tab 1 Schedule 1 Page 5 and 6 present the Cost Drivers on a Revenue Deficiency of \$187,802 which represents 2.1% of the forecasted revenue at current rates of \$8,970,789. The summary was split out between OM&A, Depreciation Expenses, Capital Structure, and PILs.

Welland Hydro has reproduced the tables found in Exhibit 6 Tab 1 Schedule 1 to provide more specific references for the Board below:

MIFRS Change to Capitalized Overheads	\$300,348	Exh 4 Tab 1 Sch 2 Pg 10
New CIS/Financial System	\$215,921	Exh 4 Tab 1 Sch 2 Pg 10
Upgrade of Accounting Position IFRS	\$ 30,000	Exh 4 Tab 1 Sch 2 Pg 11
Apprentice Lineperson	\$ 75,014	Exh 4 Tab 1 Sch 2 Pg 11
Wage Inflation	\$355,568	Exh 4 Tab 1 Sch 2 Pg 11
Benefits inflation	\$171,361	Exh 4 Tab 1 Sch 2 Pg 11
Retiree Benefits	\$ 45,943	Exh 4 Tab 1 Sch 2 Pg 13
Bad Debt Expense	\$ 40,685	Exh 4 Tab 1 Sch 2 Pg 14
Regulatory Expense	\$ 30,934	Exh 4 Tab 1 Sch 2 Pg 15
LEAP Payments	\$ 11,000	Exh 4 Tab 1 Sch 2 Pg 16
Receivable s Insurance GS>50 & Large Use	\$ 45,809	Exh 4 Tab 1 Sch 2 Pg 16
Expense Inflation	\$175,109	Exh 4 Tab 1 Sch 2 Pg 17
Other OM&A	(\$134,799)	Balance of Misc Items Cost Driver Table Exh 4 Tab 1 Sch 2 Pg 2

Change in Depreciation Expense to 2009 COS	(\$635,542)	2013 Depr Exp \$1,081,618 Exh 2 Tab 2 Sch 1 Pg 11 2009 Depr Exp \$1,717,160 Exh 6 Tab 1 Sch 1 Pg 6
Deemed Interest Expense to 2009 COS	(\$341,062)	2013 Deem Int \$754,766 Exh 6 Tab 1 Sch 1 Pg 2 2009 Deem Int \$1,095,828 Exh 6 Tab 1 Sch 1 Pg 4
Deemed Return on Equity to 2009 COS	\$229,065	2013 ROE \$1,159,236 Exh 6 Tab 1 Sch 1 Pg 2 2009 ROE \$934,075 Exh 6 Tab 1 Sch 1 Pg 4
Grossed Up PILs to 2009 COS	(\$332,743)	2013 PILS \$58,513 Exh 6 Tab 1 Sch 1 Pg 2 2009 PILS \$391,256 Exh 6 Tab 1 Sch 1 Pg 4
All other adjustments	(\$90,905)	
Total	<u>\$187,802</u>	

13) Calculation of revenues per class under both current and proposed rates.

Response:

The requested information is provided in Table 8-3.

14) Reconciliation and explanation if Deferral and Variance Account balances differ from trial balance in RRR and Audited Financial Statements.

Response:

The Deferral & Variance Account Work-form can be found in Exhibit 9 Appendix A.

Welland Hydro can confirm for the Board that the following accounts requested for disposition have the same balance in the RRR and the Audited Financial Statements as at December 31, 2011.

1508 Other Regulatory Charge Deferred IFRS
1580 Wholesale Market Service Charge
1584 Retail Transmission Network Charge
1586 Retail Transmission Connection Charge
1588 Power Excluding Global Adjustment
1588 Power Sub Account Global Adjustment
1595 Disposition of Regulatory Balances 2009
1595 Disposition of Regulatory Balances 2010

Welland Hydro can confirm for the Board that the following accounts not requested for disposition have the same balance in the RRR and the Audited Financial Statements.

1535 Smart Grid OM&A Deferral Account

Account 1535 is detailed in Exhibit 9 Tab 1 Schedule 2 Page 5.

Welland Hydro can confirm for the Board that the following accounts have different balances in the RRR versus the Audited Financial Statements as at December 31, 2011.

1563 Deferred Payments in Lieu of Taxes

As indicated in Exhibit 1 Tab 3 Schedule 2 Page 1 Welland has expensed the PILS contra account for CGAAP purposes. This item clears itself as a result of entries made in 2012 resulting from the Decision and Order on the 2012 IRM Rate Application EB-2011-0202. No amounts related to 1562/1563 are being requested for disposition in this rate application.

1592 HST Input Tax Credit

As indicated in Exhibit 1 Tab 3 Schedule 2 Page 1 Welland has expensed 50% of the HST Input Tax Contra Account for CGAAP purposes. The treatment of this account for the 2012 Deferral & Variance Work-form is detailed in Exhibit 9 Tab 1 Schedule 2 Page 6 & Page 7.

15) Statement confirming that Global Adjustment has been pro-rated into RPP and non-RPP portions.

