



Borden Ladner Gervais LLP  
Lawyers • Patent & Trade-mark Agents  
Scotia Plaza, 40 King Street West  
Toronto, Ontario, Canada M5H 3Y4  
tel.: (416) 367-6000 fax: (416) 367-6749  
www.blgcanada.com

**JAMES C. SIDLOFSKY**  
direct tel.: 416-367-6277  
direct fax: 416-361-2751  
e-mail: jsidlofsky@blgcanada.com

August 15, 2008

**Delivered by Courier and E-Filing**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2008-0247**  
**Welland Hydro-Electric System Corp.**  
**Application to the Ontario Energy Board for Electricity Distribution**  
**Rates and Charges effective May 1, 2009**

We are counsel to Welland Hydro-Electric System Corp. (“Welland Hydro”) in the above-captioned matter. Please find accompanying this letter two copies of Welland Hydro’s Application for its Electricity Distribution Rates and Charges effective May 1, 2009, together with an electronic version of same.

We ask that copies of all correspondence and orders pertaining to this proceeding be delivered to the following:

Wayne Armstrong  
Director of Finance  
Welland Hydro-Electric System Corp.  
950 East Main Street  
P. O. Box 280  
Welland, Ontario L3B 5P6  
Tel: 1-905-732-1381 Ext. 234  
Fax: 1-905-732-0123  
E-mail: warmstrong@wellandhydro.com

and to:

Vancouver  
•  
Toronto  
•  
Ottawa  
•  
Montréal  
•  
Calgary



James C. Sidlofsky  
Partner  
Borden Ladner Gervais LLP  
Scotia Plaza, 40 King Street West  
Toronto, ON M5H 3Y4

Tel: 416-367-6277

Fax: 416-361-2751

E-mail: [jsidlofsky@blgcanada.com](mailto:jsidlofsky@blgcanada.com)

Should you have any questions or require further information, please do not hesitate to contact me.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

*Original signed by James C. Sidlofsky*

**James C. Sidlofsky**

JCS/dp

Copies to: Wayne Armstrong, Welland Hydro

::ODMA\PCDOCS\TOR01\3875860\1

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

**AND IN THE MATTER OF** an Application by Welland Hydro-Electric System Corp. for an Order or Orders approving and fixing just and reasonable rates effective May 1, 2009.

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**EB-2008-0247**

**Application to the Ontario Energy Board  
by Welland Hydro-Electric System Corp.  
for 2009 Electricity Distribution Rates**

**Filed: August 15, 2008**

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**Wayne Armstrong**  
**Director of Finance**  
Welland Hydro-Electric System Corp.  
950 East Main Street  
P.O. Box 280  
Welland, Ontario L3B 5P6

Tel: (905) 732-1381 Ext. 234  
Fax: (905) 732-0123  
warmstrong@wellandhydro.com

**James C. Sidlofsky**  
**Counsel to the Applicant**  
Borden Ladner Gervais  
40 King Street West  
Suite 4100, Scotia Plaza  
Toronto, Ontario M5H 3Y4

Tel: (416) 367-6277  
Fax: (416) 361-2751  
jsidlofsky@blgcanada.com

**WELLAND HYDRO-ELECTRIC SYSTEM CORP.**  
**APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES**  
**EFFECTIVE MAY 1, 2009**

**INDEX**

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>1 – Administrative Documents</b>				
	1			<b>Administration</b>
		1		Index
		2		Application
			A	Schedule of Proposed Rates and Charges
		3		Distribution Licence
			B	Copy of Welland Hydro-Electric System Corp. Distribution Licence
		4		Contact Information
		5		List of Specific Approvals Requested
		6		Draft Issues List
		7		Procedural Orders/Motions/Notices
		8		Accounting Orders Requested
		9		Compliance with Uniform System of Accounts
		10		Distribution Service Territory and Distribution System
			C	Map of Distribution Service Territory
			D	Map of Distribution System
		11		List of Neighboring Utilities
		12		Explanation of Host and Embedded Utilities
		13		Utility Organization Structure
		14		Corporate Entities Relationships Chart

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>	
<b>1 - Administrative Documents - Cont.</b>		15		Planned Changes in Corporate and Organizational Structure	
		16		Status of Board Directives from Previous Board Decisions	
		17		Conditions of Service	
		18		Recent Changes in Conditions of Service	
				E Notice to Welland Hydro-Electric System Corp.'s Customers regarding Planned Changes to Conditions of Service	
		19		Preliminary List of Witnesses	
		2		<b>Overview</b>	
			1		Summary of the Application
				F	Comparison of Welland Hydro-Electric System Corp. OM&A Costs to "Mid Size Southern Medium-High Undergrounding" Cohort Grouping
			2		Budget Directives
			3		Changes in Methodology
			4		Calculation of Revenue Deficiency
			5		Causes of Revenue Deficiency
		3			<b>Finance</b>
			1		Financial Statements – 2007
				G	Copy of Audited Financial Statements for 2007
			2		Pro Forma Financial Statements – 2008 and 2009
				H	Copy of Welland Hydro-Electric System Corp. 2008 Pro Forma Statements
				I	Copy of Welland Hydro-Electric System Corp. 2009 Pro Forma Statements

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>1 - Administrative Documents - Cont.</b>		3		Reconciliation Between Pro Forma Statements and Revenue Deficiency Statements
		4		Information on Affiliates
			J	Copy of Welland Hydro Energy Services Corp. 2007 Annual Report

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>	
<b>2 – Rate Base</b>	1			<b>Overview</b>	
		1		Rate Base Overview	
		2		Variance Analysis on Rate Base Table	
	2				<b>Gross Assets – Property, Plant and Equipment Accumulated Depreciation</b>
		1			Continuity Statements
		2			Gross Assets Table
		3			Gross Assets Overview
		4			Accumulated Depreciation Table
		5			Variance Analysis on Accumulated Depreciation
	3				<b>Capital Budget</b>
		1			Capital Expenditures Variance Analysis
		2			Capital Expenditures Exceeding Materiality Threshold
		3			Capital Expenditures Description
	4				<b>Capitalization Policy</b>
	4				<b>Allowance for Working Capital</b>
		1			Overview and Calculation by Account
2				Variance Analysis	

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>3 – Operating Revenue</b>				
	1			<b>Overview</b>
		1		Overview of Operating Revenue
		2		Summary of Operating Revenue
		3		Variance Analysis on Operating Revenue
	2			<b>Throughput Revenue</b>
		1		Weather Normalized Forecasting Methodology
		2		Economic and Forecast Assumptions
		3		Volume Forecast Table
		4		Variance Analysis on Volume Forecast
		5		Customer Count Forecast Table
		6		Variance Analysis on Customer Count Forecast
		7		Historical Average Consumption
		8		Distribution Revenue Data by Class
	3			<b>Other Distribution Revenue</b>
		1		Summary of Other Distribution Revenue
		2		Materiality Analysis on Other Distribution Revenue
	4			<b>Revenue Sharing</b>
		1		Description of Revenue Sharing



<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>		
<b>4 – Operating Costs</b>	1			<b>Overview</b>		
		1		Overview of Operating Costs		
			A	2007 Federal and Ontario Tax Return		
	2				<b>OM&amp;A Costs</b>	
		1			Departmental and Corporate OM&A Activities	
		2			OM&A Detailed Costs Table	
		3			Variance Analysis on OM&A Costs	
		4			Charges to Affiliates for Services Provided	
		5			Purchase of Services	
		6			Employee Compensation, Incentive Plan Expenses, Pension Expense and Post Retirement Benefits	
		7			Depreciation, Amortization and Depletion	
		8			Determination of Loss Adjustment Factors	
		3				<b>Income Tax, Large Corporation Tax</b>
			1			Tax Calculations
	2				Interest Expense	
		3			Capital Cost Allowance (CCA)	

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>5 – Deferral and Variance Accounts</b>	1	1		Description of Deferral and Variance Accounts & Balances
			2	Accounts Requested for Disposition by way of a Deferral and Variance Account Rate Rider
			3	Methods of Disposition of Accounts
			4	Bill Impacts

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>6 – Cost of Capital and Rate of Return</b>	1	1		Overview
			2	Capital Structure Deemed & Actual
			3	Analysis

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>7 – Calculation of Revenue Deficiency or Surplus</b>	1	1		Revenue Deficiency - Overview

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>8 – Cost Allocation</b>	1	1		Summary of Results and Proposed Changes
			2	Proposed Adjustments to Cost Allocation

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>9 – Rate Design</b>	1	1		Rate Design Overview
		2		Rate Mitigation
		3		Other Electricity Charges
		4		Existing Rate Classes
		5		Existing Rate Schedule
		6		Schedule of Proposed Rates and Charges
		7		Reconciliation of Rate Class Revenue
		8		Rate and Bill Impacts
				A

1           **IN THE MATTER OF** the Ontario Energy Board Act, 1998,  
2           being Schedule B to the Energy Competition Act, 1998, S.O.  
3           1998, c.15;

4           **AND IN THE MATTER OF** an Application by Welland  
5           Hydro-Electric System Corp. to the Ontario Energy Board for an  
6           Order or Orders approving or fixing just and reasonable rates  
7           and other service charges for the distribution of electricity as of  
8           May 1, 2009.

9   Title of Proceeding:                   An application by Welland Hydro-Electric System Corp.  
10   for an Order or Orders approving or fixing just and  
11   reasonable distribution rates and other charges, effective  
12   May 1, 2009.

13   Applicant's Name:                    Welland Hydro-Electric System Corp.  
14

15   Applicant's Address for Service:   PO Box 280  
16   950 East Main St  
17   Welland, Ontario  
18   L3B 5P6

19   Attention: Mr. Ross Peever, CEO

20   Telephone:   905-732-1381  
21   Fax:           905-732-0266  
22   E-mail:       rpeever@wellandhydro.com  
23

24   Applicant's Counsel:                Borden Ladner Gervais LLP  
25   Suite 4100  
26   40 King Street West  
27   Toronto ON  
28   M5H 3Y4

29   James C. Sidlofsky  
30   Telephone:   (416) 367-6277  
31   Fax:           (416) 361-2751  
32   E-mail       jsidlofsky@blgcanada.com  
33

1 **APPLICATION**

2 **1. Introduction**

3 (a) The Applicant is Welland Hydro-Electric System Corp. (referred to in this  
4 Application as the “Applicant” or “Welland Hydro”). The Applicant is a  
5 corporation incorporated pursuant to the Ontario *Business Corporations Act* with  
6 its head office in the City of Welland. The Applicant carries on the business of  
7 distributing electricity within the City of Welland.

8 (b) The Applicant hereby applies to the Ontario Energy Board (the “OEB”) pursuant  
9 to Section 78 of the *Ontario Energy Board Act, 1998* (the “OEB Act”) for  
10 approval of its proposed distribution rates and other charges, effective May 1,  
11 2009. A list of requested approvals is set out in Exhibit 1, Tab 1, and Schedule 5.

12 (c) Except where specifically identified in the Application, the Applicant followed  
13 Chapter 2 of the OEB’s Filing Requirements for Transmission and Distribution  
14 Applications dated November 14, 2006 (the “Filing Requirements”) in order to  
15 prepare this application.

16 **2. Proposed Distribution Rates and Other Charges**

17 (a) The Schedule of Rates and Charges proposed in this Application is identified in  
18 Appendix A attached to this application and Exhibit 9, Tab 1, and Schedule 6,  
19 and the material being filed in support of this Application sets out Welland  
20 Hydro’s approach to its distribution rates and charges.

21 **3. Proposed Effective Date of Rate Order**

22 (a) The Applicant requests that the OEB make its Rate Order effective May 1, 2009  
23 in accordance with the Filing Requirements.

24 (b) In the event that the OEB is unable to provide a Decision and Order in this  
25 Application for implementation by the Applicant as of May 1, 2009, the Applicant



1 requests that the OEB issue an interim Order approving the proposed distribution  
2 rates and other charges effective May 1, 2009, which may be subject to  
3 adjustment based on its final Decision and Order.

4 **4. The Proposed Distribution Rates and Other Charges are Just and Reasonable**

5 (a) The Applicant submits the proposed distribution rates contained in this  
6 Application are just and reasonable on the following grounds:

7 (i) the proposed rates for the distribution of electricity have been prepared in  
8 accordance with the Filing Requirements and reflect traditional rate  
9 making and cost of service principles;

10 (ii) the proposed adjusted rates are necessary to meet the Applicant's Market  
11 Based Rate of Return ("MBRR") and Payments in Lieu of Taxes ("PILs")  
12 requirements;

13 (iii) there are no impacts to any of the customer classes or consumption level  
14 subgroups that are so significant as to warrant the deferral of any  
15 adjustments being requested by the Applicant or the implementation of  
16 any other mitigation measures;

17 (iv) the other service charges proposed by the Applicant are the same as those  
18 previously approved by the OEB; and

19 (v) such other grounds as may be set out in the material accompanying this  
20 Application Summary.

21

1     **5.     Relief Sought**

2           (a)     The Applicant applies for an Order or Orders approving the proposed distribution  
3                   rates and other charges set out in Exhibit 1, Tab 1, and Schedule 2, Appendix A to  
4                   this Application as just and reasonable rates and charges pursuant to Section 78 of  
5                   the OEB Act, to be effective May 1, 2009, or as soon as possible thereafter; and

6           (b)     In the event that the OEB is unable to provide a Decision and Order in this  
7                   Application for implementation by the Applicant as of May 1, 2009, the Applicant  
8                   requests that the OEB issue an interim Order approving the proposed distribution  
9                   rates and other charges, effective May 1, 2009, which may be subject to  
10                  adjustment based on its final Decision and Order.

11     **6.     Form of Hearing Requested**

12           (a)     The Applicant requests that this Application be disposed of by way of a written  
13                   hearing.

14     DATED at Toronto, Ontario, this 15th day of August, 2008.

15     **All of which is respectfully submitted,**

16     **BORDEN LADNER GERVAIS LLP**

17

18     *Original Signed by James C. Sidlofsky*

19

20     James C. Sidlofsky

21     Counsel to Welland Hydro-Electric System Corp.

**APPENDIX A**  
**SCHEDULE OF PROPOSED RATES AND CHARGES**

## SCHEDULE OF PROPOSED RATES AND CHARGES

### MONTHLY RATES AND CHARGES

#### Residential

Service Charge	\$	14.09
Distribution Volumetric Rate	\$/kWh	0.0139
Regulatory Asset Recovery	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0056
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0047
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### General Service Less Than 50 kW

Service Charge	\$	26.50
Distribution Volumetric Rate	\$/kWh	0.0092
Regulatory Asset Recovery	\$/kWh	0.0003
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### General Service 50 to 4,999 kW

Service Charge	\$	327.61
Distribution Volumetric Rate	\$/kW	1.7064
Regulatory Asset Recovery	\$/kW	0.0357
Retail Transmission Rate – Network Service Rate	\$/kW	1.7011
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4490
Retail Transmission Rate – Network Service Rate-Interval Metered	\$/kW	1.6874
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7356
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### Large Use

Service Charge	\$	12,512.31
Distribution Volumetric Rate	\$/kW	.8442
Regulatory Asset Recovery	\$/kW	0.0359
Retail Transmission Rate – Network Service Rate	\$/kW	1.2364
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9274
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### Unmetered Scattered Load

Service Charge (per connection)	\$	12.91
Distribution Volumetric Rate	\$/kWh	0.0089
Regulatory Asset Recovery	\$/kWh	0.0004
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Street Lighting**

Service Charge (per connection)	\$	1.37
Distribution Volumetric Rate	\$/kW	5.8294
Regulatory Asset Recovery	\$/kW	0.0354
Retail Transmission Rate – Network Service Rate	\$/kW	1.5809
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3466
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Sentinel**

Service Charge (per connection)	\$	1.97
Distribution Volumetric Rate	\$/kW	4.5024
Regulatory Asset Recovery	\$/kW	0.0365
Retail Transmission Rate – Network Service Rate	\$/kW	1.5844
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3496
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Specific Service Charges**

Customer Administration		
Arrears certificate	\$	15.00
Statement of Account	\$	15.00
Request for other billing information	\$	15.00
Easement Letter	\$	15.00
Account History	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect at Meter – during regular hours	\$	65.00
Install/Remove load control device – during regular hours	\$	65.00
Disconnect/Reconnect at Meter – after regular hours	\$	185.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

**Retail Service Charges (if applicable)**

**Retail Service Charges refer to services provided by a distributor to retailers or customers related To the supply of competitive electricity**

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	\$	no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

**Loss Factor**

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0532
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0427
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045

1 **DISTRIBUTOR LICENCE:**

- 2 A copy of Welland Hydro's Electricity Distribution Licence ED-2003-0002, issued on October  
3 10, 2003 accompanies this Schedule as Appendix B hereto.

Welland Hydro-Electric System Corp.  
EB-2008-0247  
Exhibit 1  
Tab 1  
Schedule 3  
Appendix B  
Filed: August 15, 2008

**APPENDIX B**

**COPY OF WELLAND HYDRO-ELECTRIC SYSTEM CORP.  
DISTRIBUTION LICENCE**





# Electricity Distribution Licence

ED-2003-0002

Welland Hydro-Electric System Corp.

