EB-2008-0247

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
BOARD STAFF

December 11, 2008

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
2009 RATES APPLICATION
EB-2008-0247
RESPONSE TO:
BOARD STAFF
INTERROGATORIES

Retail Transmission Service Rates (RTSR)

Reference: "Electricity Distribution Retail Transmission Service Rates", Guideline G-2008-0001, October 22, 2008

1.
Under the OEB Guideline, Welland is expected to file an update to its Cost of Service application with evidence to support a change in its RTSRs. The adjustment in RTSRs is intended to eliminate future growth in the Applicant's variance accounts that are related to the pass-through of transmission costs.

a. Please file a table showing 2 years of Welland's wholesale Network and Connection costs, and its retail billings for Network and Connection service to its retail customers.

Response:

Filed with the OEB on November 3, 2008 as a Supplemental to the 2009 Rate Application

b. Please provide an analysis of the variances between costs and the corresponding revenues, and any trends in these amounts.

Response:

Filed with the OEB on November 3, 2008 as a Supplemental to the 2009 Rate Application

c. Please file proposed RTSR rates for each customer class that are an adjustment to the currently approved RTSRs and would recover the wholesale cost of transmission service assuming that the Uniform Transmission Rates effective January 1, 2009 had been in effect during the 2-year period in part a). Please provide the calculations used to derive the proposed RTSR rates.

Response:

Filed with the OEB on November 3, 2008 as a Supplemental to the 2009 Rate Application

General – Economic Assumptions
2.
a) Given the general economic situation in Ontario has Welland assessed the situation and identified any specific issues that may have a material impact on its load and revenue forecasts and bad debt expense forecast?

Response:

Yes, Welland Hydro-Electric System Corp. has been monitoring the load forecast submitted in the 2009 Rate Application and has concerns as a result of recent announcements made by two of its Large Use customers. In the response to interrogatory questions submitted by Energy Probe, Welland Hydro identified a potential revenue reduction (See Response to Energy Probe - Exhibit F) of $258,189 for the Large Use revenue at current 2008 rates.

In addition, Bad Debt expense is a concern to Welland Hydro given the current economic conditions in Ontario but in particular to the significant amount of job losses which have been announced by local industries. Year to date September, 2008 write offs have totaled $67,656.16 and have increased in every quarter within the year. The amount included in the 2009 rate application for bad debt expense is $59,650.

b) If so, please indicate if Welland will be updating its current application, in whole or in part, to address any material impacts. If yes, please provide an estimate of the timing of the update

Response:

Welland Hydro-Electric System Corp. would expect to revise the revenue forecast based on the material impact as a result of the recent announcements made by two of the current three Large Use customers. However, Welland Hydro-Electric System Corp. would prefer to wait to revise the application until all adjustments are known. In addition, guidance will be required from the OEB in setting rates for the remaining Large Use customer within the context of the Cost Application filing. The previous allocated costs for Large Use customers were spread over three customers. The last remaining Large Use customer should not be expected to absorb the total costs allocated to the Large Use classification.

Rate Base – Maintenance and Capital Programs and Projects
3.
a) In regards to Welland's 2009 maintenance and capital plans:

i) Please provide a list of criteria and rationale that Welland has used in the prioritization and selection of its 2009 maintenance and capital projects.

Response:

1) **Address significant health and safety issues.**
2) **Address significant environmental risks.**
3) **Meet regulatory and legal obligations (including reliability).**
4) **Replace end of life plant.**
5) **Improve operational efficiency.**

ii) Given the economic situation, please identify separately both maintenance and capital programs, if any, that Welland may have considered as a candidate for a deferral, cut, or partial adjustments. Please identify these programs, if any, in a ranking order that Welland would consider, using a ranking of "1" as the first suitable candidate, ranking of "2" as the second suitable candidate, ranking "3" as the third suitable candidate, etc. Please identify the rationale for the selection of these maintenance and capital programs and projects.

Response:

<u>Current Maintenance Costs</u>

1) 5135 Overhead Distribution Lines Right of Way

After reviewing total maintenance cost as a result of OEB staff question #25 Welland Hydro determined that contractor tree trimming expenses in 2009 were based on 2008 forecast of $162,000. The correct number should be based on a three year average for the complete cycle. The average from 2006 through 2008 is $128,000. As a result, Welland Hydro will reduce the amount for 5135 by $34,000 for the 2009 Test Year.

2) 5160 Maintenance of Transformers

As indicated Welland Hydro is currently testing field transformers for PCB contamination. Estimated total cost including the replacement of any contaminated transformers is $150,000. The 2009 test year contains $60,000 for this program. Welland Hydro proposes to spread the cost of this program over five years. As a result, Welland Hydro will reduce the amount for 5160 by $30,000 for the 2009 Test Year.

3) Overtime Costs

Table 7 on Page 6 of Exhibit 4 Tab 2 Schedule 6 shows overtime costs for union employees increasing from the current levels of $70,000/year to $94,529 for the 2009 test year. This was based on overtime/employee. However, a review of current year to date 2008 costs would show that overtime is related to work performed after normal business hours and not based on the number of employees. As a result, Welland Hydro proposes to reduce total wages by $20,000 in the 2009 test year.

2009 Additional Manpower

1) Apprentice Linepersons

During 2006 and 2007 there was a shortage of available outside contractors to perform work on Welland Hydro's distribution system. However, during 2008 Welland Hydro has seen an increase in the availability of qualified outside contractors which can be utilized for both maintenance and capital projects. As a result of this and the apprentices which have been added in 2007 and 2008 this position would be the first candidate for deferral.

2) CDM Analyst

The current Minister of Energy has recently encouraged all LDCs to be actively involved in the promotion of energy conservation. Currently the workload for implementing energy conservation and OPA programs falls under the direction of the Director of Customer Services with help from the Regulatory Analyst and other staff. Forecasted work load for these employees will only increase with the installation of smart meters and the change to International Financial Reporting Standards. Should this position not be added, additional manpower may be required in accounting to assist with IFRS implementation.

2009 Capital Spending

1) Crowland TS Wholesale Metering Point

As indicated in Exhibit D Page 11 of the responses to SEC interrogatories the total cost for the Crowland Wholesale Metering Point project may be reduced by exploring less expensive alternatives subject to approval by Hydro One. As a result, Welland Hydro proposes to reduce the total amount of this expenditure from $560,000 to $280,000 for the 2009 Test Year.

This would reduce 2009 Test Year capital spending to $2,278,000 which is in line with 2007 Actual and 2008 Bridge Year total capital spending.

Regulatory Rate Rider

In Exhibit 5 Welland Hydro requested disposition of accounts 1508, 1525, and 1574 for a total of $416,929 over three years ($138,976/yr). In its recent decision for 2008 distribution rates for Horizon Utilities the OEB allowed the clearing of other variance accounts (credit balances) in order to reduce the total bill impact to customers. By adding the balance (Dec/07) and interest for accounts 1580, 1582, 1584, and 1586 the total amount requested for disposition would be reduced from $416,929 to a refund of $251,403. Welland Hydro would propose refunding this amount over a one year period to reduce the impact on customer bills in 2009. In addition, Welland Hydro will complete its review of account 1588 Power Variance Account (Dec/07) to determine any amounts owed to/due from the IESO. Welland Hydro expects a remaining credit balance in this account which could then be added to the amount refunded to customers.

Cost Allocation and Rate Design
4.
[Ref:EB-2007-0002; Ex8/T1/S2/page3]
Preamble: Welland filed a cost allocation study (under EB-2007-0002) in February, 2007 indicating certain revenue-to-cost ratios.

Please provide, in excel format, a copy of the most recent run filed in association with Welland's cost allocation informational filing, as indicated above.

Response:

Excel File Attached – Run #2

5.
[Ref:Ex8/T1/S2/page3]
In its application, Welland provides "Proposed Revenue to Cost Ratio" at Table 4 of Exhibit 8. (Ex8/T1/S2/page3). The row titled "Revenue to Cost Ratios per C.A. Study" reports revenue-to-cost allocation from the 2006 Cost Allocation informational filing. Please indicate from which run of Welland's Cost Allocation informational filing these numbers have been reproduced.

Response:

The revenue to cost ratios found in Table 4 come from Table 1 on Exhibit 8 Tab 1 Schedule 1 Page 2. The information contained in Table 1 are from the Cost Allocation submitted February 15, 2007 Run 2 but have been modified to include

the update of the revised 2006 EDR rates as a result of EB-2007-0663 for increased PILS revenue.

6.
Preamble: Welland states at Ex8/T1/S2/page3 with respect to revenue-to-cost ratios that, "[there is a] further adjustment to be made in 2010 when additional adjustments are made to Street Light and Sentinel Light classes." Welland is scheduled to file incentive rate mechanism (IRM) applications in 2010, 2011, 2012.

Staff has prepared the following table regarding revenue-to-cost (R/C) ratios and included Welland's proposed cost allocation ratios for 2009.

a. Please complete the non-shaded cells in the table for Welland's intended cost allocation ratios for 2010 and 2011.

Response:

Based on the revenue requirement in the current 2009 rate application Welland Hydro-Electric System Corp. will complete the phase in of increased rates to Street Lights and Sentinel Light customer classifications in 2010 with an offsetting decrease to the Residential Classification. There are no further changes expected in 2011.

Table 1: Cost Allocation Ratios for Welland

Class	CA Report Range	CA Info. Filing	2009 Rate Application As Requested	2010/11 IRM
Residential	85-115	127.24	114.46	111.13
GS<50	80-120	75.20	86.00	86.00
GS>50KW	80-120	65.22	85.64	85.64
Large Use	85-115	100.69	99.99	99.99
Street	70-120	12.17	40.96	71.27
Sentinel	70-120	18.71	55.10	91.30
USL	80-120	114.89	100.58	100.58

b. Please confirm that Welland proposes to implement the ratios in the 2010 and 2011 columns in the table in part (a) in its 2010 and 2011 IRM rate applications.

Response:

Confirmed

7.
[Ref:Ex8/T1/S2/page3]
The Report of the Board, Application of Cost Allocation for Electricity Distributors, set 70% as the lower bound for revenue-to-cost ratios for both Street Lighting and Sentinel Lighting. Please explain why Welland proposes to move Street Lighting to 70% and Sentinel Lighting to 90% respectively, given both classes have the same 70% 'revenue-to-cost' lower bound.

Response:

The dollar impact to the Street Light customer classification was significant compared to the impact on the Sentinel Light classification.

8.
[Ref:Ex9/T1/S1/page5; Ex9/T1/S8/Appendix A/page3]
Preamble: Welland is recommending that the fixed portion of the [GS>50] customer classification be reduced from the current 56.55% to 51.16%. Welland further indicated that, "customers at the low end of this rate classification (50 to 100kW) would be subject to higher bill impact percentages at the current fixed rate proportion." The distribution bill impact for certain customers served under the GS>50 kW classification exceeds 15% year-over-year.

Please provide the following:

a. If the fixed portion of the GS>50 kW class were to remain at 56.55%, what would be the overall bill impact for a GS>50 kW customer with a demand of 62kW.

Response:

17.34% See Exhibit A

9.
Please explain why the Monthly Service Charge for the Residential, GS<50, GS>50, Large Use, and USL classes exceed the ceiling as set out in the cost allocation informational filing.

Response:

As per Exhibit 9/Tab 1/Schedule 1/Page 4 Welland Hydro proposes to maintain the current fixed and variable proportions for the proposed 2009 rates with the exception of General Service 50 to 4999 kW. Welland Hydro is recommending that the fixed portion for General Service 50 to 4999 kW customers be reduced from the current 56.55% to 51.16%.

Any changes in monthly service charges are due solely to changes in the total base revenue requirement attributable to each customer class. Consistent with the

position of Norfolk Power in its 2008 Rate Application EB-2007-0753, it is Welland Hydro's understanding that a ceiling was not established by the Board's report Application of Cost Allocation for Electricity Distributors. In the case of Norfolk Power the Board agreed with this position in the Board's Decision for the Norfolk Power's 2008 rate application. In that Decision the Board stated:

> **"Board Findings**
>
> **As noted above the Applicant does not propose to change the relationship between the fixed portion of the customer's bill and the portion that varies with load.**
>
> **The Board has convened a consultation with the industry and stakeholders respecting many aspects of rate design, including the fixed/variable split. (EB-2007-0031). The relationship between the fixed and variable portions of the customer bill has important implications for ratemaking, and the magnitude of the fixed charge has benefits and drawbacks for various stakeholders.**
>
> **In light of the consultation initiated by the Board on these subjects it would be inappropriate to attempt to predict its outcome and to impose a new structure on the Applicant. Accordingly the Board accepts the Applicant's proposal."**

Revenue Offset
10.
[Ref:Ex3/T3/S1/page1; Ex7/T1/S1/page2; Ex8/T1/S1/page2]
Preamble: In its application, Welland has applied for revenue offsets totaling $656,350. This same figure can be found at Table 1 of Ex7/T1/S1/page2, line item "Other Operating Revenue (Net)" as $656,350. However, in the Summary of Other Operating Revenue (Ex3/T3/S1/page1), Welland has stated the equivalent figure as totaling $546,356 (Total Other Income & Revenue). The evidence presented is contradictory.

Please provide an explanation of the discrepancy between these two amounts, and clarify the total revenue offset for which Welland seeks recovery.

Response:

The evidence presented is not contradictory but just a matter of presentation. In Exhibit 3 SSA Administrative Revenue, Retail Services Revenue, and Service Transaction Requests and included in Total Service Revenue (see Exhibit 3 Tab 1 Schedule 2 Pg 1). In Exhibit 7 they were included in Other Operating Revenue.

	Other Revenue
Per Exhibit 3	**$546,356**
Adjust for SSA Admin Rev	**72,780**
Adjust for Retail Services Rev	**35,174**
Adjust for Service Trans Rev	**2,040**
Per Exhibit 7	**$656,350**

The $656,350 represents the revenue offsets which are not included when calculating fixed and variable distribution rates.

Deferral and Variance Accounts
11.
[Ref:Ex5/T1/S2/page1; Ex5/T1/S3/page1]
Welland is requesting for disposition of regulatory deferral and variance accounts.

a. Please provide the information as shown in the attached continuity schedule (Attachment A) in excel format for regulatory assets. Please note that forecasting principal transactions beyond 2007 and the accrued interest on these forecasted balances and including them in the attached continuity schedule is optional.

Response:

Excel File Attached-See Exhibit P

b. Please provide a schedule reconciling the claim in the completed continuity schedule in part (a) with Tables 2 (Ex5/T1/S2/page2) and Table 3 (Ex5/T1/S3/page1) of Welland's application.