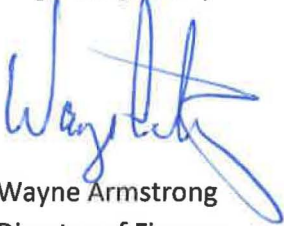
Response:

Welland Hydro can confirm for the Board that Global Adjustment has been pro-rate into RPP and non-RPP portions.

We trust that this additional information is satisfactory, but if there is any further information required, please contact the undersigned.

Yours truly,

Original signed by

A handwritten signature in blue ink, appearing to read 'Wayne Armstrong', with a stylized flourish at the end.

Wayne Armstrong
Director of Finance

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15, as amended;

AND IN THE MATTER OF AN Application by Welland Hydro-Electric System Corp. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2013.

Title of Proceeding: An Application by Welland Hydro-Electric System Corp. for an Order or Orders approving or fixing just and reasonable distribution rates and other charges, effective May 1, 2013.

Applicant Name: Welland Hydro-Electric System Corp.

Applicants Address: P.O. Box 280
950 East Main Street
Welland, ON
L3B 5P6

Applicant Contacts: Wayne Armstrong
Director of Finance

Email: warmstrong@wellandhydro.com
Telephone: 905-732-1381 ext 234
Fax: 905-732-0123

Ross Peever
President & CEO

Email: rpeever@wellandhydro.com
Telephone: 905-732-1381 ext 232
Fax: 905-732-0123

APPLICATION

Introduction

The Applicant is Welland Hydro-Electric System Corp. The Applicant is a corporation incorporated pursuant to the Ontario Business Corporations Act with its head office in the City of Welland, ON. The Applicant carries on the business of distributing electricity within the City of Welland.

The Applicant hereby applies to the Ontario Energy Board (the "OEB") pursuant to Section 78 of the Ontario Energy Board Act, 1998 ("the OEB Act") for approval of its proposed distribution rates and other charges, effective May 1, 2013. A list of Approvals Requested can be found in Exhibit 1 Tab 1 Schedule 4.

Except where specifically identified in the Application, the Applicant followed the OEB's Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, update issued June 28, 2011 (the "Filing Requirements") in order to prepare this application.

Proposed Distribution Rates and Other Charges

The Schedule of Proposed Tariff of Rates and Charges in this Application is set out in Exhibit 1 Appendix A and in Exhibit 8 Schedule 9. The material being filed in support of this Application sets out Welland Hydro's approach to its distribution rates and charges.

Proposed Effective Date of Rate Order

The Applicant requests the OEB make its Rate Order effective May 1, 2013 in accordance with the Filing Requirements.

The Proposed Distribution Rates and Other Charges are Just and Reasonable

The Applicant submits the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

The proposed rates, as set out in Exhibit 1 Appendix A, for the distribution of electricity have been prepared in accordance with the Filing Requirements and reflect traditional rate making and cost of service principles:

The proposed and adjusted rates are necessary to ensure Welland Hydro-Electric System Corp. has sufficient funds to meet its capital expenditure obligation, fund OM&A expenses, provide a reasonable Market Based Rate of Return ("MBRR") and Payments in Lieu of Taxes ("PILS");

There are no impacts to any of the customer classes or consumption level subgroups that are so significant as to warrant the deferral of any adjustments being requested by the Applicant or the implementation of any other mitigation measures.

Such other grounds as may be set out in the material accompanying this Application Summary.

Relief Sought

The Applicant applies for an Order or Orders approving the proposed distribution rates and charges set out in Exhibit 8 to this Application as just and reasonable rates and charges pursuant to Section 78 of the OEB Act, to be effective May 1, 2013.

The Applicant seeks approval of its Basic Green Energy Plan as part of this Application in accordance with the Deemed Conditions of License as reported by the OEB in its Distribution System Planning Guidelines G-2009-0087, issued June 16, 2009. The Applicant's Basic Green Energy Plan has been prepared in accordance with the OEB's Filing Requirements as reported in EB-2009-0397 – Distribution System Plans under the Green Energy Act issued on December 18, 2009.

Form of Hearing Requested

The Applicant requests that this Application be disposed of by way of a written hearing.

Statement of Accuracy

That Applicant submits that the evidence filed is accurate to the best of the Director of Finance's knowledge and belief.

DATED at Welland, Ontario, this 9th day of October, 2012

All of which is respectfully submitted,

Welland Hydro-Electric System Corp.



Wayne Armstrong

Director of Finance

Notice of Assessments &
Statements of Adjustment
2009-2011



Ministry of Finance
33 King St W
PO Box 622
Oshawa ON L1H 8H6



HPL - tL059
WELLAND HYDRO-ELECTRIC SYSTEM CORP.
ATTENTION: C/O ROSS PEEVER
950 EAST MAIN ST
PO BOX 280
WELLAND ON L3B 5P6

Issue Date 23-Jul-2012

Business No. 863759692TW0001
Reference No. L1267623808

Notice of Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

Your account has been assessed resulting in a balance as indicated below.