**Valid Until**  
**October 9, 2023**

---

**Mark C. Garner**  
**Secretary**  
**Ontario Energy Board**

**Date of Issuance: October 10, 2003**

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
26th. Floor  
Toronto, ON M4P 1E4

Commission de l'Énergie de l'Ontario  
C.P. 2319  
2300, rue Yonge  
26e étage  
Toronto ON M4P 1E4

**1 Definitions**

In this Licence:

“**Accounting Procedures Handbook**” means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

“**Act**” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“**Affiliate Relationships Code for Electricity Distributors and Transmitters**” means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

“**distribution services**” means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

“**Distribution System Code**” means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems;

“**Electricity Act**” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“**Licensee**” means: Welland Hydro-Electric System Corp.;

“**Market Rules**” means the rules made under section 32 of the Electricity Act;

“**Performance Standards**” means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

“**Rate Order**” means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

“**regulation**” means a regulation made under the Act or the Electricity Act;

“**Retail Settlement Code**” means the code approved by the Board which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

“**service area**” with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

“**Standard Supply Service Code**” means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act;

“**wholesaler**” means a person that purchases electricity or ancillary services in the IMO-administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IMO-administered markets or directly to another person other than a consumer.

## **2 Interpretation**

2.1 In this Licence words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this licence where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day.

## **3 Authorization**

3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence:

- a) to own and operate a distribution system in the service area described in Schedule 1 of this Licence;
- b) to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act in the manner specified in Schedule 2 of this Licence; and
- c) to act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the Electricity Act.

<b>4</b>	<b>Obligation to Comply with Legislation, Regulations and Market Rules</b>	25
4.1	The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts except where the Licensee has been exempted from such compliance by regulation.	26
4.2	The Licensee shall comply with all applicable Market Rules.	27
<b>5</b>	<b>Obligation to Comply with Codes</b>	28
5.1	The Licensee shall at all times comply with the following Codes (collectively the “Codes”) approved by the Board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions granted to the licensee are set out in Schedule 3 of this Licence. The following Codes apply to this Licence:	29
	a) the Affiliate Relationships Code for Electricity Distributors and Transmitters;	30
	b) the Distribution System Code;	31
	c) the Retail Settlement Code; and	32
	d) the Standard Supply Service Code.	33
5.2	The Licensee shall:	34
	a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and	35
	b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.	36
<b>6</b>	<b>Obligation to Provide Non-discriminatory Access</b>	37
6.1	The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee’s distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence.	38
<b>7</b>	<b>Obligation to Connect</b>	39
7.1	The Licensee shall connect a building to its distribution system if:	40

- a) the building lies along any of the lines of the distributor's distribution system; and 41
- b) the owner, occupant or other person in charge of the building requests the connection in writing. 42
- 7.2 The Licensee shall make an offer to connect a building to its distribution system if: 43
- a) the building is within the Licensee's service area as described in Schedule 1; and 44
- b) the owner, occupant or other person in charge of the building requests the connection in writing. 45
- 7.3 The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee's Rate Order as approved by the Board. 46
- 7.4 The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the *Act* or a regulation or any Codes to which the Licensee is obligated to comply with as a condition of this Licence. 47
- 8 Obligation to Sell Electricity** 48
- 8.1 The Licensee shall fulfill its obligation under section 29 of the Electricity Act to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and the Licensee's Rate Order as approved by the Board. 49
- 9 Obligation to Maintain System Integrity** 50
- 9.1 The Licensee shall maintain its distribution system in accordance with the standards established in the Distribution System Code and Market Rules, and have regard to any other recognized industry operating or planning standards adopted by the Board. 51
- 10 Market Power Mitigation Rebates** 52
- 10.1 The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence. 53

<b>11</b>	<b>Distribution Rates</b>	54
11.1	The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board.	55
<b>12</b>	<b>Separation of Business Activities</b>	56
12.1	The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.	57
<b>13</b>	<b>Expansion of Distribution System</b>	58
13.1	The Licensee shall not construct, expand or reinforce an electricity distribution system or make an interconnection except in accordance with the Act and Regulations, the Distribution System Code and applicable provisions of the Market Rules.	59
13.2	In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.	60
<b>14</b>	<b>Provision of Information to the Board</b>	61
14.1	The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.	62
14.2	Without limiting the generality of condition 14.1 the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.	63
<b>15</b>	<b>Restrictions on Provision of Information</b>	64
15.1	The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.	65
15.2	The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:	66

- a) to comply with any legislative or regulatory requirements, including the conditions of this Licence; 67
  - b) for billing, settlement or market operations purposes; 68
  - c) for law enforcement purposes; or 69
  - d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator. 70
- 15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified. 71
- 15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent. 72
- 15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed. 73
- 16 Customer Complaint and Dispute Resolution** 74
- 16.1 The Licensee shall: 75
- a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner; 76
  - b) publish information which will make its customers aware of and help them to use its dispute resolution process; 77
  - c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours; 78
  - d) give or send free of charge a copy of the process to any person who reasonably requests it; and 79
  - e) subscribe to and refer unresolved complaints to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Board. The Board will provide reasonable notice to the Licensee of the date this condition becomes effective. 80

<b>17</b>	<b>Term of Licence</b>	81
17.1	This Licence shall take effect on October 10, 2003 and expire on October 9, 2023. The term of this Licence may be extended by the Board.	82
<b>18</b>	<b>Fees and Assessments</b>	83
18.1	The Licensee shall pay all fees charged and amounts assessed by the Board.	84
<b>19</b>	<b>Communication</b>	85
19.1	The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.	86
19.2	All official communication relating to this Licence shall be in writing.	87
19.3	All written communication is to be regarded as having been given by the sender and received by the addressee:	88
	a) when delivered in person to the addressee by hand, by registered mail or by courier;	89
	b) ten (10) business days after the date of posting if the communication is sent by regular mail; and	90
	c) when received by facsimile transmission by the addressee, according to the sender's transmission report.	91
<b>20</b>	<b>Copies of the Licence</b>	92
20.1	The Licensee shall:	93
	a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and	94
	b) provide a copy of the Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.	95



**SCHEDULE 1 DEFINITION OF DISTRIBUTION SERVICE AREA**

96

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with condition 8.1 of this Licence.

97

1. The City of Welland as of January 1, 1991.

98

**SCHEDULE 2 PROVISION OF STANDARD SUPPLY SERVICE**

100

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act.

101

The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with condition 8.1 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

102

**SCHEDULE 3 LIST OF CODE EXEMPTIONS**

103

This Schedule specifies any specific Code requirements from which the Licensee has been exempted.

104

The Licensee is exempt from the requirements of section 2.5.3 of the Standard Supply Service Code with respect to the price for small volume/residential consumers, subject to the Licensee offering an equal billing plan as described in its application for exemption from Fixed Reference Price, and meeting all other undertakings and material representations contained in the application and the materials filed in connection with it.

105

## APPENDIX A MARKET POWER MITIGATION REBATES

### 1 Definitions and Interpretation

In this Licence,

“embedded distributor” means a distributor who is not a market participant and to whom a host distributor distributes electricity;

“embedded generator” means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

“host distributor” means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IMO includes interim payments made by the IMO.

### 2 Information Given to IMO

a Prior to the payment of a rebate amount by the IMO to a distributor, the distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with information in respect of the volumes of electricity withdrawn by the distributor from the IMO-controlled grid during the rebate period and distributed by the distributor in the distributor’s service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*.

b Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IMO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor’s host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor’s service area to:

- i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and 118
  - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*. 119
- c Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with the information provided to the host distributor by the embedded distributor in accordance with section 2. 120

The IMO may issue instructions or directions providing for any information to be given under this section. The IMO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment. 121

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IMO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IMO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period. 122

### 3 Pass Through of Rebate 123

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IMO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to: 124

- a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented; 125
- b consumers who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and 126
- c embedded distributors to whom the distributor distributes electricity. 127

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor. 128

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

129

“ONTARIO POWER GENERATION INC. rebate”

130

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IMO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

131

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

132

Pending pass-through or return to the IMO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

133

1    **CONTACT INFORMATION:**

2    **WELLAND HYDRO-ELECTRIC SYSTEM CORPORATION**

3    P.O. Box 280  
4    950 East Main Street  
5    Welland, ON  
6    L3B 5P6  
7

8    **CHIEF EXECUTIVE OFFICER:**

9    Mr. Ross Peever  
10   Telephone: 905-732-1381 (Ext. 232)  
11   Facsimile: 905-732-0123  
12   E-mail:    rpeever@wellandhydro.com

13   **DIRECTOR OF FINANCE:**

14   Mr. Wayne Armstrong  
15   Telephone: 905-732-1381 (Ext. 234)  
16   Facsimile: 905-732-0123  
17   E-mail:    warmstrong@wellandhydro.com  
18  
19  
20  
21

22   **APPLICANT'S COUNSEL:**

Borden Ladner Gervais LLP  
Suite 4100  
40 King Street West  
Toronto ON  
M5H 3Y4

27                   James C. Sidlofsky  
28                   Telephone:   416 367-6277  
29                   Facsimile:   416 361-2751  
30                   E-mail:       jsidlofsky@blgcanada.com  
31

1 **SPECIFIC APPROVALS REQUESTED:**

2 In this proceeding, Welland Hydro is requesting the following approvals:

- 3 ➤ Approval to charge rates effective May 1, 2009 to recover a revenue requirement of  
4 \$9,357,747 as set out in Exhibit 1, Tab 2, Schedule 4 and Exhibit 7, Tab 1, Schedule 1.  
5 The schedule of proposed rates is set out in Exhibit 1, Tab 1, Schedule 2 Appendix A and  
6 Exhibit 9 Tab 1 Schedule 6;
- 7 ➤ Approval of the Applicant's proposed change in capital structure, decreasing the  
8 Applicant's deemed common equity component from 46.7% to 43.3% and increasing the  
9 deemed debt component from 53.3% to 56.7%, as set out in Exhibit 6, Tab 1, Schedule 2,  
10 consistent with Report of the Board on Cost of Capital and 2nd Generation Incentive  
11 Regulation for Ontario's Electricity Distributors dated December 20, 2006;
- 12 ➤ Approval of the proposed loss factor as set out in Exhibit 4, Tab 2, Schedule 8;
- 13 ➤ Approval to continue to charge Retail Transmission-Network Service, Retail  
14 Transmission-Connection, and Wholesale Market and Rural Rate Protection Charges  
15 approved in the OEB Decision and Order in the matter of Welland Hydro's 2008  
16 Distribution Rates (EB-2007-0855) subject to any modifications as a result of the OEB's  
17 decision on Hydro One Networks' 2009 Uniform Transmission Rate Adjustment  
18 Application (OEB File EB-2008-0113);
- 19 ➤ Approval to continue the Specific Service Charges and Transformer Allowance approved  
20 in the OEB Decision and Order in the matter of Welland Hydro's 2008 Distribution Rates  
21 (EB-2007-0855); and
- 22 ➤ Approval to dispose of the following Deferral and Variance Account Balances as at April  
23 30, 2009 over a three-year period using the method of recovery described in Exhibit 5,  
24 Tab 1, Schedule 3:

25



- 1           1508   Other Regulatory Assets
- 2           1508   Other Regulatory Assets - Sub-account OEB Cost Assessments
- 3           1525   Miscellaneous Deferred Debits
- 4           1574   Deferred Revenue

1 **DRAFT ISSUES LIST:**

2 The Applicant would expect, based on previous regulatory experience and other hearings, that  
3 the following matters pertaining to the 2009 Test Year may constitute issues in this Application:

- 4       ➤ The amount of Welland Hydro's proposed revenue requirement; and  
5       ➤ The reasonableness of the proposed electricity distribution rates.

1    **PROCEDURAL ORDERS/MOTIONS/NOTICES:**

2    On March 12, 2007, the OEB issued a Report titled "LDC Screening Methodology to Establish a  
3    Rebasing Schedule for Electricity LDCs". The purpose of that Report was "to describe the  
4    criteria to be considered in determining which electricity distributors to engage in proceedings  
5    before the Board for rebasing to establish rates for each of the years 2008, 2009 and 2010" and to  
6    establish the next steps and timelines for filing. Section 3.3 of that Report provided an  
7    opportunity for LDCs to "self-nominate" to be rebased in a particular year.

8    On March 20, 2007 and November 19, 2007, Welland Hydro filed a self-nomination request for  
9    rebasing in 2009. Subsequently, in Board File No. EB-2006-0330, the OEB issued its list of  
10   distributors that will be rebased in 2009. Welland Hydro was included on that list.

11   On December 24, 2007 the OEB issued a Decision and Order for EB-2007-0663 concerning  
12   revised 2007 Distribution Rates for Welland Hydro. A description of this Decision is outlined in  
13   Exhibit 1, Tab 1, Schedule 16.

14   No further Decisions and Orders have been issued by the OEB in respect of Welland Hydro to  
15   the date of filing this Application.

- 1 **ACCOUNTING ORDERS REQUESTED:**
- 2 Welland Hydro is not requesting Accounting Orders in this proceeding.

1 **COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS:**

2 Welland Hydro has followed the accounting principles and main categories of accounts as stated  
3 in the OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of  
4 Accounts ("USoA") in the preparation of this Application.

1 **DISTRIBUTION SERVICE TERRITORY AND DISTRIBUTION SYSTEM:**

2 **Description of Distributor:**

3	COMMUNITY SERVED:	City of Welland
4	TOTAL SERVICE AREA:	86 sq km
5	RURAL SERVICE AREA:	0 sq km
6	DISTRIBUTION TYPE:	Electricity distribution
7	SERVICE AREA POPULATION:	50,331
8	MUNICIPAL POPULATION:	50,331
9	BOUNDARIES:	West: Pelham/Wainfleet
10		North: Fonthill/Thorold
11		East: Niagara Falls
12		South: Port Colborne

13 A map of Welland Hydro's Distribution Service Territory accompanies this Schedule as  
14 Appendix C.

15 A schematic diagram of Welland Hydro's distribution system is attached in Appendix D.

Welland Hydro-Electric System Corp.  
EB-2008-0247  
Exhibit 1  
Tab 1  
Schedule 10  
Appendix C  
Filed: August 15, 2008

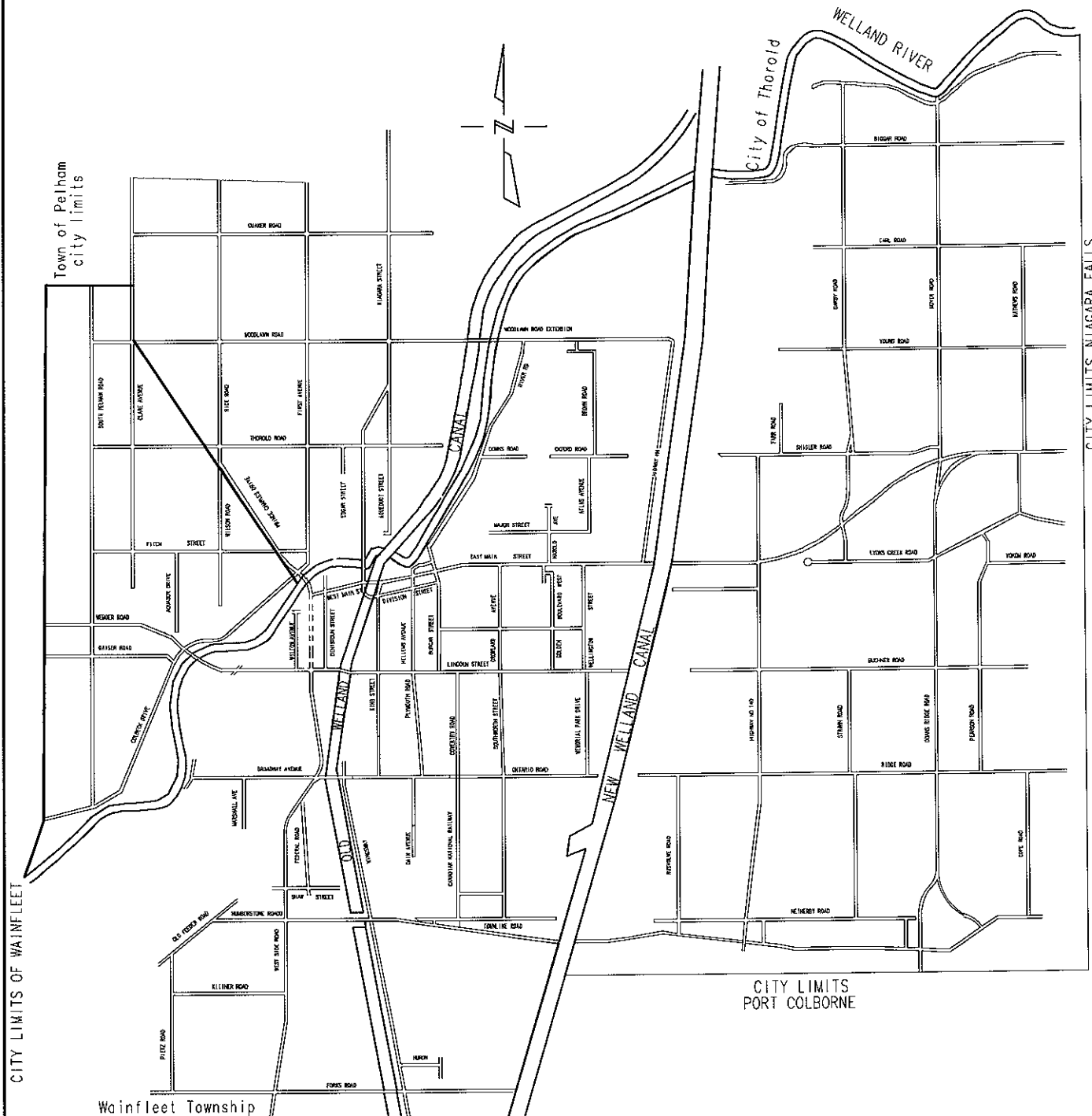
## **APPENDIX C**

### **MAP OF DISTRIBUTION SERVICE TERRITORY**

- 1 **MAP OF DISTRIBUTION SERVICE TERRITORY**
- 2 The outlined area represents the City of Welland.



