

Ontario Energy Board

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 approving just and
reasonable rates and other charges for electricity distribution
to be effective May 1, 2009.

**WELLAND HYDRO-ELECTRIC SYSTEM CORP.
RESPONSE TO:
INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

December 11, 2008

**WELLAND HYDRO-ELECTRIC SYSTEM CORP.
2009 RATES APPLICATION
EB-2008-0247
RESPONSE TO:
ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit 1, Tab 1, Schedule 15

Has Welland Hydro completed its review related to recent changes in the Affiliate Relationships code? If yes, are any changes to the corporate and/or operational structures required? If no, when does Welland Hydro expect to complete its review and determine if any changes are required?

Response:

Welland Hydro has not completed its review of the Affiliate Relationship Code. Even so, no changes are anticipated to the current Corporate and/or operational structures. Completion of the review is anticipated by year end 2008.

Interrogatory # 2

Ref: Exhibit 1, Tab 2, Schedule 2

- a) How many months of actual revenue have been included in the 2008 bridge year forecast? Have these actual figures been weather normalized?**

Response:

No months of actual revenue were included in the 2008 Bridge Year forecast. Actual revenue from January to April would have been at 2007 rates. The 2008 bridge year forecast is based on 2008 approved rates for estimated number of customers and volumes. The only class to be weather normalized is the Residential class.

- b) How many months of actual OM&A costs have been included in the 2008 bridge year forecast?

Response:

No months of actual OM&A costs have been included in the 2008 Bridge Year forecast. The application process began in early 2008 when year to date actual costs would not have been significant enough to impact the forecast. The forecast is based on 2008 budgeted spending levels.

- c) How many months of actual capital expenditures have been included in the 2008 bridge year forecast?

Response:

No months of actual capital expenditures have been included in the 2008 Bridge Year forecast. Capital spending during the first quarter of the year is limited due to weather conditions.

Interrogatory # 3

Ref: Exhibit 2, Tab 1, Schedule 1, page 6

- a) Please explain how a minimum capital expenditure target of 10% above depreciation ensures future reliability.

Response:

The minimum capital expenditure target of 10% above depreciation does not ensure future reliability of the distributions system. It was put in place until a proper asset management/condition study has taken place which is scheduled in 2009. The 10% above depreciation is an estimate regarding the difference between depreciation and replacement costs.

- b) How was the figure of 10% arrived at?

Response:

It was set by senior management and members of the Operations Committee and approved by Welland Hydro-Electric System Corp.'s board of directors.

- c) Please confirm that the timing of capital expenditures related to capital asset replacements is driven in large part by the age of the asset to be replaced.

Response:

Yes

Interrogatory # 4

Ref: Exhibit 2, Tab 1, Schedule 1, page 6

Please provide a copy of the most recent year-to-date review and tracking of the 2008 bridge year actual-to-budget presentation materials.

Response:

Year to date September 2008 capital expenditures are presented in Exhibit A attached.

Interrogatory # 5

Ref: Exhibit 2, Tab 2, Schedule 1

- a) Welland Hydro has recorded a number of asset disposals in 2005, 2006 and 2007. Please explain the difference in the figures shown for disposals in the cost category from the figures shown in the disposals column in the accumulated depreciation category.**

Response:

Any difference between asset costs and accumulated depreciation for disposals represents costs which have not been charged to expense. In other words the asset was not fully depreciated at the time it was taken out of service.

- b) Please explain why no disposals have been forecast for either 2008 or 2009.**

Response:

For the most part asset disposals are made up of transformers which have failed in the field. In most cases they are fully depreciated and would have no impact on net fixed asset values and are therefore not included in the budget. There are no planned dispositions of other assets in 2008 or 2009.

- c) Has Welland Hydro recorded any disposals for 2008 to date? If yes, please provide the disposal amount for both the costs and for accumulated depreciation by account. Please also explain any difference between the cost and the accumulated depreciation disposal amounts.**

Response:

Year to date September 2008 asset disposals are as follows:

Asset Value - (\$17,507.59)
Accumulated Depreciation - \$16,530.79

The difference represents asset value that has not been depreciated.

- d) Which account or accounts is the contribution & grants received primarily associated with in 2008 (Table 8) and in 2009 (Table 9)?**

Response:

Please see Exhibit 2 Tab 3 Schedule 2 - Page 1 Table 14 (2009) & Page 2 Table 15 (2008).

- e) Please explain the significantly higher level of contribution & grants recorded in 2007 compared to the other years shown.**

Response:

New subdivision developers are required to enter an agreement prior to starting construction. The agreement calls for the developer to provide Welland Hydro-Electric System Corp. with cost information for the assets being transferred and a certificate of substantial completion. After a two year warranty period has expired Welland Hydro-Electric System Corp. will determine the amount of the contribution required and issue payment. The Regulatory Analyst hired in 2007 was able to work with developers to clear up a back log of files where insufficient information had not been supplied by the developer.

Interrogatory # 6

Ref: Exhibit 2, Tab 3, Schedule 2, Table 15

For each of the 2008 bridge year projects shown in Table 15, please provide the following:

- a) Whether or not the project is completed and in service based on the most recent information available.**

Response:

See Exhibit A

- b) If the project is completed, the actual cost of the project.

Response:

See Exhibit A

- c) If the project is not completed, the expected in service date of the project.

Response:

See Exhibit A

- d) Any projects that have been deferred to 2009 or later based on Welland Hydro's latest analysis.

Response:

See Exhibit A

Interrogatory # 7

Ref: Exhibit 2, Tab 3, Schedule 2, Table 14 & 15

- a) Please confirm that all the projects listed in Table 14 will be in service before the end of 2009.

Response:

Exhibit A provides an up to date forecast for 2008/2009 capital spending. The total amount of capital spending in each year has not changed. Some projects have been added and others deferred. All individual projects are expected to be completed by the end of each year.

- b) Has Welland Hydro updated its capital expenditure forecast for 2009 since preparing the capital budget used in this filing? If yes, please provide the updated forecast for both 2008 and 2009.

See Exhibit A

Interrogatory # 8

Ref: Exhibit 2, Tab 3, Schedule 3, page 8

- a) **Please confirm that the single bucket truck has been delivered to Welland Hydro. If this cannot be confirmed, please confirm that the truck is still expected to be received by Welland Hydro before the end of 2008.**

Response:

Expected Delivery Date - December 2008

- b) **Please provide a break down of the \$210,000 forecast cost or the actual cost if available associated with the purchase of the vehicle.**

Response:

See Exhibit B

- c) **The evidence states that this new vehicle will be used to replace an aging vehicle. Please provide the original cost of the vehicle being replaced and the accumulated depreciation associated with this vehicle.**

Response:

Capital Cost - \$134,877

Accumulated Depreciation – (\$134,877)

- d) **Why has the vehicle that is to be replaced not been shown as a disposal for both costs and accumulated depreciation in 2008?**

Response:

It is fully depreciated which would have no effect on Net Fixed Asset Value.

- e) **What is the resale or scrap value of the vehicle that is being replaced?**

Response:

The resale value of this vehicle is not known but would probably involve a long lead in order to find a buyer. There are some major repairs required to keep the vehicle operational.

- f) Please indicate how the retirement of this vehicle will be handled for accounting purposes by Welland Hydro.

Response:

Credit Capital Cost Vehicles – (\$134,877)

Debit Accumulated Depreciation Vehicles - \$134,877)

Any resale value would be recognized as a Gain on Sale of Asset when the sale actually takes place.

Interrogatory # 9

Ref: Exhibit 2, Tab 3, Schedule 3, page 8

- a) Please confirm that the replacement generator is in service, or is still expected to be in service before the end of 2008.

Response:

Expected to be fully operational by December 2008.

- b) Please provide a break down of the \$231,570 forecast cost or the actual cost if available associated with the purchase of this generator.

Response:

See Exhibit C

- c) Please provide the original cost of the generator being replaced and the accumulated depreciation associated with this generator.

Response:

Original cost is not known. The generator was installed in 1968 when the current service center was constructed. This unit is a 25 kW generator which is only capable of providing very limited back up power. The new generator has a capacity of 300 kW.

- d) Why has the generator that is to be replaced not been shown as a disposal for both costs and accumulated depreciation in 2008?

Response:

It is fully depreciated which would have no effect on Net Fixed Asset Value.

- e) What is the resale or scrap value of the generator that is being replaced?

Response:

Given the unit is 40 years old the resale value is minimal.

- f) Please indicate how the retirement of this generator will be handled for accounting purposes by Welland Hydro.

Response:

The original cost are included with capitalized building. Any entry made would be to reduce both capital costs and accumulated depreciation by the same amount. It would be based on an estimate of original cost.

Interrogatory # 10

Ref: Exhibit 2, Tab 4, Schedule 1, Table 19

Please provide the cost assumptions used related to the cost of power components of the working capital calculations.

Response:

See Exhibit D

Interrogatory # 11

Ref: Exhibit 3, Tab 1, Schedule 3, page 4

- a) Please provide the interest income for 2006 and 2007, along with the average cash balances for both of these years and the average interest rate earned on these balances in those years.

Response:

See Exhibit E

- b) Please provide the average forecasted cash balances and interest rates used to forecast the lower interest income in both 2008 and 2009.

Response:

See Exhibit E

- c) What is the average cash balance held year-to-date in 2008 and the amount of interest earned in the most recent year-to-date period available? Please also provide the interest earned in the same year-to-date period in 2007.

Response:

See Exhibit E

- d) Part of the reason given for a decrease in interest income in 2009 is the forecasted operating loss in 2009. If the Board approves the recovery of the projected revenue deficiency, what is the impact on the cash balances and the amount of interest earned in 2009?

Response:

The impact on forecasted interest income for the test year would be minimal. The forecasted interest rate of 3.5% has reduced to 2.0% since the rate application was filed. In addition, forecasted dividends to the shareholder of \$400,000 for both the 2008 Bridge Year and 2009 Test Year are far below allowed return levels and would be expected to increase significantly in 2009.

Interrogatory # 12

Ref: Exhibit 3, Tab 1, Schedule 3, page 3

For each of the two large volume customers which border the 5000 kW demand line between Large User and General Service please:

- a) Confirm that each of these customers has been forecast as Large Users in the 2009 test year.

Response:

These two customers were referenced as "large volume" in terms of kilowatt hours consumed. One is over the 5000 kW demand and is considered a Large User for rate purposes effective May 1, 2008. The other customer is under the 5000 kW and is considered GS 50 to 4999 kW for rate purposes. However, there have been two significant events which have occurred since the rate application was filed in August 2008. The first is that the customer that was moved to Large User effective May 1, 2008 has announced they have permanently shifted some work to Mexico. As a result, they have fallen below the 5000 kW demand level of a Large User. The second is a current Large User customer has announced that they will be closing their Welland facility by the end of 2009. The 2008 Bridge Year forecast and 2009 Test Year Forecast include three Large User customers and one large volume customer in the GS 50 to 4999 kW class. By the end of 2009 there will only

be one Large Use customer and two large volume customers in the GS 50 to 4999 kW class. Both customers in the GS 50 to 4999 kW class are automotive parts suppliers and subject to a dramatically depressed market place. As a result, there will be a forecasted reduction to Welland Hydro-Electric System Corp.'s distribution revenues in 2010 of \$258,189 (Exhibit F).