Response:

The only difference in the attached Excel spreadsheet and Table 2/Table 3 in Exhibit 5 (non RSVA) is that the Deferred Revenue Account (1574) in Exhibit 5 was assumed to take place in 2007 when the actual journal entry was not made until 2008. The spreadsheet shows the entry as occurring in 2008. For information purposes Welland Hydro has also displayed the Regulatory Asset Recovery in 1590 during 2008. There is a small debit balance of $13,834 remaining in this account which Welland Hydro will request disposition at some point in the future.

For the RSVA Variance accounts Welland Hydro has not provided any forecasted transactions for 2008 or 2009. However, Welland Hydro is current reviewing the December 31, 2007 balance in the 1588 account to determine any balance due to/from the IESO.

12.
[Ref:Ex5/T1/S1/page2]
Preamble:
Page 16 of the Board's Accounting Procedures Handbook for Electric Distribution Utilities (APH) outlines the costs to be recorded under Account 1508: Other Regulatory Assets, Sub-account Pension Contributions (OMERS). The period of recording transactions in the APH is stated as January 1, 2005 to April 30, 2006. Welland states that the balance reported in Account 1508 OMERS reflects "the period [for recording of transactions is] January 1, 2004 to April 30, 2006." [Ex5/T1/S1/page2]

Please provide the closing balance in Account 1508: Sub-account Pension Contributions assuming a start date of January 1, 2005 for the accruals.
Response:

The balance in the 1508 pension sub-account is correct. Exhibit 5 Tab 1 Schedule 1 Page 2 should have read "the period January 1, 2005 to April 30, 2006 not included in rates". The excel spreadsheet in response to #11 verifies that no pension expense had been deferred in 2004.

13.
[Ref:Ex1/T1/S16/page1]
Preamble: Welland states that, "Account 1574 had a zero balance as at December 31, 2007 as the programming required to calculate the deferral amount was not complete until after year end. The entry to record the amount of deferred revenue for the October 1, 2007 to January 31, 2008 period was made in June, 2008."[Ex1/T1/S16/page1] Usual Board practice in the electricity sector is to use audited numbers for the last fiscal year as the basis for balances in the deferral and variance accounts for disposition, with interest forecasted up to the start of the new rate year.

Please explain why Welland in forecasting a principal balance for disposition beyond the most recent audited year (ending December 31, 2007) is not following usual Board practice?

Response:

Welland Hydro-Electric System Corp. will arrange for Deloitte to audit this amount in December, 2008. In the response to Energy Probe Interrogatory #31 Welland Hydro identified how this amount was calculated and how a quick verification of the reasonableness of the dollar amount could be verified. As indicated in the response to Energy Probe the failure to remove the loss carry forward from the calculation of PILS required in rates resulted in a significant negative effect on revenues in prior months. Welland Hydro-Electric System Corp. believes that it should not be penalized any further by having to wait for the collection of the Deferred Revenue account.

14.
[Ref:Ex5/T1/S3/page1; Ex5/T1/S4/page1]
Welland provides details and calculations of the proposed deferral and variance account rate rider by classification in Table 3 (Ex5/T1/S2/page1) and Table 4 (Ex5/T1/S4/page1). Welland has proposed a recovery period of three years.

a. Please update Table 3 and Table 4 to include any effects from incorrect accruals or forecasting of balances.

Response:

Welland Hydro-Electric System Corp. believes that the balances for recovery in Table 3 from Exhibit 5 are correct. The only issues are the interest rate used in the rate application of 4.29% and the collection of the deferred revenue account. Although the interest rates have gone down since the application was filed, this reduction would not only affect the regulatory rate rider but other items such as Interest Income. As a result, Welland Hydro-Electric System Corp. believes no changes should be made until all adjustments are considered.

b. Please provide similar tables as in part (a) above if the Board were to authorize the recovery of the requested accounts over a period of:

(i) one year;
(ii) two years.
Response:

See Exhibits B, C, & D

Loss Factors
15.
[Ref:Ex4/T2/S8/page1]
Welland has proposed a distribution loss factor (DLF) of 1.0485, the yearly average of its DLF over the 2005-2007 three-year period. Welland's DLF in 2006 was 1.0362. Please explain why the DLF applied for by Welland is considerably higher than Welland's approved DLF in 2006 and what is being done to reduce it.

Response:

Attached in Exhibit E are copies of pages 3 and 4 from the OEB Decision and Order EB-2005-0428 for the 2006 EDR approved rates. The Board approved a Distribution Loss Factor of 1.0599. Based on a Supply Facility Loss Factor of 100.45% this would put the Distribution Loss Adjustment Factor for 2006 at 1.0552. This loss factor was based on the average from years 2002 to 2004. The amount of 1.0362 for 2006 was the actual for the year and not the approved loss factor.

16.
Welland has proposed a total loss factor (TLF) of 1.0532, the yearly average of its TLF over the 2005-2007 three-year period. Welland's TLF in 2006 was 1.0409 (1.0362 x SFLF). Please explain the increase in the applied for TLF compared to the 2006 TLF.

Response:

The Distribution Loss Adjustment Factor proposed for 2009 of 1.0485 is a significant reduction from the 1.0552 included in current rates. It is also below the 5% level set by the OEB. Welland Hydro-Electric System Corp. believes that a three year average is the best method of determining the loss factor to reduce exceptional losses in any one year.

17.
[Ref:Ex 3/T2/S2/page 3]
Please explain if Welland's test year customer count forecast for 2009 is consistent with one or more external forecasts (such as Housing Outlook reports from CMHC or the national Banks). Please provide the reference to the reports/forecasts used and explain how these forecasts support Welland Hydro's projections for customer additions in the test year. If the external reports/forecasts do not support Welland Hydro's proposed customer forecast, then please explain the reasons for any variances.

Response:

The forecasted number of customers for Residential, Sentinel Light, Street Light and Unmetered Scattered Load classes was based on the average of the yearly changes from 2002 to 2007 as opposed to any external report. Exhibit G in the responses to Energy Probe contains Welland Hydro's current customer count versus the 2008 Bridge Year forecast. The growth in the Residential class year over year of 0.5% is slightly under the 0.8% used for the forecast. Unmetered Scatter Load is on track to hit forecast while Street Lights is ahead of forecast.

There are a number of other issues which have a greater material impact on the load forecast. They can be summarized as follows:

1) Loss of two Large Use customers since the application was filed.

2) Removal of Sentinel Lights to comply with the Affiliate Relationship Code.

3) Continued shift from the GS 50 to 4999 kW to GS<50 kW beyond forecast. The total number of customers for these two classes has increased in 2008.

4) The 2004 weather normalized usage for Residential class appears too high

18.
Please develop a customer forecast for the Residential, GS less than 50 kW and GS greater than 4999 kW rate classes using a simple linear trend method for bridge year and test year. Please also provide the impact on the proposed load and revenue forecast in the bridge year and test year if this alternate customer forecast were adopted.

Response:

Welland Hydro believes that it has used a simple linear trend to forecast the number of customers in the Residential class. Applying the same method to the number of customers in the GS classes would result in reduced customers in each class as shown in Exhibit F. As a result of significant changes between the GS<50 kW, GS 50 to 4999 kW, and Large Use classes in 2007 Welland Hydro-Electric System Corp. believes that this method should not be used for General Service classifications. In addition, the total number of General Service customers has increased in 2008.

19.
Based on the response to the questions above, if Welland decides to restate its as-filed customer forecast, then please also update the load and revenue forecasts to reflect the change in the customer forecast.

Response:

See Exhibit G

Weather Forecast
20.
[Ref:Ex 3/T2/S9/page 6]
Preamble: At Ex 3/T2/S1/page 1, Welland states, "The Hydro One model takes into consideration thirty years of weather related data and translates this into current year normalized data as an annual consumption per customer. The Hydro One model normalized Welland Hydro's actual wholesale data for 2004. By using the latest Hydro One forecast that is specific to Welland Hydro, the 2004 weather normalized data has been used to forecast the required information for the 2008 Bridge Year and 2009 Test Year for the Residential Class".

a. Please provide supporting spreadsheets that describe the methodology and calculations used to normalize Welland's actual load.

Response:

Please see Exhibit 3 Tab 2 Schedule 7 Page 1.

RESIDENTIAL
Number of Customers

Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Bridge Year 2008	Test Year 2009
18,768	19,007	19,142	19,290	19,399	19,512	19,664	19,818
	1.0127	1.0071	1.0077	1.0057	1.0058	1.0078 Avg.	

2008 Bridge Year

19,512 x 1.0078 = 19,664 customers x 8427 NAC = 165,706,267 kwh

2009 Test Year

19664 x 1.0078 = 19,818 customers x 8427 NAC = 166,999,701 kwh

b. As noted in the preamble, the Hydro One model normalized Welland's actual 2004 wholesale data. Please explain the rationale for using 2004 data rather than more recent actual wholesale data (such as 2007) to develop the 2009 test year load forecast. If more recent data is available please restate the proposed load and revenue forecast using more recent actual wholesale load data.

Response:

The 2004 weather normalized data provided by Hydro One is the only weather normalized data available to Welland Hydro. Hydro One only provided information to determine the 2004 values. In order to obtain weather normalized data for other years Welland Hydro would need to contract with Hydro One to prepare this information and it is expected Hydro One would charge Welland Hydro 10's of thousands of dollars for this information. It is Welland Hydro's view that this would not be a prudent cost.

Load Forecast
21.
[Ref:Ex 3/T2/S9/page 6]
On September 2, 2008, Deere & Co. announced the closure of its Welland plant. Please clarify the following:

a. Is Deere & Co. a customer of Welland? If Deere & Co. is a customer, then please provide its rate class classification and its annual historical load for the period 2004 to 2007?

Response:

John Deere is a current Large Use customer of Welland Hydro and was in this classification for all of the periods noted above.

2004 67,320 kW (12 months Billing Demand)
2005 68,724 kW "
2006 68,462 kW "
2007 69,635 kW "

b. Is the loss of this customer reflected in Welland's customer forecast?

Response:

No, the announcement was made after the application was filed.

c. Is the loss in load as a result of the plant closure reflected in the load forecast? If it is, then please explain the adjustments and the magnitude of the adjustments.

Response:

No, the announcement was made after the application was filed.

d. If the answer to b and/or c is no please provide revised forecasts which include the impact from the loss of Deere & Co as a customer.

Response:

$135,996 at 2008 rates as displayed in Exhibit G.

22.
Please provide the following information regarding the accuracy of Welland's previous load forecasts for the Residential, GS less than 50 kW and GS greater than 4999 kW rate classes. Please describe the methodology adopted in each year if it is different from the load forecasting methodology proposed in this application:

a. What was the forecast error (i.e. variance between total normalized actual 2004 load versus forecast 2004 load) of the 2004 load forecast?

Response:

As outlined in the response to OEB 20 b, the only normalized data available to Welland Hydro is the 2004 data. The following outlines the 2004 actual data and the 2004 weather normalized data from Hydro One provided in response to OEB 22 a.

Rate Class	2004 Actual	2004 Weather Normalized
Residential class	164,356,707	167,248,797
General service <50kW	51,860,865	52,453,242
General service >50kW	152,723,523	153,816,809
Large Use	125,053,342	125,053,342
Street lighting	4,909,294	4,909,294
Sentinel lighting	1,038,737	1,038,737
USL	1,242,958	1,242,958
Total	501,185,426	505,763,179

b. What was the forecast error (i.e. variance between total normalized actual 2005 load versus forecast 2005 load) of the 2005 load forecast?

Response:

Total normalized actual 2005 load data is not available.

c. What was the forecast error (i.e. variance between total normalized actual 2006 load versus forecast 2006 load) of the 2006 load forecast?

Response:

Total normalized actual 2006 load data is not available.

d. What was the forecast error (i.e. variance between total normalized actual 2007 load versus forecast 2007 load) of the 2007 load forecast?

Response:

Total normalized actual 2007 load data is not available.

e. What was the year-to-date (Jan-08 to Aug-08) forecast error (i.e. variance between total normalized actual 2008 load versus forecast 2008 load) of the 2008 Bridge year load forecast?

Total normalized actual 2008 load data is not available.

OPERATIONS, MAINTENANCE & ADMINISTRATIVE EXPENSES

23.
[Ref:Ex4/T1/S1]
The figures in the table below are taken directly from the public information filing in the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website. Please confirm Welland's agreement with the numbers for OM&A, which are summarized in the table below. Where Welland does not agree with the OM&A numbers in the table below please provide the revised number and an explanation of why it has been revised.

	2002	2003	2004	2005
Operation	$863,978	$806,518	$1,105,257	$1,029,962
Maintenance	$702,032	$759,391	$667,983	$762,412
Billing and Collection	$938,019	$1,160,287	$1,105,301	$874,402
Community Relations	$109,528	$111,433	$126,376	$56,574
Administrative and General Expenses	$895,642	$1,073,131	$1,290,186	$990,404
Total OM&A Expenses	$ 3,509,199	$ 3,910,759	$ 4,295,103	$ 3,713,754

Response:

Operations-Confirmed

Maintenance Reported	**2002**	**2003**	**2004**	**2005**
	$702,032	**$759,391**	**$667,983**	**$762,412**
5195	**8,016**	**24**	**404**	**0**
Total Maintenance	**$710,848**	**$759,415**	**$668,387**	**$762,412**

Billing & Collections – Confirmed

Community Relations - Confirmed

Administration- All years are correct excluding 2003 which should read $1,104,548.

24.
[Ref:Ex4/T2/S1]
What inflation rate is used for the 2009 OM&A forecast and what is the source document for inflation assumptions?

Response:

Inflation 2008 Bridge Year versus 2009 Test Year

Wages: - See Exhibits M, N, & O
Benefits – See Exhibits M, N, & O
OMA Expenses – 2% Average

2008 OMA Bridge Year Expenses were based on 2008 Budget (YTD September 2007 actual plus three months forecast). The 2009 OMA Test Year was adjusted as necessary based on full year actual 2007 numbers.

25.
[Ref:Ex4/T2/S2]
Maintenance expenses (total $1.2 million - 2009) have shown relatively large increases in recent years as follows:

- **2009 vs 2008 – 8.4%**
- **2008 vs 2007 – 22.7%**
- **2007 vs 2006 – 25.1%**
- **Overall 2009 vs 2006 – 66.3%**

Maintenance expenses have also exceeded budget for many of the 16 sub-accounts in recent years. The application refers to the higher costs of "predictive and preventative" maintenance of the distribution assets.

Please provide a thorough explanation of the main cost drivers for the increases in maintenance expenses since 2006. Are these expense increases part of an overall plan or strategy by the utility? If so, please describe the plan and state the expected benefits going forward (e.g., reduced outages, reduced future maintenance costs). Where possible, please quantify the ratepayer benefits of the maintenance plan.

Response:

See Exhibit L for detailed maintenance expense analysis.