# MAP OF DISTRIBUTION SERVICE TERRITORY



WELLAND HYDRO-ELECTRIC COMMISSION

## MAP OF DISTRIBUTION SERVICE TERRITORY

TREMMING SEQUENCE DWG NO. CAD 115/4L

DRAWN: SALTATOR P.100 DATE: SEPTEMBER, 1995

CHECKED: APPROVED: LORNE MADON

LEGEND NOTES

- 2006 - 2007 AREA TO WORK 3 - 8 - 9
- 2007 - 2008 AREA TO WORK 4 - 5 - 6
- 2008 - 2009 AREA DONE 1 - 2 - 7



**APPENDIX D**  
**MAP OF DISTRIBUTION SYSTEM**

**MAP OF WELLAND HYDRO-ELECTRIC SYSTEM CORP. DISTRIBUTION SYSTEM**

**OPERATORS - CHECK FEEDER MAPS FOR SINGLE PHASE CIRCUITS AND BY-PASS SWITCHES**



FEEDER COLOUR CODE	
41M3 LINE	41M6 LINE
41M4 LINE	41M9 LINE
41M5 LINE	41M2 LINE
41M8 LINE	41M1 LINE
41M7 LINE	41M2 LINE
THIS LINE IS NOT ENERGIZED	
1/2 SINGLE PHASE CABLE	
GROUNDING DEPENDENT BACK-UP LINE	

THIS FEEDER MAP IS THE PROPERTY OF WELLD HYDRO-ELECTRIC SYSTEM CORP. IT IS TO BE USED ONLY FOR THE PURPOSES INTENDED AND IS NOT TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM.

REVISION	DATE	DESCRIPTION	BY	APPROVED
43	05/08	REVISION FOR THE ADDITION OF THE NEW FEEDER MAPS FOR THE ALLANBURG T.S. (SEE FEEDER MAPS FOR THE NEW FEEDER MAPS)	SP	EM
42	01/07	REVISION FOR THE ADDITION OF THE NEW FEEDER MAPS FOR THE ALLANBURG T.S. (SEE FEEDER MAPS FOR THE NEW FEEDER MAPS)	SP	EM
41	09/07	REVISION FOR THE ADDITION OF THE NEW FEEDER MAPS FOR THE ALLANBURG T.S. (SEE FEEDER MAPS FOR THE NEW FEEDER MAPS)	SP	EM
40	04/07	REVISION FOR THE ADDITION OF THE NEW FEEDER MAPS FOR THE ALLANBURG T.S. (SEE FEEDER MAPS FOR THE NEW FEEDER MAPS)	SP	EM
39	03/07	REVISION FOR THE ADDITION OF THE NEW FEEDER MAPS FOR THE ALLANBURG T.S. (SEE FEEDER MAPS FOR THE NEW FEEDER MAPS)	SP	EM
38	07/06	REVISION FOR THE ADDITION OF THE NEW FEEDER MAPS FOR THE ALLANBURG T.S. (SEE FEEDER MAPS FOR THE NEW FEEDER MAPS)	SP	EM
37	06/06	REVISION FOR THE ADDITION OF THE NEW FEEDER MAPS FOR THE ALLANBURG T.S. (SEE FEEDER MAPS FOR THE NEW FEEDER MAPS)	SP	EM
36	04/06	REVISION FOR THE ADDITION OF THE NEW FEEDER MAPS FOR THE ALLANBURG T.S. (SEE FEEDER MAPS FOR THE NEW FEEDER MAPS)	SP	EM

**WELLAND HYDRO-ELECTRIC SYSTEM CORP.**  
**27.6 KV**  
**OPERATING MAP**

OPERATING LEGEND		DWG NO. CAD 6/5L															
NORMALLY CLOSED SWITCHES	○ NOX	DRAWN	SALVATORE POND														
NORMALLY OPEN SWITCHES	○ RED	CHECKED	KEVIN BAILEY														
OPERATED SWITCHES	○ YELLOW	APPROVED	LODGE PASCHE														
STATION GUARANTEE	○ BLUE	DATE	APRIL, 1983														
GROUNDING INSTALLED	○ GREEN	<table border="1"> <thead> <tr> <th>LEGEND</th> <th>NOTES</th> </tr> </thead> <tbody> <tr> <td>○ BREAKER</td> <td></td> </tr> <tr> <td>○ SOLID BLADE SWITCH</td> <td></td> </tr> <tr> <td>○ FLANGED SWITCH</td> <td></td> </tr> <tr> <td>○ 1/4 LINE SWITCH</td> <td></td> </tr> <tr> <td>○ 3 # OVERHEAD LINE</td> <td></td> </tr> <tr> <td>○ 3 # UNDERGROUND LINE</td> <td></td> </tr> </tbody> </table>		LEGEND	NOTES	○ BREAKER		○ SOLID BLADE SWITCH		○ FLANGED SWITCH		○ 1/4 LINE SWITCH		○ 3 # OVERHEAD LINE		○ 3 # UNDERGROUND LINE	
LEGEND	NOTES																
○ BREAKER																	
○ SOLID BLADE SWITCH																	
○ FLANGED SWITCH																	
○ 1/4 LINE SWITCH																	
○ 3 # OVERHEAD LINE																	
○ 3 # UNDERGROUND LINE																	
WORK PERMIT OR SUPPORTING GUARANTEE	○ BLACK																





1 **LIST OF NEIGHBOURING UTILITIES:**

2 Welland Hydro is bounded by:

3 Hydro One Networks Inc: North & West (Pelham/Fonthill/Wainfleet/Thorold)

4 Niagara Peninsula Energy (Niagara Falls Hydro/Pen West Utilities): East

5 Canadian Niagara Power: South

1 **EXPLANATION OF HOST AND EMBEDDED UTILITIES:**

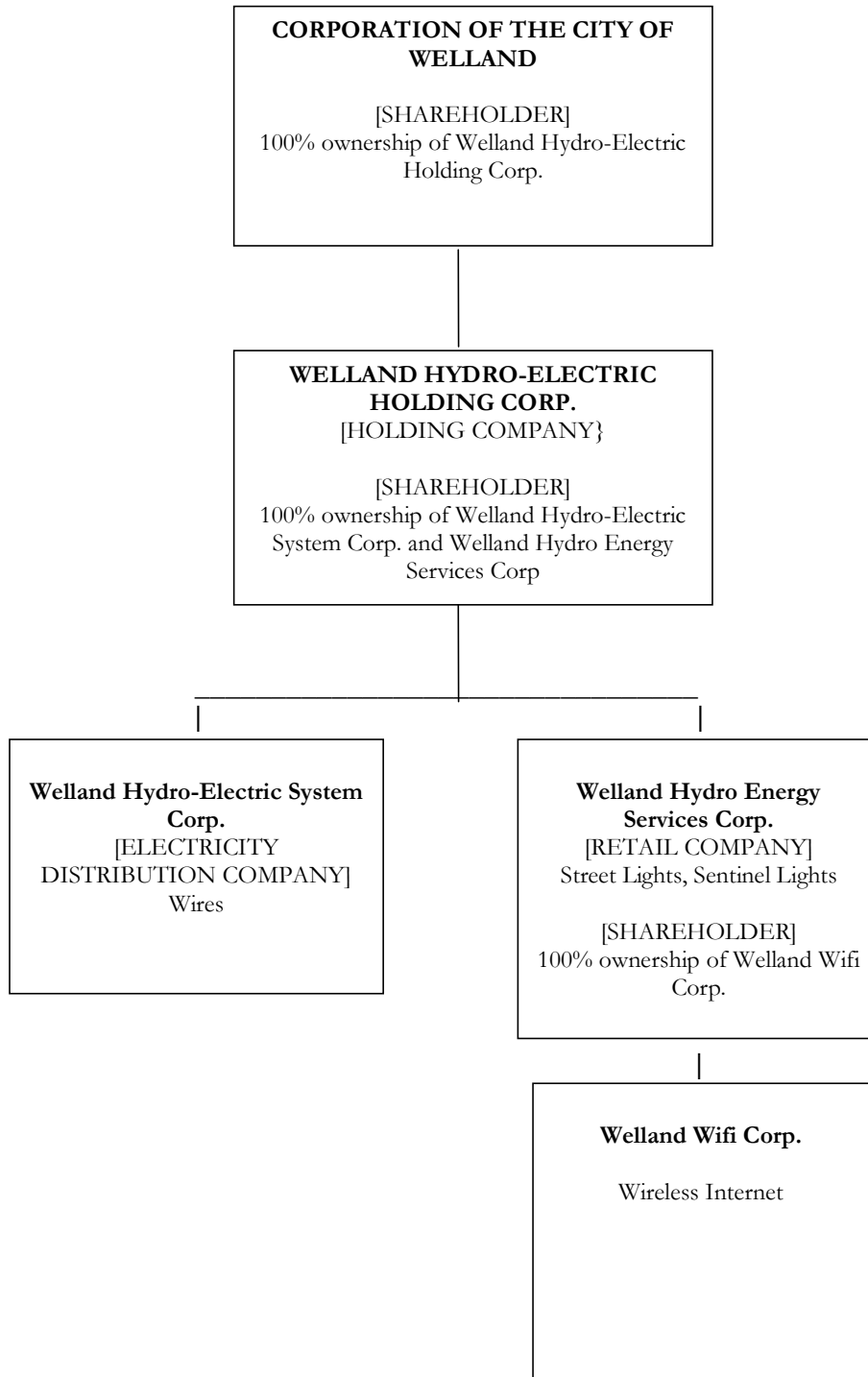
- 2 There are no embedded utilities within Welland Hydro's distribution service territory nor is  
3 Welland Hydro a host utility to other distributors.

1 **UTILITY ORGANIZATIONAL STRUCTURE:**

2 Welland Hydro is a wholly-owned subsidiary of Welland Hydro-Electric Holding Corp. which is  
3 100% owned by the City of Welland. A chart illustrating Welland Hydro's corporate family is  
4 provided at Exhibit 1, Tab 1, Schedule 14.



CORPORATE ENTITIES RELATIONSHIP CHART



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1 **PLANNED CHANGES IN CORPORATE AND OPERATIONAL STRUCTURE:**

2 No changes to Welland Hydro's corporate and operational structures are planned at the present  
3 time. However, Welland Hydro is reviewing recent changes to the Affiliate Relationships Code  
4 to determine if any changes to the corporate and operational structures are required.

1    **STATUS OF BOARD DIRECTIVES FROM PREVIOUS BOARD DECISIONS:**

2    **2007 REVISED DISTRIBUTION RATES -- PILs (EB-2007-0663)**

3    In its Decision and Order in the matter of EB-2007-0663, the OEB approved revised 2007  
4    Distribution Rates for Welland Hydro effective October 1, 2007. The increase was to cover PILs  
5    expenses as a result of the elimination of loss carry forwards. Although the OEB approved rates  
6    were retroactive to October 1, 2007 the OEB directed that such new rates take effect February 1,  
7    2008 with the increase from October 1, 2007 to January 31, 2008 to be recorded in account 1574  
8    Deferred Revenue for recovery at a later date. The actual amount of deferred revenue resulting  
9    from EB-2007-0663 is \$124,132.45. Account 1574 had a zero balance as at December 31, 2007  
10   as the programming required to calculate the deferral amount was not completed until after year  
11   end. The entry to record the amount of deferred revenue for the October 1, 2007 to January 31,  
12   2008 period was made in June, 2008.

13   Welland Hydro requests the disposition of account 1574 Deferred Revenue along with associated  
14   interest over a three year period as outlined in Exhibit 5, Tab 1, Schedule 3.

1 **CONDITIONS OF SERVICE:**

- 2 A copy of Welland Hydro's revised Conditions of Service was filed separately with the OEB on  
3 August 11, 2008.

1 **RECENT CHANGES IN CONDITIONS OF SERVICE:**

- 2 A copy of the notice printed in the July 11, 2008 issue of the Welland Tribune advising  
3 customers regarding planned changes to Welland Hydro's Conditions of Service for August 11,  
4 2008 implementation is set out in Appendix E to this Schedule.

Welland Hydro-Electric System Corp.  
EB-2008-0247  
Exhibit 1  
Tab 1  
Schedule 18  
Appendix E  
Filed: August 15, 2008

## **APPENDIX E**

### **NOTICE TO WELLAND HYDRO-ELECTRIC SYSTEM CORP.'S CUSTOMERS REGARDING PLANNED CHANGES TO CONDITIONS OF SERVICE**

FRIDAY, JULY 11, 2008 THE TRIBUNE

C4

Notices

A910



**NOTICE  
WELLAND HYDRO-ELECTRIC  
SYSTEM CORP.  
CONDITIONS OF SERVICE**

The Ontario Energy Board's Distribution System Code requires that every distributor produce its own "Conditions of Service" document. The purpose of this document is to provide a means of communicating the types and level of service available to the customers within the distributor's service territory.

The current version of the Conditions of Service was published in 2004. Since then, various changes to regulations and codes that govern Distributor activities have come into effect, which in turn require updates to the original document. Welland Hydro-Electric System Corp. has reviewed our Conditions of Service and has proposed amendments to the original document.

Customers of Welland Hydro may view the revised Conditions of Service on our web site [www.wellandhydro.com](http://www.wellandhydro.com). Copies are available at our office at 950 East Main Street. The public is invited to make comments on the new Conditions of Service. Comments will be accepted until noon August 8th, 2008. Please direct all written comments to:

**Conditions of Service**  
Welland Hydro Electric System Corp  
950 E Main St, P.O. Box 280  
Welland, ON L3B 5P6 or  
e-mail: [Information@WellandHydro.com](mailto:Information@WellandHydro.com)

1 **PRELIMINARY LIST OF WITNESSES:**

2 While Welland Hydro requests that this Application be disposed of by way of a written hearing,  
3 should a technical conference or an oral hearing be necessary Welland Hydro will provide a list  
4 of potential witnesses as required.



1 **SUMMARY OF THE APPLICATION:**

2 **Preamble**

3 Welland Hydro has submitted this Application in order to meet its Corporate Mission and  
4 Corporate Goals as outlined below. Current rates will result in actual Return on Equity in 2008  
5 and 2009 well below levels currently approved by the OEB. The increased rates are required to:

- 6 1) Maintain current capital investment levels in infrastructure to ensure a reliable  
7 distribution system.
- 8 2) Continue with training programs for lineman needed to meet future staffing requirements.
- 9 3) Manage staffing levels and skills to ensure regulatory compliance, promote conservation  
10 programs along with the introduction of smart meters, and implement reporting changes  
11 resulting from the adoption of International Financial Reporting Standards.
- 12 4) To provide a reasonable rate of return to the Shareholder.

13

14 **Welland Hydro's Mission Statement is:**

15 *Welland Hydro-Electric System Corp. is our community's proud distributor of safe,*  
16 *reliable electricity to our valued customers.*

17 **Welland Hydro's priorities are defined in its Corporate Goals:**

18 *To incorporate into day to day business, Health and Safety measures that safeguards the*  
19 *public and our employees. Corporate policy is the pursuit of zero lost time injuries by*  
20 *2011.*

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

23 *To sustain the viability of Welland Hydro-Electric System Corp. through prudent and*  
24 *responsible management of assets and resources, while enhancing the overall value of*  
25 *the organization to the Shareholder, at reasonable electrical distribution rates.*

1            *To promote a dynamic and proactive environment where employees are proud to work*  
2            *and succeed in their careers while pursuing a customer and community focused future.*

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

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

8            In keeping with this vision to pursue health and safety as its top priority, Welland Hydro was  
9            recently awarded by the Electrical & Utilities Safety Association (“E&USA”) the safety Silver  
10           Award for its pursuit of “ZeroQuest” which represents zero injuries and illnesses. To promote  
11           public safety, Welland Hydro has been an active partner in the development of the Niagara  
12           Region’s Children’s Safety Village located in Welland. This non-profit organization provides  
13           safety training including electricity safety training for thousands of local school children each  
14           year.

15           Within its service territory, Welland Hydro has partnered with local agencies and businesses to  
16           deliver innovative conservation and demand management programs.

17           Welland Hydro has consistently exceeded the OEB’s Service Quality Indicators and, as set out in  
18           Table 1 below, has targeted to maintain its performance at levels equal to or above the OEB’s  
19           standards in 2008 and 2009.