Period Ending: 31-Dec-2011	Return As Filed
Total Federal Tax	\$94,547.00
Total Ontario Tax	\$45,304.00
Total Credits	(\$12,665.00)
Loss Carry-back	\$0.00
Total Tax Payable	\$127,186.00
Interest	\$0.00
Current Penalty	\$0.00
Credits/Payments	(\$127,186.00)
Total Assessment	<u>\$0.00</u>

As of 23-Jul-2012, including the amount assessed above, you have an overall credit balance on your account of (\$487,528.90).

If you have any questions concerning this Notice of Assessment, please call the number listed below. After discussion with a ministry representative, if you still do not agree with this assessment you have the right to file a Notice of Objection with the Objections and Appeals Branch within 180 days of the issue date of this form. Any taxes, interest and penalties that are outstanding as a result of the assessment are due and payable even if you have filed, or intend to file, a Notice of Objection.

If you have any questions or require additional information, please visit our website or call the Ministry of Finance at the number listed below.

Ministry use only

Enquiries

1 866 ONT-TAXS
1 866 668-8297

Fax 1 866 888-3850

Teletypewriter (TTY) 1 800 263-7776
Internet ontario.ca/finance



Ministry of Finance
33 King St W
PO Box 622
Oshawa ON L1H 8H6



00000002

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
ATTENTION: C/O ROSS PEEVER
950 EAST MAIN ST
PO BOX 280
WELLAND ON L3B 5P6

HPL - tL060

Issue Date 23-Jul-2012

Business No. 863759692TW0001

Reference No. L0193881984

Notice of Re-Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

We have received and processed your return for the period ending 31-Dec-2010. Based on the information provided, your return has been corrected as follows:

	Previous	Revised
Total Federal Tax	\$376,881.00	\$365,103.00
Total Ontario Tax	\$279,834.00	\$277,268.00
Total Credits	(\$25,014.00)	(\$25,014.00)
Loss Carry-back	\$0.00	\$0.00
Total Tax Payable	\$631,701.00	\$617,357.00
Interest		\$267.36
Current Penalty		\$0.00
Credits/Payments		(\$617,624.36)
Total Assessment		<u>\$0.00</u>

As of 23-Jul-2012, including the amount assessed above, you have an overall credit balance on your account of (\$487,528.90).

If you have any questions concerning this Notice of Re-Assessment, please call the number listed below. After discussion with a ministry representative, if you still do not agree with this re-assessment you have the right to file a Notice of Objection with the Objections and Appeals Branch within 180 days of the issue date of this form. Any taxes, interest and penalties that are outstanding as a result of the re-assessment are due and payable even if you have filed, or intend to file, a Notice of Objection.

If you have any questions or require additional information, please visit our website or call the Ministry of Finance at the number listed below.

472814 2011
14344 2010
267 Interest
487425

Ministry use only

Enquiries

1 866 ONT-TAXS
1 866 668-8297

Fax 1 866 888-3850

Teletypewriter (TTY)
Internet

1 800 263-7776
ontario.ca/finance



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Account No
1800215

35
PX5003

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
C/O ROSS PEEVER
950 EAST MAIN ST
PO BOX 280
WELLAND
L3B 5P6

ON

10 HPL

Remittance Advice - Payment-in-Lieu (PIL)

Electricity Act, 1998

Corporations Tax Act, R.S.O. 1990

Taxation Year End: (YYYYMMDD)

--	--	--	--	--	--	--	--	--	--

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--

Taxation Year End: (YYYYMMDD)

2	0	0	9	1	2	3	1
---	---	---	---	---	---	---	---

Payment Amount: \$

--	--	--	--	--	--	--	--	--	--

Total Payment Enclosed:

--	--	--	--	--	--	--	--	--	--



Ministry of Revenue
Hydro PIL
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Keep this portion for your records.

Notice of Assessment

Electricity Act, 1998 • Corporations Tax Act, R.S.O. 1990
from 2009/01/01 to 2009/12/31

Account No.	Assessment Date (year, month, day)	Page
1800215	2010/09/01	1 of 1

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

ASSESSMENT NO. 216

Tax: Federal and Provincial PIL
Assessment Interest

Total Assessment Liability

466,015.00
6,671.34
472,686.34

SUMMARY OF 2009/12/31 TAXATION YEAR TRANSACTIONS

Payments/Transfers

472,812.00CR

Sub-Total

CREDIT BALANCE AVAILABLE IN THIS TAXATION YEAR

472,812.00CR
125.66CR

In accordance with s.s.80(8) of the Corporations Tax Act, as made applicable by s.95 of the Electricity Act, 1998, notice is hereby given of the amount of tax, penalty and interest for which you are assessed.

Adjustment to the computation of Total Tax payable.

Adjustment to the computation of Capital Tax.

Adjustment to the computation of the surtax on CCPC's.

Adjustment to the computation of Net Income Tax

Mathematical error in the computation of Net CMT payable.