- b) Please provide the distribution revenue generated by these customers (in aggregate) under the Large User rates and under the General Service rate.

Response:

See Exhibit F

Interrogatory # 13

Ref: Exhibit 3, Tab 2, Schedule 2, Table 2

Please provide the actual number of customers/connections for each class shown in Table 2 for the most recent month available for 2008. Please provide the corresponding number of customers/connections for each class for the same month in 2007. Please also show the increase in 2008 over 2007 based on the most recent actual month of data.

Response:

See Exhibit G

Interrogatory # 14

Ref: Exhibit 3, Tab 2, Schedule 2, page 3

- a) Please explain how the "result is a 1.4% increase in the annual usage per Residential customer" if the residential volumes are calculated by multiplying the forecast number of customers by the retail NAC, which is a constant number based on 2004 data?

Response:

The actual average kWh usage per residential customer in 2007 was 8383. Using the 2004 weather normalized kWh of 8427 increases usage per residential customer by 1.4%.

- b) Please confirm that the 1.4% figure is actually the difference between the actual and normalized actual usage per residential customer.

Response:

Yes

- c) Please confirm that the residential revenue forecast is based on forecast of 0% increase in normalized average annual residential usage.

Response:

The forecast is based on growth in number of residential customers only with no growth in normalized average annual residential usage. Only once in the last six years has actual residential usage exceeded the normalized average annual residential usage of 8427 kWh.

Interrogatory # 15

Ref: Exhibit 3, Tab 2, Schedule 2, page 2 & 3

Please provide the 2004 weather actual kWh and loss factors or weather sensitive load and the 2004 weather normal wholesale kWh, number of customers and retail NAC for the GS<50 kW, GS 50 to 4,999 kW and Large Use classifications in the same format as is provided for the residential class.

Response:

The GS<50 and GS 50 kW to 4,999 kW have been added in the following tables. There are no weather normalized figures for the large use category.

**2004 WEATHER ACTUAL KWH AND LOSS FACTORS FOR
WEATHER SENSITIVE LOAD**

Class	Weather Actual Wholesale kWh	Weather Actual Retail kWh	Loss Factor
Residential	164,356,707	158,515,644	1.037
GS<50 kW	51,860,865	49,218,700	1.054
GS 50 to 4999 kW	152,723,523	146,428,658	1.043

**2004 WEATHER NORMAL WHOLESALE KWH, NUMBER OF
CUSTOMERS AND RETAIL NAC**

Class	Weather Normal Wholesale kWh (2004) (A)	Customer Connections (2004) (B)	Retail NAC (C)=(A)/(Loss Factor)/(B)
Residential	167,248,797	19,142	8,427 kWh
GS<50 kW	52,453,242	1,650	30,170 kWh
GS 50 to 4999 kW	153,816,809	208	739,504 kWh
			2,068 kW

Interrogatory # 16

Ref: Exhibit 3, Tab 3, Schedule 1

- a) Please provide the most recent year-to-date revenue from late payment charges for 2008 that is available and provide the corresponding figure for the same year-to-date period in 2007.

Response:

Late Payment Charges YTD Sep/08 - \$ 47,386

Late Payment Charges YTD Sep/07 - \$ 52,220

- b) Please explain the rationale for the \$11,198 aggregate decline in revenues forecast for 2008 in misc. service categories of occupancy related, disconnect/reconnect and mark up on work orders following an increase of nearly \$23,000 in 2007.

Response:

The increase in 2007 for occupancy related and disconnect/reconnect are the result of revised rates approved in the 2006 EDR which became effective May 1, 2006. In other words, 2007 had a full year with the increased rates.

The forecasted decrease in 2008 is mainly on mark-up on work orders which is based on a forecasted downturn in commercial and housing construction.

- c) For the three miscellaneous service categories noted in (b) above, please provide the most recent year-to-date revenues that are currently available

for the 2008 bridge year and the corresponding revenues for the same period in 2007.

Response:

	YTD Sep/07	YTD Sep/08
Occupancy Related	\$62,550	\$60,900
Disconnect/Reconnect	\$24,110	\$19,675
Mark Up	\$20,995	\$19,940

- d) Please explain why there is no gain on disposition of utility and other property shown in 2008 or 2009 despite gains shown in both 2006 and 2007. Please explain the source the gains recorded in 2006 and 2007.

Response:

See Exhibit H for 2006 and 2007 gain on sale of assets.

As indicated earlier Welland Hydro has no planned disposition of assets in 2008 or 2009. The only other source of gain on the sale of assets is on the sale of scrap transformers. Any gain on the sale of fully depreciated scrap transformers can be reduced or eliminated should a transformer fail which has not been fully depreciated. As a result, no gain has been forecast for 2008 or 2009.

- e) Based on the most recent year-to-date information available, is there any revenue in the gains on disposition of utility and other property category for the bridge year? If so, what is the amount?

Response:

See Exhibit H

- f) Based on the most recent year-to-date information available, is there any revenue in the capital gains for the bridge year? If so, what is the amount?

Response:

No

- g) Please explain why there are no capital gains shown for 2008 or 2009 despite gains shown for both 2006 and 2007. Please explain the source of the capital gains in 2006 and 2007.

Response:

Welland Hydro currently does not own any stock/investments which could result in a capital gain if sold.

The capital gain in 2006 was stock obtained from the bad debt settlement which had been written off in 2003/2004. The stock was sold in 2006.

The capital gain in 2007 was from the sale of stock obtained from the demutualization of an insurance company.

- h) Please explain the decrease of nearly \$16,000 in scrap metal sales shown for the 2008 bridge year as compared to 2007.**

Response:

The decrease in forecasted scrap metal sales was made based on expected reduced tonnage. A significant amount of scrap wire recovered from the Town Line Tunnel project was sold in 2007. The actual scrap sales for 2005 were \$4,341 and 2004 were \$5,387.

- i) Please provide the most recent year-to-date revenue from scrap metal sales for 2008 that is available and provide the corresponding figure for the same year-to-date period in 2007.**

Response:

**Scrap Metal Sales Year to Date Sep/08 - \$16,556
Scrap Metal Sales Year to Date Sep/07 - \$12,666**

- j) Please provide the most recent year-to-date revenue from miscellaneous non operating revenues for 2008 that is available and provide the corresponding figure for the same year-to-date period in 2007.**

Response:

**Misc Non Operating Revenue Year to Date Sep/08 - \$16,556
Misc Non Operating Revenue Year to Date Sep/07 - \$8,372**

- k) Please explain why there is no dividend income shown for 2008 and 2009 despite revenues recorded in both 2006 and 2007.**

Response:

The dividend income in 2006 and 2007 was from stock held from the demutualization of an insurance company which was sold in 2007.

- l) Please provide the most recent year-to-date revenue from dividend income for 2008 that is available and provide the corresponding figure for the same year-to-date period in 2007.**

Response:

Dividend Income Year to Date Sep/08 - \$0

Dividend Income Year to Date Sep/07 - \$1,745

Interrogatory # 17

Ref: Exhibit 3, Tab 3, Schedule 1

The evidence shows the inclusion of costs associated with interest on variance accounts as part of the overall other operation revenue.

- a) Please explain why this is a cost that offsets other revenues in 2008 and 2009.**

Response:

Welland Hydro currently has regulatory liabilities which results in interest charges. The forecast includes a reduction in these liabilities which reduces the charges in 2008 and 2009 from the actual level of \$32,642 in 2007 (Exhibit E). A reduction in regulatory liabilities reduces interest income (reduced cash balances) but it also reduces the regulatory interest charge. The results should balance out depending on the interest rates earned on bank balances versus charged on regulatory accounts.

- b) Why is there no cost shown in 2006 or 2007 associated with interest on variance accounts?**

Response:

The interest on regulatory variance accounts is included in Interest income for 2006 and 2007. This was an error in presentation only and should have been broken out for display purposes. Please see Exhibit E to get the actual breakdown by year. There was \$340,579 Interest Income on Bank and Other and \$60,256 Interest Income on Regulatory Assets in 2006. There was \$375,170 Interest Income on Bank and Other and \$32,642 Interest Charges on Regulatory Liabilities in 2007.

- c) Will these interest costs be recovered when the balances in the accounts that these interest costs are associated with are recovered? Please explain fully.**

Response:

Regulatory Assets are recovered by distributors. Regulatory Liabilities are not recovered by distributors but will eventually be passed on to customers along with the associated interest. That is why they are an offset to interest income in the case where a distributor is in a regulatory asset liability position. In addition, the power variance account may contain balances and interest which is either owed to or due from the IESO.

Interrogatory # 18

Ref: Exhibit 4, Tab 1, Schedule 1, Table 1

Please provide a copy of Table 1 that excludes amortization expenses in both the table and change the total to the total OM&A. Please also add a line to the table showing the percent change in the total OM&A expense for each year.

Response:

See Exhibit I

Interrogatory # 19

Ref: Exhibit 4, Tab 2, Schedule 1, page 6

- a) Please explain how the adjustment for escalating gasoline prices for meter reading works.**

Response:

There was a 3% increase in the cost per meter read. This has since been removed with the decrease in gasoline costs.

- b) What assumptions related to gasoline prices has Welland Hydro used to forecast these expenses for 2008 and 2009?**

Response:

Third Party Metering Costs

2007 Actual	\$95,164
2008 Bridge Yr	\$94,044
2009 Test Yr	\$96,000

The 2008 Bridge Yr is based on 2008 Plan which was complete before the meter reading adjustment was known. The increase from 2007 to 2009 is less than 1%.

Internal Gasoline Expense

2008 Inflation 11.4%

2009 Inflation 3.0%

- c) What is the impact of a 5 cent per litre change in gasoline prices on the meter reading costs?

Response:

The surcharge was not based on a per litre change but was a negotiated 3% per meter reading charge. Additional costs for meter reading increased by approximately \$225/mth when the surcharge was in place. It has since been removed.

Interrogatory # 20

Ref: Exhibit 6, Tab 1, Schedule 1

The Auditors Report for the 2007 financial statements indicates that the long term debt payable to the City of Welland bears interest at 6.25% effective May 1, 2006 and that this note is due 12 months after official demand by the City.

- a) Does Welland Hydro make regular principle payments to the City of Welland, or is interest only payable?

Response:

Interest Only

- b) Please provide the relevant sections from the "prior Board decisions" that approved a rate of 6.25% for this long term debt.

Response:

The interest rate on the loan of 6.25% was approved by the OEB during the 2006 EDR rate setting process. Attached is a copy (Exhibit J) of an OEB Board Staff Interrogatory and Welland Hydro-Electric System Corp.'s response prior to the OEB Decision and Order EB-2005-0428.

- c) Please provide a copy of the original long term loan agreement and any and all subsequent amendments made to the agreement.

Response:

See Exhibit K	-Original Promissory Note
See Exhibit L	-Revision to the decrease the amount of the note
See Exhibit M	-Changing the Interest to 6.25%

Interrogatory # 21

Ref: Exhibit 4, Tab 2, Schedule 3, page 1

- a) **When was the bad debt of \$492,555 that was recovered in 2006 written off?**

Response:

The bad debt was written off in 2003 and 2004.