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**Table 1**  
**WELLAND HYDRO'S SERVICE QUALITY INDICATORS**  
**AVERAGE PERFORMANCE FOR 2007**

Appointments Met – at the appointed time		
SQI Standard: 90% of the time		
<b>2007 Actual</b>	<b>2008 Target</b>	<b>2009 Target</b>
100.00%	90.00%	95.00%
Telephone Accessibility – answered in person within 30 seconds		
SQI Standard: 65% of the time		
<b>2007 Actual</b>	<b>2008 Target</b>	<b>2009 Target</b>
99.7%	65.00%	70.00%
Underground Cable Locates – within 5 working days		
SQI Standard: 90% of the time		
<b>2007 Actual</b>	<b>2008 Target</b>	<b>2009 Target</b>
99.8%	90.00%	90.00%
Connection of New Services –within 5 working days		
SQI Standard: 90% of the time		
<b>2007 Actual</b>	<b>2008 Target</b>	<b>2009 Target</b>
99.3%	90.00%	95.00%
Emergency Response – Urban within 60 minutes and Rural within 120 minutes		
SQI Standard: 90% of the time		
<b>2007 Actual</b>	<b>2008 Target</b>	<b>2009 Target</b>
100.00%	100.00%	100.00%
Written Responses to Inquiries – within 10 working days		
SQI Standard: 80% of the time		
<b>2007 Actual</b>	<b>2008 Target</b>	<b>2009 Target</b>
100.0%	80.00%	85.00%

4

1 Welland Hydro tracks service reliability statistics SAIDI (System Average Interruption Duration  
 2 Index) and SAIFI (System Average Interruption Frequency Index) including and excluding  
 3 Hydro One related incidents. The following table shows actual results for the past five years.

	2003		2004		2005		2006		2007	
	<u>Excluding Hydro One</u>	<u>Total System</u>	<u>Excluding Hydro One</u>	<u>Total System</u>	<u>Excluding Hydro One</u>	<u>Total System</u>	<u>Excluding Hydro One</u>	<u>Total System</u>	<u>Excluding Hydro One</u>	<u>Total System</u>
SAIDI	0.96	5.87	0.51	1.75	1.20	5.47	1.09	2.05	4.91	4.95
SAIFI	1.93	3.47	1.25	3.04	1.71	5.76	1.77	5.09	5.31	5.31

6 In 2007 Welland Hydro’s service reliability statistics were negatively affected by a major ice  
 7 storm in the month of January. As a result, SAIDI and SAIFI reliability indexes excluding  
 8 Hydro One increased significantly compared to previous years. Welland Hydro is committed to  
 9 the reliability of the distribution system and has set a target index of 2.00 for both SAIDI and  
 10 SAIFI in its 2008 Business Plan. In order to meet these targets Welland Hydro will need to  
 11 continue making capital investments in infrastructure over the next two years at levels which  
 12 were expended in 2006 and 2007.

13 **Purpose and Need**

14 Welland Hydro’s requested revenue requirement for 2009 in the amount of \$9,357,747 includes  
 15 the recovery of its costs to provide distribution services, its permitted Return on Equity [“ROE”]  
 16 and the funds necessary to service its debt as it transitions to a 60%/40% debt equity ratio by  
 17 2010.

18 When forecasted energy and demand levels for 2009 are considered, Welland Hydro estimates  
 19 that its present rates will produce a deficiency in distribution revenue of \$1,608,305 for the 2009  
 20 Test Year. Should this revenue deficiency continue, Welland Hydro will not be able to sustain  
 21 the current capital investment and lineperson training programs required to ensure a safe and  
 22 reliable distribution system.

1 Therefore, Welland Hydro seeks the OEB's approval to revise its electricity distribution rates.  
2 The rates proposed to recover its projected revenue requirement and other relief sought are set  
3 out in Exhibit 1, Tab 1, Schedule 2, Appendix A and Exhibit 9, Tab 1, Schedule 6 to this  
4 Application.

5 The information presented in this Application is Welland Hydro's forecasted results for its 2009  
6 Test Year. Welland Hydro is also presenting the historical actual information for fiscal 2006,  
7 OEB-Approved data for 2006, actual information for fiscal 2007, and forecast results for the  
8 2008 Bridge Year.

#### 9 **Timing**

10 The financial information supporting the Test Year for this Application will be Welland Hydro's  
11 fiscal year ending December 31, 2009 (the "2009 Test Year"). However, this information will be  
12 used to set rates for the period May 1, 2009 to April 30, 2010.

#### 13 **Customer Impact**

14 In preparing this application, Welland Hydro has considered the impacts on its customers, with a  
15 goal of minimizing those impacts. With respect to cost allocation, Welland Hydro notes that for  
16 the majority of its customers, the current revenue to cost ratio of each rate class does not fall  
17 within the applicable threshold defined by the OEB in the November 28, 2007, Report on  
18 Application of Cost Allocation for Electricity Distributors. As a result, adjustments have been  
19 made in this Application to bring all but Street Light and Sentinel Light classes within the  
20 allowed ranges of the revenue-to-cost ratios. Street Light and Sentinel Light classes are being  
21 increased by approximately 50% of the difference between their current levels and the bottom of  
22 the OEB's ranges, and Welland Hydro will further adjust the revenue-to-cost ratios in 2010 to  
23 bring them to the bottom of the approved ranges. Increased distribution revenue from these two  
24 classes in 2009 and 2010 will be offset by reductions in distribution revenue from the Residential  
25 class. Although this class is currently within the targeted revenue-to-cost ratio, the reductions in  
26 2009 and 2010 will move the revenue-to-cost ratio closer to 100%.

1 Customer impacts including the percentage average Total Bill Impact and Average Dollar  
2 Impact, which include revised distribution rates [monthly service charge and volumetric rates],  
3 revised loss factors, and regulatory asset rate riders to dispose of the balances in the Deferral and  
4 Variance Accounts requested in this Application over a three-year period are set out in Table 2  
5 below. A comparison has also been provided to 2007 monthly billings prior to decreases in  
6 Retail Transmission Rates and the elimination of the Regulatory Rate Rider which went into  
7 effect May 1, 2008. The impact of these two adjustments has been reflected in the 2008 monthly  
8 billings.

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**Table 2**  
**TOTAL BILL IMPACT – PERCENT & DOLLAR**

<b>Class – Typical Usage</b>	<b>Total Bill Impact %</b>	<b>Monthly Dollar Impact</b>
Residential - 1000 kWh/mth		
Comparison to 2008	1.79%	\$2.03
Comparison to 2007	(2.36%)	(\$2.80)
General Service <50 kW 3,000 kWh/mth		
Comparison to 2008	4.82%	\$14.70
Comparison to 2007	1.19%	\$3.75
General Service >50 kW 250 kW 75,000 kWh/mth		
Comparison to 2008	4.77%	\$348.26
Comparison to 2007	1.15%	\$86.95
Large Use 5,400 kW 2,400,000 kWh/mth		
Comparison to 2008	1.35%	\$2,876.48
Comparison to 2007	(0.19%)	(\$409.95)
Street Lighting 1106 kW 417,140 kWh/mth		
Comparison to 2008	40.31%	\$14,073.19
Comparison to 2007	37.96%	\$13,477.99
Sentinel Lighting 0.30 kW 134.55 kWh/mth		
Comparison to 2008	24.83%	\$2.81
Comparison to 2007	18.76%	\$2.23
Unmetered Scattered Load 500kWh/mth		
Comparison to 2008	8.31%	\$4.50
Comparison to 2007	4.72%	\$2.64

3

1    **Capital Structure**

2    Welland Hydro is requesting a change in its deemed capital structure. Specifically, Welland  
3    Hydro is requesting a decrease in the deemed equity ratio from 46.7% to 43.3% consistent with  
4    the second year of the phase-in of the shift in Welland Hydro's capital structure from 50% to  
5    40% equity as outlined in the Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation  
6    Incentive Regulation for Ontario Electricity Distributors dated December 20, 2006 (the "Cost of  
7    Capital Report").

8    **Return on Equity**

9    Welland Hydro has assumed a return on equity of 8.57% consistent with the Cost of Capital  
10   Parameter Updates for 2008 Cost of Service Applications issued by the OEB on March 8, 2008.  
11   Welland Hydro understands the OEB will be finalizing the return on equity for 2009 rates based  
12   on January 2009 market interest rate information.

13   **Capital Expenditures**

14   Welland Hydro continues to expand and reinforce its distribution system in order to meet the  
15   demand of new and existing customers in its service territory. Expenditures are also being made  
16   to meet regulations set out by both the OEB and IESO including load transfers and primary  
17   metering points.

18   **Operating and Maintenance Costs**

19   Based on the OEB's *Comparison of Ontario Electricity Distributors Costs [EB-2006-0268]*, as  
20   updated with 2007 Data issued on June 25, 2008, Welland Hydro's OM&A costs per customer  
21   compare favorably with its "Mid Size Southern Medium-High Undergrounding" cohort. In  
22   2007, the average OM&A cost per customer for the cohort was \$214.00 while Welland Hydro's  
23   cost was \$209.00. Over the 3-year average from 2005 to 2007, Welland Hydro's cost was  
24   \$183.00 while the average for the cohort was \$208.00. Details of the calculations supporting this  
25   analysis are included in Appendix F to this Schedule.



**APPENDIX F**

**COMPARISON OF WELAND HYDRO-ELECTRIC SYSTEM CORP.  
OM&A COSTS TO “MID SIZE SOUTHERN MEDIUM-HIGH  
UNDERGROUNDING” COHORT GROUPING**

**SUMMARY OF THE APPLICATION**

**Comparison of Welland Hydro-Electric System Corp.  
 OM&A Costs To “Mid Size Southern Medium-High Undergrounding”  
 Cohort Grouping**

Cohort Groupings	Total OM&A	
	2005-2007 3 Year Avg.	2007
<b>By Distribution Company</b>		
E.L.K. Energy Inc.	\$ 155.00	\$ 182.00
Wasaga Distribution Inc.	\$ 157.00	\$ 159.00
Chatam-Kent Hydro Inc.	\$ 162.00	\$ 164.00
Peterborough Distribution Incorporated	\$ 181.00	\$ 192.00
Festival Hydro Inc.	\$ 182.00	\$ 185.00
<b>Welland Hydro-Electric System Corp.</b>	<b>\$ 183.00</b>	<b>\$ 209.00</b>
Kingston Electricity Distribution Limited	\$ 189.00	\$ 182.00
Westario Power Inc.	\$ 203.00	\$ 196.00
COLLUS Power Corp.	\$ 211.00	\$ 225.00
St. Thomas Energy Inc.	\$ 216.00	\$ 214.00
Essex Powerlines Corporation	\$ 221.00	\$ 206.00
Woodstock Hydro Services Inc.	\$ 223.00	\$ 228.00
Niagara Falls Hydro Inc.	\$ 247.00	\$ 255.00
Bluewater Power Distribution Company	\$ 261.00	\$ 256.00
Erie Thames Powerline Corporation	\$ 329.00	\$ 356.00
<b>Average for Cohort Group</b>	<b>\$ 208.00</b>	<b>\$ 214.00</b>

**SOURCE:**

Comparison of Ontario Electricity Distributors Costs [EB-2006-0268], updated with 2007 Data  
 Issued June 25, 2008.

1 **BUDGET DIRECTIVES:**

2 Welland Hydro compiles budget information for the three major components of the budgeting  
3 process: revenue forecasts, operating and maintenance expense forecast and capital budget  
4 forecast. This budget information is compiled for both the 2008 Bridge Year and the 2009 Test  
5 Year.

6 **Revenue Forecast**

7 Welland Hydro's energy sales and revenue forecast model was updated to reflect more recent  
8 information. This model was then used to prepare the revenues sales and throughput volume and  
9 revenue forecast at existing rates for fiscal 2008 and 2009. The forecast is weather normalized  
10 as outlined in Exhibit 3, Tab 2, Schedule 1 and considers such factors as new customer additions,  
11 customer class changes, and load profiles for all classes of customers.

12 **Operating Maintenance and Administration (“OM&A”) Expense Forecast**

13 The OM&A expenses for the 2008 Bridge Year and the 2009 Test Year have been based on an  
14 in-depth review of operating priorities and requirements and is strongly influenced by prior year  
15 experience. Each item is reviewed account by account for each of the forecast years with  
16 indirect costs allocated to direct costs for budget presentation.

17 **Capital Budget**

18 The capital budget forecast 2008 and 2009 is influenced, among other factors, by Welland  
19 Hydro's capacity to finance capital projects. Indirect costs are allocated to direct costs in the  
20 capital budget. All proposed capital projects are assessed within the framework of its capital  
21 budget priority and are outlined in Exhibit 2, Tab 3, Schedule 3 (Capital Expenditures by  
22 Project).

1 **CHANGES IN METHODOLOGY:**

2 Welland Hydro is not requesting any changes in methodology in the current proceeding.

1  
2

### Calculation of Revenue Deficiency or Surplus

	2008 Bridge Existing Rates	2009 Test Existing Rates	2009 Test Proposed Rates
<b>Revenue</b>			
Suff/ Def From Below.			\$1,608,305
Distribution Revenue	\$7,051,503	\$7,093,092	\$7,093,092
Other Operating Revenue (Net)	\$698,920	\$656,350	\$656,350
<b>Total Revenue</b>	<b>\$7,750,423</b>	<b>\$7,749,442</b>	<b>\$9,357,747</b>
<b>Distribution Costs</b>			
Operation, Maintenance, and Administration	\$4,726,832	\$5,113,936	\$5,113,936
Depreciation & Amortization	\$1,718,187	\$1,721,827	\$1,721,827
Property & Capital Taxes	\$25,792	\$27,730	\$27,730
Interest- Deemed Interest	\$881,547	\$948,857	\$948,857
<b>Total Costs and Expenses</b>	<b>\$7,352,358</b>	<b>\$7,812,350</b>	<b>\$7,812,350</b>
Less OCT Included Above	\$25,792	\$27,730	\$27,730
<b>Total Costs and Expenses Net of OCT</b>	<b>\$7,326,566</b>	<b>\$7,784,620</b>	<b>\$7,784,620</b>
Utility Income Before Income Taxes	\$423,857	-\$35,178	\$1,573,127
<b>Income Taxes</b>			
Corporate Taxes	\$203,780	\$697	\$531,437
Ontario Capital Tax	\$25,792	\$27,730	\$27,730
<b>Total Income Taxes</b>	<b>\$229,572</b>	<b>\$28,427</b>	<b>\$559,167</b>
<b>Utilitiy Net Income</b>	<b>\$194,285</b>	<b>-\$63,604</b>	<b>\$1,013,960</b>
<b>Rate Base</b>	<b>\$26,462,961</b>	<b>\$27,324,488</b>	<b>\$27,324,488</b>
<b>Return on Equity</b>	<b>9.00%</b>	<b>8.57%</b>	<b>8.57%</b>
<b>Equity Rate Base%</b>	<b>46.70%</b>	<b>43.30%</b>	<b>43.30%</b>
<b>Expected Return on Equity</b>	<b>1,112,238</b>	<b>1,013,960</b>	<b>1,013,960</b>
<b>Revenue Deficiency After Tax</b>	<b>917,953</b>	<b>1,077,564</b>	
<b>Revenue Deficiency Before Tax</b>	<b>1,380,381</b>	<b>1,608,305</b>	

3

1 **CAUSES OF REVENUE DEFICIENCY:**

2 Welland Hydro's net revenue deficiency is calculated as \$1,077,564 and when grossed up for  
3 PILs, the revenue deficiency is \$1,608,305. Welland Hydro-Electric System Corp.'s calculation  
4 of its 2009 revenue deficiency is provided in Exhibit 1, Tab 2, Schedule 4 and Exhibit 7, Tab 1,  
5 Schedule 1.

6 The revenue deficiency is primarily the result of:

- 7       ➤ Increases in OM&A costs including depreciation expense. Welland Hydro implemented  
8       a lineperson apprentice program in 2007 in order to ensure qualified linemen are in place  
9       for forecasted retirements in the next five years. In addition, Welland Hydro has  
10       upgraded its Regulatory and Engineering staff with new hires in 2007 and 2008. The  
11       addition of a Conservation and Demand analyst in 2010 is necessary to meet the work  
12       load associated with conservation programs initiated by the Ontario Power Authority  
13       ("OPA"). OM&A costs are discussed in further detail in Exhibit 4; and
- 14       ➤ Capital Expenditures in 2006 and 2007 exceeded depreciation levels resulting in a  
15       increased rate base on which the rate of return is calculated. Welland Hydro is  
16       committed to ensuring the reliability of the distribution system and will continue to invest  
17       in capital infrastructure in 2008 and 2009. Changes in the Rate Base are discussed  
18       further in Exhibit 2.

19 Welland Hydro is committed to meeting its corporate mission and goals of providing a safe and  
20 reliable distribution through prudent investments in capital assets and investing in training and  
21 education of staff required to meet the future needs of its customers.