As can be seen from Exhibit L the main cost driver for maintenance costs are labour cost. From 2006 to 2009 there is an increase of three linepersons. These additional costs have been allocated in 2008 and 2009 across all sub-accounts in Operation and Maintenance based on 2007 Actual Labor Cost. There has been a decrease in labor

charged to third party and capital since 2006 which would affect labour cost in both operations and maintenance. In addition, 2006 had four months of deferred pension (8 months actual) which also would affect labour in both operations and maintenance. In addition, the added GIS analyst added in 2008 is part of Engineering costs which are charged out to operations and maintenance based on direct labour costs.

The addition of the apprentice linepersons is necessary to ensure that Welland Hydro-Electric System Corp. has fully qualified personnel in place to replace an aging workforce. As a result of the 5 year training time period required for linepersons, Welland Hydro-Electric System Corp. introduced this program in 2007 before these costs were included in distribution rates.

The increase in subcontracting is related to two items. The first is tree trimming which is based on a three year cycle. The cost for subcontracting expenses related to tree trimming were $82,480 in 2006 and are budgeted at $162,000 in 2009. The second is a program required (legislation) to inspect installed transformers for PCB contamination.

26.
[Ref:Ex4/T2/S6/Pg4]
The evidence indicates that a Conservation and Demand analyst will be added to Welland's staff in 2009.

a) Please provide the underlying rationale for adding this position. What portion of this employee's work will involve implementing CDM projects financed by the Ontario Power Authority?

Response:

See Energy Probe Interrogatory #22

The position will be devoted to conservation programs that are unique to Welland Hydro's customer base and can support the recent announcement by the Minister of Energy for the province of Ontario to develop, promote, market, and sustain energy conservation in the city, region, and province. To ensure that all of Welland's customers from small residential, commercial, and large industrial users can all benefit from CDM programs that their competitors in large communities benefit from. Welland Hydro would like to become the leader in energy conservation in the municipality and become a information resource for our customers and contractors.

The 2009 Test Year has $53,035 (66%) in wages and benefits charged to third party customers (OPA in this case) of the total cost of wage and benefits cost of $80,274 related to the CDM Analyst position.

b) What portion of this employee's salary and related expenses will be financed by the Ontario Power Authority, and not through the revenue recovered through the utility's distribution rates?

Response:

See the response to question a) above.

c) If any of the costs associated with this position are proposed to be recovered through Welland's distribution rates please explain why.

Response:

The remaining 34% of the Conservation Demand Analyst position will be recovered in distribution rates. See 26 a) for the rationale of adding this position.

27.
[Ref:Ex4/T2/S6/Pg4]
The evidence indicates that regular staff at Welland (customer service, accounting and IT) will be involved in implementing CDM projects financed by the Ontario Power Authority.

a) What portion of these employees' expenses will be financed by the Ontario Power Authority, and not through the revenue recovered through the utility's distribution rates?

Response:

Conservation and Demand expenses related to OPA programs in 2007 and 2008 undertaken by current employees of Welland Hydro have been billed to the OPA and not included in actual expenses or distribution rates. The 2009 Test Year assumes the time spent by current employees on OPA programs will be taken over by the Conservation and Demand analyst forecast to be hired in 2009. Both the Director of Customer Service and the Regulatory Analyst will focus there time on the changes necessary for the implementation of Smart Meters and changes due to IFRS which will both require a significant amount of time and effort.

b) If any of the costs associated with this position are to be recovered through Welland's distribution rates please explain why.

Response:

See the response to question c) above.

28.
[Ref:Ex4/T2/S6/Pg2]
The evidence mentions a 5-year lineperson's apprentice program. Please describe the

a) need for the program,

Response:

Power Linepersons are responsible for the construction and maintenance of electrical distribution lines. In order to conduct this type of work, a four-year apprenticeship under the auspices of the Ministry of Training, Colleges and Universities is required. In order to replace retiring linepersons an apprentice program must take place five years prior to such retirements taking place.

b) the costs, and

Response:

Wages and Benefits plus training costs. The apprentices are required to take two weeks courses (after working for a period of time) every year for four years. The cost of the programs is approximately $3,000 per course plus $2,000 travel and living expenses.

c) the expected benefits.

Response:

Welland Hydro plans to maintain a complement of fully qualified linespersons suitable for an LDC of our size. The staffing level is based on historical requirements as well as more immediate needs. The staffing of fully qualified linespersons is essential in order to maintain the distribution system in a condition which is both safe and reliable. There must also be adequate line staff to perform task as per the requirement of EUSA and applicable legislation such as the Ontario Employment Standards Act.

29.
[Ref:Ex4/T2/S6/Pg1]
The evidence mentions an aging workforce and a need to plan for "the new future". Please provide a description of the utility's plan to address the aging workforce issue. In doing so, please address the expected timeframe, costs, and benefits of implementing the plan.

Response:

Welland Hydro-Electric System Corp. has taken various steps to ensure that a fully qualified skilled work force and strong management team are in place both now and in the future. Implementing the linesperson training program began in 2007 and will continue through 2009. Education and development of both the new hires and existing employees remains a priority for Welland Hydro. In 2008, a Welland Hydro employee successfully completed the Metering Technician Level 3 program.

Post secondary education has become a key requirement for new hires including unionized clerical positions. The last hires in both Customer Service and IT both have post secondary education and are candidates for advancement within each department. The position added in 2008 within the engineering department also had a post secondary education requirement and additional training of all engineering staff is encouraged by Welland Hydro.

Part time labour is being utilized to train a replacement Customer Service Representative in preparation for the possible retirement of two current employees in 2009.

A key part of the planning for future staffing began in 2005/6 when a labor consultant was utilized to document job descriptions and job evaluations. Another important part of this study was a market place wage evaluation for each position. Welland Hydro must offer competitive wage rates to not only keep key current employees, but ensure that employees currently being trained remain with the company once training is complete. Competitive salaries are also required to attract replacement of key management employees in the market place should no qualified employee exist within Welland Hydro.

30.
[Ref:Ex4/T2/S6/Pg5]
The evidence mentions the Management Performance & Compensation Plan for salaried employees. It also mentions measurement through individuals' alignment with quarterly and annual targets associated with the business plan. Please list the specific targets and describe how compensation is linked to those targets. Please describe how the performance plan is aligned with utility ratepayer (i.e. customer) interests. Does the utility have a special bonus (or incentive) plan over and above the base plan and if so, please provide the details, including who is eligible, and the specific nature of the plan.

Response:

The 2008 targets for 2008 are included in Exhibit S.

Departmental targets are reviewed quarterly by the appropriate Board Committee. All departments' summary is reviewed by Board quarterly.

The Board's Compensation Committee reviews Management's performance compared to target for the previous year when setting Management salary for the following year. The Compensation Committee establishes a weighting for each target for each Management employee.
Please review Exhibit S and notice most of the targets are aligned with Customer interest and are aligned with the compensation plans indicated above.

The utility has an incentive plan based on performance. Subject to the annual review by the Compensation Committee, the Board can adjust on each individual salary plus or minus 15%.

The largest increase to date is 3% above base salary. We have instances with Management employees receiving a decrease in salary based on their performance review.

31.
[Ref:Ex4/T2/S6]
Please provide a table showing the percentage increases in base salary and total compensation (salary wages and benefits) budgeted for 2009 broken down by major employee grouping (e.g., executive, management, non-union and unionized workers).

Response:

Please see Exhibit M, N, & O

Exhibit M

The increase in 2007 versus 2006 base wages before new hires of 7.98% is the result of three separate issues as follows:

- **a) vacation pay out for employees who could not take vacation time due to workload**
- **b) full year finance director as there was a time in 2006 where the position was vacant**
- **c) first year increase due to market place wage study**

The new employee added in 2007 was added in April/07 and therefore the 2008 wage amount represents a full year affect.

The increase in 2007 versus 2006 benefits has the affect of 12 full months of pension benefits ($26K) versus only 8 in 2006 as four months were charged to the deferred account. Adjusting 2006 for this deferral would result in a 7.9% increase in benefits from 2006 to 2009 (before new hires).

The increase in 2008 versus 2007 base wages before new hires of 3.14% is the result of two separate issues as follows:

a) elimination of vacation pay out in 2007
b) second year increase due to market place wage study

Exhibit N

Welland Hydro has used summer students to cover for vacation replacement in both Customer Service and Accounting. Engineering has used students on work terms to help with the distribution system evaluations as required by the OEB on a revolving three year basis.

Exhibit O

The increase of 3.92% in Union Base before new employees from 2006 to 2007 is the result of an increase of $18K for training a new customer service representative for vacation replacement. This amount has been reduced to $12K in 2008 and 2009 and is necessary as there are two current customer service representatives eligible to retire in 2009. The increase of 4.29% in Union Base before new employees from 2008 to 2009 is the result of Standby charges being increased by $14K. Due to safety reasons there are now two linepersons on call versus only one previously.

The increase in the cost of new employees from 2008 to 2009 is the result of moving from 5th to 4th class wage rates in the collective agreement. This will continue until the employee reaches 1st class.

The increase in benefit cost of 10.67% before new employees from 2006 to 2007 is the result of 12 full months of pension benefits ($30K) versus 8 months in 2006. When 2006 is adjust for the deferred amount the increase in benefits before new employees is 7.4% from 2006 to 2009.

32.
[Ref:Ex4/T2/S6]
Please describe any productivity or cost efficiency programs at the utility that are either in place now or contemplated at some future time. Please describe the nature of each such program and the scope, timing and benefits expected.

Response:

Welland Hydro has been and is involved in productivity or cost efficient programs such as;

1. **Smart Meter procurement and installation.**

   Along with applicable Niagara Erie Power Association (NEPA) Members jointly are proceeding to procure Smart Meter assets and obtain installation contractor to cost effectively implement the required project. Welland expects to have the majority of the meters installed by June, 2009.

2. **Conservation and Demand Management (CDM)**

   Along with applicable NEPA Members jointly share cost for CDM materials and marketing. We also share legal and consultant cost. This initiative is ongoing and will be for the foreseeable future.

3. **Standard Drawing and Materials as per Regulation 22-04**

   Along with approximately 45 other utilities in the Province of Ontario, through membership in Utilities Standard Forum (USF). USF provides a cost effective alternative to utilities such as Welland Hydro, to develop, update, and train utility staff to be compliant with Regulation 22-04, rather than Welland Hydro paying for the full development and ongoing standards cost. Furthermore, cost sharing on standards training is provided through USF

4. **Lease Space**

   Welland Hydro rents garage and accommodations to the Municipal Fire Department. The revenue received offsets the cost of operating the facilities accordingly.

33.
[Ref:Ex4/T2/S2/Pg4]

a) For Regulatory Expenses, please provide a breakdown by expense category/grouping of the $66,500 amount requested for 2009.

Response:

See Energy Probe Interrogatory #23 a

b) Please indicate which cost elements are proposed for a thee-year amortization.

Response:

See Energy Probe Interrogatory #23 a & b

c) Please provide an alternate scenario where the costs are amortized over a four-year recovery period rather than three.
Response:

$90,000/3 = $30,000/year
$90,000/4 = $22,500/year

Please note the consulting costs associated with the 2009 rate application are now expected to be $60,000 versus the forecasted amount of $30,000.

34.
[Ref:Ex4/T2/S2]
Please identify any one-time expenses in 2009 that could be amortized over a period of more than a single year and suggest an appropriate amortization period for those expenses.

Response:

There are no out of the ordinary expenses in the 2009 forecast other than the cost of filing the rate application.

35.
[Ref:Ex4/T3/S1/Pg2]
Please confirm that charitable donations are not included in the revenues recovered through distribution rates. If they are, please provide the dollar amount and reason why these should be recovered through distribution rates.

Response:

Charitable donations are not included in the revenues recovered through distribution rates.

RATE BASE / CAPITAL EXPENDITURES

36.
[Ref:Ex2/T3/S3/Pg1]
Welland Hydro has estimated $200,000 representing miscellaneous pole replacement activities for the 2009 Test Year. Please answer the following questions with respect to pole replacement activities:

a) Please indicate the basis on which poles are identified for replacement.

Response:

Wood poles have all been tested using a third party. The methodology they used involved the injection of sound waves to determine soft spots in the pole itself. This

allowed a determination to be made of the current strength of the pole and an estimate of the remaining useful life.
In addition, visual inspections are done on a rotating basis whereby all poles are inspected once every three years.

The results of the sound wave analysis and visual inspections provide the basis on which poles are target for replacement.

b) Please provide the number of poles replaced/expected to be replaced from 2006 to 2009 and the average cost. This includes all poles that are replaced/to be replaced including those under major capital projects.

Response:

See Exhibit R

37.
[Ref:Ex2/T3/S3]
The pre-filed evidence indicates replacement of the existing back-up generator for Welland's service centre. Please answer the following questions with respect to this project:

a) Was a study conducted to determine that the current generator needs replacement and the kind of system required? If a study was conducted, please provide a copy of the document.

Response:

The was no study performed to determine the current generator needed replacement. A study was performed on what capacity generator was required to provide the entire service center with emergency back up power.

b) If No to "a", how was it determined that the system needs replacement and the options to be considered?

See Energy Probe Interrogatory #9

c) Were other options considered apart from replacing the current generator? If so, please explain why they were rejected. If no other options were examined please explain why not and how it was determined that replacing the current generator was the best option.

Response:

The original 25 kW generator provided backup power for a limited amount of lighting, radio & telephone communications, and electrically driven doors in the

garage area. In the past, severe weather, such as the Ice Storm of 2007, resulted in a major disruption to the Welland Hydro distribution system including the Welland Hydro Service Centre. Interruption of electrical service has emphasized the importance of having a fully operational facility. Building security is maintained and outdoor work, such as the dispensing of necessary materials is accomplished in a safe manner. During major system interruptions, all inside staff are utilized to manage restorations and maintain customer communications. Welland Hydro utilized a consultant to determine the different types of backup power available and to determine the capacity of the generator required to provide back up now and for the foreseeable future. No other options met the requirements to provide immediate back up power to function in a manner which would meet customer expectations of having power restored in the most efficient and timely manner available.

38.
[Ref:Ex2/T1]
Welland has not filed an Asset Management Plan in support of its planned capital expenditures. Please provide an Asset Management Plan or other documentation that describes how Welland's proposed and completed capital expenditures fulfill the Company's objectives of providing long-term reliability, meeting growth demands and meeting or exceeding reliability indicators.

Response:

See Exhibit Q

39.
[Ref:Ex2/T4/S1]
Please provide a detailed "Cost of Power Projection" worksheet showing customer class, volumes, rates and total amounts for 2008 and 2009.

See Exhibits H and I

INCOME TAX

40.
[Ref:Ex4/T3/S1]
Please answer the following questions with respect to income tax calculations:

a) The table showing the detailed tax calculations does not include 2007 information. Please provide a revised table for the years 2006 through to 2009 including the 2007 information.