- b) **Please confirm the following:**

- i) **The annual percentage increase in OM&A Wages and Benefits is 17.6%, 9.1% and 9.1% for 2007, 2008 and 2009, respectively.**

Response:

The above percentage increases are correct. They include both inflationary increases and increases in number of employees. The 2007 increases include the effect of pension costs which were deferred for four months (Jan-Apr) in 2006. The increases also include reductions in amounts charged to capital which will only become larger when IFRS is introduced.

- ii) **The annual percentage increase in OM&A Expenses is 4.9%, (2.1%) and 6.5% for 2007, 2008 and 2009, respectively.**

Response

The above percentage increases are correct. OM&A Expenses for 2009 include one-third of the expected intervener and consulting costs associated with the 2009 Rate Application.

- iii) The annual percentage increase in the Adjusted OM&A Expenses is 12.4%, 4.8% and 8.2% for 2007, 2008 and 2009, respectively.

Response

The above percentage increases are correct.

Interrogatory # 22

Ref: Exhibit 4, Tab 2, Schedule 3, page 10

- a) Please explain the nature and role of the conservation and demand analyst.

Response:

The conservation and demand analyst would create and promote custom Conservation and Demand programs appropriate for Welland Hydro's customer base including OPA initiatives. They would be involved in the evaluation, design, marketing, and administration of all CDM programs. This would also include developing RFP's for third party vendors and administering contracts. They would monitor the effectiveness of all programs and report results to Welland Hydro-Electric System Corp.'s Board of Directors. The position will also represent Welland Hydro-Electric System Corp. in CDM working groups such as the City of Welland Conservation Committee, the EDA CDM caucus, and the Region of Niagara Conservation Team.

- b) What CDM programs does Welland Hydro expect to be involved in beyond those provided by the OPA?

Response:

Continue to develop the energy conservation curriculum for elementary schools within the District School Board of Niagara, such as the Conserver Joe Grade 5 Energy Conversation Program presented to Grade 5 students.

To develop Secondary School education curriculum and scholarship programs.

This position would be involved in Recycling Programs at Welland Hydro and in the community.

Promote energy conversation at community groups such as Earth Day, Contractor seminars and events, Rose City Festival, Welland Food Festival, and the Region of Niagara Water Festival.

- c) Does Welland Hydro incur any costs associated with delivering or managing CDM programs from the OPA?

Response:

Yes there are costs involved in administering OPA programs. However, they are not included in OM&A expenses. Any Welland Hydro-Electric System Corp. labor and expenses related to these programs are charged back to the OPA and are included in Billings to third parties.

Interrogatory # 23

Ref: Exhibit 4, Tab 2, Schedule 2, page 4

- a) Please provide a breakdown of the 2009 regulatory expense of \$66,500.

Response:

OEB Annual Assessment	\$39,700
OEB Annual Registration	800
OEB Miscellaneous Charges	2,500
Announcement in Local Paper	3,500
2009 Rate Application	<u>20,000</u> (1/3 of \$60,000)
Total	\$66,500

- b) Please provide a breakdown of the regulatory expenses associated with the 2009 cost of service rates application.

Response:

5655 Regulatory Expenses	60,000
5630 Consulting	<u>30,000</u> (\$10,000 included in 2009)
Total	90,000

The Regulatory Expenses is an estimate. The amount included for consulting costs has been understated and is now estimated at \$60,000.

- c) Over what period does Welland Hydro propose to recover the regulatory costs associated with the 2009 cost of service rate application?

Response:

Three years

Interrogatory # 24

Ref: Exhibit 4, Tab 2, Schedule 2

- a) Please provide the most recent year-to-date figure available for the 2008 bridge year for the OM&A costs for each of the aggregate categories of Operation, Maintenance, Billing and Collecting, Community Relations, Administrative and General Expense, and Taxes Other Than Income Taxes, as well as the Total OM&A expenses.

Response:

See Exhibit I

- b) Please provide the figures for the same year-to-date period in 2007 in the same level of detail.

Response:

See Exhibit I

Interrogatory # 25

Ref: Exhibit 4, Tab 2, Schedule 3, page 7

The evidence indicates that account 5150 (Ref D) increased by nearly \$65,000, partly due to material costs increases of \$17,678 as a result of a major repair needed.

- a) Please provide the total cost associated with this major repair in 2007.

The major expenditure in 2007 was the addition of infrared thermo graphic inspection of under ground systems. This type of inspection was previously only used for overhead systems. The total costs for this service was \$8,385. The 2008 Bridge Year materials costs of \$24,875 (Exhibit N) are based on 2007 and 2008 average materials plus infrared inspection.
$$(\$12,999 + 30,677 - 8,385) / 2 + 8,385 = \$26,030$$

The increased labor is attributable to the age of the underground systems in the city of Welland which were installed beginning in the 1970's. These systems are now approaching maximum age and require additional maintenance. The infrared thermo graphic inspection was added to identify potential problem areas and will continue on an annual basis.

- b) Please explain why the costs for 2008 and 2009 forecast for this account have not returned to their 2006 level (adjusted for inflation).

Both 2008 and 2009 were based on 2007 Actual costs. The 2008 Bridge year materials were reduced to reflect average maintenance costs adjusted for infrared testing. The additional labor (line apprentices) in both 2008 and 2009 were allocated across all operations and maintenance accounts based on 2007 actual labor costs.

- c) Please provide the actual costs in the account recorded in 2005 and 2004.

Response:

See Exhibit N

Interrogatory # 26

Ref: Exhibit 4, Tab 2, Schedule 3, page 1

- a) Please explain the decrease in amounts charged to third parties and associates.

Response:

The dollar amounts used in this exhibit come from Exhibit 4 Tab 2 Schedule 6 page 7. Labor charged to Third Party accounts in 2006 were higher than normal as a result of assistance Welland Hydro provided Fortis-Canadian Niagara Power with the snow storm in Fort Erie and Port Colborne which caused significant damage to their distribution system. The total labor invoiced to CNP was \$18,915. When this is taken out of third party billings the average billed to third parties for 2006/2007 was \$133,384 $(\$154,261 - \$18,915 + \$131,429) / 2$. The additional reductions forecasted for the 2008 Bridge year was due to anticipated downturns in both commercial and housing construction.

The decrease in amounts charged to associates in the 2008 Bridge year was based on the reduction from 2006 to 2007 continuing.

Both billings to third party and associates were forecasted to increase in the 2009 Test Year.

- b) Please explain the adjustment for 2006 pension costs.

Response:

From January to April 2006 actual pension costs were deferred to regulatory asset account 1508 resulting in only eight months of actual expenses. As a result, any percentage increase comparison to the 2006 actual wages and the

2006 total OM&A will show a higher percentage increase and needs to be taken into account.

Interrogatory # 27

Ref: Exhibit 4, Tab 2, Schedule 4

- a) Please provide the actual year-to-date charges to affiliates for the 2008 bridge year based on the most recent information available in the level of detail shown in Table 3.**

Response:

See Exhibit O

- b) Please provide the corresponding year-to-date figures for 2007.**

Response:

See Exhibit O

During the 4th Quarter of 2007 Welland Hydro-Electric System Corp. hired an outside contractor to perform Street Light Maintenance due reduced availability of internal linepersons. As a result, 4th Quarter labor charges to associated companies was limited. The cost of the contractor was passed on to the associated company and not included in OM&A expenses.

Apprentice Lineman charges have increased 2008 billings.

- c) Please explain how the 7% mark up that Welland Hydro receives was determined.**

Response:

The 7% markup kept by Welland Hydro-Electric System Corp. is the same markup charged to third party customers.

- d) Are the revenues received by Welland Hydro that cover the costs and provide the 7% mark up used to reduce the OM&A costs shown in Exhibit 4? If not, where do these revenues show up in Exhibit 3?**

Response:

Labor & Benefits, Materials & Overhead, and Vehicle costs associated with third party/associate billings are not charged to OM&A accounts but are

charged directly to an Accounts Receivable account. Therefore they are not included in Exhibit 4. The 7% markup is credited to Other Operating Revenue-Mark Up on Work Orders and is included as revenue in Exhibit 3.

- e) Please provide the actual and forecast rental revenue for 2006, 2007, 2008 and 2009 associated with the rental of space to the Welland Fire Department. How was this rental amount determined in the rental agreement? Was any market survey done to determine an appropriate rate? If yes, please provide the survey.

Response:

2006 - \$12,623

2007 - \$18,960

2008 - \$20,496

2009 - \$20,496

The annual rental payments was based on upfront modification costs required plus annual maintenance costs based on square footage and a rate of return of 9%.

There are no available market surveys from 2006. However, please see Exhibit R for the most recent market appraisal.

Interrogatory # 28

Ref: Exhibit 4, Tab 2, Schedule 6, page 3

Have the 2 certified linemen forecast to retire in 2008 done so? If not, are they still scheduled to retire before the end of the year?

Response:

Both have retired. The current actual number of employees at Welland Hydro is the same as included in the 2008 Bridge Year forecast.

Interrogatory # 29

Ref: Exhibit 4, Tab 2, Schedule 6, page 6

Please explain the type of services that are charged to third parties.

Response:

For commercial expansion Welland Hydro-Electric System Corp. would supply and charge the customer for the primary conductor, transformation, and all associated

hardware. For subdivision developers Welland Hydro-Electric System Corp. would supply and charge the customer for inspection of all electrical systems installed by the developer. In addition Welland Hydro-Electric System Corp. would charge for connection to the system grid and any associated hardware.

Interrogatory # 30

Ref: Exhibit 4, Tab 3, Schedule 3

- a) Please confirm that all distribution system additions post February 22, 2005 have been posted to CCA class 47 in 2005, 2006 and 2007.

Response:

Confirmed

- b) Please confirm that Welland Hydro placed all computer related capital expenditures prior to 2008 in class 45 for acquisitions on or after March 22, 2004 and prior to March 19, 2007.

Response:

Confirmed

- c) Please confirm that Welland Hydro placed all computer related capital expenditures prior to 2008 in class 55 for acquisitions after March, 19, 2007.

Response:

Confirmed

- d) If the response to any of (a), (b) or (c) above is not confirmed, please provide the UCC at the end of 2008 for all assets that were classified incorrectly for CCA purposes. Please transfer these UCC amounts to the correct class in 2009 and recalculate the total CCA for 2009.

Response:

Not required

Interrogatory # 31

Ref: Exhibit 5, Tab 1, Schedule 1, page 3

- a) Please show all the calculations used to arrive at the figure of \$124,132 in deferred revenue in account 1574.

Response:

Please refer to the OEB decision on EB-2007-0663 for background related to this deferred revenue account.

Welland Hydro-Electric System Corp. resubmitted the 2006 EDR without the loss carry forwards which should have not been included in 2006 rates. These loss carry forwards were all related to tax timing differences on Regulatory Assets. As a result, rates were understated from May 1, 2006 until October 1, 2007 which had a significant negative impact on revenues for 17 months.

The result of the OEB decision was to increase rates annually by \$353,832 to cover the additional PILS requirement.

The actual amount of deferred revenue of \$124,132 was calculated by taking the actual electricity volume between October 1, 2007 and January 31, 2008 for each customer (over 20,000) and multiplying by the increase in approved rates. Showing the detail to these calculations would be extensive. To roughly estimate the validity of the \$124,132 you can take the approved annual increase of \$353,852 and come up with a monthly amount of \$29,488. Multiply this amount by four months (Oct to Jan) and you get \$117,952. The difference would be volume related.