1 **FINANCIAL STATEMENTS - 2007:**

2 Welland Hydro's Audited 2007 Financial Statements accompany this Schedule as Appendix G.

Welland Hydro-Electric System Corp.  
EB-2008-0247  
Exhibit 1  
Tab 3  
Schedule 1  
Appendix G  
Filed: August 15, 2008

**APPENDIX G**  
**COPY OF AUDITED FINANCIAL STATEMENTS FOR 2007**



Financial statements of

**Welland Hydro-Electric System Corp.**

December 31, 2007

# Welland Hydro-Electric System Corp.

December 31, 2007

## Table of contents

Auditors' report ..... 1

Statement of earnings and retained earnings ..... 2

Balance sheet..... 3

Statement of cash flows ..... 4

Notes to the financial statements..... 5-16

## Auditors' report

To the Board of Directors of  
Welland Hydro-Electric System Corp

We have audited the balance sheet of Welland Hydro-Electric System Corp. as at December 31, 2007 and the statements of earnings and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte : Touche LLP*

Chartered Accountants  
Licensed Public Accountants

March 7, 2008

# Welland Hydro-Electric System Corp.

Statement of earnings and retained earnings  
year ended December 31, 2007

	2007	2006
	\$	\$
<b>Service revenue</b>		
Residential	9,475,099	9,887,863
General	20,807,402	19,812,323
Large User	4,873,942	6,336,324
	<b>35,156,443</b>	36,036,510
Distribution revenue	7,304,181	6,345,195
	<b>42,460,624</b>	42,381,705
Cost of power	35,156,443	36,036,510
Gross margin on service revenue	7,304,181	6,345,195
Other operating revenue	856,452	835,858
Net operating revenue	<b>8,160,633</b>	7,181,053
Administrative expense		
Operating and Maintenance	2,139,641	1,863,196
Billing and Collection	1,092,611	523,902
General Administration	1,344,494	1,198,763
Amortization	1,634,333	1,542,164
Total expenses	<b>6,211,079</b>	5,128,025
Earnings before financial expense	<b>1,949,554</b>	2,053,028
Other expense/(income)		
Regulatory asset provision (Note 6)	271,632	(1,161,290)
Interest expense	897,122	586,726
Earnings before payment in lieu of taxes	<b>780,800</b>	2,627,592
Payments in lieu of taxes	683,071	608,675
Net earnings for the year	<b>97,729</b>	2,018,917
Retained earnings (deficit), beginning of year	<b>1,214,220</b>	495,303
Dividends	<b>(600,000)</b>	(1,300,000)
<b>Retained earnings, end of year</b>	<b>711,949</b>	1,214,220

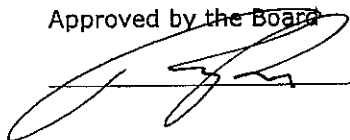
# Welland Hydro-Electric System Corp.

## Balance sheet

as at December 31, 2007

	2007	2006
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	7,074,132	8,006,110
Investments	-	35,188
Accounts receivable (Note 4)	2,060,513	2,035,851
Accounts receivable - unbilled revenue	5,297,085	5,506,136
Inventories	502,159	470,431
Prepaid expenses	86,550	10,488
	<b>15,020,439</b>	<b>16,064,204</b>
Due from related parties (Note 9)	137,487	123,716
Property, plant and equipment (Note 5)	20,057,451	19,403,986
Regulated settlement variances (Note 6)	-	177,491
	<b>35,215,377</b>	<b>35,769,397</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	3,668,278	4,328,347
Customer deposits - current portion	864,215	700,989
Current portion - liability for employee future benefits (Note 11)	70,545	70,545
Conservation demand management (Note 7)	-	446,847
Smart Meter program (Note 7)	99,487	40,359
Other current liabilities	13,853	9,608
	<b>4,716,378</b>	<b>5,596,695</b>
Long-term debt		
Note payable (Note 10)	13,499,953	13,499,953
Other liabilities		
Employee future benefits (Note 11)	1,462,941	1,416,801
Other liabilities and deferred credits	6,540	6,540
Customer deposits - long term portion	426,735	451,850
Regulated settlement variances (Note 6)	807,543	-
	<b>2,703,759</b>	<b>1,875,191</b>
	<b>20,920,090</b>	<b>20,971,839</b>
Contingencies (Note 14)		
<b>Shareholder's equity</b>		
Share capital (Note 13)	12,953,180	12,953,180
Contributed capital	630,158	630,158
Retained earnings	711,949	1,214,220
	<b>14,295,287</b>	<b>14,797,558</b>
	<b>35,215,377</b>	<b>35,769,397</b>

Approved by the Board



Director

# Welland Hydro-Electric System Corp.

## Statement of cash flows

year ended December 31, 2007

	2007	2006
	\$	\$
<b>Operating activities</b>		
Net earnings	97,729	2,018,917
Items not requiring a cash outlay		
Amortization	1,634,333	1,542,164
Gain on disposal of property, plant and equipment	(2,278)	(10,991)
Gain on disposal of investments	(109,985)	-
Change in employee benefits future - long term	46,140	42,620
Changes in non-cash operating working capital items (Notes 12)	(803,718)	(2,703,074)
Net change in regulated settlement variances	985,034	919,263
	<b>1,847,255</b>	<b>1,808,899</b>
<b>Investing activities</b>		
Additions to property, plant and equipment	(2,293,024)	(2,002,021)
Net proceeds on disposal of property, plant and equipment	7,504	24,673
Net proceeds on disposal of investments	145,173	-
Change in due from related parties	(13,771)	48,621
	<b>(2,154,118)</b>	<b>(1,928,727)</b>
<b>Financing activities</b>		
Dividends paid	(600,000)	(1,300,000)
Other liabilities and deferred credits	-	6,540
Other deferred assets	-	63,426
Change in customer deposits - long term	(25,115)	(14,788)
	<b>(625,115)</b>	<b>(1,244,822)</b>
Net change in cash and cash equivalents	<b>(931,978)</b>	<b>(1,364,650)</b>
Cash and cash equivalents, beginning of year	<b>8,006,110</b>	<b>9,370,760</b>
<b>Cash and cash equivalents, end of year</b>	<b>7,074,132</b>	<b>8,006,110</b>
<b>Supplemental disclosure of cash flows</b>		
Interest paid	<b>899,364</b>	<b>580,127</b>
Payment in lieu of income taxes	<b>1,330,244</b>	<b>27,616</b>

# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 1. Nature of operations

Welland Hydro-Electric System Corp. (the Company), is a wholly-owned subsidiary of Welland Hydro-Electric Holding Corp., and was incorporated July 1, 2000 under the Business Corporations Act (Ontario).

The Company is a regulated electricity distribution company that owns and operates the electricity infrastructure, distributing a safe, reliable delivery of electricity to home and businesses in the City of Welland. The corporation is regulated by the Ontario Energy Board under the authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, and for ensuring that distribution companies fulfill their obligations to connect and service customers.

## 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and policies as set forth in the Accounting Procedures Manual issued by the Ontario Energy Board (OEB) under the authority of the Ontario Energy Board Act, 1998.

Significant accounting policies are summarized below:

### *Regulation*

The Company is regulated by the OEB and any power rates adjustments require OEB approval. The following accounting policies under the regulated environment differ from GAAP for companies operating under an unregulated environment:

### *Regulatory assets*

Regulatory assets represent differences between amounts collected through rates (OEB approved) and actual costs incurred by the distributor. Regulatory assets on the balance sheet at year-end consist of Settlement Variances on the Cost of Power, Deferred Charges, and the associated regulated interest. Asset balances and current year activities are detailed in Note 6.

In March 2006, the OEB approved for inclusion in rates the Regulatory Assets incurred by Welland Hydro-Electric System Corp. through December 31, 2004. These Regulatory Assets are expected to be fully recovered by April, 2008. Regulatory Assets incurred since January 1, 2005 are subject to review by the OEB for reflection in future rates. Regulatory Assets will be reflected in the balance sheet until the manner and timing of disposition is determined by the Ontario Energy Board (OEB).

### *Contributions in aid of construction*

Subdivision developers as part of their contract with the corporation can request that an economic evaluation be performed based on the number of services connected in a project. The economic evaluation guidelines were created by the OEB and software was developed to calculate the net present value of expected revenue net of expected maintenance costs for the next 25 years. This calculation is used to determine the value of the asset to be assumed by the corporation and is reviewed over the first five years. Any assets assumed by the corporation will be treated as post 1999 contributed capital. As at December 31, 2007 the value of such contributed capital was \$1,405,492 (2006 - \$631,962) and has been recorded as a reduction in property, plant and equipment.

Amortization of contributed capital is recorded at an equivalent rate to that used for amortization of the related assets.

# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 2. Significant accounting policies (continued)

### *Payment in lieu of income taxes*

Under the Electricity Act, 1998, the Company is required to make payments-in-lieu of corporate taxes to the Ontario Electricity Financial Corporation. These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) and modified by the Electricity Act, 1998, and related regulations.

The Company, regulated by the Ontario Energy Board, provides for payments-in-lieu of corporate income taxes using the taxes payable method instead of the liability method.

Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Future income taxes are expected to be reflected in future rates and, accordingly, are not recognized in the financial information. When future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from customers of the Corporation at that time.

### *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and balances with the bank.

### *Investments*

Investments are recorded at cost.

### *Inventories*

Inventories consist primarily of construction and maintenance materials and are stated at the lower of cost and net realizable value, with cost being determined using the weighted average method.

### *Spare meters and transformers*

As prescribed by the OEB Accounting Procedures Manual, spare transformers and meters were included in capital assets as at December 31, 2007. The carrying amount transferred in respect of this was \$806,436 in 2007 (2006 - \$382,629).

### *Property, plant and equipment*

Property, plant and equipment are recorded at cost. Amortization is calculated on a straight-line basis over the useful service life as follows:

Land and land rights	50 years or effective life
Buildings	50 years
Distribution stations	30 years
Poles and overhead/underground lines	25 years
Distribution	
Transformers	25 years
Distribution meters	25 years
Equipment	4-30 years



# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 2. Significant accounting policies (continued)

### *Asset retirement obligations*

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development, or through normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

### *Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstance indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

### *Customer deposits*

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Customer deposits include interest credited to customers' deposit accounts, with interest expense recorded to offset this amount. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability. Deposits earn interest at a rate of the Bank of Canada Prime Business rate less two percent updated quarterly and accrued monthly.

### *Post employment benefits other than pension*

The Company provides its current and applicable retired employees to age 65 with life insurance and medical benefits beyond those provided by the government-sponsored plans. The cost of these benefits is expensed as earned through employment service.

### *Use of estimates*

Management is required to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the financial statement date. Accounts receivable, unbilled revenue and regulatory assets are reported net of an appropriate allowance for unrecoverable amounts. Inventory is recorded net of provision for obsolescence. Certain estimates are also required as regulations, which ultimately determine the actual results, have yet to be finalized and are dependent on the completion of regulatory proceedings or decisions. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits and within the framework of the accounting policies.

### *Revenue recognition*

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue. Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis on power used. Any discrepancies in the revenue collected and the associated cost of power to distribute are charged to regulatory assets.

### *Unbilled revenue*

Unbilled revenue is an estimate of customers' consumption of power from the last meter read in the year to December 31st.

# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 2. Significant accounting policies (continued)

### *Future accounting policy changes*

#### *Inventories*

In June 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030, *Inventories*. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements. The Company does not expect that the adoption of this new Section will have a material impact on its financial statements.

#### *Financial instruments*

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. The Company is currently evaluating the impact of the adoption of these new Sections on its financial statements. The Company does not expect that the adoption of this new Section will have a material impact on its financial statements.

#### *Future income taxes*

In December 2007, the CICA revised Handbook Sections 1100, Generally Accepted Accounting Principles, and 3465, Income Taxes, and Accounting Guideline 19 ("AcG-19"), Disclosures by Entities Subject to Rate Regulation. As a result the Company is required to remove the temporary exemption pertaining to the application of Section 1100 to rate regulated operations, including the elimination of the opportunity to use industry practice as an acceptable basis for recognition and measurement of assets and liabilities arising from rate regulation. Amendment to Handbook Section 3465 required the recognition of future income tax assets and liabilities as well as a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates and recovered from or paid to customers. As a result of the changes to Section 3465, the Company will be required to recognize future income taxes associated with its rate regulated operations using assets and liability method. The Company will apply the changes prospectively to its annual financial statements beginning January 1, 2009. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements.

# Welland Hydro-Electric System Corp.

## Notes to the financial statements

December 31, 2007

### 3. Bank indebtedness

The Company has an authorized line of credit of \$2,000,000, bearing interest at prime. There is no balance outstanding at December 31, 2007 (2006 - \$Nil). The line is secured by a general security agreement representing a first floating charge over all assets whether obtained now or in the future.

The Company has a credit card facility of \$45,000, of which there is no balance outstanding at December 31, 2007 (2006 - \$Nil).

### 4. Accounts receivable

	2007	2006
	\$	\$
Electrical energy	1,977,265	2,017,029
Other	154,750	115,293
	<u>2,132,015</u>	<u>2,132,322</u>
Less allowance for doubtful accounts	(71,502)	(96,471)
	<u>2,060,513</u>	<u>2,035,851</u>

The allowance for doubtful accounts reflects accounts which have been sent to a Credit Collection Agency for which the likelihood of recovery is small. These amounts are written off after one year.

### 5. Property, plant and equipment

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land and land rights	228,982	57,132	171,850	172,313
Buildings	1,902,320	823,814	1,078,506	1,065,323
Distribution stations	3,861,639	2,029,487	1,832,152	1,820,698
Poles and lines	24,261,383	12,240,715	12,020,668	11,703,417
Distribution				
Transformers	5,326,064	2,373,118	2,952,946	2,528,861
Distributions meters	2,264,885	1,344,407	920,478	981,243
Others	4,407,508	3,326,657	1,080,851	1,132,131
	<u>42,252,781</u>	<u>22,195,330</u>	<u>20,057,451</u>	<u>19,403,986</u>

# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 6. Regulatory assets/(liability)

	2007	2006
	\$	\$
<b>Variance accounts, beginning year</b>	<b>2,291,016</b>	3,555,924
Current year regulated interest	<b>(29,538)</b>	56,340
Current year change in		
Deferred payments in lieu of taxes	-	69,967
Current year deferred charges	-	30,415
Current year regulated settlement		
Variances (favourable)/unfavourable	<b>174,123</b>	<b>(1,421,630)</b>
	<b>2,435,601</b>	2,291,016
Less recoveries to date	<b>(2,971,512)</b>	<b>(2,113,525)</b>
	<b>(535,911)</b>	177,491
Less provision	<b>(271,632)</b>	-
<b>Ending regulatory assets/(liability)</b>	<b>(807,543)</b>	177,491
<b>Settlement variances and interest</b>	<b>(1,213,192)</b>	<b>(1,349,204)</b>
Deferred charges and interest	<b>271,632</b>	263,174
Deferred charge provision	<b>(271,632)</b>	-
Recoverable variances and interest	<b>3,377,161</b>	3,377,046
Recoveries to date	<b>(2,971,512)</b>	<b>(2,113,525)</b>
<b>Ending regulatory assets/(liability)</b>	<b>(807,543)</b>	177,491
Interest included in the end regulatory assets balances	<b>46,044</b>	75,582

Regulatory Assets consist of differences between the amounts owed to the Independent Electricity System Operator ("IESO") and the amounts billed to customers and retailers (Settlement Variances) and expenses deferred for consideration by the Ontario Energy Board ("OEB") for recovery in future rates (deferred charges).

In April, 2006 the Ontario Energy Board approved for recovery in rates, all Regulatory Asset balances as of December 31, 2004 (excluding deferred payments in lieu of taxes) and the associated regulated interest. A total of \$3,377,161 has been approved for recovery in rates of which \$2,971,512 has been collected as of December 31, 2007. The balance of \$405,649 is scheduled for recovery between January 2008 and April 2008. As a result of obtaining final approval in 2006 to include transition costs and pre-market opening energy variances in rates, the previous provision of \$1,161,290 was reversed in the prior year. Settlement variances incurred since January 1, 2005 totaling \$1,213,192 are not reflected in current rates. Deferred charges incurred since January 1, 2005 totaling \$271,632 are also not in current rates. As the recoverability of deferred charges is uncertain at this time, management has set up a reserve for the full amount of these variances. However, management expects that all Regulatory Assets will be reflected in future rate approvals by the OEB.

In the absence of rate regulation, GAAP would require that the cost of power (including regulated settlement variances) be expensed as incurred. Deferred charges would also be expensed as incurred and regulated interest amounts would be reversed. In the absence of rate regulation, cost of power would be \$174,123 higher in 2007 (\$1,421,630 lower in 2006), interest income would be \$29,538 higher in 2007 (\$56,340 lower in 2006), and administrative expense would be \$30,415 higher in 2006. The net effect, in the absence of rate regulation, is a pre-tax decrease in net income of \$144,585 for 2007 (\$1,334,875 pre-tax increase in net income in 2006).

# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 7. Conservation demand management/smart meters

The Ontario Minister of Energy has mandated a new design for the energy sector, where reliable and affordable delivery of power is provided in a way that does not threaten the environment. The government through the OEB has developed a method of promoting both demand side management (sustained reductions in energy use) and demand response (short-term reduction in peak energy demand).

The Ontario Government beginning March 1, 2005 permitted Distributors to apply to the OEB for an investment in conservation demand management. An investment plan of \$694,106 in Conservation Demand expenditures filed by Welland Hydro was approved and all funds have been collected from customers. During the year the Company made expenditures of \$446,847 to bring total expenditures to date to \$694,106 completing this program.

