

IN THE MATTER OF the Ontario Energy Board Act
1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an Application by
Welland Hydro Electric System Corp. for an Order
or Orders approving or fixing just and reasonable
rates and other charges for the distribution of
electricity commencing May 1, 2009.

**WELLAND HYDRO-ELECTRIC SYSTEM CORP.
RESPONSE TO:
INTERROGATORIES OF
THE VULNERABLE ENERGY CONSUMERS COALITION**

Question #1

Reference: Exhibit 3/Tab 1/Schedule 2, page 1

- a) Please clarify whether the rates used in Table 1 for 2009 revenues at current rates include Smart Meter charges.

Response:

Excludes Smart Meters

- b) If the response to part (a) is yes, please redo the table excluding the Smart Meter rate adder.

Response:

N/A

Question #2

Reference: Exhibit 3/Tab 2/Schedule 1, pages 1-2

- a) Please provide a schedule that sets out, using 2007 values:

- The average use (per customer) for those GS < 50 customers that were not affected by the customer re-classification

Response:

See Exhibit A

- The average per customer for those customers that were transferred from the GS>50 to the GS<50 class

Response:

See Exhibit A

- The average use per customer for those customers that were transferred from the GS<50 to the GS>50 class

Response:

See Exhibit A

b) Please provide a schedule that sets out, using 2007 values:

- The average use (per customer) for those GS > 50 customers that were not affected by the customer re-classification

Response:

See Exhibit A

Question #3

Reference: Exhibit 8/Tab 1/Schedule 1, pages 1-2
Board Staff IR #4

a) If not filed in response to the Board Staff IR, please provide a copy of the Cost Allocation informational filing that supports the values presented in Table 1 (prior to the PILs increase).

Response:

Filed with Board Interrogatories

b) Please confirm that for purposes of Welland's Cost Allocation Informational Filing:

- The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)

Response:

Confirmed

- The Costs include the cost of the Transformer Ownership Allowance

Response:

Confirmed

- The cost of the Transformer Ownership Allowance is allocated to all customer classes

Response:

Confirmed

c) Please provide the results of a cost allocation run with an alternative treatment of the Transformer Ownership Allowance where:
(Note: For purposes of the response please just file the revised Output Sheet O1)

- The Revenues by class are based the rates reduced by the transformer ownership allowance where applicable
- The Costs allocated exclude the “cost” of the Transformer Ownership Allowance.

Response:

Output Sheet O1 from the cost allocation run with an alternative treatment of the Transformer Ownership Allowance as outlined above is provided in Exhibit I.

Question #4

Reference: Exhibit 8/Tab 1/Schedule 1, page 1 and page 2 (Table 1)

a) Please explain more fully the reference to Welland Hydro’s “revised OEB-approved 2006 electricity distribution rates” (per lines 21-23).

- Were the rates used in the Cost Allocation Informational filing not Welland’s final 2006 approved rates?

Response:

No. Rates were revised after the Cost Allocation filings.

- Why were there “additional PILs related expenses”?

Response:

Due to removal of Loss Carry Forwards to calculate PILS expenses.
See EB-2007-0663.

- Why weren’t these additional PILs related expenses allocated to customer classes in the same manner at the PILs in the original Cost Allocation Informational filing?

Welland Hydro-Electric System Corp. assigned additional PILS based on additional Distribution Revenue. Exhibit B shows a revised Table 1 based on the same manner as the original Cost Allocation. As can be seen in Exhibit B this method adds more additional cost than additional revenue for both GS<50 and GS 50 to 4999 kW classifications. Exhibit C shows a comparison of Cost to Revenue Ratios using the two different methods compared to the original cost application filing. Welland Hydro used the revenue method to assign the additional PILS to customer classifications.

- b) Please provide an updated run of the Cost Allocation Informational filing where both cost and rates reflect the additional PILs related expenses. Note: Only output sheet O2 needs to be provided.

Response:

Output Sheet O2 from an updated run of the Cost Allocation Informational filing where both cost and rates reflect the additional PILs related expenses is shown in Exhibit J.

Question #5

Reference: Exhibit 8/Tab 1/Schedule 2, page 2 (Table 3)

- a) Please provide a schedule that shows how the percentages in Table 3 under the column "Cost Allocation" were derived from the data presented in Exhibit 8/Tab 1/Schedule 1, Table 1.

Response:

See Exhibit D

- b) Please provide a schedule that shows how the percentages in Table 3 under the column "Existing Rates" were determined. Note: The percentages don't seem to reconcile with the revenues at existing rates as set out in Exhibit 3/Tab 1/Schedule 2, page 1.

Response:

See Exhibit E

- c) Please complete the following schedules:

- kWh by Customer Class (delivered)

Response:

See Exhibit F

- Customer/Connection Count

Response:

See Exhibit F

- d) Based on the results from part (c), please comment on the appropriateness of assuming that the revenue requirement proportions from the 2006 Cost Allocation study represents what would be a 100% revenue to cost ratio for 2009.

Response:

The 2009 customer/connection proportions are essentially the same as proportions in the updated cost allocation filings. The 2009 kWh and kW proportions are somewhat different than the proportions in the updated cost allocation filings. However, considering the cost allocation model basically assigns 50% of the distribution costs to customers and the other 50% to demand it appears to Welland Hydro that it is reasonable to use results of the updated cost allocation model for the 2009 application. In addition, it was costly to prepare the 2006 cost allocation informational filing. It is Welland Hydro's view it is cost effective to use the results of this study at least once to adjust rates. To update the cost allocation study Welland Hydro would need to request load data from Hydro One again and the data would be an estimate. Welland Hydro submits it would be more prudent to update the cost allocation study at the time the next rebasing/cost of service application is complete since at this time smart meters will be installed and actual peak demand load data will be available by rate class.