- b) Please provide the income and capital tax rates and capital tax exemption used in determining the amount that should have been recovered in taxes.**

Response:

The income tax rate used in the 2006 EDR was 30.23% (see test year tax provision) in the revised submission.

The capital tax rate used in the 2006 EDR was 0.3% (see test year tax provision) in the revised submission.

The OCT Exemption was \$10,000,000

The LCT Exemption was \$50,000,000

- c) If the actual income tax and/or capital tax rate and/or capital tax exemption were different on an actual basis from those used to estimate the amount in the deferral account, does Welland Hydro believe that the amount should be adjusted to reflect the actual tax rates? If not, why not?**

Response:

No. Taxes in the 2006 EDR were not designed to be trued up. The actual tax rate paid by Welland Hydro-Electric System Corp. in 2007 exceeded 30.3%

as a result Regulatory Asset recovery. This income will not be recognized until 2008 and the tax rate has yet to be determined.

Interrogatory # 32

Ref: Exhibit 5, Tab 1, Schedule 2

- a) Please confirm that the prescribed interest rate to be used for deferral and variance accounts in the first quarter of 2008 was 5.14%, not 5.19% as indicated one line 23 of page 1.

Response:

The 5.19% was a typing error. The interest rate used to calculate 1st Quarter 2008 was 5.14%.

Average Rate Used in Rate Application 4.29%

Based on $(5.14 + 4.08 + 4.08 + 4.08 + 4.08)/5 = 4.292\%$

- b) Please recalculate the balances to be collected (Table 2) if the interest is based on the prescribed interest rates of 5.14% for the first quarter of 2008, 4.08% for the second quarter of 2008, 3.35% for the third and fourth quarter of 2008 and the first quarter of 2009.

Response:

See Exhibit P

- c) Please confirm that the interest accrued to December 31, 2007 is all based on the prescribed interest rates that were in place.

Response:

Confirmed

Interrogatory # 33

Ref: Exhibit 5, Tab 1, Schedule 3

- a) Please update Tables 3 and 4 to reflect the lower interest costs resulting from the response to Interrogatory # 32 (b).

Response:

See Exhibit P

- b) Please explain why the 2007 data has been used to allocate the account balances rather than the forecast figures for the 2009 test year.

Response:

Using historical volumes versus forecasted volumes is consistent with how the Regulatory Rate Riders were set during the 2006 EDR rate setting process.

- c) Please update Tables 3 and 4 to reflect the lower interest costs resulting from the response to Interrogatory # 32 (b) and to reflect an allocation based on the proposed 2009 distribution revenues.

Response:

See Exhibit Q

EXHIBIT A
WELLAND HYDRO-ELECTRIC SYSTEM CORP.
CAPITAL SPENDING ANALYSIS

<u>ITEM DESCRIPTION</u>	<u>2008 Plan</u>	<u>Ytd Actual Sep-08</u>	<u>2008 Forecast</u>	<u>2009 Plan</u>	<u>Complete/Comments</u>
Customer Service					
Office Furniture	5,800	2,792	4,800	5,000	
Computer Equipment	16,600	986	8,000	5,000	
APPEX Programming-External	5,000	0	0	5,000	
Operation Equipment	0	0	0	5,000	
Telephone Hardware-Head/Hand Sets	4,000	892	4,000	0	
Telephone Consulting-Greet Tree	4,000	0	4,000	0	
	<u>35,400</u>	<u>4,670</u>	<u>20,800</u>	<u>20,000</u>	
Executive Department					
Computer peripheral & Furniture	6,000	3,314	3,314	5,000	
	<u>6,000</u>	<u>3,314</u>	<u>3,314</u>	<u>5,000</u>	
Finance Department					
Office Equipment-Chair	1,500	0	1,000	1,000	
Personal Computer	3,000	1,548	1,548	3,000	
Windows Finance Offices	0	9,383	9,383	0	
	<u>4,500</u>	<u>10,931</u>	<u>11,931</u>	<u>4,000</u>	
IT Department					
APPEX Programming-External	15,000	15,870	20,000	15,000	
Computer Equipment	10,000	2,829	6,500	10,000	
Furniture & Equip	1,500	0	0	0	
	<u>26,500</u>	<u>18,699</u>	<u>26,500</u>	<u>25,000</u>	
Line Department					
Miscellaneous Pole Replacement	200,000	98,818	150,000	200,000	Complete By Dec/08/09
Miscellaneous Transformer Replacement	0	101,609	175,000	200,000	Complete By Dec/08/09
Miscellaneous Underground Rebuild	150,000	20,630	75,000	100,000	Complete By Dec/08/09
Miscellaneous Overhead Primary	50,000	89,364	100,000	100,000	Complete By Dec/08/09
Services Overhead & Underground	15,000	55,698	60,000	55,000	Complete By Dec/08/09
Clare Avenue Rebuild	20,000	0	0	20,000	Deferred 2009
Major Street Rebuild Completion	(25,000)	(53,333)	(53,333)	0	Complete
Rebuild MS#11 Substation	150,000	61,738	160,000	0	Complete Nov/08
Operations Tools	10,000	7,520	10,000	10,000	
Office Furniture	1,000	399	399	1,000	
Townline Tunnel	0	1,499	1,499	0	
Load Transfer Rebuild Fairgrounds	0	84,039	84,039	0	Complete
Colbeck Drive 27.6 line	90,000	217,031	217,031	0	Complete
Myrtle Ave & Empire 27.6 kw line	250,000	0	0	250,000	Deferred 2009
Ontario Road Rebuild 27.6 Line	50,000	0	0	150,000	Deferred 2009
Ridge, Rusholme, & Silverthorn Rebuild	100,000	0	0	0	Deferred 2010
Crowland TS Line Upgrade	50,000	0	0	0	Cancelled
Aqueduct Area (Birch, Cedar, Beechwood)	100,000	0	0	100,000	Deferred 2009
Niagara Street & Lancaster 27.6	200,000	0	0	200,000	Deferred 2009
Towline Road/Dain City-Rebuild 27.6	0	0	0	200,000	Complete 2009
Churchill Ave 27.6 Rebuild	0	76,872	76,872	0	Complete
Lincoln St to Cartier Court 4.16 KV Rebuild	0	51,147	51,147	0	Complete
Cartier Court Underground Rebuild	0	50,029	50,029	0	Complete
Harold to Major 4.16 Rebuild	0	78,463	78,463	0	Complete
Barrington, Endicott, Fairlawn Underground Rebuild	0	151,481	151,484	0	Moved Up from 2009
Margaret, Nye, Thorold Rebuild 4.0	0	0	0	250,000	Complete 2009
Rebuild MS#2 Substation	0	0	0	0	Deferred 2010
Mill Street Rebuild	0	95,851	185,171	0	Moved Up from 2009
	<u>1,411,000</u>	<u>1,188,855</u>	<u>1,572,801</u>	<u>1,836,000</u>	

Pg 2

EXHIBIT A
WELLAND HYDRO-ELECTRIC SYSTEM CORP.
CAPITAL SPENDING ANALYSIS

	2008 Plan	Ytd Actual Sep-08	2008 Forecast	2009 Plan	Complete/Comments
Engineering					
Computer Software	25,000	31,198	35,000	15,000	
Operation Equipment	8,000	0	0	5,000	
Furniture	3,000	4,032	4,032	0	
	<u>36,000</u>	<u>35,230</u>	<u>39,032</u>	<u>20,000</u>	
Garage & Vehicle					
Operations equipment	5,000	1,165	5,000	5,000	
New Single Bucket Truck	210,000	75,912	210,000	0	Complete Dec/08
	<u>215,000</u>	<u>77,077</u>	<u>215,000</u>	<u>5,000</u>	
Meter Department/Service Center					
Meter & Meter Devices	0	20,301	20,301	0	
Crowland TS Wholesale Meter Point	0	0	0	560,000	Complete 2010
Tools	5,000	749	5,000	5,000	
Service Centre Asphalt	30,000	0	0	0	
SCADA Radio System	55,000	0	0	0	
Radio System	10,000	0	0	0	
Computer Equipment	8,000	2,064	4,000	8,000	
Back Up Generator Upgrade	231,570	16,177	231,570	0	Complete Dec/08
New Developments & Upgrades	20,000	1,859	5,000	20,000	
Safety Equipment - Defibulator	10,000	6,903	6,903	0	
Office Reconfiguration	30,000	0	0	0	
Garage Floor Grates	5,000	5,861	5,861	0	
Stores Lighting	10,000	13,729	13,729	0	
Scada Swithes	50,000	17,228	17,228	0	
	<u>464,570</u>	<u>84,871</u>	<u>309,592</u>	<u>593,000</u>	
SUBTOTAL	2,198,970	1,423,647	2,198,970	2,508,000	
Capitalized Subdivision Assets Transferred	25,000	(19,549)	25,000	50,000	Complete Dec/08
TOTAL CAPITAL SPENDING	<u>2,223,970</u>	<u>1,404,098</u>	<u>2,223,970</u>	<u>2,558,000</u>	

CAB AND CHASSIS

INTERNATIONAL	\$ 67,965.00
Air Ride Suspensions	\$ 1,580.00
Upgrade of tires & Electrical	\$ 643.86
Total for Chassis	\$ 70,188.86

\$70,188.86

PROTEK

AERIAL DEVICE & BODY
200-42

\$137,665.00

TOTAL

\$207,853.86

\$207,853.86

PREPRODUCTION MEETING NOTES

BOOM STEEL WHITE TO MATCH CHASSIS
BOOM FIBERGLASS YELLOW TO MATCH CHASSIS
OUTRIGGERS WHITE TO MATCH CHASSIS
SUBFRAME WHITE TO MATCH CHASSIS
PLATFORM WHITE

REAR BUMPER ASSEMBLY BLACK

DECK FLOOR BLACK

CONFIRMATION ONLY MODIFIED A FRAME OUTRIGGERS BETWEEN CAB AND BODY

INSTALL STAR MINI LIGHT BARS MODEL 16031

TOP BOXES TO BE 14" DEEP

BOOM REST TO BE SUPPLIED WITH WINGS FOR BEACON INSTALLATION

SUPPLY 4 HOLES EACH SIDE REAR TAILSHELF

INSTALL 12 VOLT CIGAR LIGHTER OUTLET IN REAR CONTROL PANEL

\$ 290.00

STREETSIDE COMPARTMENTS

S/S # 1 INSTALL HYDRO ONE HOTSTICK STORAGE ON BOTTOM PORTION OF THROUGH BOX

S/S # 2 NINE SWIVEL HOOKS TOP ONE SET OF NINE WITH THROAT OF HOOK 20" FROM FLOOR

S/S # 3 THREE ADJUSTABLE SHELVES

S/S # 4 TWO TRAYS C/W ADJUSTABLE DIVIDERS

S/S # 5 THREE ADJUSTABLE SHELVES

EXTRA

\$ 650.00

Exh. b, t B Pg 1

WELLAND

Exhibit B Pg 2

DELETE HOTSTICK DOOR AT REAR	\$	(450.00)
DELETE HOTSTICK SHELF FROM S3 TO S5	\$	(50.00)
DELETE HOTSTICK BRACKETS	\$	(225.00)

