EB-2008-0247

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

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

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
RESPONSE TO:
INTERROGATORIES OF
THE SCHOOL ENERGY COALITION

General: Transition to International Financial Reporting Standards (IFRS)

1. IFRS will replace Canadian GAAP for all publicly accountable enterprises effective January 1, 2011.

(a) Please describe any processes and procedures taken by WHESC to date to facilitate the transition.

Response:

Welland Hydro-Electric System Corp.'s finance personnel have attended seminars introducing IFRS and the changes required. A training session involving Deloitte is planned in early 2009 to identify processes and procedures at WHESC which will change under IFRS. Total cost of these seminars to date is approximately $800 in 2008.

(b) Please advise whether WHESC has conducted or is planning to conduct any study to identify and assess the potential impact on its regulatory accounting and reporting systems upon transitioning to IFRS reporting standards. If yes, please specify.

Response:

Welland Hydro-Electric System Corp. has not conducted any study to date.

(c) Choice of Accounting Policy: Upon transition from Canadian GAAP to IFRS, the utility now has the one-time opportunity to evaluate its current general-purpose financial reporting and make accounting policy decisions that could have a material impact on its future financial reporting. It implies that the utility could start a new even if its currently applied account policy is deemed to be appropriate under IFRS. It also implies that the choice of accounting policy and presentation of financial statements in conformity with IFRS will require management to make judgments and justify certain assumptions. Please advise whether this applies to WHESC.

Response:

The OEB has set up a working group to determine the effects on IFRS on Electricity Distributors. Welland Hydro-Electric System Corp. will review the results of this working group and work within the guidelines set out by the OEB.

(d) Cost of Conversion. Costs include both one-time upfront cost (for example, the establishment of multiple sets of books, integration of IFRS requirements into the utility's accounting and reporting systems for both internal and external reporting, IT costs etc) and on-going cost (for example, costs related to expanded disclosure requirements). Please advice of any such conversion costs that are anticipated.

Response:

Given the fact that Welland Hydro-Electric System Corp. has not undertaken any study concerning IFRS an estimate of conversion costs is not known at this time. Welland Hydro understands that the EDA has requested that the OEB set up a deferred account to

capture these costs. There is no IFRS conversion costs included in the 2009 OM & A expenses.

Smart Meters

2. Ref: Ex 2/1/1/pg2:

(a) Please provide the accumulated dollar amount collected through Smart Meter Rate Adder as of the end of 2008 rate year.

Response:

The 2008 rate year is still ongoing. The amount collected through Smart Meter Rate Adders as of the end of April, 2008 (2007 Rate Year) is $134,544. The amount collected as at September 30, 2008 is $163,113.

(b) Please provide the current balances of Account #1555 – Smart Meters Capital Variance Account, and Account # 1556 – Smart Meters OM&A Variance Account and the estimated balances of these accounts at the end of 2008 rate year.

Response:

The balance as at September 30, 2008 in the #1555 – Smart Meters Capital Account is $149,197 credit. Comprised of $21,101 Capital Expenditures, $163,113 Collected, and $7,185 interest owed. There is no balance in the #1556 – Smart Meter OM& A Account.

Smart Meter costs have been excluded from this rate application. The balances in the Smart Meter accounts for the rate application are as follows:

	Dec 31/2008	Dec 31/2009
Smart Meter Interest	($7,680)	($11,711)
Smart Meter Recovery	($179,752)	($250,044)
Smart Meter Capital	$85,780	$160,103
Smart Meter OM & A	$0	$0
Total	($101,652)	($101,652)

The recovery amount is based on $.27/mth/metered customer, but could be increased to $1.00/mth by the OEB effective May 1, 2009 (past decisions). In addition, Welland Hydro-Electric System Corp. is currently scheduled to begin installing smart meters beginning in March 2009 (moved up from late 2009). As a result, the actual Smart Meter Capital account balance will increase to approximately $3,000,000 over the months of March and April 2009.

3. Ref. Ex. 2/2/1, pg. 5: please provide a copy of the 2009 budget presented to the Board of Directors.

Response:

See Exhibit A

Capital Expenditures

4. Ref: Ex2/3/3 – Miscellaneous Pole Replacement, Transformer Replacement and Underground Rebuild: Each year WHESC budgets for miscellaneous pole and transformer replacement and miscellaneous upgrades to underground sections.

(a) Please advise whether WHESC has a consistent plan in place to inspect, replace and manage its overhead and underground distribution equipments on an ongoing basis.

Response:

Welland Hydro is planning to conduct a complete system review of assets in 2009. This review, to be performed with the assistance of outside consulting will form the basis of future capital planning. Welland Hydro continues to plan for capital expenses based on methods included in OEB Board Staff Exhibit Q and an ongoing review of the distribution as required by the OEB.

5. Ref. Ex. 2/1/1, pg. 3 the evidence states that WHESC has set a minimum capital expenditure target at 10% above depreciation to ensure future reliability.

(a) Please confirm that, as rate base grows, the absolute dollar value of depreciation grows proportionately, such that pegging capital expenditures to depreciation will result in ever increasing levels of capital expenditures.

Response:

Welland Hydro-Electric System Corp. depreciates on a pooled method by year within each asset class. As result, depreciation expense each year will be affected by the actual amount of capital expenditures and the actual amount of assets which become fully depreciated in each year.

6. Ref. Ex. 2/3/3: for each of the 2009 projects listed at pp.1-5, please provide a business case as well as projected in-service date.

Response:

See Exhibit D.

Rate Base -Working Capital Allowance

7. Ref: Ex 2/4/1: WHESC 's working capital allowance is based on 15% formula approach. A utility specific lead-lag study may result in a working capital allowance that is less than 15% proxy used by the Board.

(a) Please advise whether WHESC has any plan in the near future to conduct a company specific lead-lag study.

Response:

If requested by the OEB, WHESC would provide a lead-lag study for the next rebasing application expected for 2013.

Customer / Connection Forecast

8. Ref: Ex 3/2/2/pg1 –Table 2 "Customer /Connection by Class": Both historical and forecast customer / connection numbers are presented in Table 2. Significant changes to the number of customers in GS <50 KW, GS 50 – 4999KW and movement between these two classes are shown from 2002 – 2007.The total number of customers for GS <50, GS 50-4999, and Large Use classes has decreased by 103 or 5% from 2002 (1979) to 2007 (1877).

(a) Please separately identify the number of customer changes due to attrition and due to reclassification by class, from 2002 – 2007 (using the format illustrated on Ex 3/2/6/pg2).

Response:

See Exhibit C

(b) Please provide the normalized average use per customer for GS <50KW and GS 50-4999 KW class using 2004 (31-year average, Hydro One method) and 2007 (post-reclassification, post class change adjustment) data separately.

Response:

See Energy Probe Interrogatory #15 for the 2004 weather normalized usage per customer for General Service classifications. The information is not available to provide weather normalized data to reflect the reclassification made in 2007.