Response:

See Exhibit J. Please note that 2006 and 2007 represent actual tax filings and include changes due to regulatory assets. These changes are not included in the

2008 and 2009 tax calculation as they are not recoverable in rates. During this process it was discovered that the Ontario Capital Tax was understated for 2008 and 2009 as the model used the Rate Base for Revenue purposes instead of the asset base from the tax filings. The correct Ontario Capital Tax using the 2007 Actual asset base for tax purposes would result in an Ontario Capital Tax payable of $36,333 as opposed to $27,730 in the 2009 Test Year.

b) Please show the calculation of the line item "Utility Income Before Taxes" of $1,573,127 for the 2009 test year. Please also show the calculation of the 2009 test year regulatory income before taxes based on the following calculation: rate base multiplied by the equity thickness multiplied by the return on equity percentage. Please explain why there is a difference.

	%	Rate Base	Rate of Return	Return After Tax
Equity	43.3	$11,831,503	8.57%	$1,013.960
PILS Expense				559,167
Income Before Tax				$1,573,127

The Utility Income before Taxes represents the amount based on return on equity.

c) Non-deductible meals and entertainment expense are added back in the calculation. Please explain why these charges, which are not deductible for tax purposes, should true up to the ratepayers.

Response:

The adjustment for meals and entertainment was allowed in the 2006 EDR tax model. The return on equity is on an after tax basis and should include all additions and subtractions to income excluding the effect of regulatory assets.
d) Please provide a table that describes the reserves, and explains all of the causes of the difference between the reserves added back and deducted in each year 2007, 2008 and 2009.

Response:

See Exhibit K

e) Please explain why Ontario Capital Taxes have been deducted to calculate the Regulatory Taxable Income.

Response:

Ontario Capital Taxes paid is an allowable deduction before calculating PILS payable in the actual tax filings and therefore should be deducted to determine Regulatory Taxable Income.

COST OF DEBT

41.

[Ref:Ex6/T1/S1]

Welland has requested a return on Long-term Debt for the 2009 Test Year of 6.25% which is the rate being currently paid on an existing long-term loan of $13.5 million to the City of Welland, its shareholder. Please answer the following questions with respect to the Company's long-term debt:

a) Please provide a copy of the original Promissory Note and any revisions or amendments made to this Note.

Response:

Please see Energy Probe Exhibits K, L, and M

b) In Note 17 to Welland's financial statements of December 31, 2007, the Company states that the rate of 6.25% will remain in effect until 2009 or 2010. Please clarify.

Response:

This paragraph is talking about the Rate of Return allowed by the OEB on Long Term Debt, not the interest rate on the actual Long Term Debt with the city of Welland. Welland Hydro expected to rebase in either 2009 or 2010 at which time the OEB would have set a new allowed interest rate for long term debt.

c) Does Welland intend to refinance its long-term debt in 2009 or 2010? If "Yes", please provide details.

Response:

No changes are planned with the Long Term Promissory Note with the City of Welland.

d) In Note 17 to Welland's financial statements of December 31, 2007, the Company indicates that there is no "term length" associated with the Promissory Note but the City can demand payment twelve months after notice has been provided. Is Welland permitted to repay the outstanding amount to the City of Welland by providing notice according to the terms of the Note? If so please explain any terms, payments or penalties associated with such a repayment.

Response:

Welland Hydro-Electric System Corp. is not allowed to pay back any principal without the prior consent of the City of Welland.

e) In Note 17 to Welland's financial statements of December 31, 2007, the Company indicates that to test the marketplace, Welland obtained a quote on a ten year note with no principal repayment. Quoted rates were between 5.00% and 5.25%. Does Welland intend to refinance at the quoted rates? If "No", please provide reasons.

Response:

Welland Hydro-Electric System Corp. has no plans to refinance as it does not have the option to pay off the principal on the Long Term Note Payable to the City.

f) In Note 17 to Welland's financial statements of December 31, 2007, the Company indicates that if it were to refinance at current market rates, the interest expense would be reduced by $135,000 annually. Please calculate the revised revenue requirement assuming that the Company was to refinance at the quoted market rate of 5.25%.

Response:

See D and E above.

Specific Service Charges
42.
[Ref:Ex1/T1/S18/P1; Ex1/T1/S18/AppendixE; and Ex1/T1/S2/AppendixA]
Preamble: Welland did not file its Conditions of Service in its application for 2009 rates. Welland filed this document separately with the Board on August 11, 2008. Welland states, the most recent prior revision to the Conditions of Service was in 2004. Please file a copy of Welland's updated Conditions of Service in this proceeding.

Response:

PDF file attached

The following fess and charges outlined in Welland's Conditions of Service are not reflected on the "Schedule of Proposed Rates and Charges", as found at Ex1/T1/S2/AppendixA. For each of the following, please provide an explanation and state if Welland intends to file a revised "Schedule of Proposed Rates and Charges" reflecting the applicable fees and/or charges:

a. Amendments and Charges (p.6) – What fee is charged to provide the customer with a copy of the Conditions of Service?

Response:

There is currently no charge for a copy of the Conditions of Service. Only one such copy has been requested since 2002. It is also available on Welland Hydro's web site where it can be retrieved and printed.

b. System Expansion Alternative Bid (p.12) – What fixed fee and hourly rate does Welland charge for the inspection services cited?

Response:

Welland Hydro charges fully absorbed actual labor (including benefits, engineering, administration, and IT overheads), material, and equipment for inspection services related to system expansion.

c. Electrical Disturbances (p.18) – Does Welland charge a standard fee for this notification letter?

Response:

There is currently no service charge in matters regarding Electrical Disturbances that does not involve non-payment or planned outages for maintenance. This is more related to safety issues (ESA) for both the customer and Welland Hydro employees.

d. Power Quality (p.20) – What rate does Welland charge for time spent investigating these problems?

Response:

There is currently no charge for investigations relating to power quality during normal business hours. Should the customer request involve Welland Hydro personnel after normal business hours and the problem is not a result due to Welland Hydro electric plant then the customer pays all actual labor and equipment incurred by Welland Hydro.

e. Collection charge (p.30) – What does Welland charge for this service?

Response:

Presently, Welland Hydro does not have a person performing this service but may but may implement it in the future at a rate to be determined.

f. Temporary Electricity Services (p.31) – What does Welland charge for these services?

Response:

Actual labour and material cost plus markup of 7% to install the temporary service. They are required to pay a deposit and are charged normal distribution rates on an ongoing basis until the temporary service is removed.

Please explain why several "Miscellaneous Service Charges" do not appear on Welland's "Schedule of Proposed Rates and Charges". Below is a list of the omitted charges:

g. Reminder/Disconnect notice

Response:

Welland Hydro has never had a service charge for issuing reminder/disconnect notices.

h. Historical Billing Information

Response:

Welland Hydro charges for Statement of Accounts, Request for other billing information, and Account history which are all related to Historical Billing Information.

i. Energy Use Audits

Response:

Welland Hydro currently does not provide such service but this may be a program the proposed addition of a CDM Analyst could provide.

j. Station Isolation

Response:

Actual labour and equipment fully absorbed costs plus 7% margin.

k. Underground Locates

Response:

Welland Hydro does not currently charge for these services which are offered free of charge during regular business hours for safety considerations.

l. Power Quality Analysis

Response:

Upon request Welland Hydro-Electric System Corp. will install voltage and current recording devices during regular business hours. There currently is no charge for this system which is used on a very limited basis.

m. Customer Related Troubles

Response:

See response to Electrical Disturbances c).

n. Records Search

Response:

See response to Historical Billing Information h).

Exhibit A
Welland Hydro Electric System Corporation

GENERAL SERVICE 50 TO 4,999 KW - BILL IMPACTS (Monthly Consumptions)

WELLAND HYDRO COMPARISON 2007 - 2009

		2008 BILL			2009 BILL-51.16% Fixed			2009 BILL 56.55% Fixed		
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $
Consumption	Monthly Service Charge			192.09			327.61			361.84
9,840 kWh	Distribution (kW)	62	0.8047	49.89	62	1.7064	105.80	62	1.5180	94.12
62 Kw	**Distributor**			**241.98**			**433.41**			**455.96**
	Regulatory Assets (kW)			0.00	62	0.0357	2.21	0	0.0357	0.00
Loss Factor	Retail Transmisson (kW)	66	3.1501	207.01	65	3.1501	205.70	65	3.1501	205.70
	Wholesale & Rural (kWh)	10,429	0.0062	64.66	10,363	0.0062	64.25	10,363	0.0062	64.25
1.0532 2009	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
	Debt Retirement	9,840	0.0070	68.88	9,840	0.0070	68.88	9,840	0.0070	68.88
	Cost of Power Commodity (kWh)	10,429	0.0593	618.46	10,363	0.0593	614.55	10,363	0.0593	614.55
	Sub Total			**1,201.14**			**1,389.26**			**1,409.59**
	G.S.T.		5.0%	60.06		5.0%	69.46		5.0%	70.48
	Total Bill			**1,261.31**			**1,458.72**			**1,480.07**
					Increase over 2008		**15.65%**	**Increase over 2008**		**17.34%**

Exhibit B
Welland Hydro Electric System Corp.
Rate Riders Calculation-One Year

Deferral and Variance Accounts:	Amount	ALLOCATOR	Residential	GS < 50 KW	GS 50-4999	Large Use	USL	Sentinel Lighting	Street Lighting	Total
Other Regulatory Assets OEB Assesment- Account 1508	$ 35,589	Dx Revenue	$ 25,312	$ 3,634	$ 4,032	$ 2,361	$ 106	$ 25	$ 119	$ 35,589
Other Regulatory Assets Pension- Account 1508	$ 236,847	Dx Revenue	$ 168,454	$ 24,186	$ 26,832	$ 15,712	$ 705	$ 169	$ 790	$ 236,847
Deferred Regulatory Assets - Account 1525	$ 13,257	Dx Revenue	$ 9,429	$ 1,354	$ 1,502	$ 879	$ 39	$ 9	$ 44	$ 13,257
Deferred Revenue - Account - 1574	$ 131,236	Dx Revenue	$ 93,339	$ 13,401	$ 14,867	$ 8,706	$ 391	$ 94	$ 438	$ 131,236
Subtotal - Non RSVA, Variable	$ 416,929		$ 296,534	$ 42,574	$ 47,233	$ 27,658	$ 1,241	$ 297	$ 1,391	$ 416,929
Total to be Recovered	$ 416,929		$ 296,534	$ 42,574	$ 47,233	$ 27,658	$ 1,241	$ 297	$ 1,391	$ 416,929
Balance to be collected or refunded, Variable	$ 416,929		$ 296,534	$ 42,574	$ 47,233	$ 27,658	$ 1,241	$ 297	$ 1,391	$ 416,929
Number of years for Variable	1									
Number of years for Fixed (Smart Meters)	1									
Balance to be collected or refunded per year, Variable	$ 416,929		$ 296,534	$ 42,574	$ 47,233	$ 27,658	$ 1,241	$ 297	$ 1,391	$ 416,929

Class	Residential	GS < 50 KW	GS 50-4999	Large Use	USL	Sentinel Lighting	Street Lighting
Deferral and Variance Account Rate Riders, Variable	$ 0.0018	$ 0.0008	$ 0.1070	$ 0.1078	$ 0.0011	$ 0.1096	$ 0.1063
Billing Determinants	kWh	kWh	kW	kW	kWh	kW	kW

Exhibit C
Welland Hydro Electric System Corp.
Rate Riders Calculation-Two Years

Deferral and Variance Accounts:	Amount	ALLOCATOR	Residential	GS < 50 KW	GS 50-4999	Large Use	USL	Sentinel Lighting	Street Lighting	Total
Other Regulatory Assets OEB Assesment- Account 1508	$ 35,589	Dx Revenue	$ 25,312	$ 3,634	$ 4,032	$ 2,361	$ 106	$ 25	$ 119	$ 35,589
Other Regulatory Assets Pension- Account 1508	$ 236,847	Dx Revenue	$ 168,454	$ 24,186	$ 26,832	$ 15,712	$ 705	$ 169	$ 790	$ 236,847
Deferred Regulatory Assets - Account 1525	$ 13,257	Dx Revenue	$ 9,429	$ 1,354	$ 1,502	$ 879	$ 39	$ 9	$ 44	$ 13,257
Deferred Revenue - Account - 1574	$ 131,236	Dx Revenue	$ 93,339	$ 13,401	$ 14,867	$ 8,706	$ 391	$ 94	$ 438	$ 131,236
Subtotal - Non RSVA, Variable	$ 416,929		$ 296,534	$ 42,574	$ 47,233	$ 27,658	$ 1,241	$ 297	$ 1,391	$ 416,929
Total to be Recovered	$ 416,929		$ 296,534	$ 42,574	$ 47,233	$ 27,658	$ 1,241	$ 297	$ 1,391	$ 416,929
Balance to be collected or refunded, Variable	$ 416,929		$ 296,534	$ 42,574	$ 47,233	$ 27,658	$ 1,241	$ 297	$ 1,391	$ 416,929
Number of years for Variable	2									
Number of years for Fixed (Smart Meters)	2									
Balance to be collected or refunded per year, Variable	$ 208,464		$ 148,267	$ 21,287	$ 23,616	$ 13,829	$ 621	$ 149	$ 695	$ 208,464

Class	Residential	GS < 50 KW	GS 50-4999	Large Use	USL	Sentinel Lighting	Street Lighting
Deferral and Variance Account Rate Riders, Variable	$ 0.0009	$ 0.0004	$ 0.0535	$ 0.0539	$ 0.0005	$ 0.0548	$ 0.0531
Billing Determinants	kWh	kWh	kW	kW	kWh	kW	kW

Exhibit D
Welland Hydro-Electric System Corp.
Exhibit 5 Tab 1 Schedule 4 Table 4
One to Three Year Recovery
Regulatory Rate Riders

Rate Class	One Year Rate	Bill Impact	Two Year Rate	Bill Impact	Three Year Rate	Bill Impact
Residential	.0018/kwh	1.56%	.0009/kwh	0.78%	.0006/kwh	0.52%
GS<50 kW	.0008/kwh	0.75%	.0004/kwh	0.37%	.0003/kwh	0.28%
GS 50 to 4999 kW	.1070/kw	0.36%	.0535/kw	0.18%	.0357/kw	0.12%
Large Use	.1078/kw	0.27%	.0539/kw	0.14%	.0359/kw	0.09%
Street Lighting	.1063/kw	0.24%	.0531/kw	0.12%	.0354/kw	0.08%
Sentinel Lighting	.1096/kw	0.24%	.0548/kw	0.12%	.0365/kw	0.08%
Unmetered Scattered Load	.0011/kwh	0.77%	.0005/kwh	0.35%	.0004/kwh	0.28%

Exhibit E-Page 1

was tested through written interrogatories from Board staff and intervenors, and intervenors and the Applicant had the opportunity to file written argument. While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

Welland Hydro has requested an amount of $8,583,498 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of $839,987 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Welland Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding Welland Hydro's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Distribution Loss Adjustment Factors;
- Bad Debt; and
- Impact of the Generic Decision (EB-2005-0529).