CURBSIDE COMPARTMENTS

C/S # 1 INSTALL HYDRO ONE HOTSTICK STORAGE ON BOTTOM PORTION OF THROUGHBOX	incl.	
C/S # 1 INSTALL TWO ADJUSTABLE SHELF STRAPING TO GO FULL HEIGHT		
C/S # 2 WALKUP TO DECK		
C/S # 3 PULL OUT DRAWERS QTY FOUR 4" DEEP C/W DIVIDERS ON 2" INCREMENTS	EXTRA	\$ 360.00
C/S # 3 ONE SOLID SHELF AND ONE ADJUSTABLE SHELF		
C/S # 4 TWO SHELVES C/W ADJUSTABLE DIVIDERS		
C/S # 5 NINE SWIVEL HOOKS C/W ONE ADJUSTABLE SHELF		

ACCESSORIES

INSTALL TWO TRAILER PLUGS ABS PLUG AND WARNER 6 POLE	\$	115.00
INSTALL MINI LIGHT BARS LEFT AND RIGHT SIDE OF BOOM REST		
INSTALL MINI LIGHT BARS AT LEFT AND REAR CORNERS OF BODY		
INSTALL SPARTAN ON HOOD CURBSIDE		
DELETE ONE SPARTAN LIGHT	DEDUCT	\$ (400.00)
INSTALL PLATFORM ACCESS STEP FROM DECK TO TOP OF BODY		
NORMAL C/S VICE BRACKET MOUNTING		
TWO OUTRIGGER PAD HOLDERS	DEDUCT FOR TWO HOLDERS	\$ (250.00)
DECK LIGHTING AND ACCESS LIGHTING TO BE INCANDESCENT		
DELETE GROUND STORAGE REEL	DEDUCT	\$ (1,200.00)
INSTALL TWO BURNDY GROUND STUDS ONE FRONT ONE REAR		
INSTALL ARROW BOARD AT REAR ON SWIVEL		
INSTALL BOSCH LIGHT ON TOP OF ARROW BOARD DELETE SWIVEL ARM	\$	110.00
INSTALL FIBERGLASS LINER INSIDE SUBFRAME IF ROOM PERMITS		
INSTALL MATERIAL RAIL C/W HOOKS AND CHAINS ON FRONT BULKHEAD AND S/S COMPARTMENT WALL		
SUPPLY 4 BULKHEAD DIVIDERS FOR SIDE TOP BOXES	nc	
SUPPLY 4 BULKHEAD DIVIDERS FOR FRONT THROUGH TOP BOX		
REEL STAND LOCATION BEHIND TOWER DIMENSIONS 24" WIDE X 28" DIAMETER	EXTRA	\$ 225.00
STEP LADDER COMBINATION POLE SAW STORAGE CURBSIDE REAR SAW ON BOTTOM	EXTRA	\$ 250.00
SUPPLY BOLT BIN LOCATION TO BE DETERMINED	EXTRA	\$ 464.00
SUPPLY ONTARIO HYDRO WEATHERGUARD STORAGE BOX BETWEEN SEATS	EXTRA	\$ 425.00
LADDER STORAGE BOX ON DECK		

TOTAL EXTRAS	\$	314.00
TOTAL UNIT	\$	208,167.86

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Exhibit C

P.O. BOX 280
950 EAST MAIN STREET
WELLAND, ONTARIO L3B 5P6
TELEPHONE (905) 732-1381
FAX (905) 732-0123

Purchase Order **00013726**

Order Date: Jul 25 2008

Page: 1

Send
To: G E GALBRAITH ELECTRIC LTD

3 SEAPARK DR
ST CATHARINES ON L2M 6S5

Ship
To: Meter Shop
950 E Main St

Welland ON L3B 5P6
Canada

Date Required: Aug 01 2008
Terms: Net 30 Days

Ship Via: Best Way
FOB: Origin

Vendor: 00155321

Product Description	Purchase Unit	Quantity	Curr Price	Taxable P F	Amount
300KW EMERGENCY GENERATOR INSTALLATION	EACH	1.00	204,880.00000	Y Y	\$ 204,880.00

136524 WIP - Backup Generator

ALL PER YOUR QUOTATION AND SPECS AS PROVIDED BY
RV ANDERSON LTD.

Engineering 25,000.00
Installation 9,820.00
\$ 239,700.00

A current MSDS must accompany shipments of all WHMIS controlled products.

2007
2008

\$ 8,130
\$ 231,570
\$ 239,700

Requisitioned by KEVIN BAILEY
Department METER
P.O. Prepared by

Authorized by _____
President & CEO

Exhibit D
Welland Hydro-Electric System Corp
Cost of Power Assumptions

	2008	2009	
4705 Cost of Power	0.0575	0.0593	(2007 Actual Weighted Average 0.05594 plus 3% per yer)
4708 Charges WMS	0.0062	0.0062	2008 Approved Rates
4714 Charges - NW			
Residential	0.0056	0.0056	2008 Approved Rates for both years
General <50	0.0049	0.0049	Note: Request has been made for increased rates effective
General 50<5000 P/Int	1.6874	1.6874	May, 2009
General 50<5000 S	1.7011	1.7011	
Large User	1.2364	1.2364	
Unmetered Scattered	0.0049	0.0049	
Sentinnel Lights	1.5844	1.5844	
Street Lights	1.5809	1.5809	
4716 Charges - CN			
Residential	0.0047	0.0047	2008 Approved Rates for both years
General <50	0.0043	0.0043	Note: Request has been made for increased rates effective
General 50<5000 P/Int	1.7356	1.7356	May, 2009
General 50<5000 S	1.4490	1.4490	
Large User	1.9274	1.9274	
Unmetered Scattered	0.0043	0.0043	
Sentinnel Lights	1.3496	1.3496	
Street Lights	1.3466	1.3466	

Exhibit E

Weiland Hydro-Electric System Corp
Detailed Interest Income

	2006 Actual			2007 Actual			2008 Ytd Actual			2008 Bridge Year			2009 Test Year		
	Avg	Rate	Interest	Avg	Rate	Interest	Avg	Balance	Rate	Interest	Avg	Balance	Rate	Interest	
Bank Interest															
January	\$8,667,694	3.207	\$23,608.66	\$8,416,085	4.250	\$30,378.61	\$7,477,819	4.177	\$26,528.23						
February	\$7,451,415	3.400	\$19,434.92	\$8,639,157	4.250	\$28,166.02	\$8,410,147	4.000	\$26,728.14						
March	\$6,906,440	3.590	\$21,058.02	\$9,631,568	4.250	\$29,283.50	\$8,060,179	3.565	\$24,404.68						
April	\$8,276,218	3.692	\$25,114.35	\$8,806,763	4.250	\$30,763.35	\$8,555,653	3.367	\$23,676.89						
May	\$8,324,428	3.956	\$27,969.17	\$8,950,827	4.250	\$32,308.81	\$8,377,488	3.000	\$21,345.38						
June	\$8,602,616	4.250	\$30,050.23	\$9,670,420	4.250	\$33,780.23	\$8,760,464	3.000	\$21,601.14						
July	\$8,370,142	4.250	\$30,212.77	\$8,677,720	4.419	\$32,568.55	\$8,082,469	3.000	\$20,593.69						
August	\$7,924,304	4.250	\$28,603.48	\$8,440,603	4.500	\$32,259.29	\$7,839,218	3.000	\$19,973.90						
September	\$7,926,261	4.250	\$27,687.63	\$8,364,615	4.500	\$30,937.62	\$7,516,389	3.000	\$18,533.56						
October	\$8,955,025	4.250	\$32,323.96	\$8,267,209	4.500	\$31,596.59									
November	\$9,252,721	4.250	\$32,321.15	\$8,180,794	4.500	\$30,257.73									
December	\$9,211,862	4.250	\$33,251.11	\$8,028,479	4.280	\$29,184.07									
Year to Date Average	\$8,322,429	3.985	\$331,635.45	\$8,672,853	4.283	\$371,484.37	\$8,119,981	3.131	\$203,385.61	3.500	\$212,057.55	\$6,058,787	3.500	\$175,990.05	
Interest on Loan To Weiland-Hydro Energy Services			\$2,370.00			\$2,323.62			\$0.00		\$0.00			\$0.00	
Bad Debt Settlement			\$5,853.57			\$0.00			\$0.00		\$0.00			\$0.00	
Credit Bureau			\$919.03			\$1,361.35			\$678.20		\$0.00			\$0.00	
Regulatory Accounts			\$60,256.45			-\$32,641.79			-\$29,273.19		-\$6,108.00			-\$13,140.00	
Total Interest Income			\$400,834.50			\$342,527.55			\$174,790.62		\$205,949.55			\$162,850.05	

Exhibit F
Large Customer Analysis
At 2008 Current Rates

	Service Charge 2008 Rate	Service Charge Revenue	Annual Billing kW	Volumetric Charge 2008 Rate	Volumetric Charge Revenue	Transformer Credit 2008 Rate	Transformer Credit Revenue	2008 Total Distribution Revenue
Large Use kW								
Customer #1 (Down Sizing)	\$10,646.53	\$127,758	63,805	\$0.7183	\$45,831	-\$0.60	-\$38,283	\$135,306
Customer #2 (Closing)	10,646.53	127,758	69,635	0.7183	50,019	-0.60	-41,781	135,996
Customer #3	10,646.53	127,758	167,115	0.7183	120,039	-0.60	-100,269	147,528
Total Large Use		<u>\$383,275</u>	<u>300,555</u>		<u>\$215,889</u>		<u>-\$180,333</u>	<u>\$418,831</u>

GS 49 to 4999 kW

Customer #4 (Automotive Parts)	\$192.09	\$2,305	57,072	\$0.8047	\$45,926	-\$0.60	-\$34,243	\$13,988
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Analysis

Customer #1 at GS Rates (Assume same volume demand)	\$192.09	\$2,305	63,805	\$0.8047	\$51,344	-\$0.60	-\$38,283	\$15,366
Customer #4 at Large Use Rates (Assume same volume demand)	\$10,646.53	\$127,758	57,072	\$0.7183	\$40,995	-\$0.60	-\$34,243	\$134,510

Forecasted Reduction in Distribution Revenue Since Application Submitted

Customer # 2 Closing	\$135,996	
Customer #1 Down Sizing	<u>\$122,193</u>	(Assume Drop in Demand to 52,800 kW)
Total Reduced Revenue From Large Use Only	<u>\$258,189</u>	

Exhibit G
Welland Hydro-Electric System Corp.
Number of Customers Analysis

	As at Sep/07	As at Sep/08	% Change	2008 Bridge Year
Residential	19461	19561	0.5	19664
GS<50 kW	1695	1717	1.3	1695
GS 50 to 4999 kW	184	170	-7.6	179
Large Use	2	3	50.0	3
Unmetered Scattered Load	218	214	-1.8	212
Sentinel Lighting	739	725	-1.9	730
Street Lights	6580	6666	1.3	6651
Total	28879	29056		29134

Exhibit H
Welland Hydro-Electric System Corp.
Gain on the Sale of Assets

	2006	2007	Ytd Sep 2008
Sale of Reel Dispenser-No Book Value	2500	0	0
Sale of Transformer-No Value Book Value	7500	0	0
Gain/(Loss) Sale of Scrap Transformers	991	-2922	4538
Sale of Trencher	0	5200	0
Sale of Transformers -Replacement vs Book Value	0	0	15402
	<hr/>	<hr/>	<hr/>
Total Gain/(Loss)	10991	2278	19940