OM&A Costs

9. Ref. Ex. 1/2/1, Appendix F: the exhibit shows that WHESC's OM&A costs per customer in 2007 are 14% higher than its 2005-2007 average. In comparison, the average for the cohort group, including WHESC, increases by 2.8% over its 2005-2007 average. ($214 vs. $208). Does WHESC have any explanation for what may be contributing to its OM&A costs per customer increasing faster than the cohort group?

Response:

The 2005 to 2007 average for WHESC is affected by the recovery of the bad debt expense in 2006. Adjusting for OM & A expenses by $492,555 would produce a revised average for the three year period as follows:

	Average	2007	2006	2005
Reported	$183	$209	$162	$178
Exclude Recovery	$191	$209	$185	$178

This would result in an increase of 9.4% in 2007 versus the revised three year average. As indicated throughout this application 2005 and 2006 OM & A costs are affected by deferred pension amounts. Welland Hydro-Electric System Corp. is not in a position to evaluate if this was the case at other LDCs within the cohort grouping. Tree trimming expense was significantly higher in 2007 versus 2005/2006 actual levels. In 2007, Welland Hydro began testing in service transformers for PCB contamination. Welland Hydro-Electric System Corp. does not have access to evaluate manpower levels and expenditures at the other LDCs within the cohort grouping to make comparisons. Comparisons have been made with other LDCs for total electricity bills in Exhibit 9 Tab 1 Schedule 8 Appendix A. Welland Hydro-Electric System Corp. rates continue to competitive with other LDCs in the Niagara Region.

10. Ref: Ex 4/2/1 – Allocated Common Costs: WHESC states that some common costs are allocated from support departments to cover the costs of labor burden, engineering, stores, administration, IT, garage, and service center. As identified in the evidence, a standard overhead percentage is set for engineering department, stores and warehouses, and labor / health and safety. Standard hourly cost ($/hr) is set for fleet services. Standard cost per square footage ($/s.f.) is set for service center.

(a) Please briefly describe how these standard costs and/or rates were determined.

Response:

The rates are set as part of the budgeting process. Budgeted expenses within Burden, Stores, Service Centre, Garage, and Engineering are determined based on manpower and expenses. They are allocated to operations, maintenance, capital, and receivable accounts based on direct labor expense. At year end, any variance as a result of actual versus budget expenses in each support department are allocated to the same accounts so they reflect actual not standard. This is strictly an accounting exercise to allocate these costs to operations, maintenance, capital, and receivable accounts.

(b) Please provide the standard costs/rates applied for each year from 2003-2007 by category.

Response:

	2005	2006	2007
Percentage of Direct Labor			
Standard Burden	47%	47%	47%
Standard Engineering	30%	30%	30%
Administration	10%	10%	10%
IT	10%	10%	10%
Percentage of Material Costs			
Standard Stores	38%	28%	24%
Equipment Cost/Hour			
Standard Hourly Equipment Cost	$14.64 - $53.68		

11. Ref a: Ex 4/2/3/pg7 – 2007 Actual vs. 2006 Actual;

Ref b: Ex 4/2/2 – OM&A Cost Table

(a) Account #5065 – Meter Expense: 2007 meter expense is $27,117 over 2006 actual. Although the variance is below the materiality threshold defined by WHESC as 1% of distribution expense, this the increase represents a 10% increase over 2006 actual spending. Please explain the reason for the increase.

Response:

In response to OEB Staff Interrogatory #25, Welland Hydro produced Exhibit L which provides details of total operations and total maintenance expenses by sub accounts. As can be seen from this exhibit the main cost driver is labour costs. Actual amount of labour charged to each operations or maintenance account depends on where the actual time is spent in any given year. Attached is Exhibit B which provides the same level of detail for each operations and maintenance account requested in questions 11 through 13.

(b) Account # 5150 --Maintenance of Underground Conductors and Devices: Total expense increased by $64,774 in 2007 compared to 2006 actual. WHESC explains that $17,678 was due to increased material cost as a result of a required major repair. Please explain the remaining variance of $47,096.

Response:

See Energy Probe Interrogatory #25 and Energy Probe Exhibit N.

(c) Account #5335 – Bad Debt Expense: The company has expressed its concern that its bad debt provision and write off remain over the Board approved level. Please explain what initiatives the company has taken or is planning to take to address this concern.

Response:

Welland Hydro currently reviews deposits on an ongoing basis and determines if any increases are required. In addition, an overdue receivables list is reviewed and follow up phone calls are made to overdue accounts. Welland Hydro is introducing a credit card payment service where customers can make payments and pay the associated service fee directly to the service provider. Welland Hydro has investigated the possibility of taking out insurance on General Service and Large Use receivables but has not included the cost of this insurance in the 2009 Rate Application.

(d) Account #5315 – Customer Billing: 2007 spending increased by $31,394 or 8.6% over 2006 actual. Please explain.

Response:

See Exhibit B

(e) Account # 5320 – Collection: 2007 spending increased by $37,165 or 13% over 2006 actual. Please explain.

Response:

See Exhibit B

(f) Account # 5340 – Misc. Customer accounts Expenses, Account #5350 -Retail Billing, Account # 5360 – Retail STR: Please advise whether there was any reclassification between the accounts since 2006.

Response:

No

12. Ref: Ex 4/2/3/pg9, 2008 vs. 2007 actual

The following data was extracted from Table "OM&A Cost Table" on Ex 4/2/2/pg1.

(a) Please confirm that the above figures are correct.

Account #	2008	2007	2008 vs. 2007	2008 vs. 2007 %
Operation				
5005	83,862	65,475	18,387	28%
5020	87,931	67,768	20,163	30%
5025	168,573	155,733	12,840	8%
5030	76,052	61,256	14,796	24%
5040	138,440	106,693	31,747	30%
5085	167,742	136,512	31,230	23%
5095	21,966	6,230	15,736	352%
Maintenance				
5125	162,406	131,592	30,814	23%
5130	181,594	155,952	25,642	16%
5160	91,046	50,399	40,647	81%

Response:

Confirmed

(b) Although the dollar amount variance for each of the accounts identified above is below the materiality threshold defined by WHESC (1% of its distribution expense), they represent significant year over year increase. Please explain the increases.

Response:

See Exhibit B

13. Ref: Ex 4/2/3/pg19, 2009 vs. 2008
The data was extracted from Table "OM&A Cost Table" on Ex 4/2/2/pg1.

(a) Please confirm that the above figures are correct.

Account #	2009	2008	2009 vs. 2008	2009 vs. 2008 %
Operation				
5020	99,596	87,931	11,665	13%
5040	157,335	138,440	18,895	14%
5085	188,506	167,742	20,764	12%
Maintenance				
5105	95,673	85,144	10,529	12%
5150	158,122	143,766	14,356	10%

Response:

Confirmed

(b) Although the dollar amount variance for each of the accounts identified above is below the materiality threshold defined by WHESC (1% of its distribution expense), they represent significant year over year increase. Please explain the increases.