Distribution Loss Adjustment Factors

Welland Hydro is proposing a distribution loss adjustment factor based on a three-year (2002-2004) average of 1.0599, a level greater than 5%. The 2006 Handbook requires Applicants that propose a loss factor exceeding 5% to provide an explanation for the proposed level and a loss reduction plan.

Welland Hydro submitted that it had experienced theft of power due to marijuana grow houses in 2003 and 2004. The customers that were billed for theft accounted for 1,101,557 kWh in 2002 and 420,230 kWh in 2003. These kWh consumption amounts were included in the calculation of the losses. Had they not been included, the restated amounts would have recalculated a 5.85% three year average. Welland Hydro submitted that not all grow houses were detected during this period and therefore, the true three year average would have been 5.00% or less. Accordingly, Welland Hydro did not propose an action plan for reducing the level of losses at this time.

The Board accepts that the theft of power in 2003 and 2004 could have caused Welland

Hydro's three year average loss level to exceed 5%. Although the level of losses in the future is uncertain, the Board approves the proposed loss of 5.99%.

However, the Board directs Welland Hydro to file a plan within 90 days of the date of this Decision detailing how it intends to reduce the level of losses due to theft. If grow houses are a problem in the area and contribute significantly to losses, the plan should indicate how the utility plans to deal with this source of loss.

Bad Debt

Welland Hydro's bad debt expenses were $36,040 in 2002, $324,741 in 2003, and $265,139 in 2004. The Applicant requested that the 2004 amount be used for ratemaking purposes.

The Applicant provided a yearly breakdown by types of customer classes for these expense amounts. The 2004 amount includes a bad debt expense of $168,069 for the Large Use class. Welland Hydro stated that its bad debt expense was primarily from a small group of customers who had filed for bankruptcy. The Applicant submitted that in lieu of asking for a rate rider to recover the full amount, it has taken a conservative approach and has asked for less than 50% of the total bad debt write-off.

The evidence suggests that the bad debt levels experienced by Welland in 2003 and 2004 were exceptional, and are not indicative of baseline bad debt levels going forward. The Board is not prepared to set prospective rates based on an allowance for bad debt that includes exceptional amounts, which finding is consistent with the guidelines set out in the Rate Handbook. Nor will the Board permit a prospective allowance for bad debt which serves to recapture bad debt losses from a prior period. For purposes of 2006 rate setting, the Board fixes an allowance of $36,000, approximately equal to the level that was incurred in 2002.

Consequences of the Generic Decision on this Application

The Generic Decision contains findings relevant to funding for smart meters for electricity distributors. The Applicant did not file a specific smart meter investment plan or request approval of any associated amount in revenue requirement. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that $0.30 per residential customer per month be reflected in the Applicant's revenue requirement. The Board directs that this increase in the revenue requirement amount will be allocated

Exhibit F
Welland Hydro-Electric System Corp.
Linear Customer Growth

	Number of Customers (Connections)							
	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Bridge Year 2008	Test Year 2009
RESIDENTIAL								
Regular	18,768	19,007	19,142	19,290	19,399	19,512	19,664	19,818
Growth Year Over Year		*1.0127*	*1.0071*	*1.0077*	*1.0057*	*1.0058*		
Average Yearly Growth							*1.0078*	
GENERAL SERVICE								
Less than 50 kW	1,747	1,672	1,650	1,667	1,668	1,695	1,685	1,675
Growth Year Over Year		*0.9571*	*0.9868*	*1.0103*	*1.0006*	*1.0162*		
Average Yearly Growth							*0.9940*	
GS > 50 kW to 4999kW	230	236	208	209	209	180	171	163
Growth Year Over Year		*1.0261*	*0.8814*	*1.0048*	*1.0000*	*0.8612*		
Average Year Growth							*0.9522*	
Total General Service	1,977	1,908	1,858	1,876	1,877	1,875		
	kWh and kW							
RESIDENTIAL								
Usage kwh	156,575,026	156,410,987	158,515,644	170,930,775	160,436,606	162,194,309	164,842,004	166,128,692
Average kwh Per Year	*8,343*	*8,229*	*8,281*	*8,861*	*8,270*	*8,313*	*8,383*	*8,383*
Six Year Average kwh Per Year						**8,383**		
GENERAL SERVICE								
Less than 50 kW - kwh	45,520,745	46,736,801	49,218,700	51,271,439	50,499,927	53,259,754	49,502,643	49,204,378
Average kwh Per Year	*26,057*	*27,953*	*29,830*	*30,757*	*30,276*	*31,422*	*29,382*	*29,382*
Six Year Average kwh Per Year						**29,382**		
GS > 50 kW to 4999kW - kW	553,897	449,149	419,308	417,939	411,399	441,430	364,139	346,717
Average kW Per Year	*2,408*	*1,903*	*2,016*	*2,000*	*1,968*	*2,452*	*2,231*	*2,231*
Six Year Average kw Per Year						**2,125**		

Exhibit G
Welland Hydro-Electric System Corp. Revised Revenues
2009 Test Year @ 2008 Rates

		Service Charge 2008 Rate	Service Charge Revenue	Annual Billing kwh/kw	Volumetric Charge 2008 Rate	Volumetric Charge Revenue	Transformer Credit 2008 Rate	Transformer Credit Revenue	2009 Total Distribution Revenue
Residential									
Original	19,818	$13.15	$3,127,280	166,999,701	$0.0130	$2,170,996			$5,298,277
Revised	19,818	$13.15	$3,127,280	166,128,692	$0.0130	$2,159,673			$5,286,953
Change in Forecast	0		0	-871,009		-11,323			-$11,323
GS<50 kW									
Add Additional Customers	22	$19.40	$5,122	709,192	$0.0067	$4,752			$9,873
GS 50 to 4999 kW									
Subtract Lost Customers	-9	$192.09	-$20,746	-5,400	$0.8047	-$4,345			-$25,091
Add Customer from Large Use	1	$192.09	$2,305	52,800	$0.8047	$42,488	-$0.60	-$31,680	$13,113
Large Use kW									
Customer #1 (Down Sizing)	-1	$10,646.53	-$127,758	63,805	$0.7183	-$45,831	-$0.60	$38,283	-$135,306
Customer #2 (Closing)	-1	$10,646.53	-$127,758	69,635	$0.7183	-50,019	-$0.60	$41,781	-$135,996
Total Lost Revenue (Excluding Sentinel Lights)			-$268,836			-$64,279		$48,384	-$284,730

Exhibit H
WELLAND HYDRO-ELECTRIC SYSTEM CORP.
2008 BRIDGE YEAR COST OF POWER

	Customers	A Distribution Volume kwh/kw	B Loss Factor	C Wholesale Market Rate	A x B x C Wholesale Market Revenue	Jan - Apr E RTR Network Rate	May - Dec F RTR Network Rate	A x B x E x .33 A x B x F x .67 RTR Network Revenue	Jan - Apr G RTR Connect Rate	May - Dec H RTR Connect Rate	A x B x G x .33 A x B x H x .67 RTR Connect Revenue	I Cost of Power Rate	A x B X I Cost of Power Revenue
Customer Class													
Residential-kwh	19,654	165,706,267	1.0599	0.0062	1,088,919	0.0062	0.0056	1,018,666	0.0046	0.0047	819,616	0.0575	10,106,498
General <50-kwh	1,695	54,639,337	1.0599	0.0062	359,056	0.0055	0.0049	295,352	0.0042	0.0043	247,092	0.0575	3,332,477
General 50<5000 kw	179	393,395											
General 50<5000 Prim/Int - kw		173,094				1.8844	1.6874	303,445	1.7121	1.7356	299,066		
General 50<5000 Second - kw		220,301				1.8997	1.7011	389,338	1.4294	1.4490	317,777		
General 50<5000 Prim/Int - kwh		59,575,510	1.0493	0.0062	387,578							0.0575	3,597,198
General 50<5000 Second - kwh		75,823,376	1.0599	0.0062	498,264							0.0575	4,624,501
Large User -kw	3	300,555				1.3808	1.2364	386,073	1.9013	1.9274	576,675		
Large User -kwh		111,296,111	1.0045	0.0062	693,141							0.0575	6,433,196
Unmetered Scattered-kwh	212	1,093,788	1.0599	0.0062	7,188	0.0055	0.0049	5,912	0.0042	0.0043	4,946	0.0575	66,711
Sentinnel Lights-kw	730	2,623					1.5844	4,317	1.3313	1.3496	3,524		
Sentinnel Lights-kwh		1,111,656	1.0599	0.0062	7,305	1.7694						0.0575	67,800
Street Lights-kw	6,651	13,209					1.5809	13,477	1.3284	1.3466	17,707		
Street Lights-kwh		4,703,951	1.0599	0.0062	30,911	1.7655						0.0575	286,896
					3,072,362			2,416,581			2,286,404		28,515,278

Exhibit I
WELLAND HYDRO-ELECTRIC SYSTEM CORP.
2009 TEST YEAR COST OF POWER

	Customers	A Distribution Volume kwh/kw	B Loss Factor	C Wholesale Market Rate	A x B x C Wholesale Market Revenue	D RTR Network Rate	A x B x D RTR Network Revenue	E RTR Connect Rate	A x B x E RTR Connect Revenue	F Cost of Power Rate	A x B X F Cost of Power Revenue
Customer Class											
Residential-kwh	19,818	166,999,701	1.0599	0.0062	1,097,418	0.0056	991,217	0.0047	831,914	0.0593	10,490,947
General <50-kwh	1,695	54,639,337	1.0599	0.0062	359,056	0.0049	283,770	0.0043	249,023	0.0593	3,432,452
General 50<5000 kw	179	393,395									
General 50<5000 Prim/Int - kw		173,094				1.6874	292,078	1.7356	300,422		
General 50<5000 Second - kw		220,301				1.7011	374,754	1.4490	319,216		
General 50<5000 Prim/Int - kwh		59,575,510	1.0493	0.0062	387,578					0.0593	3,705,114
General 50<5000 Second - kwh		75,823,376	1.0599	0.0062	498,264					0.0593	4,763,236
Large User -kw	3	300,555				1.2364	371,606	1.9274	579,290		
Large User -kwh		111,296,111	1.0045	0.0062	693,141					0.0593	6,626,192
Unmetered Scattered-kwh	208	1,072,774	1.0599	0.0062	7,050	0.0049	5,571	0.0043	4,889	0.0593	67,392
Sentinnel Lights-kw	721	2,592				1.5844	4,107	1.3496	3,498		
Sentinnel Lights-kwh		1,098,311	1.0599	0.0062	7,217					0.0593	68,996
Street Lights-kw	6,677	13,262				1.5809	12,862	1.3466	17,859		
Street Lights-kwh		4,722,781	1.0599	0.0062	31,035					0.0593	296,686
					3,080,760		2,335,966		2,306,110		29,451,014

Exhibit J
Welland Hydro-Electric System Corp.
2006 & 2007 Tax Caluclations

Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Determination of Taxable Income					
Utility Income Before Taxes	1,473,721	2,627,592	780,800	423,857	1,573,127
Book to Tax Adjustments					
Additions to Accounting Income:					
Depreciation and amortization	1,503,391	1,542,164	1,634,333	1,718,187	1,721,827
Income or Loss for tax Purposes-joint ventures or partnerships	3,653	2,556	2,556	0	0
Loss on disposal of assets	26,000	0	0	0	0
Charitable donations	2,000	625	1,975	12,000	12,000
Ontario Tax credits	321	0	5,890	0	0
Employee Benefit Plans - accrued, not paid	0	0	0	0	0
Meals & entertainment / Mileage	3,000	6,339	1,966	2,500	2,600
Non-deductible club fees and dues	0	0	0	0	0
Taxable Capital Gains	0	0	57,763	0	0
Tax reserves beginning of year	672,871	994,804	583,673	170,989	173,154
Reserves from financial statements -balance at year end	110,680	1,493,887	1,540,027	1,586,167	1,632,307
Regulatory asset write-downs and recoveries	0	815,645	857,987	0	0
Changes in Regulatory Assets Excluding 1588/1590	0	(1,833,836)	115,623	0	0
Excess Interest Expense	0	0	0	599	0
Debt financing expenses for book purposes	0	0	0	0	0
Total Additions	**2,321,916**	**3,022,184**	**4,801,793**	**3,490,442**	**3,541,888**
Deductions from Accounting Income:					
Capital Cost Allowance	1,081,850	1,311,912	1,273,099	1,431,404	1,590,579
Gain on disposal of assets per financial statements	0	10,991	112,263	0	0
Cumulative eligible capital deduction	155,563	142,124	132,175	123,623	114,970
Tax reserves end of year	617,871	586,673	170,989	173,154	173,154
Reserves from financial statements balance at beginning of yea	564,474	1,378,656	1,493,887	1,540,027	1,586,167
Amortization of Capitalized Fleet Depreciation	0	0	0	0	0
Deductible expenses capitalized for accounting purposes	72,682	0	0	0	0
ITC Booked in Accounting Income	0	0	0	0	0
Total Deductions	**2,492,440**	**3,430,356**	**3,182,413**	**3,268,208**	**3,464,869**
Deductions from Accounting Income:					
Charitable donations from Schedule 2	0	(625)	(1,975)	(12,000)	(12,000)
Ontario Capital Tax Paid	0	(61,833)	(44,281)	(25,792)	(27,730)
Previous Years Non Capital Loss	0	(385,772)	0	0	0
Taxable Divedends Deductible	0	(3,111)	(1,744)	0	0
Regulatory Taxable Income	**1,303,197**	**1,768,079**	**2,352,180**	**608,299**	**1,610,416**
Corporate Income Tax Rate	30.2335%	35.3800%	35.3803%	33.5000%	33.0000%
Regulatory Income Tax	**394,002**	**626,432**	**832,208**	**203,780**	**531,437**
Calculation of Utility Income Taxes					
Income Taxes	394,002	626,432	832,208	203,780	531,437
Large Corporation Tax	0	0	0	0	0
Ontario Capital Tax	57,116	61,833	56,774	25,792	27,730
Total Taxes	**451,118**	**688,265**	**888,982**	**229,572**	**559,167**
Tax Rates					
Federal Tax	22.120%	22.120%	21.630%	19.500%	19.000%
Federal Surtax	0.000%	0.000%	0.000%	0.000%	0.000%
Provincial Tax	8.114%	13.310%	13.750%	14.000%	14.000%
Total Tax Rate	**30.234%**	**35.380%**	**35.380%**	**33.500%**	**33.000%**
Calculation of Large Corporation Tax					
Total Rate Base	30,129,999	30,174,965	31,148,072	26,462,961	27,324,488
Less: Exemption	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Taxable Capital	**0**	**0**	**0**	**0**	**0**
LCT Rate	0.125%	0.125%	0.000%	0.000%	0.000%
Subtotal	0	0	0	0	0
Federal Surtax	0	0	0	0	0
Large Corporation Tax	**0**	**0**	**0**	**0**	**0**
Calculation of Ontario Capital Tax					
Total Rate Base	29,038,562	30,174,965	31,148,072	26,462,961	27,324,488
Less Exemption	10,000,000	9,563,972	11,227,368	15,000,000	15,000,000
Taxable Capital /Deemed taxable capital	**19,038,562**	**20,610,993**	**19,920,704**	**11,462,961**	**12,324,488**
OCT Rate	0.300%	0.300%	0.285%	0.225%	0.225%
Ontario Capital Tax	**57,116**	**61,833**	**56,774**	**25,792**	**27,730**