The Province of Ontario has committed to have smart electricity meters installed in all homes and small businesses by the end of 2010. In the 2006 Generic Decision (EB-2005-0529) the OEB allowed a preliminary smart metering rate adder to provide initial funding for smart meter investment and to help smooth potential rate impacts. This rate adder became effective May 1, 2006. During the year the Company collected \$70,099 (2006 - \$39,894) from customers for smart metering and made \$14,070 in expenditures (2006 - \$Nil). Interest charges incurred on the liability were \$3,099 in 2007 (2006 - \$465).

## 8. Pension agreement

The Company provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. As the Company is only liable for the contributions, defined contribution account is used by the Company. The Company's contribution for employees' current service for the year ended December 31, 2007 was \$186,017 (2006 - \$172,261).

## 9. Due from/(to) related parties and related party transactions

Welland Hydro-Electric System Corp. provides overall business and strategic planning through its Board of Directors and will negotiate on behalf of Welland Hydro Energy Services Corp. and Welland Hydro-Electric Holdings Corp. other corporate programs such as risk management. The Company maintains its liability insurance through the Municipal Electric Association Reciprocal Insurance Exchange.

Amounts due from/(to) related parties at December 31 are as follows:

	2007	2006
	\$	\$
Welland Hydro Energy Services Corp.		
Accounts payable	(8,625)	(2,548)
Loan receivable	-	28,927
Note receivable	1	1
Welland WIFI Corp.	1,280	1,280
Welland Hydro-Electric Holding Corp.	1,919	12,080
City of Welland - accounts receivable	142,912	83,976
	<u>137,487</u>	<u>123,716</u>

# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 9. Due from/(to) related parties and related party transactions (continued)

The following amounts were invoiced to related parties in the normal course of operations:

	2007	2006
	\$	\$
City of Welland		
Energy (at commercial rates)	940,061	902,517
Rent	18,906	10,223
Welland Hydro Energy Services Corp.		
Rent	-	2,400
Interest	2,324	2,370
Streetlight/sentinel maintenance and admin	193,234	154,515
	<u>1,154,525</u>	<u>1,072,025</u>

The Company has entered into a service level agreement with Welland Hydro Energy Services Corp. The Company is to provide services related to customer billing and collection, accounting and administration at a 7% premium above the actual costs incurred.

The following expenses with the City of Welland were incurred in the regular course of operations:

	2007	2006
	\$	\$
Property taxes and other taxes	91,052	91,204
Leases and miscellaneous	6,202	7,550
Water	6,823	2,601
Interest	843,747	562,500
	<u>947,824</u>	<u>663,855</u>

## 10. Note payable

The note is due to the City of Welland and bears interest at 6.25% effective May 1, 2006. It is due 12 months after official demand by the City.

# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 11. Employee future benefits

The Company pays certain medical and life insurance benefits to age 65 on behalf of its retired employees. The Company recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2007 of \$1,533,486 (2006 - \$1,487,346) and the expense for the year ended December 31, 2007 was determined by actuarial valuation using a discount rate of 5.0% (2006 - 5.0%).

Information regarding the defined benefit plan of the Company is as follows:

	2007	2006
	\$	\$
Total accrued benefit liability, start of year	1,487,346	1,442,081
Current service cost	33,612	32,016
Interest cost	76,042	74,118
Amortization of actuarial loss	7,031	7,031
Benefits paid for the period	(70,545)	(67,900)
<b>Total accrued benefit liability, end of year</b>	<b>1,533,486</b>	<b>1,487,346</b>
<b>Projected accrued benefit obligation, end of year</b>	<b>1,561,611</b>	<b>1,522,503</b>
<b>Unamortized actuarial loss</b>	<b>(28,125)</b>	<b>(35,157)</b>
Current portion	70,545	70,545
Long-term portion	1,462,941	1,416,801
	<b>1,533,486</b>	<b>1,487,346</b>

The main actuarial assumptions utilized for the valuation are as follows:

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2% in 2007 and thereafter.

Discount (interest) rate - the obligation as at January 1, 2007 of the present value of future liabilities and the expense for the year ended December 31, 2007 were determined using a discount rate of 5%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3%. The projected liability at December 31, 2007 was determined using a discount rate of 5%.

Salary levels - future general salary and wage levels were assumed to increase at 3.1% per annum.

Medical costs- medical costs were assumed to increase at the CPI rate plus a further increase of 10% in 2007, decreasing to 5% by 2012.

Dental costs - dental cost were assumed to increase at the CPI rate plus a further increase of 5% in 2007 and thereafter.

Sensitivity analysis - assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates have the following effects for 2007:

	Increase
	\$
Accrued benefit obligation, end of period	<b>97,000</b>

# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 12. Changes in non-cash working capital components

	2007	2006
	\$	\$
Accounts receivable	(24,662)	(561,597)
Accounts receivable - unbilled revenue	209,051	(289,736)
IESO receivable	-	76,343
Inventories	(31,728)	75,430
Prepaid expenses	(76,062)	123
Accounts payable and accrued liabilities	(660,069)	(664,149)
Customer deposits-current portion	163,226	183,955
Current portion - liability for future employee benefits	-	2,645
Smart Meter program	59,128	40,359
Conservation demand management	(446,847)	114,917
Other current liabilities	4,245	(1,681,364)
	<b>(803,718)</b>	<b>(2,703,074)</b>

## 13. Share capital

	2007	2006
	\$	\$
<i>Authorized</i>		
Unlimited number of common shares		
<i>Issued</i>		
1,000 common shares	12,953,180	12,953,180

## 14. Contingencies

Griffith et al. v. Toronto Hydro-Electric Commission et al.

This action has been brought under the *Class Proceedings Act, 1992*. The plaintiff class seeks \$500 million in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities ("LDCs") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to section 347 of the *Criminal Code*. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceedings brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defences which had been raised by Enbridge, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for determination of the damages. At the end of 2006, a mediation process resulted in the settlement of the damages payable by Enbridge.



# Welland Hydro-Electric System Corp.

Notes to the financial statements

December 31, 2007

## 14. Contingencies (continued)

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDCs. To date, no formal steps have been taken to move the action forward. The electric utilities intend to respond to the action if and when it proceeds on the basis that the LDCs' situation may be distinguishable from that of Consumers Gas.

Welland Hydro collected total late payment penalties of \$1,222,985 from and after 1994. No determination of the portion of these payments which may have constituted interest at an impermissible rate has been made.

The Corporation participates with the other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. The corporation is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred.

As of May 1, 2002 in order for the Company to obtain the electricity it requires to distribute to its customers, the Company was required to provide security to the Independent Electricity System Operator (IESO) based on its usage. The security obtained was a letter of credit from a financial institution, which requires an interest coverage ratio of more than 1.5 and a debt capitalization ratio of less than 0.5. The letter is in the amount of \$2,369,722 and incurs interest at 0.6% annually.

## 15. Future income taxes

The Company follows the income taxes payable method of accounting for income tax. If the liability method of accounting for income taxes were used, a future tax asset of \$2,375,543 would be recorded at December 31, 2007 (2006 - \$2,164,629).

## 16. Commitments

The Company has an agreement to contribute to the costs of power connections and power lines in new subdivisions built in the City of Welland. The Company will take over the ownership of the power distribution equipment in the subdivisions two years after construction is accepted. The contribution made for the construction in subdivisions in 2007 was \$137,723 (2006 - \$15,188). The estimated contribution for 2008 is \$25,000.

# Welland Hydro-Electric System Corp.

## Notes to the financial statements

December 31, 2007

### 17. Financial instruments

#### *Fair value*

The Company's recognized financial instruments consist of cash and cash equivalents, investments, accounts receivable, unbilled revenue, due from related parties, accounts payables, due to related parties, customer deposits and long term debt.

The fair values of cash and cash equivalents, accounts receivable, due from related parties, due to related parties, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature. As there is no secondary market for customer deposits, the calculation of their fair value with appropriate reliability is impractical.

Welland Hydro-Electric System Corp. ("Welland Hydro") has a Long Term Promissory Note Payable with the City of Welland ("the City") in the amount of \$13,499,953. The restated Promissory Note was issued to the City on October 19, 2005 with interest at 6.25% effective May 1, 2006. There is no "term length" associated with the Promissory Note but the City can demand payment twelve months after notice has been provided.

In December 2006, Welland Hydro identified the Promissory Note as a Financial Instrument under the "Other Financial Liabilities" category. In order to determine fair value as at May 1, 2006 comparisons have been made with interest rates from two market sources at that time. The first is the rate of return on the debt portion of "Cost of Capital" approved by the Ontario Energy Board. This rate was set at 6.25% to calculate electricity distributor pricing effective May 1, 2006. The 6.25% rate will remain in effect until 2009 or 2010 for Welland Hydro. The second comparison rate is the Bank of Canada Chartered Bank Administered Interest Rates - Prime Business. This rate has been consistently between 6.00% and 6.25% since May, 2006. Based on similar interest rates available in the market place at the time, the face value of the promissory note reflects fair value at the time it was issued.

To test the current market place, Welland Hydro obtained a quote on a ten year note with no principal repayment. Quoted rates were between 5.00% and 5.25%. At this rate, annual interest expense would be reduced by approximately \$135,000 which is well within current materiality thresholds of \$870,000. As a result, no changes have been made to the current financial statements.

#### *Credit risk*

The Company is exposed to credit risk from its customers. However, the Company has a large number of diverse customers minimizing concentration of credit risk. The Company requires customers to provide security deposits subject to OEB regulations.

### 18 Comparative figures

Certain comparative figures have been reclassified to conform to the current classification.

1 **PRO FORMA FINANCIAL STATEMENTS - 2008 AND 2009:**

- 2 The Welland Hydro Pro Forma Statements for the 2008 Bridge Year and the 2009 Test Year  
3 accompany this Schedule as Appendix H and Appendix I respectively.

Welland Hydro-Electric System Corp.  
EB-2008-0247  
Exhibit 1  
Tab 3  
Schedule 2  
Appendix H  
Filed: August 15, 2008

## **APPENDIX H**

### **COPY OF WELLAND HYDRO-ELECTRIC SYSTEM CORP. 2008 PRO FORMA STATEMENTS**

<b>Welland Hydro-Electric System Corp.</b>	
<b>2008 STATEMENT OF INCOME AND RETAINED EARNINGS</b>	
<b>Account Description</b>	<b>Total</b>
<b>3000-Sales of Electricity</b>	
4006-Residential Energy Sales	(8,144,845.19)
4010-Commercial Energy Sales	(237,094.11)
4015-Industrial Energy Sales	(273,292.33)
4020-Energy Sales to Large Users	(3,218,333.56)
4025-Street Lighting Energy Sales	(228,056.92)
4030-Sentinel Lighting Energy Sales	(57,135.44)
4035-General Energy Sales	(2,651,673.25)
4036-General Service > 50 kw	(6,347,122.51)
4055-Energy Sales for Resale	(7,357,724.70)
4062-Billed WMS	(3,072,362.00)
4066-Billed NW	(2,416,581.00)
4068-Billed CN	(2,286,404.00)
<b>3000-Sales of Electricity Total</b>	<b>(36,290,625.00)</b>
<b>3050-Revenues From Services - Distirbution</b>	
4080-Distribution Services Revenue	(7,123,753.00)
4082-Retail Services Revenues	(35,174.00)
4084-Service Transaction Requests (STR) Revenues	(2,040.00)
<b>3050-Revenues From Services - Distirbution Total</b>	<b>(7,160,967.00)</b>
<b>3100-Other Operating Revenues</b>	
4210-Rent from Electric Property	(149,031.00)
4225-Late Payment Charges	(66,000.00)
4235-Miscellaneous Service Revenues	(149,455.00)
<b>3100-Other Operating Revenues Total</b>	<b>(364,486.00)</b>
<b>3150-Other Income &amp; Deductions</b>	
4325-Revenues from Merchandise, Jobbing, Etc.	-
4355-Gain on Disposition of Utility and Other Property	-
4380-Expenses of Non-Utility Operations	-
4390-Miscellaneous Non-Operating Income	(19,020.00)
<b>3150-Other Income &amp; Deductions Total</b>	<b>(19,020.00)</b>
<b>3200-Investment Income</b>	
4405-Interest and Dividend Income	(205,950.00)
<b>3200-Investment Income Total</b>	<b>(205,950.00)</b>

<b>3350-Power Supply Expenses</b>	
4705-Power Purchased	28,515,278.00
4708-Charges-WMS	3,072,362.00
4710-Cost of Power Adjustments	-
4714-Charges-NW	2,416,581.00
4716-Charges-CN	2,286,404.00
4720-Other Power Expenses	-
4730-Rural Rate Assistance Expense	-
<b>3350-Power Supply Expenses Total</b>	<b>36,290,625.00</b>
<b>3500-Distribution Expenses - Operation</b>	
5005-Operation Supervision and Engineering	83,862.00
5010-Load Dispatching	76,867.00
5012-Station Buildings and Fixtures Expense	11,973.00
5014-Transformer Station Equipment - Operation Labour	-
5015-Transformer Station Equipment - Operation Supplies and Expenses	-
5016-Distribution Station Equipment - Operation Labour	15,552.00
5017-Distribution Station Equipment - Operation Supplies and Expenses	112,565.00
5020-Overhead Distribution Lines and Feeders - Operation Labour	87,931.00
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	168,573.00
5030-Overhead Subtransmission Feeders - Operation	76,052.00
5035-Overhead Distribution Transformers- Operation	13,853.00
5040-Underground Distribution Lines and Feeders - Operation Labour	138,440.00
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	26,409.00
5050-Underground Substation Feeders	42,382.00
5055-Underground Distribution Transformers - Operation	13,200.00
5065-Meter Expense	312,698.00
5070-Customer Premises - Operation Labour	7,606.00
5075-Customer Premises - Materials and Expenses	-
5085-Miscellaneous Distribution Expense	167,742.00
5095-Overhead Distribution Lines and Feeders - Rental Paid	21,966.00
5096-Other Rent	-
<b>3500-Distribution Expenses - Operation Total</b>	<b>1,377,671.00</b>
<b>3550-Distribution Expenses - Maintenance</b>	
5105-Maintenance Supervision and Engineering	85,144.00
5110-Maintenance of Buildings and Fixtures - Distribution Stations	18,022.00
5114-Maintenance of Distribution Station Equipment	16,627.00
5120-Maintenance of Poles, Towers and Fixtures	45,281.00
5121-Maintenance of Subtrans	11,980.00
5125-Maintenance of Overhead Conductors and Devices	162,406.00
5126-Maintanance of Overhead Subtrans	66,512.00

5130-Maintenance of Overhead Services	181,594.00
5135-Overhead Distribution Lines and Feeders - Right of Way	204,588.00
5145-Maintenance of Underground Conduit	22,548.00
5150-Maintenance of Underground Conductors and Devices	143,766.00
5151-Maintenance Emergency	20,728.00
5155-Maintenance of Underground Services	56,898.00
5160-Maintenance of Line Transformers	91,046.00
5175-Maintenance of Meters	3,701.00
5195-Maintenance of Customer Premises	4,994.00
<b>3550-Distribution Expenses - Maintenance Total</b>	<b>1,135,835.00</b>
<b>3650-Billing and Collecting</b>	
5305-Supervision	-
5310-Meter Reading Expense	129,563.00
5315-Customer Billing	397,246.00
5320-Collecting	332,691.00
5325-Cash Over & Short	12.00
5335-Bad Debt Expense	58,480.00
5340-Miscellaneous Customer Accounts Expenses	-
5350-Retail Billing	28,781.00
5360-Retail STR	2,059.00
<b>3650-Billing and Collecting Total</b>	<b>948,832.00</b>
<b>3700-Community Relations</b>	
5405-Supervision	39,613.00
5410-Community Relations - Sundry	4,978.00
5415-Energy Conservation	15,000.00
5420-Community Safety Program	7,290.00
5425-Misc Other Programs	111.00
5510-Demonstrating and Selling Expense	-
5515-Advertising Expense	10,502.00
5520-Miscellaneous Sales Expense	-
<b>3700-Community Relations Total</b>	<b>77,494.00</b>
<b>3800-Administrative and General Expenses</b>	
5605-Executive Salaries and Expenses	313,443.00
5610-Management Salaries and Expenses	393,151.00
5615-General Administrative Salaries and Expenses	273,349.00
5620-Office Supplies and Expenses	-
5625-Administrative Expense Transferred Credit	(194,884.00)
5630-Outside Services Employed	135,000.00
5635-Property Insurance	-

5640-Injuries and Damages	-
5645-Employee Pensions and Benefits	111,064.00
5655-Regulatory Expenses	45,800.00
5660-General Advertising Expenses	-
5665-Miscellaneous General Expenses	102,054.00
5675-Maintenance of General Plant	-
5680-Electrical Safety Authority Fees	8,023.00
<b>3800-Administrative and General Expenses Total</b>	<b>1,187,000.00</b>
<b>3850-Amortization Expense</b>	
5705-Amortization Expense - Property, Plant, and Equipment	1,718,187.02
<b>3850-Amortization Expense Total</b>	<b>1,718,187.02</b>
<b>3900-Interest Expense</b>	
6005-Interest on Long Term Debt	843,746.00
6030-Interest on Debt to Associated Companies	-
6035-Other Interest Expense	38,400.00
<b>3900-Interest Expense Total</b>	<b>882,146.00</b>
<b>3950-Taxes Other Than Income Taxes</b>	
6105-Taxes Other Than Income Taxes	25,792.00
<b>3950-Taxes Other Than Income Taxes Total</b>	<b>25,792.00</b>
<b>4000-Income Taxes</b>	
6110-Income Taxes	203,779.93
<b>4000-Income Taxes Total</b>	<b>203,779.93</b>
<b>4100-Extraordinary &amp; Other Items</b>	
6205-Donations	12,000.00
6215-Penalties	-
6310-Extraordinary Deductions	(271,632.24)
<b>4100-Extraordinary &amp; Other Items Total</b>	<b>(259,632.24)</b>
<b>Net Income</b>	<b>(453,318.29)</b>