Response:

See Exhibit B

5150 See Energy Probe Interrogatory #25 and Energy Probe Exhibit N.

Compensation

14. Ex. 4/2/6, Table 7:

(a) when answering VECC IR#16, please explain the reason for the increase in total compensation in the amount of 3.9% per year over the period 2006-2009.

Response:

See OEB Staff Interrogatory – Question 31
See OEB Staff Exhibit M,N, & O

(b) In particular, please explain the 6% increase in average base wages from 2006 to 2007.

Response:

See OEB Staff Interrogatory – Question 31
See OEB Staff Exhibit M

Deferral and Variance Account

15. Deferral and Variance Accounts
Ref a: Ex 5/1/2/pg2
Ref b: Ex5/1/1/pg5
Ref c: Ex 3/2/8/pg2
Ref d: Ex 3/2/2/pg1

(a) The principal amount as of December 31, 2007 for Account # 1574 (one of the non-RSVA/RCVA accounts requested for disposition) is shown as 0 in Ref b but $124,132 in Ref a. Please reconcile.

Response:

The entry wasn't booked until June 2008 but is being requested for disposition.

(b) On Ex 5/1/2/pg1/line 18, it appears that WHESC is requesting the disposition of the balance of Account #1574 recorded in June 2008. Please confirm.

Response:

Confirmed

(c) The Board's practice for disposing of deferral and variance accounts is to use the most up-to-date audited balances (in this case, audited balances for year 2007) plus forecasted carrying charges on the balances up to the start of the new rate year. If WHESC's answer to part (b) above is yes, please explain why it is appropriate to request the disposition of the balance of Account #1574 recorded in June 2008.

Response:

See OEB Board Staff Interrogatory #13.

(d) WHESC has stated that it is requesting only the disposition of non-RSVA/RCVA accounts. It appears that WHESC has requested the disposition of Account #1508, #1525, #1574. Please advise whether WHESC is also requesting the disposition of other non-RSVA/RCVA accounts such as Account #1589, #1590, #1562 as shown in Ref b.

Response:

1589 is a Regulatory Asset Reserve which was set up in 2007 and reversed in 2008.

1590 Recovery of Regulatory Asset Balances was not final until mid way through 2008 and the small debit balance remaining is not being requested for disposition at this time.

1562 Deferred PILS in Lieu of Taxes prior to May 1, 2006 is under review by the OEB and is not being requested for disposition at this time.

(e) The amount of total 2007 distribution revenue and distribution revenue for Street Lighting, Large User, GS>50 rate classes as shown in Ref a do not match with the reported amount in Ref c. Please clarify.

Response:

	Exhibit 5	Add Back Allowance Transformer	Exhibit 3
Residential	$4,890,883		$4,890,882
GS<50 kW	702,201		702,200
GS 50 to 4999 kW	639,438	139,597	779,035
Large User	302,218	153,956	456,174
Street Light	22,937		22,937
Sentinel Lights	4,899		4,899
Unmetered	20,476		20,476
Total	$6,583,051	$293,553	$6,876,605

(f) Please re-calculate deferral and variance rate riders as shown in Table 3 on Ex 5/1/3/pg1 if needed.

Response:

Not required.

Capital Structure

16. Ref. 6/1/1, pg. 1: please provide details of WHESC's long-term debt issued to its shareholder, the City of Welland. Please provide copies of the debt instrument.

Response:

See Energy Probe Exhibits K,L, & M

Rate Design

17. Ref. Ex. 9/1/8, App. A: the rate impacts for GS>50kW customers are a 79% increase in distribution rates and a 16% increase in total bill.

(a) Please confirm the above figures are correct;

Response:

Confirmed

(b) Please explain why WHESC is not proposing any rate mitigation initiatives for this rate class given the large bill impacts.

Response:

This is a very large rate class and not all customers will have the same total impact. Welland Hydro-Electric System Corp. has provided three different comparisons for customers within this product class in 9/1/8 Appendix A. Welland Hydro did reduce the fixed ratio for the customer class from the current 56.55% down to 51.16% to provide assistance to customers at the low end of the demand range.

Welland Hydro-Electric System Corp.
2009 Full Year Plan – "DRAFT"
Assumptions

1) **All Financial Statements Exclude Smart Meters Expenditures and write off of existing meters taken out of service.**

2) **Actual December 31, 2007 Retained Earnings revised by $2,100,000 to reflect adjustment to recognize change from PILS on a cash basis to the liability method.**

3) **2008 and 2009 PILS expense based on the liability method.**

4) **2009 Revenues based upon distribution rates in the 2009 Rate Application Effective May 1, 2009.**

5) **Smart Meter Rate Funding increased to $1.00/mth effective May 1, 2009. Welland Hydro expects to file for actual rate rider at some point in 2009.**

6) **2009 Depreciation based on 50% of current year capital expenditures until affects of IFRS are identified and impact of Smart Meters/Impaired Meters are known.**

7) **Interest expense (actual and regulatory) excludes any affect due to Smart Meters.**

8) **Proposed 2008 Dividend required to bring Debt to Equity ratios in line with 60/40 deemed Ratios.**

Exhibit A Pg 2

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
STATEMENT OF EARNINGS AND RETAINED EARNINGS
2009 FULL YEAR PLAN - EXCLUDING SMART METERS

	2007 Full Year Actual	2008 Full Year Forecast	2009 Full Year Plan
SERVICE REVENUE			
Residential	$9,475,099	$10,169,742	$12,838,824
General Service	20,807,402	19,264,826	16,061,430
Large User	4,873,942	6,535,853	8,273,596
	35,156,443	35,970,421	37,173,850
DISTRIBUTION REVENUE			
Monthly Service Charge-Base	4,004,332	4,245,375	4,855,038
Monthly Service Charge-Smart Meter	70,099	69,142	194,484
Distribution Volume Charge-Base	2,872,273	2,981,313	3,552,484
Distribution Volume Charge-CDM Exp/Cap	598,714	0	0
Transformer Allowance	(293,554)	(284,294)	(284,041)
SSA Administration	73,386	71,514	72,126
Conservation Demand Revenue-Offset	0	0	0
Smart Meter Revenue-Offset	(70,099)	(69,142)	(194,484)
Retail Co Service Revenue	46,970	38,105	34,627
Service Trans Revenue	2,060	877	900
Distribution Revenue	7,304,181	7,052,890	8,231,134
COST OF POWER	35,156,443	35,970,421	37,173,850
GROSS MARGIN ON SERVICE REVENUE	7,304,181	7,052,890	8,231,134
OTHER OPERATING REVENUE			
Miscellaneous Operations Revenue	513,924	385,565	381,346
Interest Earned	342,528	204,748	125,138
Other Operating Revenue	856,452	590,313	506,484
NET OPERATING REVENUE	8,160,633	7,643,203	8,737,618
ADMINISTRATIVE EXPENSE			
Operating and Maintenance	2,139,641	2,398,492	2,728,250
Billing and Collections-Recurring	996,707	968,326	1,044,567
Billing and Collections-CDM	95,904	5,130	95,274
General Administration	1,344,494	1,263,000	1,285,575
(Over) / Under Applied	0	0	0
Amortization	1,634,333	1,685,247	1,721,827
TOTAL EXPENSES	6,211,079	6,320,195	6,875,493
EARNINGS BEFORE FINANCIAL EXPENSE	1,949,554	1,323,008	1,862,125
OTHER EXPENSE/(INCOME)			
Interest Expense	897,122	882,146	882,146
Reversal of Regulatory Asset Provision	271,632	-271,632	0
EARNINGS BEFORE PAYMENTS IN LIEU OF TAXES	780,800	712,494	979,979
Payments in lieu of taxes	683,071	316,493	323,393
NET EARNINGS FOR THE YEAR	97,729	396,001	656,586
RETAINED EARNINGS, BEGINNING OF YEAR	1,214,220	711,949	1,707,950
ADJUSTMENT PILS PRIOR YEARS	0	2,100,000	0
DIVIDENDS	(600,000)	(1,500,000)	(500,000)
RETAINED EARNINGS, END OF YEAR	$711,949	$1,707,950	$1,864,536