- e) Table 1 (/Exhibit 8/Tab 1/Schedule 1) indicates that the current revenue to cost ratio for Residential is 127.24%. However, per Table 3, existing rates produce 132.2% more revenue (i.e., 73.79/55.82) than allocated costs. Please reconcile.

Response:

Table 1 represents a Revenue to Cost Ratio Analysis. Table 3 is a percentage of Total Revenue Analysis. The first column is the percentage of total revenue for each class required for a 100% Revenue to Cost Ratio based on information taken from the Cost Allocation filing. The second column is a percentage of Total Revenue by customer class at current rates. The third column shows the movement in proposed revenue ratios to bring the percentages more in line with Column 1 or a 100% revenue to cost ratio but fall within the ranges as set out by the OEB.

Question #6

Reference: Exhibit 8/Tab 1/Schedule 2, page 3

- a) Please provide a schedule that sets out the derivation of the values for the 2009 revenue to cost ratios by customer class (e.g., how was the 114.46% value for Residential calculated?).

Response:

See Exhibit G

Question #7

Reference: Exhibit 9/Tab 1/Schedule 1, page 1

- a) Please confirm whether the Base Revenue Requirement set out in Table 1 includes the "cost" of the transformer ownership allowance.

Response:

Base Revenue includes transformer ownership allowance.

- If it is, where is it reflected?

Response:

It is reflected in the service Revenue requirement amount.

- If not, how is the lost revenue associated with the transformer ownership allowance accounted for and recovered?

Response:

Not Required.

Question #8

Reference: Exhibit 9/Tab 1/Schedule 1, page 4
OEB, Application of Cost Allocation for Electricity Distributors,
Report of the Board, EB-2007-0667, November 28, 2007

- a) Please provide a schedule that sets out the target range for the service charge for each customer class based on the results of Welland's Cost Allocation Informational Filing and the OEB's November 2007 Report.

Response:

See Exhibit H

Question #9

Reference: Exhibit 9/Tab 1/Schedule 8

- a) What is the forecast average monthly residential use for 2009?

Response:

702 kWh/month - (8,426/12).

b) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:

- 8.0% Consume less than 250 kWh per month
- 27.5% Consume 250 -> 500 kWh per month
- 30.9% Consume 500 -> 750 kWh per month
- 18.9% Consume 750 -> 1000 kWh per month
- 12.1% Consume 1000 -> 1500 kWh per month
- 1.9% Consume 1500 -> 2000 kWh per month
- 0.7% Consume more than 2000 kWh per month

Response:

See above

Question #10

Reference: Exhibit 2/Tab 1/Schedule 1, pages 3-5

a) The evidence implies that Welland Hydro does not engage in capital budget planning save for the upcoming year, i.e., that Welland does not currently have a five year capital spending plan. Please confirm this understanding is correct; if unable to so confirm, please provide the most recent multi-year capital budget.

Response:

See Exhibit K for the most recent five year capital forecast.

b) Please indicate whether Welland Hydro intends to implement a multi-year capital plan once it has received the report on its complete distribution system.

Response:

Confirmed

c) Please provide the budgeted/forecasted capital expenditures for 2005-2007 that correspond to the actual amounts spent as shown on page 4 of this exhibit

Response:

	Budget	Actual
2005 Capital Spending	\$1,633,383	\$1,775,257
2006 Capital Spending	\$2,002,021	\$1,952,034
2007 Capital Spending	\$2,718,861	\$2,293,025

Question #11

Reference: Exhibit 1/Tab 3/Schedule 3

- a) Please provide details with respect to the 2008 Extraordinary Gain of \$271,632.24.

Response:

The 2008 Extraordinary Gain is the reversal of a Regulatory Asset -Non RSVA Reserve. The reserve was set up in 2007 until a review of 2008 OEB rate decisions on rate riders for these accounts could be made. The reserve has been reversed in Welland Hydro-Electric System Corp.'s books in 2008.

Question #12

Reference: Exhibit 2/Tab 3/Schedule 3, page 1

- a) Please indicate the number of poles that Welland Hydro expects to replace under its Miscellaneous Pole Replacement project in 2008 and 2009.

Response:

See OEB Interrogatory #36 b)

- b) Please provide the number of poles replaced annually by Welland Hydro in the years 2005-2007 inclusive.

Response:

See OEB Interrogatory #36 b)

- c) Please provide the annual budgeted/forecast amounts for this program for the years 2005-2007 inclusive.

Response:

	Budget	Actual
Misc. Capital Pole Replacement 2005	\$200,000	\$281,450
Misc. Capital Pole Replacement 2006	\$250,000	\$217,811
Misc. Capital Pole Replacement 2007	\$400,000	\$205,960

d) Please indicate whether Welland Hydro has a long-term plan in respect of pole replacement.

Response:

Welland Hydro is planning to conduct a complete system review of assets in 2009. This review, to be performed with the assistance of outside consulting will form the basis of future capital planning. It will include an analysis in respect of poles. Welland Hydro continues to review distribution assets on a three year basis as required by the OEB including poles. A pole testing program has also been completed to aid in the evaluation process for pole replacement.