EXHIBIT 1
WELLAND HYDRO ELECTRIC SYSTEM CORP
SUMMARY OF OPERATING COSTS
INTERROGATORY #18

	2006 Board Approved (\$)	2006 Full Yr Actual (\$)	2007 Full Yr Actual (\$)	2008 Bridge Year (\$)	2009 Test Year (\$)	2007 Ytd Sep Actual (\$)	2008 Ytd Sep Actual (\$)
Operation	1,105,257	1,122,683	1,213,581	1,377,671	1,492,036	924,643	870,165
Maintenance	667,983	740,507	926,058	1,135,835	1,231,214	759,423	856,616
Billing and Collecting	876,162	371,051	937,705	948,832	980,174	668,918	694,936
Community Relations	115,488	152,851	154,910	77,494	159,667	134,913	27,344
Administrative and General Expenses	1,289,011	1,129,472	1,278,057	1,187,000	1,220,845	907,178	906,407
Penalties	159	4,519	0	0	0	0	0
OM& A Costs	4,054,060	3,521,083	4,510,311	4,726,832	5,083,936	3,395,075	3,355,468
% Change in OM&A Costs		-13.1	28.1	4.8	7.6		
Taxes Other Than Income Taxes					0	45,000	35,000

**WELLAND HYDRO-ELECTRIC SYSTEM CORP.
("WELLAND HYDRO")
RESPONSES TO OEB STAFF INTERROGATORIES
(MAIN APPLICATION)**

OEB Staff Interrogatory No.4:

Reference: "Paragraphs 5.3, 5.5, and 5.6" of September 20, 2005 Manager's Summary [in Exhibit B / Tab 5 / Pages 1 & 2] and sheet "3-2 COST OF CAPITAL (Input)" of 2006 EDR Model:

In Paragraph 5.3, Welland Hydro states that "all of the Applicant's debt was issued during the period between March of 2000 and May 12, 2005, and held by an affiliate (the municipal shareholder of the Applicant's parent company). None of the Applicant's debt is held by a third party. Under these circumstances, the debt rate to be used in this Application is the lower of the actual debt rate [0.0% per sheet "Table 3.4 WEIGHTED COST DEBT" of 2006 EDR Model and Schedule 5-1] and the deemed debt rate at time of issuance [7.25% per Table 5.1 of 2006 EDRH, Page 32]."

In Paragraph 5.5, Welland Hydro states that "although there is no interest rate specified in the Note, it provides that the interest rate may be changed by the City providing the Borrower (the Applicant) with three (3) months prior written notice of the revised interest rate. Interest at such rate may be set by the City in accordance with the provisions of the Note, shall be paid in quarterly instalments, not in advance, with the first of such payments commencing on the first day of the month that is six (6) months after written notice of the revised interest rate is given by the City to the Applicant."

And in Paragraph 5.6, Welland Hydro states that "the Applicant has accordingly shown a zero rate of interest on Schedule 5-1 and the Model has calculated a deemed rate of interest of 6.25%. The City has announced its intention to set the rate of interest on the Note but the rate has not been set as at the date of this Application. The Applicant anticipates that a rate of 6.25% will be set within a month of this Application. The Applicant submits that it is appropriate to maintain the deemed debt rate in the Model as the debt rate applicable to the Applicant, as using a debt rate of zero will prevent the Applicant from recovering the revenue necessary to service its debt when the City, or any third party to which the City may transfer the Note, sets that rate."

Please confirm that the interest rate on the said Note was zero as of December 31, 2004. If so, please comment if, according to Page 32 of the 2006 EDRH, Welland Hydro should have used the lower of the actual debt rate [0%] and the deemed debt rate at time of issuance [7.25%] in view of Welland Hydro's selection of the "Option 1: 2004 year with no adjustments" filing option.

Please confirm if, as of today, the City has set any rate of interest. If so, does this rate equal the anticipated rate of interest of 6.25%? Also, please indicate when Welland Hydro should expect to pay the first quarterly instalment of the interest rate.

Welland Hydro Response:

As stated in the Application, no interest rate was specified in the Note. The City did not set an interest rate for 2004. Accordingly, as discussed in the Summary, Welland Hydro showed an interest rate of 0% in Schedule 5-1, in accordance with the requirements of the 2006 EDRH. The City has now set an interest rate of 6.25% for the Note, which was the anticipated interest rate at the time of preparation of the Application.

In preparing the OEB's Model in accordance with the EDRH, Welland Hydro entered an interest rate of 0% for the Note in Sheet 3-4. The Model generated an interest rate of 6.25% for the amount covered by the Note (and included the revenue requirement applicable thereto in Welland Hydro's 2006 Revenue Requirement), which corresponds to the interest rate for new debt and the interest rate specified by the City in its resolution of November 1, 2005 (see response to OEB Staff Interrogatory No.5, below). In light of the operation of the OEB's Model, it would appear that it is not necessary for Welland Hydro to select any of the other filing options provided for in the EDRH.

As noted above, section 5.2 of the EDRH provides for a deemed debt rate of 6.25% for debt issued on May 13, 2005 or later by an affiliate. The lower of the deemed debt rate or the actual debt rate for the debt issued on or after May 13, 2005 should be used to determine the cost of capital on rate base. In light of the fact that the deemed debt rate and the actual debt are both 6.25%, Welland Hydro submits that a debt rate of 6.25% should be used for the purposes of cost of capital.

As noted above, on November 1st, 2005, the City passed a resolution to amend the Note to reflect an interest rate of 6.25% which equals the anticipated rate of interest of 6.25%. Pursuant to the terms of the Note and the resolution, interest will payable from May 1, 2006 commencing on a date which is no later than twelve (12) months from the date of demand in writing by the City. Welland Hydro anticipates that payments will commence in 2006, after May 1st.

PROMISSORY NOTE

COPY

FOR VALUE RECEIVED, Welland Hydro-Electric System Corp. ("WiresCo") hereby promises to pay to or to the order of the City of Welland the principal sum of Fourteen Million Two Hundred and Twenty One Thousand Six Hundred and Twenty Two (\$14,221,622) with interest at the rate specified herein, on a date which is no later than twelve (12) months from the date of demand in writing by the City.

Interest on the principal sum shall accrue from the later of (i) the date of opening of the Ontario electricity market as announced by the Minister of Energy (the "Market Opening Date") and (ii) the date that the initial electricity distribution rate application of WiresCo to the Ontario Energy Board is approved and becomes effective (the "Rate Effective Date") and be payable at a rate of interest as determined by the City from time to time, but which shall be no greater than the interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes. The initial rate of interest shall be 0% (the "Initial Rate").

The Initial Rate may be changed by the City by providing WiresCo with three months prior written notice of the revised interest rate.

Interest at the Initial Rate or such other rate as set by the City in accordance with the provisions of this Promissory Note, shall be payable in quarterly installments, not in advance, with the first of such payments commencing on the first day of the month that is three months after the later of the Market Opening Date and the Rate Effective Date.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the City on June 27, 2000 as By-law No.2000-91. Adjustments made to the terms of this Promissory Note pursuant to the provisions of the Transfer By-Law shall be effective upon three months' written notice to WiresCo by the City.

Except as provided above, any of the terms of this Promissory Note may be revised, changed or restated by the City in consultation with WiresCo upon one year's prior written notice of the City to WiresCo.

This Promissory Note is not assignable by the City without the consent of WiresCo.

DATED as of the 1st day of July, 2000.

**WELLAND HYDRO-ELECTRIC
SYSTEM CORP.**

Per:


Authorized Signing Officer


Authorized Signing Officer

Exhibit L2Pg1

RECEIVED
DEC 9 2003



COPY

PHONE 905-735-1700
FAX 905-732-1919
WWW.CITY.WELLAND.ON.CA

CITY OF WELLAND
ONTARIO
MUNICIPAL BUILDING
411 EAST MAIN ST.
L3B 3X4

99-43

December 3, 2003

Mr. Ross Peever
CEO & President
Welland Hydro-Electric System Corporation
950 Main Street, P.O. Box 280
Welland, Ontario
L3B 5P6

Dear Mr. Peever:

At its meeting of November 24, 2003, Welland City Council passed the following resolution:

"THAT the Corporation of the City of Welland acknowledges and receives the Amended and Restated Promissory Note for \$13,499,953 dated as of December 31, 2002 issued by the Welland Hydro Electric System Corp. to the Corporation of the City of Welland pursuant to City By-law 2000-91 which promissory note constitutes partial payment of the consideration for the Distribution Assets transferred by the City to the Corporation pursuant to the said By-law."

Attached is a certified copy of the Receipt for that purpose.

Yours very truly,

CRAIG A. STIRTZINGER
City Clerk

CAS:ms

Att: 1

c.c. - Mr. B. Silvestri, General Manager
Financial and Corporate Services/Treasurer
- Mr. G. Banks, City Solicitor
- Mr. T. Fitzpatrick, City Manager
- Mr. M. J. Pace, Messrs. Miller, Thomson
2500-20 Queen St. W., Toronto, Ont. M5H 3S1

RECEIPT

TO: **WELLAND HYDRO-ELECTRIC SYSTEM CORP.**
(the "Corporation")

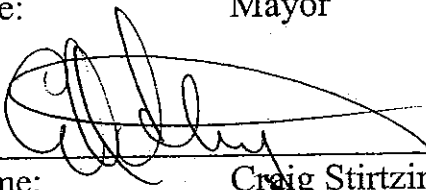
RE: Amended and Restated Promissory Note for Thirteen Million, Four Hundred and Ninety-nine Thousand, Nine Hundred and Fifty-three Dollars (\$13,499,953) dated as of December 31, 2002 issued by the Corporation to The Corporation of the City of Welland (the "City") pursuant to By-Law No. 2000-91 of the City which promissory note constitutes partial payment of the consideration for the Distribution Assets transferred by the City to the Corporation pursuant to the said By-Law.

THE CITY HEREBY acknowledges receipt from the Corporation of the above-described Amended and Restated Promissory Note.

DATED as of the 31st day of December, 2002.

THE CORPORATION OF THE CITY OF WELLAND

Per: 
Name: Cindy Forster
Title: Mayor

Per: 
Name: Craig Stirtzinger
Clerk

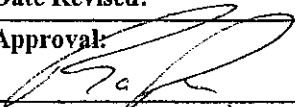
CERTIFIED A TRUE COPY

Clerk, City of Welland

Date

DEC 03 2003

Approved by Council Resolution 99-43 on November 24, 2003.

<p align="center">WELLAND HYDRO-ELECTRIC SYSTEM CORP.</p>	<p align="center">RESOLUTION</p>	<p>Date Issued: Nov. 5, 2003</p>
		<p>Date Revised:</p>
		<p>Approval: </p>
		<p>Resolution #: 11/05/03-01</p>

AMENDED AND RESTATED PROMISSORY NOTE

WHEREAS pursuant to the Transfer By-Law No. 2000-91 (the "Transfer By-Law") of the Corporation of the City of Welland (the "City") passed on the 27th day of June, 2000, Welland Hydro-Electric System Corp. (the "Borrower") issued and delivered to the City a Promissory Note dated as of the 1st day of July, 2000, in the principal sum of Fourteen Million, Two Hundred and Twenty-One Thousand, Six Hundred and Twenty-two Dollars (\$14,221,622) (the "Original Promissory Note") as partial satisfaction of the purchase price payable by the Borrower to the City for the Distribution Assets (as such term is defined in the Transfer By-Law);

AND WHEREAS the City and the Borrower wish to amend and restate the Original Promissory Note to evidence the reduction in the principal sum;

AND WHEREAS this Promissory Note amends, restates and replaces the Original Promissory Note;

FOR VALUE RECEIVED, THE Borrower hereby promises to pay to or to the order of the City of Welland the principal sum of Thirteen Million, Four Hundred and Ninety-nine Thousand, Nine Hundred and Fifty-three Dollars (\$13,499,953)(as indicated in the December 31, 2002 Audited Financial Statements), without interest, on a date which is no later than twelve (12) months from the date of demand in writing by the City.