WELLAND HYDRO ELECTRIC SYSTEM CORP
DETAILED OTHER INCOME & REVENUE

	2007 Full Yr Actual ($)	2008 Full Yr Forecast ($)	2009 Full Yr Plan ($)
Miscellaneous Opeerations Revenue			
Rent from Electric Property	131,677	152,215	149,535
Divedend Income	1,746	0	0
Late Payment Charges	68,984	63,181	63,600
Misc-Account Status Fee	3,811	3,210	3,240
Misc Service-NSF Charges	6,192	4,575	4,680
Misc Service-Occupancy Related	85,179	81,150	81,000
Misc Service-Disconnect/Reconnect	33,845	26,175	26,455
Misc Service-Mark Up on Work Orders	31,189	0	24,000
Gain on Disposition of Utility and Other Property	2,278	19,940	0
Capital Gains	109,985	0	0
Scrap Metal Sales	27,919	16,418	15,600
Miscellaneous Non Operating	11,119	18,701	13,236
Total Other Misc Operations Revenue	513,924	385,565	381,346
Interest Earned			
Interest Income-Bank & Miscellaneous	375,170	243,779	138,278
Interest Variance Accounts	-32,642	-39,031	-13,140
Total Interest Earned	342,528	204,748	125,138
Total Other Operating Revenue	856,452	590,313	506,484

Exhibit A - P23

Exhibit A - Pg 4

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
BALANCE SHEET
2009 FULL YEAR PLAN

	2007 Full Year Actual	2008 Full Year Forecast	2009 Full Year Plan
ASSETS			
CURRENT			
Cash and cash equivalents	$7,074,132	$5,817,264	$4,598,977
Investments	0	0	0
Accounts Receivable	2,060,513	2,049,893	2,088,884
Accounts Receivable - unbilled revenue	5,297,085	5,397,407	5,499,629
Inventories	502,159	493,452	508,256
Prepaid expenses	86,550	10,929	11,257
	$15,020,439	$13,768,945	$12,707,003
DUE FROM RELATED PARTIES	137,487	138,590	140,227
PROPERTY PLANT AND EQUIPMENT	20,057,451	20,595,197	21,431,370
REGULATED SETTLEMENT VARIANCES	0	0	0
DEFERED PILS TAX RECEIVABLE	0	2,100,000	2,100,000
	$35,215,377	$36,602,732	$36,378,600
LIABILITIES			
CURRENT			
Accounts Payable and accrued liabilities	$3,668,278	$4,037,894	$4,151,578
Customer deposits - current portion	864,215	837,644	837,644
Current portion - liability for employee future benefits	70,545	70,545	70,545
Conservation Demand Management	0	0	0
Smart Meter Program	99,487	101,652	101,652
Other current liabilities	13,853	13,853	13,853
	$4,716,378	$5,061,588	$5,175,272
LONG TERM DEBT			
Note Payable - Shareholder	$13,499,953	$13,499,953	$13,499,953
OTHER LONG TERM LIABILITIES			
Employee future benefits	1,462,941	1,509,086	1,555,226
Other liabilities and deferred credits	6,540	6,540	6,540
Customer deposits - long term portion	426,735	426,735	426,735
Regulated settlement variances	807,543	807,543	267,000
	$2,703,759	$2,749,904	$2,255,501
	$20,920,090	$21,311,445	$20,930,726
SHAREHOLDERS EQUITY			
Share capital	$12,953,180	$12,953,180	$12,953,180
Contributed capital	630,158	630,158	630,158
Retained earnings	711,949	1,707,950	1,864,536
	$14,295,287	$15,291,288	$15,447,874
	$35,215,377	$36,602,732	$36,378,600

Exhibit A - Pg 5

WELLAND HYDRO - ELECTRIC SYSTEM CORP.
STATEMENT OF CASH FLOWS
2009 FULL YEAR PLAN

	2007 Full Year Actual	2008 Full Year Forecast	2009 Full Year Plan
CASH PROVIDED BY (USED FOR)			
OPERATION ACTIVITIES			
Net Earnings	$97,729	$396,001	$656,586
Items not requiring a cash outlay			
Amortization	1,634,333	1,685,247	1,721,827
Gain on disposal of property, plant and equipment	(2,278)	(19,940)	-
Gain on disposal of Investments	(109,985)	-	-
Change in employee benefits future-long term	46,140	46,145	46,140
	1,665,939	2,107,453	2,424,553
Accounts Receivable	184,389	(89,703)	(141,212)
Stores Inventory	(31,728)	8,707	(14,804)
Prepaid	(76,062)	75,621	(328)
Accounts Payable	(660,069)	369,616	113,684
Customer Deposits -Short Term	163,226	(26,571)	
Conservation Demand Management	(446,847)	-	-
OPC/ONPA Rebate Programs	4,245	-	-
Smart Meter Initiative	59,128	2,165	-
Changes in non-cash operating working capital items	(803,718)	339,835	(42,660)
Net Change in Regulatory Asset Accounts			
Retail Settlement Variances	985,034	-	(540,543)
	1,847,255	2,447,288	1,841,350
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(2,293,024)	(2,223,970)	(2,558,000)
Net proceeds on disposal of property, plant and equipment	7,504	20,917	-
Sale of Investments	145,173	-	-
Change in due from related parties	(13,771)	(1,103)	(1,637)
	(2,154,118)	(2,204,156)	(2,559,637)
FINANCING ACTIVITIES			
Divedends Paid	(600,000)	(1,500,000)	(500,000)
Other liabilities and deferred credits	-	-	-
Other deferred assets	-	-	-
Change in customer deposits - long term	(25,115)	-	-
	(625,115)	(1,500,000)	(500,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(931,978)	(1,256,868)	(1,218,287)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,006,110	7,074,132	5,817,264
CASH AND CASH EQUIVALENTS, END OF YEAR	$7,074,132	$5,817,264	$4,598,977