Question #13

Reference: Exhibit 2/Tab 3/Schedule 3, page 3

a) Please indicate whether Welland Hydro has a long-term plan in respect of its Miscellaneous Underground Rebuild program.

Response:

Welland Hydro is planning to conduct a complete system review of assets in 2009. This review, to be performed with the assistance of outside consulting will form the basis of future capital planning. It will include an analysis in respect of underground rebuilds. Welland Hydro continues to review distribution assets on a three year basis as required by the OEB including underground systems. Outage reports and emergency repairs are continually reviewed with respect to planning future capital expenditures.

b) Please provide the annual amounts budgeted/forecast for this program for the years 2005-2007 inclusive.

Response:

	Budget	Actual
Misc.Underground Capital Rebuild 2005	\$150,000	\$ 82,092
Misc.Underground Capital Rebuild 2006	\$150,000	\$104,468
Misc.Underground Capital Rebuild 2007	\$150,000	\$122,131

Question #14

Reference: Exhibit 4/Tab 2/Schedule 3, page 5

a) For each year, 2006-2009, please provide the sub-account amounts for office supplies for accounts 5605, 5610, and 5615 that were formerly recorded as an aggregate amount in account 5620.

Response:

Prior to 2006 account 5620 sub accounts included labor, consulting, hydro, and numerous other expenses. Very little were related to office supplies. From 2006 going forward the following amounts were related to actual office supply expenses:

	2006 Actual	2007 Actual	2008 Budget	2009 Budget
5605 Executive	\$3,464	\$3,439	\$3,464	\$3,500
5610 Management	\$3,279	\$3,012	\$3,363	\$3,200
5615 IT	\$2,825	\$2,349	\$2,000	\$2,500

Question #15

Reference: Exhibit 4/Tab 2/Schedule 4, page 1

- a) Please explain how the 10% mark up for billings to the City of Welland was determined.

Response:

The mark up to third party for Welland Hydro-Electric System Corp. is 7%. The additional 3% is to cover mark up for Welland Hydro Energy Services Corp. The 10% markup is added to fully allocated actual costs for services performed.

- b) Please indicate how the split of the 10% mark up to Welland Hydro and Welland Hydro Energy Services was determined.

Response:

7% represents the same mark up Welland Hydro-Electric System Corp. charges third party customers for services performed.

- c) Please indicate whether the 10% mark up is a mark up over fully allocated cost or represents a return on assets.

Response:

10% of fully allocated actual costs for services performed.

Question #16

Reference: Exhibit 4/Tab 2/Schedule 6, Table 7, pages 6-7

- a) Please confirm that this table indicates that the average total compensation per FTE has increased at an annual average rate of 3.9% per year over the period 2006-2009.

Response:

Confirmed for FTE

Exhibit A
Welland Hydro-Electric System Corp.
Response Question #2

GS<50 Classification

	<u># of Customers</u>	<u>kwh</u>	<u>Average</u>
Not Affected by Reclassification	1,659	49,017,713	29,547
Reclassified from GS 50 to 4999 kW	<u>36</u>	<u>5,621,624</u>	<u>156,156</u>
Totals	1,695	54,639,337	32,236

GS 50 to 4999 kW

	<u># of Customers</u>	<u>kW</u>	<u>Average</u>
Not Affected by Reclassification	173	386,816	2,236
Reclassified from GS < 50	<u>6</u>	<u>6,579</u>	<u>1,097</u>
Totals	179	393,395	2,198

EXHIBIT B
WELLAND HYDRO ELECTRIC SYSTEM CORP
COST ALLOCATION ANALYSIS
ADDITIONAL PILS DISTRIBUTED ON COST BASIS

	Total	Residential	GS < 50	GS 50 - 4999	Large Use	Street Light	Sentinel Light	Unmetered
Distribution Revenue 2006 Cost Allocation Monthly	3,998,909	2,786,883	356,642	450,726	360,807	13,590	2,999	27,262
Distribution Revenue 2006 Cost Allocation Volume	2,706,053	1,884,678	289,009	321,962	191,490	9,355	1,703	7,856
2007 PILS Increase - EB-2007-0663	353,832	246,527	34,072	40,776	29,145	1,211	248	1,853
Distribution Revenue Revised Cost Allocation	7,058,794	4,918,088	679,723	813,464	581,442	24,156	4,950	36,971
Revenue Offsets	806,790	469,656	122,480	124,753	53,929	25,820	3,772	6,380
Total Revenue Cost Allocation	7,865,584	5,387,744	802,203	938,217	635,371	49,976	8,722	43,351
Total Expenses 2006 Cost Allocation	6,433,582	3,474,354	910,838	1,171,067	464,823	341,068	38,701	32,731
2007 PILS Increase - EB-2007-0663	353,832	168,530	39,967	74,386	44,969	22,430	2,517	1,033
Total Expenses Revised Cost Allocation	6,787,414	3,642,884	950,805	1,245,453	509,792	363,498	41,218	33,764
Allocated Net Income 2006 Cost Allocation	1,078,170	513,531	121,786	226,657	137,026	68,348	7,674	3,148
Total Expense and Allocated Income	7,865,584	4,156,415	1,072,591	1,472,110	646,818	431,846	48,892	36,912
Revenue to Expense %		129.62%	74.79%	63.73%	98.23%	11.57%	17.84%	117.44%
Existing Revenue Minus Allocated Costs		1,231,329	-270,388	-533,893	-11,447	-381,870	-40,170	6,439
Revenue-to-cost Ratios Ranges EB-2007-0667		85% to 115%	80% to 120%	80% to 180%	85% to 115%	70% to 120%	70% to 120%	80% to 120%