**Welland Hydro-Electric System Corp.  
 2008 BALANCE SHEET**

<b>Account Description</b>	<b>Total</b>
<b>1050-Current Assets</b>	
1005-Cash	5,744,085.20
1010-Cash Advances and Working Funds	-
1011-Blank	-
1020-Interest Special Deposits	-
1040-Other Special Deposits	602,582.12
1070-Investments	-
1100-Customer Accounts Receivable	2,031,411.52
1102-Accounts Receivable - Services	(4,469.22)
1104-Accounts Receivable - Recoverable Work	240,700.91
1105-Accounts Receivable - Merchandise, Jobbing, etc.	-
1110-Other Accounts Receivable	(24,390.69)
1120-Accrued Utility Revenues	5,397,407.00
1130-Accumulated Provision for Uncollectible Accounts--Credit	(71,502.02)
1140-Interest and Dividends Receivable	23,437.50
1150-Rents Receivable	-
1180-Prepayments	10,929.00
1182-Prepaid Property Taxes	-
1200-Accounts Receivable from Associated Companies	(6,705.00)
1208-Due to/from CS-City	-
1210-Notes Receivable from Associated Companies	-
<b>1050-Current Assets Total</b>	<b>13,943,486.32</b>

<b>1100-Inventory</b>	
1330-Plant Materials and Operating Supplies	493,452.00
1305-Fuel Stock	-
1350-Other Materials and Supplies	-
<b>1100-Inventory Total</b>	<b>493,452.00</b>

<b>1150-Non-Current Assets</b>	
1405-Long Term Investments in Non-Associated Companies	-
1410-Other Special or Collateral Funds	-
1460-Other Non-Current Assets	-
<b>1150-Non-Current Assets Total</b>	<b>-</b>

<b>1200-Other Assets and Deferred Charges</b>	
1508-Other Regulatory Assets	269,090.20
1518-RCVARetail	-
1525-Miscellaneous Deferred Debits	13,087.58
1548-RCVASTR	-
1550-LV Variance Account	-
1555-Smart Meters Capital Variance Account	(101,652.00)
1556-Smart Meters OM&A Variance Account	-

1562-Deferred Payments in Lieu of Taxes	2,089.49
1565-Conservation and Demand Management Expenditures and Recoveries	-
1566-CDM Contra Account	-
1570-Qualifying Transition Costs	-
1571-Pre-market Opening Energy Variance	-
1572-Extraordinary Event Costs	-
1580-RSVAWMS	(921,786.85)
1582-RSVAONE-TIME	42,493.53
1584-RSVANW	441,051.18
1586-RSVACN	193,039.04
1588-RSVAPOWER	(186,735.18)
1589-Reserve for Non RSVA Variances	-
1590-Recovery of Regulatory Asset Balances	-
<b>1200-Other Assets and Deferred Charges Total</b>	<b>(249,323.01)</b>

<b>1450-Distribution Plant</b>	
1805-Land	158,686.06
1806-Land Rights	70,296.15
1808-Buildings and Fixtures	96,567.70
1810-Leasehold Improvements	-
1815-Transformer Station Equipment - Normally Primary above 50 kV	-
1820-Distribution Station Equipment - Normally Primary below 50 kV	4,011,639.00
1825-Storage Battery Equipment	-
1830-Poles, Towers and Fixtures	3,581,723.48
1835-Overhead Conductors and Devices	11,941,204.82
1840-Underground Conduit	276,369.75
1845-Underground Conductors and Devices	10,522,550.55
1850-Line Transformers	6,081,090.51
1855-Services	245,893.24
1860-Meters	2,284,885.14
1870-Leased Property Customer Premises	8,009.60
<b>1450-Distribution Plant Total</b>	<b>39,278,916.00</b>

<b>1500-General Plant</b>	
1905-Land	-
1906-Land Rights	-
1908-Buildings and Fixtures	1,880,751.90
1915-Office Furniture and Equipment	249,618.79
1920-Computer Equipment - Hardware	369,060.47
1925-Computer Software	611,256.59
1930-Transportation Equipment	1,594,744.81
1935-Stores Equipment	30,023.30
1940-Tools, Shop and Garage Equipment	319,681.22
1945-Measurement and Testing Equipment	166,690.43
1950-Power Operated Equipment	-
1955-Communication Equipment	175,717.75
1960-Miscellaneous Equipment	292,628.71
1970-Load Management Controls - Customer Premises	-
1980-System Supervisory Equipment	1,063,152.99
1995-Contributions and Grants - Credit	(1,555,492.42)

<b>1500-General Plant Total</b>	<b>5,197,834.54</b>
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<b>1550-Other Capital Assets</b>	
2055-Construction Work in Progress--Electric	-
2060-Electric Plant Acquisition Adjustment	-
2070-Other Utility Plant	-
<b>1550-Other Capital Assets Total</b>	<b>-</b>

<b>1600-Accumulated Amortization</b>	
2105-Accum. Amortization of Electric Utility Plant - Property, Plant, & Equipment	(23,913,516.55)
2160-Accumulated Amortization of Other Utility Plant	-
<b>1600-Accumulated Amortization Total</b>	<b>(23,913,516.55)</b>

<b>Total Assets</b>	<b>34,750,849.30</b>
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<b>1650-Current Liabilities</b>	
2205-Accounts Payable	244,645.42
2208-Customer Credit Balances	17,379.59
2210-Current Portion of Customer Deposits	602,582.12
2211-Deposits RSP	-
2215-Deposits Work Orders	-
2220-Miscellaneous Current and Accrued Liabilities	3,797,181.30
2240-Accounts Payable to Associated Companies	-
2250-Debt Retirement Charges( DRC) Payable	227,602.63
2290-Commodity Taxes	-
2292-Payroll Deductions / Expenses Payable	-
2294-Accrual for Taxes, Payments in Lieu of Taxes, Etc.	-
2264-Employee Future Benefits-Short Term	70,545.00
<b>1650-Current Liabilities Total</b>	<b>4,959,936.06</b>

<b>1700-Non-Current Liabilities</b>	
2306-Employee Future Benefits	1,509,081.37
2310-Vested Sick Leave Liability	-
2320-Other Miscellaneous Non-Current Liabilities	-
2335-Long Term Customer Deposits	426,735.45
2350-Future Income Tax - Non-Current	-
2405-Other Regulatory Liabilities	6,539.71
2406-Defer'd PILS Rev	-
2425-Other Deferred Credits	-
<b>1700-Non-Current Liabilities Total</b>	<b>1,942,356.53</b>

<b>1800-Long-Term Debt</b>	
2550-Advances from Associated Companies	13,499,952.65
<b>1800-Long-Term Debt Total</b>	<b>13,499,952.65</b>

<b>1850-Shareholders' Equity</b>	
3005-Common Shares Issued	12,953,179.69
3010-Contributed Surplus	2,714,448.08

3030-Miscellaneous Paid-In Capital	630,158.00
3045-Unappropriated Retained Earnings	-
3046-Balance Transferred From Income	453,318.29
3049-Dividends Payable-Common Shares	(2,402,500.00)
<b>1850-Shareholders' Equity Total</b>	<b>14,348,604.06</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>34,750,849.30</b>
<b>Balance Sheet Total</b>	<b>0.00</b>

Welland Hydro-Electric System Corp.  
EB-2008-0247  
Exhibit 1  
Tab 3  
Schedule 2  
Appendix I  
Filed: August 15, 2008

**APPENDIX I**

**COPY OF WELLAND HYDRO-ELECTRIC SYSTEM CORP.  
2009 PRO FORMA STATEMENTS**

<b>Welland Hydro-Electric System Corp.</b>	
<b>2009 STATEMENT OF INCOME AND RETAINED EARNINGS</b>	
<b>Account Description</b>	<b>Total</b>
<b>3000-Sales of Electricity</b>	
4006-Residential Energy Sales	(8,412,120.33)
4010-Commercial Energy Sales	(244,874.41)
4015-Industrial Energy Sales	(282,260.49)
4020-Energy Sales to Large Users	(3,323,943.98)
4025-Street Lighting Energy Sales	(235,540.66)
4030-Sentinel Lighting Energy Sales	(59,010.35)
4035-General Energy Sales	(2,738,688.57)
4036-General Service > 50 kw	(6,555,404.93)
4055-Energy Sales for Resale	(7,599,170.28)
4062-Billed WMS	(3,080,760.00)
4066-Billed NW	(2,335,966.00)
4068-Billed CN	(2,306,110.00)
<b>3000-Sales of Electricity Total</b>	<b>(37,173,850.00)</b>
<b>3050-Revenues From Services - Distirbution</b>	
4080-Distribution Services Revenue	(7,165,872.00)
4082-Retail Services Revenues	(35,174.00)
4084-Service Transaction Requests (STR) Revenues	(2,040.00)
<b>3050-Revenues From Services - Distirbution Total</b>	<b>(7,203,086.00)</b>
<b>3100-Other Operating Revenues</b>	
4210-Rent from Electric Property	(149,031.00)
4225-Late Payment Charges	(66,000.00)
4235-Miscellaneous Service Revenues	(149,455.00)
<b>3100-Other Operating Revenues Total</b>	<b>(364,486.00)</b>
<b>3150-Other Income &amp; Deductions</b>	
4325-Revenues from Merchandise, Jobbing, Etc.	-
4355-Gain on Disposition of Utility and Other Property	-
4380-Expenses of Non-Utility Operations	-
4390-Miscellaneous Non-Operating Income	(19,020.00)
<b>3150-Other Income &amp; Deductions Total</b>	<b>(19,020.00)</b>
<b>3200-Investment Income</b>	
4405-Interest and Dividend Income	(162,850.00)
<b>3200-Investment Income Total</b>	<b>(162,850.00)</b>

<b>3350-Power Supply Expenses</b>	
4705-Power Purchased	29,451,014.00
4708-Charges-WMS	3,080,760.00
4710-Cost of Power Adjustments	-
4714-Charges-NW	2,335,966.00
4716-Charges-CN	2,306,110.00
4720-Other Power Expenses	-
4730-Rural Rate Assistance Expense	-
<b>3350-Power Supply Expenses Total</b>	<b>37,173,850.00</b>
<b>3500-Distribution Expenses - Operation</b>	
5005-Operation Supervision and Engineering	86,349.00
5010-Load Dispatching	79,101.00
5012-Station Buildings and Fixtures Expense	12,268.00
5014-Transformer Station Equipment - Operation Labour	-
5015-Transformer Station Equipment - Operation Supplies and Expenses	-
5016-Distribution Station Equipment - Operation Labour	17,676.00
5017-Distribution Station Equipment - Operation Supplies and Expenses	115,650.00
5020-Overhead Distribution Lines and Feeders - Operation Labour	99,596.00
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	181,766.00
5030-Overhead Subtransmission Feeders - Operation	85,777.00
5035-Overhead Distribution Transformers- Operation	14,131.00
5040-Underground Distribution Lines and Feeders - Operation Labour	157,335.00
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	27,295.00
5050-Underground Substation Feeders	47,806.00
5055-Underground Distribution Transformers - Operation	13,444.00
5065-Meter Expense	339,287.00
5070-Customer Premises - Operation Labour	8,644.00
5075-Customer Premises - Materials and Expenses	-
5085-Miscellaneous Distribution Expense	188,506.00
5095-Overhead Distribution Lines and Feeders - Rental Paid	22,405.00
5096-Other Rent	-
<b>3500-Distribution Expenses - Operation Total</b>	<b>1,497,036.00</b>
<b>3550-Distribution Expenses - Maintenance</b>	
5105-Maintenance Supervision and Engineering	95,673.00
5110-Maintenance of Buildings and Fixtures - Distribution Stations	18,933.00
5114-Maintenance of Distribution Station Equipment	18,397.00
5120-Maintenance of Poles, Towers and Fixtures	50,587.00
5121-Maintenance of Subtrans	13,469.00
5125-Maintenance of Overhead Conductors and Devices	180,518.00
5126-Maintenance of Overhead Subtrans	74,124.00

5130-Maintenance of Overhead Services	199,717.00
5135-Overhead Distribution Lines and Feeders - Right of Way	209,200.00
5145-Maintenance of Underground Conduit	23,977.00
5150-Maintenance of Underground Conductors and Devices	158,122.00
5151-Maintenance Emergency	22,969.00
5155-Maintenance of Underground Services	62,433.00
5160-Maintenance of Line Transformers	93,606.00
5175-Maintenance of Meters	3,813.00
5195-Maintenance on Customer Premises	5,676.00
<b>3550-Distribution Expenses - Maintenance Total</b>	<b>1,231,214.00</b>
<b>3650-Billing and Collecting</b>	
5305-Supervision	-
5310-Meter Reading Expense	132,554.00
5315-Customer Billing	409,365.00
5320-Collecting	345,711.00
5325-Cash Over & Short	50.00
5335-Bad Debt Expense	59,650.00
5340-Miscellaneous Customer Accounts Expenses	-
5350-Retail Billing	30,725.00
5360-Retail STR	2,119.00
<b>3650-Billing and Collecting Total</b>	<b>980,174.00</b>
<b>3700-Community Relations</b>	
5405-Supervision	40,800.00
5410-Community Relations - Sundry	5,536.00
5415-Energy Conservation	95,274.00
5420-Community Safety Program	6,500.00
5425-Misc Other Programs	100.00
5510-Demonstrating and Selling Expense	-
5515-Advertising Expense	11,457.00
5520-Miscellaneous Sales Expense	-
<b>3700-Community Relations Total</b>	<b>159,667.00</b>
<b>3800-Administrative and General Expenses</b>	
5605-Executive Salaries and Expenses	327,398.00
5610-Management Salaries and Expenses	403,669.00
5615-General Administrative Salaries and Expenses	283,123.00
5620-Office Supplies and Expenses	-
5625-Administrative Expense Transferred Credit	(215,178.00)
5630-Outside Services Employed	146,700.00
5635-Property Insurance	-



5640-Injuries and Damages	-
5645-Employee Pensions and Benefits	117,300.00
5655-Regulatory Expenses	66,500.00
5660-General Advertising Expenses	-
5665-Miscellaneous General Expenses	108,070.00
5675-Maintenance of General Plant	-
5680-Electrical Safety Authority Fees	8,263.00
<b>3800-Administrative and General Expenses Total</b>	<b>1,245,845.00</b>
<b>3850-Amortization Expense</b>	
5705-Amortization Expense - Property, Plant, and Equipment	1,721,827.03
<b>3850-Amortization Expense Total</b>	<b>1,721,827.03</b>
<b>3900-Interest Expense</b>	
6005-Interest on Long Term Debt	843,746.00
6030-Interest on Debt to Associated Companies	-
6035-Other Interest Expense	38,400.00
<b>3900-Interest Expense Total</b>	<b>882,146.00</b>
<b>3950-Taxes Other Than Income Taxes</b>	
6105-Taxes Other Than Income Taxes	27,730.00
<b>3950-Taxes Other Than Income Taxes Total</b>	<b>27,730.00</b>
<b>4000-Income Taxes</b>	
6110-Income Taxes	696.72
<b>4000-Income Taxes Total</b>	<b>696.72</b>
<b>4100-Extraordinary &amp; Other Items</b>	
6205-Donations	12,000.00
6215-Penalties	-
6310-Extraordinary Deductions	-
<b>4100-Extraordinary &amp; Other Items Total</b>	<b>12,000.00</b>
<b>Net Income</b>	<b>8,893.75</b>

**Welland Hydro-Electric System Corp.  
 2009 BALANCE SHEET**

<b>Account Description</b>	<b>Total</b>
<b>1050-Current Assets</b>	
1005-Cash	4,577,485.33
1010-Cash Advances and Working Funds	-
1011-Blank	-
1020-Interest Special Deposits	-
1040-Other Special Deposits	602,582.12
1070-Investments	-
1100-Customer Accounts Receivable	2,072,039.75
1102-Accounts Receivable - Services	(4,469.22)
1104-Accounts Receivable - Recoverable Work	240,700.91
1105-Accounts Receivable - Merchandise, Jobbing, etc.	-
1110-Other Accounts Receivable	(24,390.69)
1120-Accrued Utility Revenues	5,499,629.09
1130-Accumulated Provision for Uncollectible Accounts--Credit	(71,502.02)
1140-Interest and Dividends Receivable	23,437.50
1150-Rents Receivable	-
1180-Prepayments	11,256.87
1182-Prepaid Property Taxes	-
1200-Accounts Receivable from Associated Companies	(6,705.00)
1208-Due to/from CS-City	-
1210-Notes Receivable from Associated Companies	-
<b>1050-Current Assets Total</b>	<b>12,920,064.64</b>