Exhibit A-Pg 6

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
CAPITAL EXPENDITURES
2009 FULL YEAR PLAN

ITEM DESCRIPTION	2008 Plan	2008 Forecast	2009 Plan
Customer Service			
Office Furniture	5,800	4,800	5,000
Computer Equipment	16,600	8,000	5,000
APPEX Programming-External	5,000	0	5,000
Operation Equipment	0	0	5,000
Telephone Hardware-Head/Hand Sets	4,000	4,000	0
Telephone Consulting-Greet Tree	4,000	4,000	0
	35,400	20,800	20,000
Executive Department			
Computer peripheral & Furniture	6,000	3,314	5,000
	6,000	3,314	5,000
Finance Department			
Office Equipment-Chair	1,500	1,000	1,000
Personal Computer	3,000	1,548	3,000
Windows Finance Offices	0	9,383	0
	4,500	11,931	4,000
IT Department			
APPEX Programming-External	15,000	20,000	15,000
Computer Equipment	10,000	6,500	10,000
Furniture & Equip	1,500	0	0
	26,500	26,500	25,000
Line Department			
Miscellaneous Pole Replacement	200,000	150,000	200,000
Miscellaneous Transformer Replacement	0	175,000	200,000
Miscellaneous Underground Rebuild	150,000	75,000	100,000
Miscellaneous Overhead Primary	50,000	100,000	100,000
Services Overhead & Underground	15,000	60,000	55,000
Clare Avenue Rebuild	20,000	0	20,000
Major Street Rebuild Completion	(25,000)	(53,333)	0
Rebuild MS#11Substation	150,000	160,000	0
Operations Tools	10,000	10,000	10,000
Office Furniture	1,000	399	1,000
Townline Tunnel	0	1,499	0
Load Transfer Rebuild Fairgrounds	0	84,039	0
Colbeck Drive 27.6 line	90,000	217,031	0
Myrtle Ave & Empire 27.6 kw line	250,000	0	250,000
Ontario Road Rebuild 27.6 Line	50,000	0	150,000
Ridge,Rusholme, & Silverthorn Rebuild	100,000	0	0
Crowland TS Line Upgrade	50,000	0	0
Aqueduct Area (Birch,Cedar,Beechwood)	100,000	0	100,000
Niagara Street & Lancaster 27.6	200,000	0	200,000
Towline Road/Dain City-Rebuild 27.6	0	0	200,000
Churchill Ave 27.6 Rebuild	0	76,872	0
Lincoln St to Cartier Court 4.16 KV Rebuild	0	51,147	0
Cartier Court Underground Rebuild	0	50,029	0
Harold to Major 4.16 Rebuild	0	78,463	0
Barrington, Endicott, Fairlawn Underground Rebuild	0	151,484	0
Margaret, Nye, Thorold Rebuild 4.0	0	0	250,000
Mill Street Rebuild	0	185,171	0
	1,411,000	1,572,801	1,836,000

Exhibit A - Pg 7

WELLAND HYDRO-ELECTRIC SYSTEM CORP.
CAPITAL EXPENDITURES
2009 FULL YEAR PLAN

	2008 Plan	2008 Forecast	2009 Plan
Engineering			
Computer Software	25,000	35,000	15,000
Operation Equipment	8,000	0	5,000
Furniture	3,000	4,032	0
	36,000	39,032	20,000
Garage & Vehicle			
Operations equipment	5,000	5,000	5,000
New Single Bucket Truck	210,000	210,000	0
	215,000	215,000	5,000
Meter Department/Service Center			
Meter & Meter Devices	0	20,301	0
Crowland TS Wholesale Meter Point	0	0	560,000
Tools	5,000	5,000	5,000
Service Centre Asphalt	30,000	0	0
SCADA Radio System	55,000	0	0
Radio System	10,000	0	0
Computer Equipment	8,000	4,000	8,000
Back Up Generator Upgrade	231,570	231,570	0
New Developments & Upgrades	20,000	5,000	20,000
Safety Equipment - Defibulator	10,000	6,903	0
Office Reconfiguiration	30,000	0	0
Garage Floor Grates	5,000	5,861	0
Stores Lighting	10,000	13,729	0
Scada Swithes	50,000	17,228	0
	464,570	309,592	593,000
SUBTOTAL	2,198,970	2,198,970	2,508,000
Capitalized Subdivision Assets Transferred	25,000	25,000	50,000
TOTAL CAPITAL SPENDING	2,223,970	2,223,970	2,558,000

Exhibit B
Welland Hydro-Electric System Corp.
Response to Questions 11 to 13

11A	5065 Meter Expense	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Materials	14,514	11,184	10,559	13,009
	Conference & Travel	5,531	6,883	6,505	6,635
	Computer Support	1,101	1,124	1,158	6,181
	Courier Expense	349	426	246	385
	Fess & Dues	180	0	182	182
	Equipment Repairs	153	0	0	0
	Clothing Allowance	679	1,687	2,061	2,102
	Hydro	3,663	4,088	4,415	4,547
	Office Supplies	753	1,629	1,054	1,075
	Telephone	1,912	2,164	2,012	2,229
	Service Centre Allocation	16,799	16,336	15,374	16,376
	Labor	225,704	252,139	257,569	274,581
	Stores Material	2,607	149	400	412
	Vehicle Charge	9,691	12,944	11,163	11,572
	Total 5065	283,635	310,752	312,698	339,287

Labour for 2006 and 2007 is based on actual hours. 2008 and 2009 labour was allocated based on 2007 Actual.