Exhibit C
Welland Hydro-Electric System Corp.
Revenue to Cost Ratio Comparison

<u>Customer Classification</u>	<u>Original Filing</u>	<u>Revised PILS Revenue Method</u>	<u>Revised PILS Cost Method</u>
Residential	128.92%	127.24%	129.62%
GS < 50 kW	74.39%	75.20%	74.79%
GS 50 to 4999 kW	64.21%	65.22%	63.73%
Large Use	100.73%	100.69%	98.23%
Street Light	11.91%	12.17%	11.57%
Sentinel Light	18.27%	18.71%	17.84%
Unmetered Scattered	115.66%	114.89%	117.44%

Cost Allocation Based Calculations

Class	Revenue Requirement - Cost Allocation	Less Transformer Allowance	Revenue Requirement - Cost Allocation Excluding Transformer Allowance	Service Revenue Requirement % - Cost Allocation	2003 Serv Rev Requirement	Miscellaneous Rev Allocation - Cost Allocation	Miscellaneous Revenue %	Current Miscellaneous Revenue	Base Rev Requirement Excluding Transformer	Base Revenue Per Class %	Audback Transformer Allowances	Gross Revenue for Rates
Residential	4,234,412	0	4,234,412	95.99%	5,239,266	469,556	58.21%	382,080	4,857,186	55.82%	-	4,857,186
GS <50 kW	1,066,696	0	1,066,696	14.10%	1,319,830	122,480	15.18%	99,641	1,220,189	14.02%	-	1,220,189
GS >50 kW	1,438,500	130,446	1,308,054	17.30%	1,618,464	124,753	15.46%	101,491	1,516,973	17.43%	104,868	1,621,841
Large Use >5MW	630,994	172,141	458,853	6.07%	567,742	53,929	6.69%	43,873	523,869	6.02%	180,333	704,202
Street Light	410,627	0	410,627	5.43%	508,072	25,820	3.20%	21,005	487,065	5.60%	-	487,065
Sentinel	46,623	0	46,623	0.62%	57,687	3,772	0.47%	3,069	54,618	0.63%	-	54,618
Unmetered Scattered Load	37,732	0	37,732	0.50%	46,686	6,380	0.79%	5,190	41,496	0.49%	-	41,496
TOTAL	7,865,584	302,587	7,562,997	100.00%	9,357,747	808,790	100.00%	666,350	8,701,397	100.00%	285,201	8,986,598

Forecast Class Billing Determinants for 2009 Test Year Based on Existing Class Revenue Proportions
Revenue At Existing Rates

Class	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Including Transformer	Transformer Allowance	Dist. Rev. Excluding Transformer	Dist. Rev. At Existing Rates %
Residential	168,899,701		237,816		3,063,070	2,170,996	5,234,066		5,234,066	73.79%
GS <50 kW	54,639,337		20,340		389,104	366,084	755,188		755,188	10.65%
GS >50 kW	135,398,886	393,395	2,148		412,029	316,565	728,594	104,888	823,726	8.79%
Large Use >5MW	111,296,111	300,555	36		383,265	215,889	599,154	180,333	418,821	5.90%
Street Light	4,722,781	13,262		80,124	14,422	10,196	24,618		24,618	0.35%
Sentinel	1,098,311	2,592		8,652	3,115	2,133	5,248		5,248	0.07%
Unmetered Scattered Load	1,072,774			2,486	24,236	7,188	31,424		31,424	0.44%
	475,227,901	709,804	260,340	91,272	4,289,242	3,089,060	7,378,292	285,201	7,093,091	100%

Exhibit F
Welland Hydro-Electric System Corp.
Response to Question 5C

Customer/Connection Count

Classification	Cost Allocation Filing		2009 Application	
	#	% of Total	#	% of Total
Residential	19,142	67.24	19,818	67.64
GS < 50 kW	1,650	5.80	1,695	5.78
GS 50 to 4999 kW	208	0.73	179	0.61
Large Use	3	0.01	3	0.01
Unmetered Scattered Load	243	0.85	208	0.71
Sentinel Light	728	2.56	721	2.46
Street Light	6,495	22.81	6,677	22.79
Total	28,469	100.00	29,301	100.00

kWh by Customer Class (Delivered)

Classification	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total
Residential	154,022,449	32.37	166,999,701	35.14
GS < 50 kW	46,382,366	9.75	54,639,337	11.50
GS 50 to 4999 kW	156,380,365	32.86	135,398,886	28.49
Large Use	112,081,142	23.55	111,296,111	23.42
Unmetered Scattered Load	1,214,561	0.26	1,072,774	0.23
Sentinel Light	1,192,479	0.25	1,098,311	0.23
Street Light	4,575,082	0.96	4,722,781	0.99
Total	475,848,444	100.00	475,227,901	100.00