Summary of Income Taxes

Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Income Taxes	394,002	626,432	832,208	203,780	531,437
Large Corporation Tax	0	0	0	0	0
Ontario Capital Tax	57,116	61,833	56,774	25,792	27,730
Total Taxes	**451,118**	**688,265**	**888,982**	**229,572**	**559,167**

Exhibit K
Welland Hydro-Electric System Corp
Tax Reserve Analysis

Tax Reserves

Reserve for Doubtful Accounts	$96,467
Reserve for Undelivered Goods	487,206
2007 Tax Reserves Beginning Balance	$583,673
Change in Reserve for Doubtful Accounts	-24,965
Changes in Reserve for Undelivered Goods (CDM and Smart Meter)	-387,719
2008 Tax Reserves Beginning Balance	$170,989
Changes in Reserve for Undelivered Goods	
Interest Smart Meters	4,115
Revenue Collect Smart Meters	69,760
Spending Smart Meters	-71,710
2009 Tax Reserves Beginning Balance	$173,154
Interest Smart Meters	4,031
Revenue Collect Smart Meters	70,292
Spending Smart Meters	-74,323
2009 Tax Reserves Ending Balance	$173,154

Reserves from Financial Statements

PILS deferred Revenue	$6,541
Pension Liability Non Current	1,416,801
Pension Liability Current	70,545
2007 Reserves Beginning of Year	$1,493,887
Change Pension Liability Non Current	46,140
2007 Reserves End of Year	$1,540,027
Change Pension Liability Non Current	46,140
2008 Reserves End of Year	$1,586,167
Change Pension Liability Non Current	46,140
2008 Reserves End of Year	$1,632,307

Exhibit L
Welland Hydro-Electric System Corp.

Operations Costs Analysis

	2006 Actual	2007 Actual	2008 Bridge	2009 Test	Change 2006 vs 2009
Materials	$18,422	$32,258	$32,055	$34,915	$16,493
Obsolete Stores Material	119,347	0	0	0	-119,347
Conference & Travel	7,182	10,574	11,338	11,564	4,382
Computer Support	3,194	3,571	3,563	8,634	5,440
Courier Expense	349	476	317	460	111
Fees & Dues	435	371	369	372	-63
Rental Expense	270	270	364	370	100
Equipment Repairs	3,124	0	1,073	1,094	-2,030
Clothing Allowance	5,786	6,499	7,014	7,702	1,916
Hydro	8,510	9,497	9,893	10,189	1,679
Insurance	48,984	49,537	51,023	52,554	3,570
Office Suppies	2,009	3,634	2,868	2,925	916
Right of Way	22,349	6,230	21,966	22,405	56
Subcontracting	13,644	39,640	40,889	41,708	28,064
Property Taxes	68,422	68,291	70,476	72,590	4,168
Telephone	34,405	36,785	36,647	37,556	3,151
Service Centre Allocation	36,065	34,933	32,874	35,017	-1,048
Water	235	242	258	270	35
Labor	673,237	821,200	976,848	1,076,051	402,814
Stores Materials	5,299	7,217	2,425	2,498	-2,801
Vehicle Charge	51,415	82,356	75,411	78,162	26,747
	$1,122,683	$1,213,581	$1,377,671	$1,497,036	$374,353

Maintenance Costs Analysis

	2006 Actual	2007 Actual	2008 Bridge	2009 Test	Change 2006 vs 2009
Materials	$61,877	$85,855	$79,378	$80,967	$19,090
Equipment Repairs	4,409	1,715	3,613	3,684	-725
Hydro	3,040	3,392	3,664	3,774	734
Insurance	5,861	5,989	6,167	6,352	491
Right of Way	3,340	3,340	3,440	3,440	100
Subcontracting	111,832	162,146	241,062	241,106	129,274
Property Taxes	2,914	2,914	3,001	3,092	178
Labor	429,628	497,916	645,953	734,132	304,504
Stores Materials	36,853	48,229	52,928	54,516	17,663
Vehicle Charge	80,753	114,562	96,629	100,151	19,398
	$740,507	$926,058	$1,135,835	$1,231,214	$490,707

Exhibit M
Welland Hydro-Electric Systems Corp.
Executive/Management Wage & Benefit Analysis

	2006 Executive Management FTE's Wages	2007 Executive Management FTE's Wages	2008 Executive Management FTE's Wages	2009 Executive Management FTE's Wages	Change 2006 vs 2009 %
Total Executive/Management Base Before New Employees	$951,334	$1,027,221	$1,059,499	$1,093,534	
Increase Base Wages -%		7.98	3.14	3.21	14.95
New Employee-2007		$63,323	$81,051	$83,631	
New Employee-2009				$60,213	
Total Executive/Management Base After New Employees	$951,334	$1,090,544	$1,140,550	$1,237,378	
Increase-%		14.63	4.59	8.49	30.07
Executive/Management Overtime	$6,113	$10,747	$0	$0	
Total Executive/Management Benefits Before New Employees	$194,895	$231,511	$233,005	$238,270	
Increase - %		18.79	0.65	2.26	22.26
New Employee 2007		$14,554	$18,629	$19,040	
New Employee 2009				$16,188	
Total Executive/Management Benefits After New Employees	$194,895	$246,065	$251,634	$273,498	40.33
Total Executive/Management Base, Overtime, & Benefits	$1,152,342	$1,347,356	$1,392,184	$1,510,876	31.11

Exhibit N
Welland Hydro-Electric Systems Corp.
Non Union Wage Analysis

	2006 Non Union FTE's Wages	2007 Non Union FTE's Wages	2008 Non Union FTE's Wages	2009 Non Union FTE's Wages	Change 2006 vs 2009 %
Customer Service-Student	$4,223	$8,810	$8,975	$9,201	
Accounting - Student	2,231	6,148	8,975	9,201	
Engineering - Student	12,031	13,787	8,976	9,201	
Service Center - Student	0	2,781	8,976	9,201	
Total Non Union Base Wages	18485	31526	35902	36804	
Total Non Union Benefits	1583	2936	3408	3574	
Total Non Union Wages & Benefits	$20,068	$34,462	$39,310	$40,378	101.21

Exhibit O
Welland Hydro-Electric Systems Corp.
Union Wage & Benefit Analysis

	2006 Union FTE's Wages	2007 Union FTE's Wages	2008 Union FTE's Wages	2009 Union FTE's Wages	Change 2006 vs 2009 %
Total Union Base Before New Employees	$1,320,841	$1,372,664	$1,408,261	$1,468,606	
Increase Base Wages -%		3.92	2.59	4.29	11.19
New Employee-2008			$137,395	$169,382	
New Employee-2009				$50,875	
Total Union Base After New Employees	$1,320,841	$1,372,664	$1,545,656	$1,688,863	
Increase-%		3.92	12.60	9.27	27.86
Union Overtime	$70,033	$70,681	$77,585	$94,529	
Total Union Benefits Before New Employees	$334,586	$370,270	$387,575	$391,712	
Increase - %		10.67	4.67	1.07	17.07
New Employee 2008			$42,896	$46,337	
New Employee 2009				$16,035	
Total Union Benefits After New Employees	$334,586	$370,270	$430,471	$454,084	35.72
Total Union Base, Overtime, & Benefits	$1,725,460	$1,813,615	$2,053,712	$2,237,476	29.67

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY Welland Hydro-Electric System Corp.
Application ID NUMBER EB-2008-0247

Date 15-Dec-08

Enter appropriate data in cells which are highlighted in yellow only.
Enter the total applied for Regulatory Asset amounts for each account in the appropriate cells below:
Debits should be recorded as positive numbers and credits should be recorded as negative numbers.
Repeat cells going across as necessary for each year in application

			2005									
Account Description		**Account Number**	**Opening Principal Amounts as of Jan-1-05** [1]	**Transactions (additions) during 2005, excluding interest and adjustments** [6]	**Transactions (reductions) during 2005, excluding interest and adjustments** [5]	**Adjustments during 2005 - Instructed by Board** [2]	**Adjustments during 2005 - other** [3]	**Closing Principal Balance as of Dec-31-05**	**Opening Interest Amounts as of Jan-1-05**	**Interest Jan-1 to Dec31-05**	**Closing Interest Amounts as of Dec-31-05**
Other Regulatory Assets - Sub-Account - OEB Cost Assessments		1508	$ 11,663	$ 20,098				$ 31,761	$ 37	$ 5,487	$ 5,524
Other Regulatory Assets - Sub-Account - Pension Contributions		1508	$ -	$ 151,197				$ 151,197	$ -	$ -	$ -
Other Regulatory Assets - Sub-Account - Other [6]		1508						$ -			$ -
Other Regulatory Assets - Sub-Account - Other [6]		1508						$ -			$ -
Other Regulatory Assets - Sub-Account - Other [6]		1508						$ -			$ -
Retail Cost Variance Account - Retail		1518						$ -			$ -
Misc. Deferred Debits		1525	$ 17,842					$ 17,842	$ 2,367	$ 1,294	$ 3,661
Retail Cost Variance Account - STR		1548						$ -			$ -
Qualifying Transition Costs [4]		1570	$ 439,917	n/a	n/a			$ 439,917	$ 31,894	$ 32,054	$ 63,948
Pre-Market Opening Energy Variances Total [4]		1571	$ 969,760	n/a	n/a			$ 969,760	$ 69,387	$ 70,307	$ 139,694
Extra-Ordinary Event Costs		1572						$ -			$ -
Deferred Rate Impact Amounts		1574						$ -			$ -
RSVA – One-time Wholesale Market Service		1582	$ 49,109	$ 27,409				$ 76,518	$ 2,690	$ 3,714	$ 6,404
2006 PILs & Taxes Variance		1592	n/a	n/a	n/a	n/a	n/a		n/a	n/a	
Other Deferred Credits		2425						$ -			$ -
	Sub-Total		$ 1,488,291	$ 198,704	$ -	$ -	$ -	$ 1,686,995	$ 106,375	$ 112,856	$ 219,231
Smart Meter Capital and Recovery Offset		1555									
Smart Meter Operaction, Maintenance and Administration		1556									
Deferred Payments in Lieu of Taxes		1562	$ 41,820	$ (114,544)				$ (72,724)	$ 10,294	$ (997)	$ 9,297
Deferred PILs Contra Account [8]		1563						$ -			$ -
CDM Expenditrues and Recoveries		1565	$ 9,013	$ (336,561)				$ (327,548)	$ 13	$ (4,395)	$ (4,382)
CDM Contra Account		1566						$ -			
Recovery of Regulatory Asset Balances		1590	$ (466,775)	$ (831,105)				$ (1,297,880)	$ (2,485)	$ (38,047)	$ (40,532)
	No sub-total										
Low Voltage Variance Account		1550						$ -			$ -
RSVA - Wholesale Market Service Charge		1580	$ 770,612	$ 333,550				$ 1,104,162	$ 67,254	$ 58,172	$ 145,426
RSVA - Retail Transmission Network Charge		1584	$ 386,753	$ 133,634				$ 520,387	$ 39,748	$ 29,103	$ 68,851
RSVA - Retail Transmission Connection Charge		1586	$ 146,599	$ 48,726				$ 197,325	$ 24,440	$ 11,259	$ 35,699
RSVA - Power (including Global Adjustment)		1588	$ 80,703	$ (481,037)				$ (400,334)	$ 77,081	$ 5,058	$ 82,139
RSVA - Power - Sub-Account - Global Adjustment		1588	$ -	$ (949,121)				$ (949,121)		$ (2,973)	$ (2,973)
	Sub-Total		$ 1,386,657	$ 34,673	$ -	$ -	$ -	$ 1,421,540	$ 228,523	$ 103,592	$ 332,115

Footnotes

[1] As per general ledger, if does not agree to Dec-31-04 balance filed in 2006 EDR then provide supplementary analysis
[2] Provide supporting statement indicating whether due to denial of costs in 2006 EDR by the Board, 10% transition costs write-off, and etc.
[3] Provide supporting statement indicating nature of this adjustments and periods they relate to
[4] Closed April 30, 2002
[5] For RSVA accounts only, report the net additions to the account during the year. For all other accounts, record the additions and reductions separately.
[6] Please describe "other" components of 1508 and add more component lines if necessary.
[7] Interest projected on December 31, 2007 closing principal balance.
[8] 1563 is a contra-account and is not included in the total but is shown on a memo basis. Account 1562 establishes the obligation to the ratepayer.