11D	5315 Customer Billing	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Materials	15,907	20,348	19,352	20,400
	Conference & Travel	111	2,593	2,298	2,600
	Computer Support	3,472	12,417	8,007	8,000
	Courier Expense	7	52	0	50
	Equipment Repairs	0	49	71	50
	Insurance	100	104	107	110
	Office Supplies	7,054	4,652	4,277	5,000
	Photocopies	1,685	1,233	1,191	1,250
	Postage	42,432	46,294	43,959	47,200
	Settlement Services	49,092	49,092	50,565	49,100
	Subcontracting	-2,475	0	0	0
	Customer Billing - Sundry	3,004	3,070	3,124	3,100
	Property Tax	1,079	1,079	1,111	1,150
	Telephone	2,621	3,575	3,376	3,600
	Service Centre Allocation	7,745	7,472	7,033	7,491
	Labor	227,533	239,464	247,962	255,293
	Stores Material	3,095	2,158	2,773	2,856
	Vehicle Charge	2,109	2,312	2,040	2,115
	Total 5315	364,572	395,966	397,246	409,365

2007 had increases in outside programming changes (computer support), materials such as printing and envelopes, postage, conference expenses, and labour

Exhibit B
Welland Hydro-Electric System Corp.
Response to Questions 11 to 13

11E	5320 Collections	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Materials	-2,021	0	0	0
	Bank Service Charges	10,936	10,972	11,563	11,300
	Computer Support	0	3,065	0	3,000
	Clothing Allowance	150	534	525	600
	Hydro	29	0	0	0
	Office Supplies	5,805	6,597	6,832	6,800
	Photocopying	2,106	1,488	1,417	1,500
	Postage	19,815	22,763	22,319	23,500
	Credit Bureau	6,389	8,341	8,271	8,700
	Telephone	926	815	805	850
	Labor	224,531	244,577	253,256	260,743
	Stores Material	193	0	0	0
	Vehicle Charge	23,897	30,768	27,703	28,718
	Total 5320	292,756	329,920	332,691	345,711

2007 had increases in outside programming charges (computer support), postage labor and vehicle charge relating to connect/disconnect

12	5005 Operation Supervision & Engineering	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Computer Support	1,653	1,957	1,924	1,962
	Fees & Dues	180	371	187	190
	Postage	715	604	646	659
	Labor	51,640	62,543	81,105	83,538
	Total 5005	54,188	65,475	83,862	86,349

Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual.
In other words, the additional manpower added was distributed across all operations and maintenance accounts.

12 & 13	5020 Overhead Distribution Lines & Feeders	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Materials	0	419	503	513
	Conference & Travel	0	1,798	2,422	2,470
	Labor	55,838	65,551	85,006	96,613
	Total 5020	55,838	67,768	87,931	99,596

Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual.
In other words, the additional manpower added was distributed across all operations and maintenance accounts.

Exhibit B
Welland Hydro-Electric System Corp.
Response to Questions 11 to 13

12	5025 Overhead Distriubtion Lines & Feeders	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Materials	44	1,718	2,062	2,103
	Conference & Travel	1,651	1,787	2,411	2,459
	Fees & Dues	75	0	0	0
	Insurance	37,715	37,734	38,865	40,031
	Subcontracting	0	17,675	15,000	15,300
	Property Taxes	2,914	2,914	3,002	3,092
	Labor	0	58,849	76,315	86,736
	Stores Material	0	5,362	0	0
	Vehicle Charge	6,520	29,694	30,918	32,045
	Total 5320	48,919	155,733	168,573	181,766

Increase in subcontracting in 2007 was to assist in the ice storm in January 2007.
Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual.
In other words, the additional manpower added was distributed across all operations and maintenance accounts.

12	5030 Overhead Subtransmission Feeders	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Laborur	52,571	53,563	69,461	78,946
	Vehicle Charge	6,376	7,693	6,591	6,831
	Total 5030	58,947	61,256	76,052	85,777

Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual.
In other words, the additional manpower added was distributed across all operations and maintenance accounts.

12 & 13	5040 Underground Distribution Lines/Feeder	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Labour	100,722	106,693	138,358	157,251
	Stores Material	246	0	82	84
	Vehicle Charge	725	0	0	0
	Total 5040	101,693	106,693	138,440	157,335

Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual.
In other words, the additional manpower added was distributed across all operations and maintenance accounts.

Exhibit B
Welland Hydro-Electric System Corp.
Response to Questions 11 to 13

12 & 13	5085 Miscellaneous Distribution	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Materials	245	37	45	46
	Stores Obsolete Material Write Off	119,347	0	0	0
	Conference & Travel	0	106	0	0
	Computer Support	440	489	481	491
	Courier Expense	0	50	71	75
	Clothing Allowance	5,107	4,812	4,953	5,600
	Insurance	299	313	322	332
	Office Supplies	436	659	66	577
	Subcontracting	1,635	0	1,111	1,133
	Telephone	4,777	5,109	4,815	4,911
	Service Centre Allocation	19,265	18,597	17,500	18,641
	Labor	89,324	106,283	137,824	156,644
	Vehicle Charge	463	57	54	56
	Total 5085	241,338	136,512	167,242	188,506

A review of stores inventory in 2006 resulted in a significant write off of obsolete material. Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual. In other words, the additional manpower added was distributed across all operations and maintenance accounts.

12	5125 Maintenance Overhead Conductors	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Materials	9,423	2,917	3,087	3,149
	Equipment Repairs	1,912	716	1,543	1,574
	Subcontracting	1,920	458	1,118	1,140
	Labour	109,436	95,400	123,715	140,608
	Stores Materials	11,003	12,542	15,006	15,456
	Vehicle Charge	17,585	19,559	17,937	18,591
	Total 5125	151,279	131,592	162,406	180,518

Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual. In other words, the additional manpower added was distributed across all operations and maintenance accounts.

12	5130 Maintenance Overhead Services	Actual 2006	Actual 2007	Bridge 2008	Test 2009
	Materials	24,395	23,345	24,009	24,489
	Labour	93,677	92,489	119,938	136,316
	Stores Material	12,883	16,310	16,595	17,093
	Vehicle Charge	19,567	23,808	21,052	21,819
	Total 5130	150,522	155,952	181,594	199,717

Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual. In other words, the additional manpower added was distributed across all operations and maintenance accounts.

Exhibit B
Welland Hydro-Electric System Corp.
Response to Questions 11 to 13

12 5160 Maintenance of Line Transformers

	Actual 2006	Actual 2007	Bridge 2008	Test 2009
Materials	0	665	797	813
Insurance	5,239	5,258	5,415	5,577
Subcontracting	1,313	24,795	61,506	61,200
Labour	9,218	14,286	18,526	21,056
Store Materials	937	3,127	2,669	2,749
Vehicle Charge	1,119	2,268	2,133	2,211
Total 5085	17,826	50,399	91,046	93,606

Subcontracting increased in 2007 to check installed transformers for PCBs.
Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual.
In other words, the additional manpower added was distributed across all operations and maintenance accounts.

12 5105 Maintenance Supervision & Engineer

	Actual 2006	Actual 2007	Bridge 2008	Test 2009
Hydro Bill	3,040	3,393	3,664	3,774
Labour	49,905	57,384	74,415	84,576
Vehicle Charge	5,254	8,435	7,065	7,323
Total 5105	58,199	69,212	85,144	95,673

Labour expenses for 2006 and 2007 are actual. Labor for 2008 and 2009 was allocated based on total labour within Operations and Maintenance based on 2007 actual.
In other words, the additional manpower added was distributed across all operations and maintenance accounts.