Revenue to Cost Analysis Per Cost Allocation Study

Customer Class	Revenue to Cost Ratio Per C.A. Study	Net Revenue Per 2009 Test Year	Addback Transformer Allowances	Gross Distribution Revenue	Miscellaneous Revenue Allocation 2009	Total Revenue Cost Allocation 2009	Updated C.A. Study Cost Proportions For 2009 Excluding Transformer	Addback Transformer Allowances	Updated C.A. Study Cost Proportions For 2009 Excluding Transformer	Revenue to Cost Ratio Per 2009 Test Year Filing	Target Ranges Low High
Residential	127.24%	5,615,011.48		5,615,011.48	382,080.49	5,997,091.97	5,239,266.42		5,239,266.42	114.46%	85.00% 115.00%
GS <50 kW	75.20%	1,035,466.24		1,035,466.24	99,641.48	1,135,107.72	1,319,830.13		1,319,830.13	86.00%	80.00% 120.00%
GS >50 kW	65.22%	1,269,533.82		1,374,401.82	101,490.64	1,475,892.46	1,618,464.00	104,868.00	1,723,332.00	85.64%	80.00% 180.00%
Large Use >5MW	100.69%	523,824.10	180,333.00	704,157.10	43,873.00	748,030.10	567,741.90	180,333.00	748,074.90	99.99%	85.00% 115.00%
Street Light	12.17%	187,080.04		187,080.04	21,005.41	208,085.45	508,071.55		508,071.55	40.98%	70.00% 120.00%
Sentinel	18.71%	28,714.61		28,714.61	3,068.65	31,783.26	57,686.95		57,686.95	55.10%	70.00% 120.00%
Unmetered Scattered Load	114.89%	41,766.71		41,766.71	5,190.34	46,957.04	46,686.06		46,686.06	100.59%	80.00% 120.00%
#REF!											
		8,701,397.00	285,201.00	8,986,598.00	666,350.00	9,642,948.00	9,357,747.00	285,201.00	9,642,948.00		

Exhibit H
Welland Hydro-Electric System Corp.
Response to Question 8
Fixed Charge Analysis

Customer Class	Current Volumetric Split	Current Fixed Charge Split	Total	Fixed Rate Based on Current Fixed/Variable Revenue Proportions	2008 Rates From OEB Approved Tariff	Minimum System with PLCC Adjustment (Ceiling Fixed Charge From Cost Allocation Model)	Fixed Rate Threshold @ 120% of Ceiling Charge
Residential	41.48%	58.52%	100.00%	13.82	12.88	7.98	9.58
GS <50 kW	48.48%	51.52%	100.00%	26.23	19.13	22.06	26.47
GS >50 kW	43.45%	56.55%	100.00%	361.84	191.82	97.77	117.32
Large Use >5MW	36.03%	63.97%	100.00%	12,512.04	10,646.26	258.15	309.78
Street Light	41.42%	58.58%	100.00%	1.37	0.18	5.24	6.29
Sentinel	40.65%	59.35%	100.00%	1.97	0.36	5.19	6.23
Unmetered Scattered Load	22.87%	77.13%	100.00%	12.91	9.71	6.98	8.38