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	Welland Hydro-Electric System Corp.
Application ID NUMBER	EB-2008-0247
Date	15-Dec-08

Account Description	Account Number	2006 Opening Principal Amounts as of Jan-1-06	2006 Transactions (additions) during 2006, excluding interest and adjustments [5]	2006 Transactions (reductions) during 2006, excluding interest and adjustments [5]	2006 Adjustments during 2006 - instructed by Board [2]	2006 Adjustments during 2006 - other [3]	2006 Transfer of Board-approved amounts to 1590 as per 2006 EDR	2006 Closing Principal Balance as of Dec-31-06	2006 Opening Interest Amounts as of Jan-1-06	2006 Interest Jan-1 to Dec31-06	2006 Transfer of Board-approved amounts to 1590 as per 2006 EDR	2006 Closing Interest Amounts as of Dec-31-06
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 31,761	$ 6,997				$ (11,663)	$ 27,095	$ 5,524	$ 1,418	$ (932)	$ 6,010
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ 151,197	$ 55,540				$ -	$ 206,737	$ -	$ 11,163	$ -	$ 11,163
Other Regulatory Assets - Sub-Account - Other [6]	1508	$ -						$ -	$ -			$ -
Other Regulatory Assets - Sub-Account - Other [6]	1508	$ -						$ -	$ -			$ -
Other Regulatory Assets - Sub-Account - Other [6]	1508	$ -						$ -	$ -			$ -
Retail Cost Variance Account - Retail	1518	$ -						$ -	$ -			$ -
Misc. Deferred Debits	1525	$ 17,842	$ 11,871				$ (17,842)	$ 11,871	$ 3,661	$ 730	$ (4,092)	$ 299
Retail Cost Variance Account - STR	1548	$ -						$ -	$ -			$ -
Qualifying Transition Costs [4]	1570	$ 439,917	n/a	n/a	$ (43,992)		$ (395,925)	$ -	$ 63,946	$ 3,029	$ (66,977)	$ -
Pre-Market Opening Energy Variances Total [4]	1571	$ 969,760	n/a	n/a			$ (969,760)	$ -	$ 139,694	$ 23,436	$ (163,130)	$ -
Extra-Ordinary Event Costs	1572	$ -						$ -	$ -			$ -
Deferred Rate Impact Amounts	1574	$ -						$ -	$ -			$ -
RSVA – One-time Wholesale Market Service	1582	$ 76,518	$ 9,754				$ (49,109)	$ 37,163	$ 6,404	$ 3,011	$ (7,437)	$ 1,978
2006 PILs & Taxes Variance	1592	$ -						$ -	$ -			$ -
Other Deferred Credits	2425	$ -						$ -	$ -			$ -
Sub-Total		$ 1,686,995	$ 84,162	$ -	$ (43,992)	$ -	$ (1,444,299)	$ 282,866	$ 219,231	$ 42,787	$ (242,566)	$ 19,450
Smart Meter Capital and Recovery Offset	1555		$ (39,893)					$ (39,893)		$ (466)		$ (466)
Smart Meter Operaqtion, Maintenance and Administration	1556											
Deferred Payments in Lieu of Taxes	1562	$ (72,724)	$ 69,867					$ (2,757)	$ 9,297	$ (4,202)		$ 5,095
Deferred PILs Contra Account [6]	1563	$ -						$ -	$ -			$ -
CDM Expenditirues and Recoveries	1565	$ (327,648)	$ (119,299)					$ (446,847)	$ (4,382)	$ 4,382		$ -
CDM Contra Account	1566											
Recovery of Regulatory Asset Balances	1590	$ (1,297,880)	$ (815,645)				$ 3,331,835	$ 1,218,310	$ (40,532)	$ (18,523)	$ 104,266	$ 45,211
No sub-total												
Low Voltage Variance Account	1550	$ -						$ -	$ -			$ -
RSVA - Wholesale Market Service Charge	1580	$ 1,104,162	$ (626,123)				$ (770,612)	$ (286,573)	$ 145,426	$ 25,433	$ (161,746)	$ 9,113
RSVA - Retail Transmission Network Charge	1584	$ 520,387	$ 177,171				$ (386,753)	$ 310,805	$ 68,851	$ 21,927	$ (77,135)	$ 13,643
RSVA - Retail Transmission Connection Charge	1586	$ 197,325	$ 43,655				$ (148,598)	$ 92,281	$ 35,699	$ 7,763	$ (38,684)	$ 4,678
RSVA - Power (including Global Adjustment)	1588	$ (400,334)	$ (1,031,985)				$ (80,703)	$ (1,513,022)	$ 82,139	$ (18,855)	$ (84,882)	$ (21,608)
RSVA - Power - Sub-Account - Global Adjustment	1588	$ (949,121)	$ 617,417				$ -	$ (331,704)	$ (2,973)	$ (26,156)	$ -	$ (31,129)
Sub-Total		$ 1,421,540	$ (1,451,362)	$ -	$ -	$ -	$ (1,386,667)	$ (1,396,509)	$ 332,115	$ 38,278	$ (362,567)	$ 5,826

Footnotes

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	Welland Hydro-Electric System Corp.
Application ID NUMBER	EB-2008-0247
Date	15-Dec-08

Account Description		Account Number	2007 Opening Principal Amounts as of Jan-1-07	2007 Transactions (additions) during 2007, excluding interest and adjustments [5]	2007 Transactions (reductions) during 2007, excluding interest and adjustments [6]	2007 Adjustments during 2007 - instructed by Board [3]	2007 Adjustments during 2007 - other [3]	2007 Closing Principal Balance as of Dec-31-07	2007 Opening Interest Amounts as of Jan-1-07	2007 Interest Jan-1 to Dec31-07	2007 Closing Interest Amounts as of Dec-31-07
Other Regulatory Assets - Sub-Account - OEB Cost Assessments		1508	$ 27,095					$ 27,095	$ 6,010	$ 933	$ 6,943
Other Regulatory Assets - Sub-Account - Pension Contributions		1508	$ 206,737					$ 206,737	$ 11,163	$ 7,116	$ 18,279
Other Regulatory Assets - Sub-Account - Other [6]		1508	$ -					$ -	$ -		$ -
Other Regulatory Assets - Sub-Account - Other [6]		1508	$ -					$ -	$ -		$ -
Other Regulatory Assets - Sub-Account - Other [6]		1508	$ -					$ -	$ -		$ -
Retail Cost Variance Account - Retail		1518	$ -					$ -	$ -		$ -
Misc. Deferred Debits		1525	$ 11,871					$ 11,871	$ 299	$ 408	$ 707
Retail Cost Variance Account - STR		1548	$ -					$ -	$ -		$ -
Qualifying Transition Costs [4]		1570	$ -	n/a	n/a			$ -	$ -		$ -
Pre-Market Opening Energy Variances Total [4]		1571	$ -	n/a	n/a			$ -	$ -		$ -
Extra-Ordinary Event Costs		1572	$ -					$ -	$ -		$ -
Deferred Rate Impact Amounts		1574	$ -					$ -	$ -		$ -
RSVA -- One-time Wholesale Market Service		1582	$ 37,163	$ -				$ 37,163	$ 1,978	$ 1,757	$ 3,735
2006 PILs & Taxes Variance		1592	$ -					$ -	$ -		$ -
Other Deferred Credits		2425	$ -					$ -	$ -		$ -
	Sub-Total		$ 282,866	$ -	$ -	$ -	$ -	$ 282,866	$ 19,450	$ 10,214	$ 29,664
Smart Meter Capital and Recovery Offset		1555	$ (39,893)	$ (56,029)				$ (95,922)	$ (466)	$ (3,099)	$ (3,565)
Smart Meter Operaqtion, Maintenance and Administration		1556									
Deferred Payments in Lieu of Taxes		1562	$ (2,757)					$ (2,757)	$ 5,095	$ (130)	$ 4,966
Deferred PILs Contra Account [5]		1563	$ -					$ -	$ -		$ -
CDM Expenditirues and Recoveries		1565	$ (446,847)	$ 446,847				$ -	$ -		$ -
CDM Contra Account		1566									
Recovery of Regulatory Asset Balances		1590	$ 1,218,310	$ (857,987)				$ 360,323	$ 45,211	$ 115	$ 45,326
	No sub-total										
Low Voltage Variance Account		1550	$ -					$ -	$ -		$ -
RSVA - Wholesale Market Service Charge		1580	$ (286,573)	$ (581,618)				$ (868,191)	$ 9,113	$ (25,446)	$ (16,333)
RSVA - Retail Transmission Network Charge		1584	$ 310,805	$ 81,797				$ 392,602	$ 13,643	$ 17,956	$ 31,599
RSVA - Retail Transmission Connection Charge		1586	$ 92,281	$ 82,699				$ 174,980	$ 4,678	$ 5,870	$ 10,548
RSVA - Power (including Global Adjustment)		1588	$ (1,513,022)	$ 591,246				$ (921,776)	$ (21,608)	$ (38,124)	$ (59,732)
RSVA - Power - Sub-Account - Global Adjustment		1588	$ (331,704)	$ 313,078				$ (18,626)	$ (31,129)	$ (9,331)	$ (40,460)
	Sub-Total		$ (1,396,509)	$ 487,202	$ -	$ -	$ -	$ (1,222,385)	$ 5,626	$ (49,075)	$ (33,918)
	Footnotes										

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	Welland Hydro-Electric System Corp.
Application ID NUMBER	EB-2008-0247
Date	15-Dec-08

Account Description		Account Number	Projected Interest on Dec 31 -07 balance from Jan 1, 2008 to Dec 31, 2008 [7]	Projected Interest on Dec 31 -07 balance from Jan 1, 2009 to April 30, 2009 [7]	Balance before Forecasted Transactions	Forecasted Transactions, Excluding Interest from Jan 1, 2008 to Dec 31, 2008	Forecasted Transactions, Excluding Interest from Jan 1, 2009 to April 30, 2009	Projected Interest from Jan 1, 2008 to April 30, 2009 on Forecasted Transx (Excl Interest) from Jan 1, 2008 to December 31, 2008	Projected Interest from Jan 1, 2009 to April 30, 2009 on Forecasted Transx (Excl Interest) from Jan 1, 2009 to April 30, 2009	Balance
Other Regulatory Assets - Sub-Account - OEB Cost Assessments		1508	$ 1,163	$ 388	$ 35,589					$ 35,589
Other Regulatory Assets - Sub-Account - Pension Contributions		1508	$ 6,873	$ 2,958	$ 236,847					$ 236,847
Other Regulatory Assets - Sub-Account - Other [5]		1508			$ -					$ -
Other Regulatory Assets - Sub-Account - Other [5]		1508			$ -					$ -
Other Regulatory Assets - Sub-Account - Other [5]		1508			$ -					$ -
Retail Cost Variance Account - Retail		1518			$ -					$ -
Misc. Deferred Debits		1525	$ 509	$ 170	$ 13,257					$ 13,257
Retail Cost Variance Account - STR		1548			$ -					$ -
Qualifying Transition Costs [4]		1570			$ -					$ -
Pre-Market Opening Energy Variances Total [4]		1571			$ -					$ -
Extra-Ordinary Event Costs		1572			$ -					$ -
Deferred Rate Impact Amounts		1574			$ -	$ 124,132		$ 5,328	$ 1,776	$ 131,236
RSVA -- One-time Wholesale Market Service		1582			$ 40,898					$ 40,898
2006 PILs & Taxes Variance		1592			$ -					$ -
Other Deferred Credits		2425			$ -					$ -
	Sub-Total		$ 10,545	$ 3,516	$ 326,591	$ 124,132	$ -	$ 5,328	$ 1,776	$ 457,827
Smart Meter Capital and Recovery Offset		1555								
Smart Meter Operaqtion, Maintenance and Administration		1556								
Deferred Payments in Lieu of Taxes		1562			$ 2,208					$ 2,208
Deferred PILs Contra Account [8]		1563			$ -					$ -
CDM Expenditrues and Recoveries		1565								
CDM Contra Account		1566								
Recovery of Regulatory Asset Balances		1590			$ 405,649	$ (391,815)				$ 13,834
	No sub-total									
Low Voltage Variance Account		1550			$ -					$ -
RSVA - Wholesale Market Service Charge		1580			$ (884,524)					$ (884,524)
RSVA - Retail Transmission Network Charge		1584			$ 424,201					$ 424,201
RSVA - Retail Transmission Connection Charge		1586			$ 185,528					$ 185,528
RSVA - Power (including Global Adjustment)		1588			$ (981,508)					$ (981,508)
RSVA - Power - Sub-Account - Global Adjustment		1588			$ (59,086)					$ (59,086)
	Sub-Total		$ -	$ -	$ (1,255,303)	$ -	$ -	$ -	$ -	$ (1,255,303)

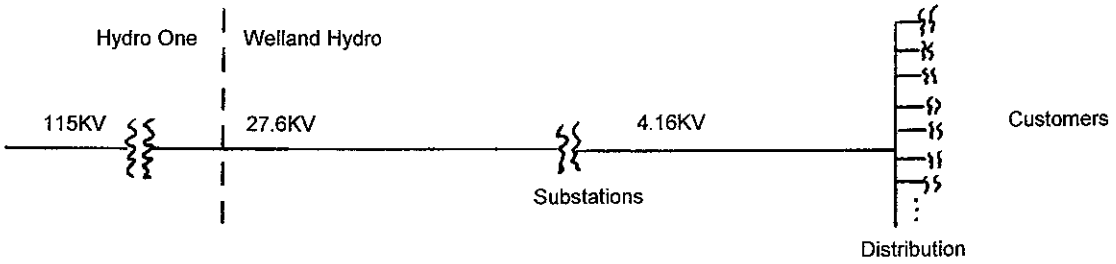
Footnotes

Exhibit Q
Pg 1

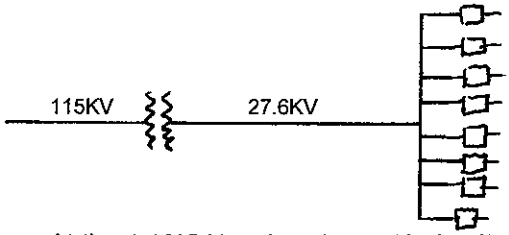
ASSET MANAGEMENT

1.0 The Distribution System

The System is broken into two distinct primary voltage levels 27,600 volts and 4160 volts. The 4160 volt system is a subset of the 27, 600 volt system. The hierarchy of the delivery system is as illustrated:



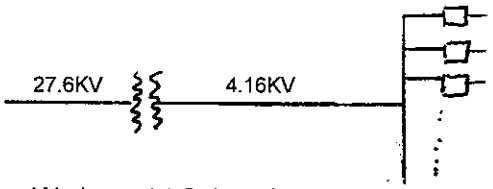
At the 27.6KV level we have 8 circuits:



22,000 Customers

Avg. of 2750 customers per circuit

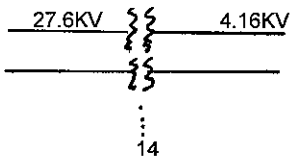
At the 4.16KV level we have 43 circuits:



21,000 Customers

Avg. of 488 customers per circuit

We have 14 Substations:



21,000 Customers

Avg. of 1500 customers per station

These 3 distinct components of the local distribution system all require constant maintenance and rebuilding.

The breakdown of the system on a per customer basis illustrates how capital dollars spent will influence reliability.

The importance as related to reliability are as follows:

Priority 1) 27.6KV Circuitry

Priority 2) Substation

Priority 3) 4.16KV Circuitry

Exhibit G
Pg 2

2.0 Determining Capital Work

Although the affects on reliability are spelled out through the hierarchy of the system, each aspect still needs consideration on an annual basis. All parts of the system age and its is not wise to ignore any particular component. Continuous problems in a particular component may also force additional consideration.

Until all of the 27.6KV system is upgraded/rebuilt, the larger portion of the budget may deal with projects at this level (assuming safety and environmental aspects are equal between projects).

It is however necessary to set aside budget monies for 4.16KV overhead work. This is a proactive measure dictated by potential safety and reliability issues going forward.