12 5095 Overhead Distribution Lines

	Actual 2006	Actual 2007	Bridge 2008	Test 2009
Right of Way	22,349	6,230	21,966	22,405
Total 5095	22,349	6,230	21,966	22,405

Bell Canada issues an invoice which nets pole rental charges for Bell poles which Welland Hydro uses and Welland Hydro poles that Bell uses. Bell charges are to 5095 and Bell credit are to pole rental income. No invoice was issued in 2007.

Exhibit C
Welland Hydro-Electric System
Customer Analysis 2002-2007

General Service <50 kW	
2002 Actual Yr End	1,747
From GS 50 to 4999 kW	1
To GS 50 to 4999 kW	-10
Attrition/Additions	-66
2003 Actual Yr End	1,672
From GS 50 to 4999 kW	32
To GS 50 to 4999 kW	-5
Attrition	-49
2004 Actual Yr End	1,650
From GS 50 to 4999	2
To GS 50 to 4999 kW	-1
Attrition/Additions	16
2005 Actual Yr End	1,667
From GS 50 to 4999	0
To GS 50 to 4999 kW	-2
Attrition/Additions	3
2006 Actual Yr End	1,668
From GS 50 to 4999	36
To GS 50 to 4999 kW	-6
Attrition/Additions	-3
2007 Actual Yr End	1,695

General Service 50 to 4999 kW	
2002 Actual Yr End	230
From GS<50 kW	10
To GS< 50 kW	-1
To Large User	-1
Attrition/Additions	-2
2003 Actual Yr End	236
From GS<50 kW	5
To GS< 50 kW	-32
Attrition/Additions	-1
2004 Actual Yr End	208
From GS 50 to 4999	1
To GS 50 to 4999 kW	-2
Attrition/Additions	2
2005 Actual Yr End	209
From GS 50 to 4999	2
To GS 50 to 4999 kW	0
From Large User	1
To Large User	-1
Attrition/Additions	-2
2006 Actual Yr End	209
From GS 50 to 4999	6
To GS 50 to 4999 kW	-36
From Large User	1
Attrition/Additions	0
2007 Actual Yr End	180
To Large User	-1
2008 Bridge Forecast	179

Large User	
2002 Actual Yr End	2
From GS 50 to 4999	1
To GS 50 to 4999 kW	0
Attrition/Additions	0
2003 Actual Yr End	3
From GS 50 to 4999	0
To GS 50 to 4999 kW	0
Attrition/Additions	0
2004 Actual Yr End	3
From GS 50 to 4999	0
To GS 50 to 4999 kW	0
Attrition/Additions	0
2005 Actual Yr End	3
From GS 50 to 4999	1
To GS 50 to 4999 kW	-1
Attrition/Additions	0
2006 Actual Yr End	3
From GS 50 to 4999	0
To GS 50 to 4999 kW	-1
Attrition/Additions	0
2007 Actual Yr End	2
From GS 50 to 4999	1
To GS 50 to 4999 kW	0
Attrition/Additions	0
2008 Birdge Forecast	3

Exhibit D
Pg 1

REBUILD M.S. #2 SUBSTATION

TOTAL COST $300,000

PROJECT DESCRIPTION:

Our distribution system has been built in a manner where two primary voltage systems exist. We have 14 substations which reduce the voltage from 27,000 volts to 4160 volts. Although an entire conversion of load to the higher voltage level would be desirable, it is not feasible. Costs and construction complications make a wholesale change impossible. We do our best to convert load to the higher system where practical. However the reality is the lower voltage primary system can not be eliminated thus we must replace aging substations. M.S. #2 is one of our oldest substation installations. The switchgear particularly is a source of concern, it easily dates back to the 1950-1960 era. Although we maintain the equipment, it is still a concern for replacement parts. Replacing a substation is a logistically difficult task as the existing station can not be taken out of service until the new station is ready.

JUSTIFICATION:

The station is aged to the point where all aspects of the installation are a concern. Reliability is the primary reason for such a rebuild. We will in the end have plant which when maintained will again last 30-40 years.

EXPENDITURES:

A substation of this size (5 MVA) including all civil work and communications will cost in the order of $750,000. It is prudent to break this into several budget years. This project is being deferred to 2010, however other projects in 2009 are being pursued which will in fact reduce the load on the station thereby reducing the overall cost of the station replacement.

MISCELLANEOUS POLE REPLACEMENT

TOTAL COST $200,000

PROJECT DESCRIPTION:

During the course of a year, we are required to change poles on an individual basis or in a manner which is not classified as a major project. For example, a car may hit a pole and damage it enough to warrant replacing. This however may be in an older area where our new standards as required by the ESA are not followed. We may determine that it is prudent to upgrade the surrounding structures so as to accommodate the new standard. Other issues may drive the same rational (i.e.) storm damage, peripheral equipment damage (transformers). These all may require more extensive pole replacement to meet the newer standards. Our pole testing program provides us information regarding pole replacement priority. Poles require replacement throughout our distribution system.

JUSTIFICATION:

We are obligated by the OEB, ESA, and the Welland Hydro Board (through their objectives) to maintain our plant in a safe and reliable condition. Pole replacements should be done in a manner which upgrades to our modern construction standards. It is not prudent to simply install a new pole using old standards. As an LDC we obtain new plant in the areas needed and construction meets our new standards.

EXPENDITURES:

The costs associated with this item is spread over the entire budget year. This cost is somewhat controllable as the circumstances leading to pole failure is restricted to few events. However weather (wind, snow, ice) to the extreme may cause damage beyond budgeted amounts.

Exhibit D
Pg 3

MILL STREET REBUILD

TOTAL COST $150,000

PROJECT DESCRIPTION:

An apartment building is being constructed in an area where we have insufficient capacity to supply a large load such as this. We are taking this opportunity to bring in our higher voltage system (27,600 volts) to service this new installation. Doing so presents us with the chance to upgrade the old (2400 volt) system (40-50 years old) to the new (16,000 volt) system which services the adjacent residential and commercial customers.

JUSTIFICATION:

This project has a three fold purpose. Firstly we can properly service a new customer without potential voltage problems which would have arisen using the lower voltage system. Secondly we are able to eliminate obsolete plant and upgrade to the higher voltage system thus improving reliability to the customers involved. Thirdly we will reduce our line losses.

EXPENDITURES:

This project has in fact been pushed forward. The bulk of the allocated funds will be spent in 2008 and any remaining work will be early in 2009.

Exhibit D
Pg 4

ONTARIO ROAD REBUILD

TOTAL COST $100,000

PROJECT DESCRIPTION:

This is a pole line which involves both of our primary voltage systems. All plant related to this project dates back 40-50 years. These are wood pole structures with wooden crossarms and porcelain insulators. The work is involving approximately ten poles. It is part of a larger rebuild where in previous years we replaced underground cable crossing the Welland Canal.

JUSTIFICATION:

This is a rebuild which benefits both primary voltage systems. It brings that plant up to modern day standards with the newest hardware. This rebuild should alleviate some potential safety concerns (new vs. old plant) and improve system reliability indices.