EXHIBIT I-2006 COST ALLOCATION INFORMATION FILING
WELLAND HYDRO-ELECTRIC SYSTEMS CORP.
Response to VECC Question 3C

Sheet 01 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets	Total	1		2		3		6		7		8		9	
		Residential		GS <60		GS-60-Regular		Large Use >60kW		Street Light		Sentinel		Unmetered Scattered Load	
Assets															
errv															
mi															
Distribution Revenue (Sale)															
mi	\$6,402,375	\$4,671,561	\$845,651	\$122,480	\$122,480	\$122,480	\$122,480	\$122,480	\$122,480	\$122,480	\$122,480	\$122,480	\$122,480	\$122,480	\$122,480
Miscellaneous Revenue (mi)															
mi	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700	\$308,700
Total Revenue															
	\$6,711,075	\$4,980,261	\$1,154,351	\$153,180	\$153,180	\$153,180	\$153,180	\$153,180	\$153,180	\$153,180	\$153,180	\$153,180	\$153,180	\$153,180	\$153,180
Expenses															
dl	\$1,601,982	\$716,267	\$151,731	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842
cu	\$1,404,688	\$716,267	\$151,731	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842
ad	\$1,404,688	\$716,267	\$151,731	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842	\$207,842
accu	\$1,250,918	\$671,485	\$116,068	\$166,068	\$166,068	\$166,068	\$166,068	\$166,068	\$166,068	\$166,068	\$166,068	\$166,068	\$166,068	\$166,068	\$166,068
dep	\$97,288	\$46,337	\$10,889	\$20,452	\$20,452	\$20,452	\$20,452	\$20,452	\$20,452	\$20,452	\$20,452	\$20,452	\$20,452	\$20,452	\$20,452
INT	\$748,750	\$356,618	\$84,574	\$115,740	\$115,740	\$115,740	\$115,740	\$115,740	\$115,740	\$115,740	\$115,740	\$115,740	\$115,740	\$115,740	\$115,740
Total Expenses															
	\$6,150,884	\$3,267,827	\$714,144	\$520,934	\$520,934	\$520,934	\$520,934	\$520,934	\$520,934	\$520,934	\$520,934	\$520,934	\$520,934	\$520,934	\$520,934
Direct Allocation															
NI	\$1,078,171	\$513,530	\$121,767	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656
Allocated Net Income (NI)															
	\$1,078,171	\$513,530	\$121,767	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656	\$226,656
Revenue Requirement (includes NI)															
	\$7,209,485	\$3,804,157	\$992,931	\$1,334,851	\$1,334,851	\$1,334,851	\$1,334,851	\$1,334,851	\$1,334,851	\$1,334,851	\$1,334,851	\$1,334,851	\$1,334,851	\$1,334,851	\$1,334,851
Rate Base Calculation															
Net Assets															
dp	\$31,901,731	\$15,224,796	\$3,616,332	\$6,691,284	\$6,691,284	\$6,691,284	\$6,691,284	\$6,691,284	\$6,691,284	\$6,691,284	\$6,691,284	\$6,691,284	\$6,691,284	\$6,691,284	\$6,691,284
dp	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346	\$2,278,346
accum	\$18,010,361	\$8,595,857	\$2,075,047	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728
dep	\$17,010,361	\$8,595,857	\$2,075,047	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728
co	\$17,010,361	\$8,595,857	\$2,075,047	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728
Capital Contribution															
	\$17,010,361	\$8,595,857	\$2,075,047	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728	\$3,773,728
Total Net Plant															
	\$18,332,299	\$9,825,188	\$2,095,676	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630
Directly Allocated Net Fixed Assets															
	\$18,332,299	\$9,825,188	\$2,095,676	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630	\$3,895,630
Cost of Power (COP)															
	\$22,128,282	\$10,398,623	\$5,131,444	\$10,557,815	\$10,557,815	\$10,557,815	\$10,557,815	\$10,557,815	\$10,557,815	\$10,557,815	\$10,557,815	\$10,557,815	\$10,557,815	\$10,557,815	\$10,557,815
CMA Expenses															
	\$4,054,080	\$2,210,160	\$608,525	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754
Directly Allocated Expenses															
	\$4,054,080	\$2,210,160	\$608,525	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754	\$884,754
Subtotal															
	\$26,182,362	\$12,538,843	\$5,744,969	\$11,442,569	\$11,442,569	\$11,442,569	\$11,442,569	\$11,442,569	\$11,442,569	\$11,442,569	\$11,442,569	\$11,442,569	\$11,442,569	\$11,442,569	\$11,442,569
Working Capital															
	\$5,427,051	\$1,892,222	\$561,145	\$1,686,385	\$1,686,385	\$1,686,385	\$1,686,385	\$1,686,385	\$1,686,385	\$1,686,385	\$1,686,385	\$1,686,385	\$1,686,385	\$1,686,385	\$1,686,385
Total Rate Base															
	\$23,609,353	\$10,730,411	\$3,650,721	\$5,829,015	\$5,829,015	\$5,829,015	\$5,829,015	\$5,829,015	\$5,829,015	\$5,829,015	\$5,829,015	\$5,829,015	\$5,829,015	\$5,829,015	\$5,829,015
Equity Component of Rate Base															
	\$11,578,875	\$5,350,205	\$1,327,360	\$2,791,008	\$2,791,008	\$2,791,008	\$2,791,008	\$2,791,008	\$2,791,008	\$2,791,008	\$2,791,008	\$2,791,008	\$2,791,008	\$2,791,008	\$2,791,008
Net Income on Allocated Assets															
	\$1,078,171	\$1,850,688	\$103,013	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199
Net Income on Direct Allocation Assets															
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income															
	\$1,078,171	\$1,850,688	\$103,013	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199	\$341,199
RATIOS ANALYSIS															
REVENUE TO EXPENSES %															
	100.00%	135.15%	77.36%	57.48%	70.83%	12.65%	15.33%	117.55%							
EXISTING REVENUE MINUS ALLOCATED COSTS															
	\$0	\$1,337,059	(\$224,760)	(\$567,856)	(\$178,800)	(\$338,591)	(\$35,221)	\$8,207							
RETURN ON EQUITY COMPONENT OF RATE BASE															
	0.00%	34.52%	-7.76%	-12.22%	-2.36%	-42.85%	-37.43%	28.61%							



EXHIBIT J - 2006 COST ALLOCATION INFORMATION FILING
WELLAND HYDRO-ELECTRIC SYSTEMS CORP.