The interest rate may be changed by the City by providing the Borrower with three (3) months prior written notice of the revised interest rate.

Interest at such rate as may be set by the City in accordance with the provisions of this Promissory Note, shall be payable in quarterly installments, not in advance, with the first of such payments commencing on the first day of the month that is six (6) months after written notice of the revised interest rate is given by the City to the Borrower.

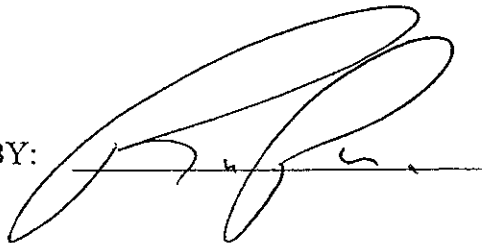
The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-Law. Adjustments made to the terms of this Promissory Note pursuant to the provisions of the Transfer By-Law shall be effective upon three (3) months' written notice to the Borrower by the City.

Except as provided above, any of the terms of this Promissory Note may be revised, changed or restated by the City in consultation with the Borrower upon one year's prior written notice of the City to the Borrower.

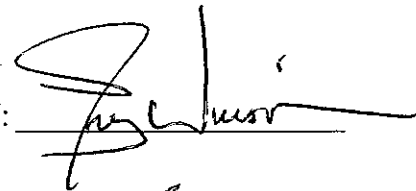
This Promissory Note is not assignable by the City without the consent of the Borrower.

Upon due execution and delivery of the Promissory Note, the Original Promissory Note shall be deemed to be amended and restated in its entirety and shall be of no further force and effect.

MOVED BY:



SECONDED BY:



DATE:

Nov. 5, 2003

CARRIED:





CITY OF WELLAND

Office of the City Clerk

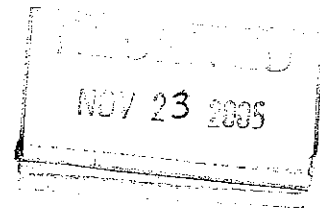
60 East Main Street

Welland, ON L3B 3X4

Phone: 905-735-1700 Fax: 905-732-1919

E-mail: craig.stirtzinger@welland.ca

Exhibit M (Pg 1)



COPY

November 21, 2005


Mr. Ross Peever, CEO & President
Welland Hydro-Electric System Corporation
950 East Main Street, P.O. Box 280
Welland, Ontario
L3B 5P6

Dear Mr. Peever:

Please be advised that I have received by email on November 17, 2005 the Amended and Restated Promissory note (with 6.25% interest rate) dated as of October 19, 2005 and approved by resolution of the Welland Hydro-Electric System Corporation on November 16, 2005.

This document has been reviewed by the City Solicitor and appears to be in accordance with the resolution of the Welland City Council passed on November 1, 2005.

Yours very truly,



CRAIG A. STIRTZINGER,
City Clerk.

CAS:cv

c.c. -- T. Fitzpatrick, City Manager
-- G. Bank, City Solicitor
-- Mayor Damian Goulbourne

WELLAND HYDRO-ELECTRIC SYSTEM CORP.	RESOLUTION	Date Issued: Nov. 16, 2005
		Date Revised:
		Approval:
		Resolution #: 11/16/05-01

AMENDED AND RESTATED PROMISSORY NOTE

WHEREAS:

Pursuant to the Transfer By-Law No. 2000-91 of the Corporation of the City of Welland passed on June 27, 2000, Welland Hydro-Electric System Corp. issued and delivered to the City a Promissory Note dated as of July 1, 2000, in the principal sum of Fourteen million, two hundred and twenty-one thousand, six hundred and twenty-two dollars, (\$14,221,622) and;

WHEREAS:

The original Note was amended and restated on December 31, 2002 to adjust the principal sum to \$13,499,953 from \$14,221,622.

WHEREAS:

For OEB rate setting purposes it is desirable to fix an interest rate in the Note at the OEB deemed rate of 6.25% per annum, from May 1, 2006 to be paid no later than twelve (12) months from the date of demand in writing by the City.

WHEREAS:

The City at its November 1, 2005 meeting directed the Borrower to remove the clause in the October 19, 2005 Promissory Note which states "This Promissory Note is not assignable by the City of Welland without the consent of the Borrowers".

THEREFORE BE IT RESOLVED THAT:

The Chair and the President be authorized to sign the Amended and Restated Promissory Note dated as of the 19th day of October, 2005, and

Resolution 10/19/05-01 is hereby rescinded.

MOVED BY: M. Dzugan
DATE: Nov 16/05

SECONDED BY: [Signature]
CARRIED: [Signature]

AMENDED AND RESTATED PROMISSORY NOTE

WHEREAS pursuant to the Transfer By-Law No. 2000-91 (the "Transfer By-Law") of the Corporation of the City of Welland (the "City") passed on the 27th day of June, 2000, Welland Hydro-Electric System Corp. (the "Borrower") issued and delivered to the City a Promissory Note dated as of the 1st day of July, 2000, in the principal sum of Fourteen Million, Two Hundred and Twenty-one Thousand, Six Hundred and Twenty-two Dollars (\$14,221,622) (the "Original Promissory Note") as partial satisfaction of the purchase price payable by the Borrower to the City for the Distribution Assets (as such term is defined in the Transfer By-Law);

AND WHEREAS the City and the Borrower amended and restated the Original Promissory Note as of December 31, 2002 to evidence a reduction in the principal sum;

AND WHEREAS the Original Promissory Note and the amended and restated Promissory Note dated as of December 31, 2002 are hereinafter collectively referred to as the "Revised Note";

AND WHEREAS the City and the Borrower wish to amend and restate the Revised Note to evidence the addition of interest payable;

AND WHEREAS the City at its November 1, 2005 meeting directed the Borrower to remove the clause in the October 19, 2005 Promissory Note which states "This Promissory Note is not assignable by the City of Welland without the consent of the Borrowers".

AND WHEREAS this Promissory Note amends, restates and replaces the Revised Note;

FOR VALUED RECEIVED, the Borrower hereby promises to pay to or to the order of the City of Welland the principal sum of Thirteen Million, Four Hundred and Ninety-nine Thousand, Nine Hundred and Fifty-three Dollars (\$13,499,953), with interest thereon from May 1, 2006 at the rate of six and one-quarter (6.25%) percent per annum, on a date which is no later than twelve (12) months from the date of demand in writing by the City.

The interest rate may be changed by the City by providing the Borrower with three (3) months prior written notice of the revised interest rate.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-Law. Adjustments made to the terms of this Promissory Note pursuant to the provisions of the Transfer By-Law shall be effective upon three (3) months' written notice to the Borrower by the City.

Except as provided above, any of the terms of this Promissory Note may be revised, changed or restated by the City in consultation with the Borrower upon one year's prior written notice of the City to the Borrower.

Upon due execution and delivery of this Promissory Note, the Original Promissory Note shall be deemed to be amended and restated in its entirety and shall be of no further force and effect.

DATED as of the 16th day of October, 2005.

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Per:


Tim Clutterbuck, Chair

Per:



Ross Prever, President

Exhibit N

Welland Hydro-Electric System Corp.

Account 5150 Maintenance of U/G Conductors

	2004	2005	2006	2007	2008	2009
	Actual	Actual	Actual	Actual	Bridge Yr	Test Yr
515000 Materials	44	9049	12999	30677	24875	25373
515038 Equipment Repairs	15	0	0	68	69	70
515050 Insurance	261	264	299	313	322	332
515080 Subcontracting	6730	0	2305	0	0	0
51500001 Labor	39648	45767	38689	73717	95595	108649
51500002 Stores Material	3045	6534	3457	5255	6437	6630
51500003 Vehicle Charge	0	16125	9926	22419	16468	17068
Total 5150	\$49,743	\$77,739	\$67,675	\$132,449	\$143,766	\$158,122

Exhibit O
Welland Hydro-Electric System Corp.
Charges to Affiliates Ytd Actuals

Activity	Ytd Sep	Ytd Sep
	2007	2008
	Actual	Actual
Street Light Maintenance		
Direct Labor	\$44,564	\$43,306
Labour Burden	20,945	21,653
Stores Burden	5,447	6,480
Garage Vehicle Charge	<u>15,495</u>	<u>24,243</u>
Total Street Light Maintenance	\$86,451	\$95,682
Sentinel Light Maintenance		
Direct Labor	\$4,026	\$7,626
Labour Burden	1,892	2,542
Stores Burden	563	954
Garage Vehicle Charge	<u>1,364</u>	<u>3,807</u>
Total Sentinel Light Maintenance	\$7,845	\$14,929
Total	<u><u>\$94,296</u></u>	<u><u>\$110,611</u></u>

Exhibit P

Welland Hydro-Electric System Corp.
Accounts Requested for Disposition
Revised Interest Rates & 2007 Volumes
Table 2

Account Description	Account Number	Principal Amounts as of Dec-31 2007	Interest to Dec31-07	Interest Jan-1 to Dec31-08	Interest Jan1-09 to Apr30-09	Total Claim
RSVA - Wholesale Market Service Charge	1580	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - One-time Wholesale Market Service	1582	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Retail Transmission Network Charge	1584	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Retail Transmission Connection Charge	1586	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Power	1588	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA/RCVA Sub-Totals		\$ -	\$ -	\$ -	\$ -	\$ -
Other Regulatory Assets - OEB Assessments	1508	\$ 27,095	\$ 6,943	\$ 1,078	\$ 303	\$ 35,419
Other Regulatory Assets - Pension	1508	\$ 206,737	\$ 18,279	\$ 8,228	\$ 2,309	\$ 235,553
Deferred Regulatory	1525	\$ 11,871	\$ 707	\$ 472	\$ 133	\$ 13,183
Retail Cost Variance Account - STR	1548	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meters Revenue and Capital	1555	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meter Expenses	1556	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	1574	\$ 124,132	\$ -	\$ 4,940	\$ 1,386	\$ 130,459
Other Deferred Credits	2425	\$ -	\$ -	\$ -	\$ -	\$ -
NON RSVA/RCVA Sub-Totals		\$ 369,834	\$ 25,930	\$ 14,719	\$ 4,130	\$ 414,613
Totals per column		\$ 369,834	\$ 25,930	\$ 14,719	\$ 4,130	\$ 414,613