Substation capital needs to be spent regularly or as age dictates. The problems associated with substation failures are much more extensive and difficult to cope with on an emergency basis. The capital work involving any individual substation may be spread over several years as the costs for a replacement can be very high and may require too much of one entire annual capital budget. Also the delivery times for the components are lengthy. There are options in regard to substations, (i.e.) conversion of load from 4.16KV to 27.6KV can relieve loading at the substation. This will reduce the size of the power transformer required and possibly eliminate the need for some breaker positions (reduce the number of circuits). This translates into a direct savings in the cost of a new substation and creates an overall more efficient system. New substations will incorporate the latest technological advancements and will be incorporated into our SCADA system allowing for remote operation of devices, thus reducing outage times and repair costs.

A realistic situation may involve a substation rebuild combined with both sub systems (27.6KV & 4.16KV). New 27.6KV circuitry is constructed converting 4.16KV load to 27.6KV thus eliminating aged 4.16KV circuitry and thereby reducing load at the substation level (meaning smaller power transformer and fewer breakers). The result is new 27.6KV plant and new substation at a lower cost.

Another significant component of the system (subset of 4.16KV system) which needs annual consideration, is the underground portion of the 4.16KV system. Although this component does not present as immediate a safety problem as overhead circuitry, the failure of such produces a much longer outage situation adversely affecting customer reliability. The replacement of this system is much costlier than the overhead system (all materials are much more expensive than their overhead counterparts). In addition, the labour to install is much greater thus increasing cost. Our system has extensive 4.16KV underground. It is imperative to replace some of this every year.

3.0 Prioritizing Work

Basic premise for prioritizing is as follows:

1.) Address significant health and safety issues
2.) Address significant environmental risks
3.) Meet regulatory and legal obligations (including reliability)
4.) Replace end of life plant
5.) Improve operational efficiency

Exhibit Q
Pg 3

Any immediate concerns (imminent failures) based on 1.), 2.) and 3.) above will take precedence over any other projects. They will become top priority.

The above five premises need to be evaluated to determine the priorities. It is possible to address several if not all within one project.

Perhaps the best approach to prioritizing work is to identify all conceivable projects within a defined time span (i.e. ten years) and score the projects based on a point system which reflects the 5 basic premises. To score the projects, condition assessments of the plant involved in each project will need to be done. Once a computerized point system is in place a quantifiable methodology will exist for prioritization, selection and updating.

Judgment will still be required if projects once costed are too expensive to complete in any one year. Perhaps the project will span several years. Again it is good to spread the capital spending over all groups of plant involved. This will again require some judgment; however the scoring system will provide a basis to form proper decisions.

Currently we have several tools available to complete condition assessments. We perform the following on a regular basis:

1.) **Infrared Testing:**

This testing provides details regarding the relative temperatures of any current carrying components. The testing can determine the potential for failure. This is a maintenance tool which can also be used for planning.

2.) **Wood Pole Testing:**

Strength testing has been performed on all wood pole structures in our distribution system. This along with a visual inspection provides a solid basis for determining the relative pole condition (remaining life).

3.) **Visual:**

Photographs of the individual plant components are taken every 3 years and condition assessments can be made, on the hardware.

4.) **PCB Oil Testing:**

PCB testing has been done on all transformers manufactured prior to the date the use of PCBs were banned. This identifies where environmental risk exists.

5.) **Condition Oil Testing:**

Condition assessment of the Substation Power Transformers and several larger 3 phase commercial/industrial transformers are performed annually. This provides a good assessment of the overall condition of the transformer.

6.) **Switchgear Dry Ice Cleaning:**

This is a maintenance practice but it does allow for a good visual inspection of the switchgear.

7.) **Tree Trimming:**

Again this is a maintenance activity but it allows for a different person to evaluate the overhead system.

8.) **Outage Tracking:**

This practice allows us to evaluate our system from the reliability point of view. Identifies problem areas which aid in prioritizing work.

9.) **Information Bulletins:**

Information is passed to us from equipment manufacturers, Hydro One, Electrical Safety Authority and other Local Distribution Companies. Generally the information is in regards to materials or equipment failures. This allows us to assign a higher priority to work involving these potential trouble areas.

All of this information may be translated into a viable condition assessment of the plant involved in a proposed project. The project can now be scored on a sound basis to determine the priorities.

4.0 FUTURE PLANNING

At this time we have all the information needed to prioritize our projects in a reasonable manner. What we lack is an Automated Asset Management scoring system using our condition assessment. We must recognize that judgment still plays a role in the process. Although scoring may tell us to spend all of our resources in one aspect of the system, we know this is not the wisest practice. Only when the risk involving health and safety, environmental, or regulatory/legal obligation is too high, would we spend almost entirely in one area.

Exhibit R
Welland Hydro-Electric System Corp.
# of Poles Replaced/Cost

	2005 Actual			2006 Actual			2007 Actual			2008 Bridge			2009 Test		
	Dollars	Poles	Average	Dollars	Poles	Average	Dollars	Poles	Average	Dollars	Poles	Average	Dollars	Poles	Average
Miscellaneous Pole Replacement	281,450	48	5,864	217,811	36	6,050	205,960	34	6,058	200,000	42	4,762	200,000	41	4,878
Major Capital Projects	383177	77	4,976	784461	79	9,930	515917	52	9,921	465500	77	6,045	460000	75	6,133
Total 1830 Account	664,627	125	5,317	1,002,272	115	8,715	721,877	86	8,394	665,500	119	5,592	660,000	116	5,690

Exhibit 5

CORPORATE GOALS & DEPARTMENT GOALS

TO BE REPORTED TO APPROPRIATE COMMITTEE AND THE BOARD ON A QUARTERLY BASIS

Welland Hydro-Electric System Corp. will strive:

1. Health & Safety

   To incorporate into our day to day business, Health and Safety measures that safeguard the public and our employees. Corporate policy is the pursuit of zero lost time injuries by 2011.

Departmental Goals	**Deliverables**	**Measure/Success**
▪ Maintain number of lost time accidents (0 hours as in 2007)	(1) Safety Meetings (2) EUSA Silver Safety program (3) Review incident reports thoroughtly to reduce further incidents (4) Start CSA safety program 2008 and complete in 2009 (5) CSA Z1000 Program - internal audit	(1) 12 meetings per year with 80% attendance (2) Complete by March, 2008 (3) Reduce re-occuring incidents. (4) Complete by end of 2009 (5) complete audit with passing grade
▪ Reduce sick leave time hours (3 days or less)	(1) Reduce percentage to 1.70% (2) Healthy Active Lifestyle - $100 per employee, per year	(1) Achieve goal (2) To achieve goal in #1 (in Deliverable)
▪ Workwell Audit – Internal (2007 was 89.5%)	Workwell Audit Target for 2008 - 95% score	Achieve Goal (4^{th} quarter)

2. To enhance the quality, safety and reliability of our electrical distribution system while meeting or exceeding all statutory, environmental and regulatory compliance requirements.

Departmental Goals	**Deliverables**	**Measure/Success**
▪ Electrical Safety Authority – (i.e. Regulation 22/04	Clean annual audit	No non-compliant charges
▪ Enviromental Compliance	(1) PCB Site Visited and mantained to regulations (2) Oil Spills cleaned up properly (3) Disposal of waste materials in an environmentally friendly manner,	(1) 12 inspections per year-Letter of Compliance at end of year. (2) 12 visits per year Letter of compliance at year end No charges laid by MOE (3) proactive disposal process without non-compliance order from MOE
▪ Affiliate Relationship Code and RRR reporting	Reports filed accurately and on time	On time and compliant
▪ Retail Settlement Code	No notice of non-compliance	Compliant
▪ Financial Audit	Pre audit meeting and post audit meeting	Audit completed and accepted by the Welland Hydro Board by April 1st
▪ Business Continuity Plan	(1) Maintain written plan (2) Successfully test plan	 (2) By end of 4th quarter
▪ Documentation of Information Systems and Business Practices	Written procedures for all activities	Identify and target critical items by end of 1st quarter
▪ Adequate employees to carry out tasks today as well as in the future (succession planning) (1) Number of line staff close to retirement - ESA rules require two line persons for most work. (2) Increased work in Engineering Department due to Reg. 22/04	(1)Require one more Lineman (2) Require one more individual for Engineering Dept.	(1) by end of 1st quarter (2) by end of 1st quarter
▪ Proactive in addressing new PCB regulation	(1) PCB testing of vault and pad mount transformers over the next two years (2) Work plan for replacing required equipment in 2009	(1) 2/3 of program complete in 2008 (2) Work plan complete by 3rd quarter
▪ Reduce outage time of 27.6 Kv electric system	Install additional SCADA switches	Install and test 2 switches by 3rd quarter

▪ SAIDI – System Average Interruption Duration Index	2	Being 2 or under(does not include Hydro One) Subject to severe weather conditions
▪ CAIDI – Customer Average Interruption Duration Index	2	Being 2 or under (does not include Hydro One) Subject to severe weather conditions
• Connection of New Services	Within 5 days 90% of the time	100%
• Underground Cable Locates	Within 5 days 90% of the time	100%
• Appointments	At the scheduled time 90% of the time	100%
• Telephone Accessibility	Within 30 seconds 65% of the time	100%
• Written response- inquiries	Within 10 working days 80% of the time	100%
• Emergency response	Within 60 min (urban) and 120 min. (rural)	100%

3. To sustain the viability of Welland Hydro-Electric System Corp., through prudent and responsible management of assets and resources, while enhancing the overall value of the organization to the Shareholder, at a reasonable electrical distribution rate.

Departmental Goals	**Deliverables**	**Measure/Success**
▪ Capital Program to ensure we have ample equipment and infrastructure in place ▪ Budget 2008	Minimum 10% above depreciation $1,853,970 $2,173,970	Achieve target by year end
▪ Participate in 2009 Rebasing for rate setting purposes. Advocate for rates that are fair and reasonable to Welland Hydro-Electric System Corp. customers and stakeholders (Return on Equity at rates approved by OEB) while maintaining sustainable utility	Completion of Cost of Service Application. Incorporate first pricing changes as a result of Cost Allocation. Revise Terms of Conditions Transmission Rates Methodology	File rates application on time (Aug/2008).
▪ Financial Ratios	Interest Coverage Ratio of 1.5X Debt to Capitalization of .55X Maximum Debt to Equity Ratio Plan 49.6% Develop recommendations to Audit Committee for adjusting to the new 60% Deemed Debt levels used for rate setting purposes.	Maintain Ratios within the targeted ranges Develop by end of 4th quarter Audit Committee approve plan
▪ Profit & Loss; Cash Flow; Balance Sheet	Monthly Financial Reporting ROI – 1% PBIT – $1,224K Cash Flow – ($416K)	45 Days from Month End 90% of Budget
▪ Tax Planning	By use of Education/Tax Consultant minimize tax payable	2007 Tax Return to include deductions for Apprenticeships and change in CCA for poles etc. to 8% from 4% retroactive to mid year 2005 by end of 2nd quarter

4. To promote a dynamic and proactive environment where employees are proud to work and succeed in their careers while pursuing a customer and community focussed future.

Departmental Goals	**Deliverables**	**Measure/Success**
▪ Cross training of personnel where possible	To have back up for every task	Audit by end of first quarter. Complete task by end of second quarter Ongoing in 2008
▪ To ensure employers are treated fairly and consistently and provide resources to enhance our employee resources - Employee evaluations	(1) Pilot Project in Customer Service Department (2) Union and employee acceptance of employee evaluations (3) Continue project in other departments	(1) By end of First Quarter of 2008 (2) By end of 2nd quarter (3) By End of 3rd quarter 2009
▪ Positive Work Environment	Successfull resolution of employee disputes in a timely manner and continue to hold quarterly employee relations meetings to improve communications between the employee groups.	Ongoing dispute resolution process that addresses employee conflict without any arbitration awards against the company
Provide feedback to staff to plan for improvement and recognize successes	Develop employee performance reviews as pilot project for Customer Service Department	-Employees provide feedback on review draft and supervsior to complete 6 month reviews with employees in Customer Service department
Reduce office staff injuries and lost time due to repetitive workplace injuries	Ergonomic study of office staff	Complete by end of 2nd quarter
Collective Agreement	Successful negotiation of Collective Agreement within the guidelines provided by the Board	Signed Collective Agreement by the end of the 2nd quarter

5. To pursue new innovations, partnerships and best management practices in our quest to meet or exceed financial expectations of our community by cost sharing, efficiency gains and cost savings.

Departmental Goals	**Deliverables**	**Measure/Success**
USF participation	(1) Maintain approved standards as per ESA 22/04 (2) Develop pilot for group purchase	(1) Compliance with Regulation 22/04. (2) Develop tender items of major components by end of 3rd quarter
NEPA participant	(1) Develop Smart Meters and have approved by the Board (2) NEPA plan for OPA schedule	(1) End of 3rd quarter (2) Agreements in place with common vendors and signed contracts wtih OPA by end of 2nd quarter
CNP – Work Procedures	Development of work procedures for high risk work	Completion of 80% of work procedures by end of 4th quarter
APPX Users Group - COS (For Custom information system For all APPX Financial applications - A/R, A/P, G/L, P/R)	Identify joint projects with Niagara-on-the-Lake and work plan for 2008	Complete work plan items for 2008 by end of 4th quarter and develop plan for 2009

6. To protect and enhance the environment through energy conservation, demand management and other environmental friendly initiatives.

Departmental Goals	**Deliverables**	**Measure/Success**
To participate in the Water Festival for grade 3 and 4 students	Develop lesson plan and deliver Electricity conservation to grade 3 and 4 classes over the four days of the festival in September	Develop plans and deliver plans at the Water Festival in early 4th quarter
OPA Conservation programs	Conservation programs in 2008 through OPA funding	Signed agreements by end of 1st quarter Acquire extra resources for program Achieve targets in programs
Battery Recycling	Process to recycle batteries (small - no car batteries)	introduce for employees in 1st quarter develop recommendation by end of 3rd quarter whether we open up to the public
Printer Cartridges Recycling	Recycling of printer cartridges through Diabetes Society	People using the service
ERIP – Stores Lighting Upgrade	Install energy efficient lighting in stores through program funding	Before end of 4th quarter
Reduce Paper Usage	Process to store & access regular reports (e.g. transaction journals) electronically. Promote Electronic Bill Presentment.	Reduce paper use by at least 30,000 sheets, Reduce purchase of printer cartridges.Fulfill staff requirements regarding access to data.
Pilot field test use of computers to increase productivity	Study showing whether computers in the field can increase production	Complete study and provide recommendation for efficient consideration by end of the 2nd quarter
Sustainable energy by encouraging alternate green energy	Applications for putting energy in our system	By end of 4th quarter