Response to VECC Question 4B

Sheet 01 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets		1	2	3	6	7	8	9
Total		Residential	GS -60	GS-60-Regular	Large Use -S&MW	Street Light	Sentinel	Unmetered Scattered Load
Assets								
crev	Distribution Revenue (sale)	\$4,918,088	\$570,723	\$813,464	\$581,442	\$24,156	\$4,950	\$36,971
mi	Miscellaneous Revenue (mi)	\$1,419,555	\$124,463	\$124,253	\$59,928	\$28,820	\$3,772	\$6,380
	Total Revenue	\$6,337,643	\$695,186	\$937,717	\$641,370	\$53,976	\$8,722	\$43,351
dl	Expenses							
cu	Distribution Costs (dl)	\$894,097	\$193,258	\$356,724	\$187,428	\$140,894	\$16,814	\$6,295
cu	Customer Related Costs (cu)	\$739,273	\$246,717	\$149,732	\$6,180	\$522	\$345	\$11,665
ad	General and Administration (ad)	\$209,207	\$241,168	\$241,168	\$97,151	\$67,363	\$7,697	\$6,531
de	Depreciation and Amortization (de)	\$771,487	\$166,055	\$245,690	\$56,537	\$78,658	\$6,823	\$3,709
de	P&Ls (Inp UT)	\$214,867	\$50,957	\$94,636	\$57,333	\$28,598	\$3,211	\$1,317
INPUT	Interest	\$356,619	\$84,574	\$157,401	\$85,157	\$47,484	\$5,329	\$2,186
INT	Total Expenses	\$3,767,413	\$642,263	\$940,345	\$569,792	\$383,489	\$47,218	\$37,784
	Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NI	Allocated Net Income (NI)	\$1,078,171	\$121,786	\$226,657	\$137,026	\$68,348	\$7,674	\$3,146
	Revenue Requirement (Includes NI)	\$4,845,614	\$1,072,592	\$1,172,106	\$646,819	\$431,847	\$48,893	\$36,912
	Revenue Requirement Input Spread Output							
	Rate Base Calculation							
dp	Net Assets							
gp	Distribution Plant - Gross	\$16,224,815	\$3,646,326	\$6,691,297	\$4,010,592	\$2,010,607	\$225,680	\$82,435
accum	General Plant - Gross	\$2,279,351	\$540,044	\$1,002,768	\$602,091	\$303,182	\$34,040	\$15,568
depr	Accumulated Depreciation	(\$18,010,381)	(\$2,075,046)	(\$3,773,731)	(\$2,286,912)	(\$1,128,458)	(\$163,798)	(\$6,798)
co	Capital Contribution	(\$79,086)	(\$17,755)	(\$24,651)	(\$13,827)	\$0	(\$1,153)	(\$480)
	Total Net Plant	\$0,404,726	\$2,088,269	\$3,893,683	\$2,365,951	\$1,157,329	\$33,822	\$34,720
	Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COP	Cost of Power (COP)	\$22,126,282	\$3,131,444	\$10,657,815	\$7,567,011	\$308,881	\$80,509	\$81,989
	OM&A Expenses	\$4,364,648	\$649,219	\$747,624	\$300,765	\$208,778	\$23,856	\$26,491
	Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subtotal	\$26,490,930	\$3,780,663	\$11,405,629	\$7,867,776	\$517,659	\$104,365	\$108,480
	Working Capital	\$5,472,439	\$1,919,780	\$667,100	\$1,180,188	\$77,849	\$16,655	\$16,274
	Total Rate Base	\$31,963,369	\$5,699,443	\$12,072,729	\$9,047,964	\$595,508	\$121,020	\$124,754
	Rate Base Input Dishes Not Equal Output	\$12,002,389	\$6,373,985	\$1,330,324	\$1,767,014	\$626,311	\$73,788	\$36,197
	Equity Component of Rate Base	\$1,078,171	\$121,786	\$226,657	\$137,026	\$68,348	\$7,674	\$3,146
	Net Income on Allocated Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Net Income	\$1,078,171	\$121,786	\$226,657	\$137,026	\$68,348	\$7,674	\$3,146
	RATIOS ANALYSIS							
	REVENUE TO EXPENSES %	100.00%	128.62%	74.79%	63.73%	11.57%	17.84%	117.44%
	EXISTING REVENUE MINUS ALLOCATED COSTS	\$0	\$1,231,329	(\$270,383)	(\$533,850)	(\$381,871)	(\$40,171)	\$5,439
	RETURN ON EQUITY COMPONENT OF RATE BASE	8.98%	32.47%	-11.17%	-10.99%	7.11%	-44.04%	27.24%

EXHIBIT K
WELLAND HYDRO-ELECTRIC SYSTEM CORP.
5 YEAR CAPITAL FORECAST

ITEM DESCRIPTION	2008 Forecast	2009 Plan	2010 Forecast	2011 Forecast	2012 Forecast
Customer Service					
Office Furniture	4,800	5,000	2,000	2,000	2,000
Computer Equipment	8,000	5,000	5,000	5,000	5,000
APPEX Programming-External	0	5,000	0	0	0
Operation Equipment	0	5,000	5,000	5,000	5,000
Telephone Hardware-Head/Hand Sets	4,000	0	1,500	1,500	1,500
Telephone Consulting-Greet Tree	4,000	0	0	0	0
	<u>20,800</u>	<u>20,000</u>	<u>13,500</u>	<u>13,500</u>	<u>13,500</u>
Executive Department					
Computer peripheral & Furniture	3,314	5,000	3,000	3,000	3,000
	<u>3,314</u>	<u>5,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Finance Department					
Office Equipment-Chair	1,000	1,000	0	1,000	0
Personal Computer	1,548	3,000	3,000	3,000	3,000
Windows Finance Offices	9,383	0	0	0	0
	<u>11,931</u>	<u>4,000</u>	<u>3,000</u>	<u>4,000</u>	<u>3,000</u>
IT Department					
APPEX Programming-External	20,000	15,000	25,000	25,000	25,000
Computer Equipment	6,500	10,000	10,000	10,000	10,000
Furniture & Equip	0	0	2,000	0	0
	<u>26,500</u>	<u>25,000</u>	<u>37,000</u>	<u>35,000</u>	<u>35,000</u>
Line Department					
Miscellaneous Pole Replacement	150,000	200,000	200,000	200,000	200,000
Miscellaneous Transformer Replacement	175,000	200,000	200,000	200,000	200,000
Miscellaneous Underground Rebuild	75,000	100,000	100,000	100,000	100,000
Miscellaneous Overhead Primary	100,000	100,000	100,000	100,000	100,000
Services Overhead & Underground	60,000	55,000	60,000	60,000	60,000
Clare Avenue Rebuild	0	20,000	0	0	0
Major Street Rebuild Completion	(53,333)	0	0	0	0
Rebuild MS#11 Substation	160,000	0	0	0	0
Operations Tools	10,000	10,000	10,000	15,000	15,000
Office Furniture	399	1,000	1,000	1,000	1,000
Townline Tunnel	1,499	0	0	0	0
Load Transfer Rebuild Fairgrounds	84,039	0	0	0	0
Colbeck Drive 27.6 line	217,031	0	0	0	0
Myrtle Ave & Empire 27.6 kw line	0	250,000	0	0	0
Ontario Road Rebuild 27.6 Line	0	150,000	0	0	0
Ridge, Rusholme, & Silverthorn Rebuild	0	0	200,000	0	0
Aqueduct Area (Birch, Cedar, Beechwood)	0	100,000	0	0	0
Niagara Street & Lancaster 27.6	0	200,000	0	0	0
Towline Road/Dain City-Rebuild 27.6	0	200,000	0	0	0
Churchill Ave 27.6 Rebuild	76,872	0	0	0	0
Lincoln St to Cartier Court 4.16 KV Rebuild	51,147	0	0	0	0
Cartier Court Underground Rebuild	50,029	0	0	0	0
Harold to Major 4.16 Rebuild	78,463	0	0	0	0
Barrington, Endicott, Fairlawn Underground Rebuild	151,484	0	0	0	0
Margaret, Nye, Thorold Rebuild 4.0	0	250,000	0	0	0
Rebuild MS#2 Substation	0	0	300,000	0	0
Mill Street Rebuild	185,171	0	0	0	0
M17 Line	0	0	100,000	0	0
U/G Rebuild Rolling Acres	0	0	250,000	0	0
Drew, Wilton, Wade Ave 4.16 kv	0	0	150,000	100,000	0
Crowland TS to Dain Ave	0	0	150,000	100,000	0
Schofield Ave 27.6 kv	0	0	0	100,000	100,000
MS #2 Underground & Line Work	0	0	0	200,000	0