Annual interest rate: Jan 1 08 - Dec 31 08 3.98% Jan 1 09 - Mar 31 09 3.35%

2007 Data By Class	kW	kWhs	Cust. Num.'s	Number of Metered Customers	Dx Revenue
RESIDENTIAL CLASS		162,194,309	19,512	19,512	\$ 4,890,882
GENERAL SERVICE <50 KW CLASS		53,259,754	1,695	1,695	\$ 702,201
GENERAL SERVICE >50 KW NON TIME OF USE					
GENERAL SERVICE >50 KW TIME OF USE	441,430	162,260,470	180	180	\$ 779,035
STANDBY					
LARGE USER CLASS	256,593	85,814,110	2	2	\$ 456,174
UNMETERED & SCATTERED LOADS		1,170,025	216	0	\$ 20,476
SENTINEL LIGHTS	2,711	1,110,764	739	0	\$ 4,899
STREET LIGHTING	13,086	4,688,349	6,581	0	\$ 22,937
Totals	713,820	470,497,781	28,925	21,389	\$ 6,876,605

Allocators	kW	kWhs	Cust. Num.'s	Number of Metered Customers	Dx Revenue
RESIDENTIAL CLASS	0.0%	34.5%	67.5%	91.2%	71.1%
GENERAL SERVICE <50 KW CLASS	0.0%	11.3%	5.9%	7.9%	10.2%
GENERAL SERVICE >50 KW NON TIME OF USE	0.0%	0.0%	0.0%	0.0%	0.0%
GENERAL SERVICE >50 KW TIME OF USE	61.8%	34.5%	0.6%	0.8%	11.3%
STANDBY	0.0%	0.0%	0.0%	0.0%	0.0%
LARGE USER CLASS	35.9%	18.2%	0.0%	0.0%	6.6%
UNMETERED & SCATTERED LOADS	0.0%	0.2%	0.7%	0.0%	0.3%
SENTINEL LIGHTS	0.4%	0.2%	2.6%	0.0%	0.1%
STREET LIGHTING	1.8%	1.0%	22.8%	0.0%	0.3%
Totals	100%	100%	100%	100%	100%

Exhibit P

Welland Hydro Electric System Corp.
Method of Disposition of Accounts
Revised Interest Rates & 2007 Volumes

Pg 2

Deferral and Variance Accounts:

Other Regulatory Assets OEB Assessment- Account 1508
Other Regulatory Assets Pension- Account 1508
Deferred Regulatory Assets - Account 1525
Deferred Revenue - Account - 1574
Subtotal - Non RSVA, Variable

Amount	ALLOCATOR	Residential	GS < 50 KW	GS 50-4999	Large Use	USL	Sentinel Lighting	Street Lighting	Total
\$ 35,419	Dx Revenue	\$ 25,191	\$ 3,617	\$ 4,013	\$ 2,350	\$ 105	\$ 25	\$ 118	\$ 35,419
\$ 235,553	Dx Revenue	\$ 167,533	\$ 24,053	\$ 26,685	\$ 15,626	\$ 701	\$ 168	\$ 786	\$ 235,553
\$ 13,183	Dx Revenue	\$ 9,376	\$ 1,346	\$ 1,493	\$ 875	\$ 39	\$ 9	\$ 44	\$ 13,183
\$ 130,459	Dx Revenue	\$ 92,787	\$ 13,822	\$ 14,779	\$ 8,654	\$ 388	\$ 93	\$ 435	\$ 130,459
\$ 414,613		\$ 294,888	\$ 42,338	\$ 46,971	\$ 27,504	\$ 1,235	\$ 295	\$ 1,383	\$ 414,613
\$ 414,613		\$ 294,888	\$ 42,338	\$ 46,971	\$ 27,504	\$ 1,235	\$ 295	\$ 1,383	\$ 414,613

Total to be Recovered

Balance to be collected or refunded, Variable

Number of years for Variable

Number of years for Fixed (Smart Meters)

Balance to be collected or refunded per year, Variable

\$ 414,613	3	\$ 294,888	\$ 42,338	\$ 46,971	\$ 27,504	\$ 1,235	\$ 295	\$ 1,383	\$ 414,613
\$ 138,204	3	\$ 98,296	\$ 14,113	\$ 15,657	\$ 9,168	\$ 412	\$ 98	\$ 461	\$ 138,204

Class	GS < 50 KW	GS 50-4999	Large Use	USL	Sentinel Lighting	Street Lighting
Deferral and Variance Account Rate Riders, Variable	\$ 0.0006	\$ 0.0003	\$ 0.0355	\$ 0.0357	\$ 0.0004	\$ 0.0352
Billing Determinants	KWh	KWh	KW	KWh	KW	KW

Exhibit Q
Welland Hydro-Electric System Corp.
Accounts Requested for Disposition
Revised Interest Rates & 2009 Volumes
Table 2

Account Description	Account Number	Principal Amounts as of Dec-31 2007	Interest to Dec31-07	Interest Jan-1 to Dec31-08	Interest Jan1-09 to Apr30-09	Total Claim
RSVA - Wholesale Market Service Charge	1580	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - One-time Wholesale Market Service	1582	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Retail Transmission Network Charge	1584	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Retail Transmission Connection Charge	1586	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Power	1588	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA/RCVA Sub-Totals		\$ -	\$ -	\$ -	\$ -	\$ -
Other Regulatory Assets - OEB Assessments	1508	\$ 27,095	\$ 6,943	\$ 1,078	\$ 303	\$ 35,419
Other Regulatory Assets - Pension	1508	\$ 206,737	\$ 18,279	\$ 8,228	\$ 2,309	\$ 235,553
Deferred Regulatory	1525	\$ 11,871	\$ 707	\$ 472	\$ 133	\$ 13,183
Retail Cost Variance Account - STR	1548	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meters Revenue and Capital	1555	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meter Expenses	1556	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	1574	\$ 124,132	\$ -	\$ 4,940	\$ 1,386	\$ 130,459
Other Deferred Credits	2425	\$ -	\$ -	\$ -	\$ -	\$ -
NON RSVA/RCVA Sub-Totals		\$ 369,834	\$ 25,930	\$ 14,719	\$ 4,130	\$ 414,613
Totals per column		\$ 369,834	\$ 25,930	\$ 14,719	\$ 4,130	\$ 414,613

Annual interest rate: Jan 1 08 - Dec 31 08 3.98% Jan 1 09 - Mar 31 09 3.35%

2009 Data By Class	kW	kWhs	Cust. Num.'s	Number of Metered Customers	Dx Revenue
RESIDENTIAL CLASS		166,999,701	19,664	19,664	\$ 5,615,011
GENERAL SERVICE <50 KW CLASS		54,639,337	1,695	1,695	\$ 1,035,466
GENERAL SERVICE >50 KW NON TIME OF USE					
GENERAL SERVICE >50 KW TIME OF USE	393,395	135,398,886	179	179	\$ 1,374,404
STANDBY					
LARGE USER CLASS	300,555	111,296,111	3	3	\$ 704,157
UNMETERED & SCATTERED LOADS		1,072,774	208	0	\$ 41,767
SENTINEL LIGHTS	2,592	1,098,311	721	0	\$ 28,715
STREET LIGHTING	13,262	4,722,781	6,677	0	\$ 187,080
Totals	709,804	475,227,901	29,147	21,541	\$ 8,986,600

Allocators	kW	kWhs	Cust. Num.'s	Number of Metered Customers	Dx Revenue
RESIDENTIAL CLASS	0.0%	35.1%	67.5%	91.3%	62.5%
GENERAL SERVICE <50 KW CLASS	0.0%	11.5%	5.8%	7.9%	11.5%
GENERAL SERVICE >50 KW NON TIME OF USE	0.0%	0.0%	0.0%	0.0%	0.0%
GENERAL SERVICE >50 KW TIME OF USE	55.4%	28.5%	0.6%	0.8%	15.3%
STANDBY	0.0%	0.0%	0.0%	0.0%	0.0%
LARGE USER CLASS	42.3%	23.4%	0.0%	0.0%	7.8%
UNMETERED & SCATTERED LOADS	0.0%	0.2%	0.7%	0.0%	0.5%
SENTINEL LIGHTS	0.4%	0.2%	2.5%	0.0%	0.3%
STREET LIGHTING	1.9%	1.0%	22.9%	0.0%	2.1%
Totals	100%	100%	100%	100%	100%

Exhibit Q

Welland Hydro Electric System Corp. Method of Disposition of Accounts Revised Interest Rates & 2009 Volumes

Pg 2

Deferral and Variance Accounts:

Other Regulatory Assets OEB Assessment- Account 1508
Other Regulatory Assets Pension- Account 1508
Deferred Regulatory Assets - Account 1525
Deferred Revenue - Account - 1574
Subtotal - Non RSVA, Variable

Amount	ALLOCATOR	Residential	GS < 50 KW	GS 50-4999	Large Use	USL	Sentinel Lighting	Street Lighting	Total
\$ 35,419	Dx Revenue	\$ 22,131	\$ 4,081	\$ 5,417	\$ 2,775	\$ 165	\$ 113	\$ 737	\$ 35,419
\$ 235,553	Dx Revenue	\$ 147,178	\$ 27,141	\$ 36,025	\$ 18,457	\$ 1,095	\$ 753	\$ 4,904	\$ 235,553
\$ 13,183	Dx Revenue	\$ 8,237	\$ 1,519	\$ 2,016	\$ 1,033	\$ 61	\$ 42	\$ 274	\$ 13,183
\$ 130,459	Dx Revenue	\$ 81,513	\$ 15,032	\$ 19,952	\$ 10,222	\$ 608	\$ 417	\$ 2,716	\$ 130,459
\$ 414,613		\$ 259,059	\$ 47,773	\$ 63,411	\$ 32,488	\$ 1,927	\$ 1,325	\$ 8,631	\$ 414,613
\$ 414,613		\$ 259,059	\$ 47,773	\$ 63,411	\$ 32,488	\$ 1,927	\$ 1,325	\$ 8,631	\$ 414,613

Total to be Recovered

\$ 414,613		\$ 259,059	\$ 47,773	\$ 63,411	\$ 32,488	\$ 1,927	\$ 1,325	\$ 8,631	\$ 414,613
\$ 138,204		\$ 86,353	\$ 15,924	\$ 21,137	\$ 10,829	\$ 642	\$ 442	\$ 2,877	\$ 138,204

Balance to be collected or refunded, Variable

Number of years for Variable

Number of years for Fixed (Smart Meters)

Balance to be collected or refunded per year, Variable

Class
Deferral and Variance Account Rate Riders, Variable
Billing Determinants

Residential	GS < 50 KW	GS 50-4999	Large Use	USL	Sentinel Lighting	Street Lighting
\$ 0.0005	\$ 0.0003	\$ 0.0537	\$ 0.0360	\$ 0.0006	\$ 0.1704	\$ 0.2169
KWh	KWh	KW	KW	KWh	KW	KW

Exhibit R



WELLAND HYDRO-ELECTRIC SYSTEM CORP
P.O. BOX #280
950 EAST MAIN ST.
WELLAND, ON
L3B 5P6

November 14, 2008

ATTN: ROSS PEEVER

Dear Sir;

RE: LEASE; CITY OF WELLAND (FIRE DEPARTMENT)

Please be advised that it is my opinion that the "**LEASED PREMISES**" at **950 EAST MAIN ST, WELLAND, ON, IE: 1458 SQ FT. OF VEHICLE SPACE AND 600 SQ FT. OF OFFICE AND DORMITOR SPACE** would have an economic rent of **\$1300.00 PER MONTH BILLS INCLUDED.**

Yours truly,

ALEC DANCH, APPRAISER,
BROKER
M.V.A. - RESIDENTIAL

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