EXPENDITURES:

This work will be scheduled and completed in the 2009 budget year.

Exhibit D
Pg 5

RIDGE ROAD, RUSHOLME ROAD & SILVERTHORNE STREET

TOTAL COST $100,000

PROJECT DESCRIPTION:

Portions of our 27,600 volt primary system were purchased from Ontario Hydro back in the 1970's, this was mostly in rural areas involving very old plant. This project is a rebuild of a section of line from one of these purchases. It involves approximately 15 pole spans.

JUSTIFICATION:

As with many of our projects we are obligated by the OEB, ESA, and the Welland Hydro Board (through their objectives) to maintain a safe and reliable system. This project will bring this section of obsolete system up to new standards and improve reliability in this area. Building to new standards will improve public safety as well as improve the safety of our workers.

EXPENDITURES:

The costs for this project will occur at one time within a two to three week time period. This project will be deferred to 2010.

Exhibit D
Pg 6

TOWNLINE ROAD / RAIL TRACKS TO DAIN CITY

TOTAL COST $200,000

PROJECT DESCRIPTION:

This work involves a double circuit pole line from our source Crowland TS to a subdivision described as Dain City. The pole line consists of a Hydro One circuit and a Welland Hydro circuit. Welland Hydro services a large industrial customer off of this circuit. Hydro One circuit continues past Welland to service Canadian Niagara Power. Hydro One pays a rental charge to Welland Hydro to occupy the position on the pole line. The project involves approximately twenty pole spans.

JUSTIFICATION:

Our analysis of system data has shown that some pole conditions are to the point of requiring replacement. This pole line is very difficult to access. A failure would result in a lengthy outage to the subdivision and the large commercial customer. In order to avoid this we would rebuild to the new standards.

EXPENDITURES:

This project will require the use of specialized equipment because of the access problems. This equipment will be rented thus the project will be done quickly to reduce the overall costs. Hydro One will share in the costs by supplying materials associated with their circuit. This project will be deferred to 2010.

Exhibit D
Pg 7

MARGARET STREET, NYE AVENUE & THOROLD ROAD PROJECT

TOTAL COST $250,000

PROJECT DESCRIPTION:

This is one of the oldest subdivisions in our city. All plant is overhead in a heavily treed environment. The existing plant may be 50 years plus in age. This work will involve the replacement of poles, transformers and secondary services. Tree trimming will also be required to allow the new standards to be used.

JUSTIFICATION:

The condition of the existing plant through our analysis of data is such that a wholesale rebuild is justified. All plant is of the same age (with the exception of individual components which have failed over the years), so to meet the standards a complete rebuild is required. Welland Hydro will end up with a safer more reliable system in this area.

EXPENDITURES:

This project will run through the 2009 budget year, being overhead allows the work to be done in a more flexible manner.

BARRINGTON DRIVE, ENDICOTT TERRACE, FAIRLAWN CRESCENT UNDERGROUND REBUILD

TOTAL COST $160,000

PROJECT DESCRIPTION:

Continuing failure of primary underground cable in this subdivision has prompted a complete replacement of the existing system. This includes all primary cable, transformers and secondary cable. All the civil structure involved is also replaced.

JUSTIFICATION:

Customer outages have prompted this rebuild. Reliability in the area needs improving and the only sensible way is with a complete rebuild. The replacement of cable only is not a sensible solution as the transformers are of the same age. The co-ordination which would be required to maintain service to the customers during construction would be an insurmountable problem if the entire system is not replaced.

EXPENDITURES:

This project has been moved up to 2008 budget year and completed, because of the immediate need for reliability improvement in the area.

MISCELLANEOUS UNDERGROUND REBUILD

TOTAL COST $100,000

PROJECT DESCRIPTION:

Welland Hydro has a significant amount of primary underground cable that is virtually the same age. These cables are reaching the end of their life cycle and in many cases well past their predicted life. Obviously we cannot change all the cable in one budget year. It is a prudent thing to address some parts each year. We evaluate the outages due to cable failures and target the most troublesome areas. Failures may occur during the course of the year which influence our decisions as to the areas for upgrade.

JUSTIFICATION:

Underground cable failures affect the reliability indices which we are required to monitor. Generally cable failures affect large numbers of customers and repair times can be lengthy as compared to overhead systems.

EXPENDITURES:

This amount of capital for the budget year 2009 may easily be spent in rebuilding a portion of a particular neighbourhood. Continuous work year after year needs to be done to avoid a situation which adversely affects the reliability indices.

Exh. 6 + D
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MISCELLANEOUS TRANSFORMER REPLACEMENT

TOTAL COST $200,000

PROJECT DESCRIPTION:

Although we have some maintenance practices which flag potential problems it is difficult to ascertain the condition of a distribution transformer in a financially feasible manner. Transformers fail for several reasons, manufacturing defects, lightning strikes, power surges, overloads, accidents (i.e. vehicle). The predictability of many of these events is very difficult. We must be prepared to replace transformers when failures occur to fulfil our obligations for reliable service. We also need to be pro active and replace overloaded transformers and transformers which may be nearing end of life and have the symptoms of potential failure. Also transformers with PCB content will be addressed.

JUSTIFICATION:

Our obligations to provide safe and reliable service justifies the need for transformer replacement. We as a utility will have new transformation and presumably better reliability indices.

EXPENDITURES:

These costs are generally spread over the entire 2009 budget year. If we need to spend more than the budgeted amount because of circumstances beyond our control we will do so.

Exhibit D
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CROWLAND T.S. WHOLESALE METERING POINT

TOTAL COST $560,000

PROJECT DESCRIPTION:

The scope of work will include all metering equipment materials, poles and associated hardware, labour and contractor costs to establish a fully compliant 27.6KV Primary Metering Point on each of the 8 Welland Hydro Distribution Feeders.

JUSTIFICATION:

Crowland Transformer Station is owned and operated by Hydro One. The station provides power to 3 Local Distribution Companies. Prior to the development of the Market Rules pursuant to the Electricity Act, Hydro One (formerly Ontario Hydro) was the owner and operator of all metering at the Transformer Station. Once the new Market Rules went into effect, Welland Hydro became defined as a Wholesale Market Participant and took ownership of the metering for 8 of the distribution feeders emanating from the Transformer Station.

At that time it was determined that the existing metering installation at Crowland T.S. did not meet the requirements of the Independent Market Operator and Measurement Canada. Due to complications, Welland Hydro chose to make the installation partially compliant under the Market Rules and was granted dispensation from Measurement Canada until the end of 2009, at which time the metering would be required to be upgraded to a fully compliant installation.

Hydro One has scheduled an outage for April 2009 to ascertain information regarding the existing instrument transformers. Subject to the results of this information review by Hydro One a less expensive upgrade of the metering system may be possible. The spending may be considerably downgraded, possibly by half.

EXPENDITURES:

These costs have been slated for 2009 budget year, however the IESO and the OEB may change the requirements.