EXHIBIT K
WELLAND HYDRO-ELECTRIC SYSTEM CORP.
5 YEAR CAPITAL FORECAST

	2008 Forecast	2009 Plan	2010 Forecast	2011 Forecast	2012 Forecast
Rebuild Area Surrounding MS #2	0	0	0	200,000	0
Lincoln ST 27.6 kV	0	0	0	200,000	0
U/G Rebuild Treelawn	0	0	0	250,000	0
3rd Street to Canal Bank on 4th Street	0	0	0	0	140,000
Denistown 27.6kV	0	0	0	0	150,000
Fitch Street 27.6 kV & 4.16kV	0	0	0	0	200,000
Rebuild 4.16kV White,Wallace, McAlpine	0	0	0	0	100,000
Rebuild 4.16kV Dufferin & Raymond	0	0	0	0	100,000
U/G Rebuild Silvan, Leaside, McCrae	0	0	0	0	200,000
	<u>1,572,801</u>	<u>1,836,000</u>	<u>1,821,000</u>	<u>1,826,000</u>	<u>1,666,000</u>
Engineering					
Computer Software	35,000	15,000	15,000	15,000	15,000
Operation Equipment	0	5,000	0	0	5,000
Furniture	4,032	0	1,000	1,000	1,000
	<u>39,032</u>	<u>20,000</u>	<u>16,000</u>	<u>16,000</u>	<u>21,000</u>
Garage & Vehicle					
Operations equipment	5,000	5,000	5,000	5,000	5,000
New Single Bucket Truck	210,000	0	0	0	210,000
New Pick Up Truck	0	0	25,000	25,000	0
	<u>215,000</u>	<u>5,000</u>	<u>30,000</u>	<u>5,000</u>	<u>215,000</u>
Meter Department/Service Center					
Meter & Meter Devices	20,301	0	0	0	0
Crowland TS Wholesale Meter Point	0	560,000	0	0	0
Tools	5,000	5,000	5,000	5,000	5,000
Service Centre Asphalt	0	0	25,000	25,000	25,000
Two Way Radio System	0	0	0	0	10,000
Radio Tower Replacement	0	0	50,000	0	0
Computer Equipment	4,000	8,000	2,500	2,500	2,500
Back Up Generator Upgrade	231,570	0	0	0	0
New Developments & Upgrades	5,000	20,000	20,000	20,000	20,000
Safety Equipment - Defibulator	6,903	0	2,500	2,500	2,500
Replace Roof-CEO Office/Boadroom	0	0	0	25,000	0
SCADA Wireless Radio System	0	0	10,000	10,000	10,000
SCADA RTU Replacements	0	0	10,000	0	10,000
SCADA Switch Installations	0	0	0	30,000	30,000
UPS System Upgrade	0	0	0	10,000	0
Fire Alarm System Upgrade	0	0	0	10,000	0
Basement Lighting Upgrade	0	0	0	32,000	0
Garage Floor Grates	5,861	0	0	0	0
Stores Lighting	13,729	0	0	0	0
Scada Swithes	17,228	0	0	0	0
	<u>309,592</u>	<u>593,000</u>	<u>125,000</u>	<u>172,000</u>	<u>115,000</u>
SUBTOTAL	2,198,970	2,508,000	2,048,500	2,074,500	2,071,500
Capitalized Subdivision Assets Transferred	25,000	50,000	50,000	50,000	50,000
TOTAL CAPITAL SPENDING	<u>2,223,970</u>	<u>2,558,000</u>	<u>2,098,500</u>	<u>2,124,500</u>	<u>2,121,500</u>