<b>1100-Inventory</b>	
1330-Plant Materials and Operating Supplies	508,255.56
1305-Fuel Stock	-
1350-Other Materials and Supplies	-
<b>1100-Inventory Total</b>	<b>508,255.56</b>

<b>1150-Non-Current Assets</b>	
1405-Long Term Investments in Non-Associated Companies	-
1410-Other Special or Collateral Funds	-
1460-Other Non-Current Assets	-
<b>1150-Non-Current Assets Total</b>	<b>-</b>

<b>1200-Other Assets and Deferred Charges</b>	
1508-Other Regulatory Assets	211,894.22
1518-RCVARetail	-
1525-Miscellaneous Deferred Debits	10,311.40
1548-RCVASTR	-
1550-LV Variance Account	-
1555-Smart Meters Capital Variance Account	(101,652.00)
1556-Smart Meters OM&A Variance Account	-
1562-Deferred Payments in Lieu of Taxes	1,971.17

1565-Conservation and Demand Management Expenditures and Recoveries	-
1566-CDM Contra Account	-
1570-Qualifying Transition Costs	-
1571-Pre-market Opening Energy Variance	-
1572-Extraordinary Event Costs	-
1580-RSVAWMS	(959,049.60)
1582-RSVAONE-TIME	44,088.57
1584-RSVANW	457,901.63
1586-RSVACN	200,549.17
1588-RSVAPOWER	(191,961.81)
1589-Reserve for Non RSVA Variances	-
1590-Recovery of Regulatory Asset Balances	-
<b>1200-Other Assets and Deferred Charges Total</b>	<b>(325,947.25)</b>

<b>1450-Distribution Plant</b>	
1805-Land	158,686.06
1806-Land Rights	70,296.15
1808-Buildings and Fixtures	96,567.70
1810-Leasehold Improvements	-
1815-Transformer Station Equipment - Normally Primary above 50 kV	-
1820-Distribution Station Equipment - Normally Primary below 50 kV	4,311,639.00
1825-Storage Battery Equipment	-
1830-Poles, Towers and Fixtures	4,241,723.48
1835-Overhead Conductors and Devices	12,083,704.82
1840-Underground Conduit	429,369.75
1845-Underground Conductors and Devices	10,720,550.55
1850-Line Transformers	6,637,590.51
1855-Services	260,893.24
1860-Meters	2,304,885.14
1870-Leased Property Customer Premises	8,009.60
<b>1450-Distribution Plant Total</b>	<b>41,323,916.00</b>

<b>1500-General Plant</b>	
1905-Land	-
1906-Land Rights	-
1908-Buildings and Fixtures	1,880,751.90
1915-Office Furniture and Equipment	269,118.79
1920-Computer Equipment - Hardware	397,560.47
1925-Computer Software	646,256.59
1930-Transportation Equipment	1,594,744.81
1935-Stores Equipment	30,023.30
1940-Tools, Shop and Garage Equipment	334,681.22
1945-Measurement and Testing Equipment	171,690.43
1950-Power Operated Equipment	-
1955-Communication Equipment	175,717.75
1960-Miscellaneous Equipment	852,628.71
1970-Load Management Controls - Customer Premises	-
1980-System Supervisory Equipment	1,063,152.99
1995-Contributions and Grants - Credit	(1,705,492.42)

<b>1500-General Plant Total</b>	<b>5,710,834.54</b>
---------------------------------	---------------------

<b>1550-Other Capital Assets</b>	
2055-Construction Work in Progress--Electric	-
2060-Electric Plant Acquisition Adjustment	-
2070-Other Utility Plant	-
<b>1550-Other Capital Assets Total</b>	<b>-</b>

<b>1600-Accumulated Amortization</b>	
2105-Accum. Amortization of Electric Utility Plant - Property, Plant, & Equipment	(25,635,343.58)
2160-Accumulated Amortization of Other Utility Plant	-
<b>1600-Accumulated Amortization Total</b>	<b>(25,635,343.58)</b>

<b>Total Assets</b>	<b>34,501,779.91</b>
---------------------	----------------------

<b>1650-Current Liabilities</b>	
2205-Accounts Payable	251,881.78
2208-Customer Credit Balances	17,379.59
2210-Current Portion of Customer Deposits	602,582.12
2211-Deposits RSP	-
2215-Deposits Work Orders	-
2220-Miscellaneous Current and Accrued Liabilities	3,903,629.30
2240-Accounts Payable to Associated Companies	-
2250-Debt Retirement Charges( DRC) Payable	227,602.63
2290-Commodity Taxes	-
2292-Payroll Deductions / Expenses Payable	-
2294-Accrual for Taxes, Payments in Lieu of Taxes, Etc.	-
2264-Employee Future Benefits-Short Term	70,545.00
<b>1650-Current Liabilities Total</b>	<b>5,073,620.42</b>

<b>1700-Non-Current Liabilities</b>	
2306-Employee Future Benefits	1,555,221.37
2310-Vested Sick Leave Liability	-
2320-Other Miscellaneous Non-Current Liabilities	-
2335-Long Term Customer Deposits	426,735.45
2350-Future Income Tax - Non-Current	-
2405-Other Regulatory Liabilities	6,539.71
2406-Defer'd PILS Rev	-
2425-Other Deferred Credits	-
<b>1700-Non-Current Liabilities Total</b>	<b>1,988,496.53</b>

<b>1800-Long-Term Debt</b>	
2550-Advances from Associated Companies	13,499,952.65
<b>1800-Long-Term Debt Total</b>	<b>13,499,952.65</b>

<b>1850-Shareholders' Equity</b>	
3005-Common Shares Issued	12,953,179.69
3010-Contributed Surplus	3,167,766.37

3030-Miscellaneous Paid-In Capital	630,158.00
3045-Unappropriated Retained Earnings	-
3046-Balance Transferred From Income	(8,893.75)
3049-Dividends Payable-Common Shares	(2,802,500.00)
<b>1850-Shareholders' Equity Total</b>	<b>13,939,710.31</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>34,501,779.91</b>
<b>Balance Sheet Total</b>	<b>0.00</b>

1 **RECONCILIATION BETWEEN PRO FORMA STATEMENTS AND REVENUE**  
 2 **DEFICIENCY STATEMENTS:**

3 Welland Hydro advises that because the 2007 Audited Financial Statements do not vary from the  
 4 regulatory financial results filed in this Application, a reconciliation between the financial  
 5 statements and financial results filed has not been provided. However, as a result of differences  
 6 between deemed and actual interest expense and an extraordinary gain in 2008 the following  
 7 chart provides a reconciliation between the 2008 and 2009 Pro Forma Statements and the  
 8 Revenue Deficiency Statements.

9

**WELLAND HYDRO ELECTRIC SYSTEM CORP.**  
**NET INCOME RECONCILIATION**

	2008 Bridge Yr (\$)	2009 Test Yr (\$)
Net Income per Income Statement	453,318.29	-8,893.75
Less Extra Ordinary Gain (No Effect on Taxes)	-271,632.24	0.00
Less Interest Expense Deemed vs Actual		-66,710.52
Add Interest Expense Deemed vs Actual	598.61	0.00
Add Donations	12,000.00	12,000.00
Net Income per Revenue Deficiency	194,284.66	-63,604.27

10

11

1 **INFORMATION ON AFFILIATES:**

2 The Welland Hydro Energy Services Corp. (“Welland Energy”) 2007 Annual Report, is  
3 included in Appendix J to this schedule. This subsidiary is involved mainly in Street Light  
4 Maintenance and Sentinel Lights.

5 Welland Wifi is a wholly-owned subsidiary of Welland Energy. Welland Wifi currently offers  
6 free internet access at seven “hot spots” located in the City of Welland. Capital and operating  
7 expenses have been 100% funded by the City of Welland.

**APPENDIX J**

**COPY OF WELLAND HYDRO ENERGY SERVICES CORP.  
2007 ANNUAL REPORT**



Non-consolidated financial statements of

**Welland Hydro Energy Services Corp.**

December 31, 2007

# Welland Hydro Energy Services Corp.

December 31, 2007

## Table of contents

Auditors' report .....	1
Non-consolidated statement of earnings and retained earnings .....	2
Non-consolidated balance sheet.....	3
Non-consolidated statement of cash flows.....	4
Notes to the non-consolidated financial statements.....	5-7

## Auditors' report

To the Board of Directors of  
Welland Hydro Energy Services Corp.

We have audited the non-consolidated balance sheet of Welland Hydro Energy Services Corp. as at December 31, 2007 and the non-consolidated statements of earnings and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte : Touche LLP*

Chartered Accountants  
Licensed Public Accountants

March 7, 2008

# Welland Hydro Energy Services Corp.

Non-consolidated statement of earnings and retained earnings  
year ended December 31, 2007

	2007	2006
	\$	\$
<b>Service revenue</b>	<b>258,086</b>	201,764
Interest income	204	-
	<b>258,290</b>	201,764
<b>Cost of sales</b>	<b>193,234</b>	154,515
<b>Gross margin</b>	<b>65,056</b>	47,249
Expenses		
Consulting	-	3,000
Bank charges	35	-
Telephone and supplies	-	698
Insurance	3,652	911
Interest	2,324	2,370
Professional fees	5,110	4,995
Rent	-	2,400
Amortization	3,245	3,245
	<b>14,366</b>	17,619
Earnings before income taxes	<b>50,690</b>	29,630
Provision for income taxes	9,475	549
Net earnings	<b>41,215</b>	29,081
Retained earnings, beginning of year	<b>1,491</b>	(27,590)
<b>Retained earnings, end of year</b>	<b>42,706</b>	1,491

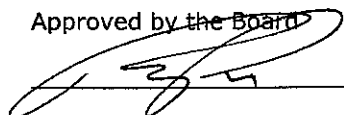
# Welland Hydro Energy Services Corp.

Non-consolidated balance sheet

as at December 31, 2007

	2007	2006
	\$	\$
<b>Assets</b>		
Current asset		
Cash	25,030	2,393
Accounts receivable	-	-
Due from related parties (Note 3)	8,633	-
Investment in subsidiary company (Note 5)	1	1
Property, plant and equipment (Note 4)	22,782	26,027
	<u>56,446</u>	<u>28,421</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	4,994	-
Income tax payable	8,736	549
	<u>13,730</u>	<u>549</u>
Due to related parties (Note 3)	-	26,371
	<u>13,730</u>	<u>26,920</u>
<b>Shareholder's equity</b>		
Share capital (Note 6)	10	10
Retained earnings	42,706	1,491
	<u>42,716</u>	<u>1,501</u>
	<u>56,446</u>	<u>28,421</u>

Approved by the Board



Director

# Welland Hydro Energy Services Corp.

Non-consolidated statement of cash flows  
year ended December 31, 2007

	2007	2006
	\$	\$
<b>Operating activities</b>		
Net earnings	41,215	29,081
Item not affecting cash		
Amortization	3,245	3,245
Changes in non-cash operating working capital items		
Accounts receivable	-	28,991
Accounts payable and accrued liabilities	4,994	(5,571)
Income taxes payable	8,187	549
	<b>57,641</b>	56,295
<b>Financing activities</b>		
Change in due to/from related parties	(35,004)	(53,901)
<b>Investing activities</b>		
Investment in subsidiary	-	(1)
Net change in cash and cash equivalents	22,637	2,393
Cash and cash equivalents, beginning of year	2,393	-
<b>Cash and cash equivalents, end of year</b>	<b>25,030</b>	<b>2,393</b>
Supplemental disclosure of cash flow		
Interest paid (Welland Hydro-Electric System Corp.)	2,324	2,370
Payment in lieu of income taxes	1,288	-

# Welland Hydro Energy Services Corp.

Notes to the non-consolidated financial statements

December 31, 2007

## 1. Nature of operations

Welland Hydro Energy Services Corp. (the Company), is a wholly-owned subsidiary of the Welland Hydro-Electric System Corp., and was incorporated July 1, 2000 under the Business Corporations Act (Ontario).

The principal business of the corporation is to provide maintenance support for streetlights to the City of Welland. Sentinel light rentals and expert energy management services are auxiliary services offered to energy consuming organizations and corporations.

## 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), except for the investment in the Company's wholly-owned subsidiary, Welland WIFI Corporation, which is accounted for at cost. Canadian GAAP requires the investment in the subsidiary to be recorded using the consolidation method.

The financial statements reflect the following significant accounting policies:

### *Asset retirement obligations*

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development, or through normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

### *Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstance indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

### *Property, plant and equipment*

Property, plant and equipment are recorded at cost. Amortization is calculated on a straight-line basis over the useful service life as follows:

Poles and Streetlight equipment	10 years
---------------------------------	----------

### *Payment in lieu of income taxes*

Under the Electricity Act, 1998, the Company is required to make payments-in-lieu of corporate taxes (PILS) to the Ontario Electricity Financial Corporation. These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) and modified by the Electricity Act, 1998, and related regulations.

The Company accounts for PILS using the liability method. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are more likely than not to be realized.

# Welland Hydro Energy Services Corp.

Notes to the non-consolidated financial statements

December 31, 2007

## 2. Significant accounting policies (continued)

### *Investments*

Investments are recorded at cost.

### *Revenue recognition*

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue representing services consumed by customers since the date of each customer's last bill.

### *Use of estimates*

The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements.

## 3. Due from (to) related parties and related party transactions

Amount due from related parties are as follows:

	2007	2006
	\$	\$
Welland Hydro-Electric System Corp. – accounts receivable	8,625	2,548
Welland Hydro-Electric Holding Corp. – accounts receivable	10	10
Welland Hydro-Electric System Corp. – accounts payable	(1)	(1)
Welland Hydro Energy Services Corp. – accounts payable	-	(28,927)
Welland Wifi Corp.	(1)	(1)
	<u>8,633</u>	<u>(26,371)</u>

The following charges were incurred with Welland Hydro-Electric System Corp. in the regular course of operations:

	2007	2006
	\$	\$
Rent	-	2,400
Interest	2,324	2,370
Streetlight/sentinel maintenance and admin	193,234	154,515
	<u>195,558</u>	<u>159,285</u>

Included in revenue for the year were streetlight maintenance charges to the city of Welland amounting to \$216,559 (2006 - \$147,594).

Amounts due to and from related parties arose in the normal course of operations. The amounts are unsecured and have no specified terms of repayment.

A loan payable of \$28,927 bearing interest at 4.59% was repaid to Welland Hydro-Electric System Corp. during the year.



# Welland Hydro Energy Services Corp.

Notes to the non-consolidated financial statements

December 31, 2007

## 4. Property, plant and equipment

	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>2007 Net book value</b>	<b>2006 Net book value</b>
	\$	\$	\$	\$
Sentinel lights	32,451	9,669	22,782	26,027

## 5. Investment in subsidiary companies

	<b>2007</b>	<b>2006</b>
	\$	\$
Welland Wifi Corp. 1 common shares	1	1

## 6. Share capital

	<b>2007</b>	<b>2006</b>
	\$	\$
<i>Authorized</i> The Company is authorized to issue an unlimited number of common shares.		
<i>Issued</i> 1,000 common shares	10	10

## 7. Financial instruments

### *Fair value*

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature.

### *Credit risk*

The Company is exposed to credit risk from its customers. However, the Company has a large number of diverse customers minimizing concentration of credit risk.

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>2 – Rate Base</b>	1			<b>Overview</b>
		1		Rate Base Overview
		2		Variance Analysis on Rate Base Table
	2			<b>Gross Assets – Property, Plant and Equipment Accumulated Depreciation</b>
		1		Continuity Statements
		2		Gross Assets Table
		3		Gross Assets Overview
		4		Accumulated Depreciation Table
		5		Variance Analysis on Accumulated Depreciation
	3			<b>Capital Budget</b>
		1		Capital Expenditures Variance Analysis
		2		Capital Expenditure Exceeding Materiality Threshold
		3		Capital Expenditures Description
	4			<b>Allowance for Working Capital</b>
		1		Overview and Calculation by Account
		2		Variance Analysis

1 **RATE BASE:**

2 **Rate Base Overview:**

3 The rate base used for the purpose of calculating the revenue requirement used in this  
 4 Application follows the definition used in the 2006 EDR Handbook as an average of the balances  
 5 of Net Fixed Assets at the beginning and the end of the 2009 Test Year, plus a working capital  
 6 allowance, which is 15% of the sum of the cost of power and controllable expenses.

7 The net fixed assets include those distribution assets that are associated with activities that enable  
 8 the conveyance of electricity for distribution purposes. Welland Hydro's rate base calculation  
 9 excludes any non-distribution assets. Controllable expenses include operations and maintenance,  
 10 billing and collecting and administration expenses.

11 Welland Hydro has provided its rate base calculations for the years 2006 Board Approved, 2006  
 12 Actual, 2007 Actual, 2008 Bridge Year and 2009 Test Year in Table 1 below. Welland Hydro  
 13 has calculated its 2009 rate base as \$27,324,488.

14  
 15

**Table 1  
 Summary of Rate Base**

Description	2006 OEB Approved	2006 Actual	2007 Actual Year	2008 Bridge Year	2009 Test Year
Gross Fixed Assets	36,394,111	39,972,088	42,252,781	44,476,751	47,034,751
Accumulated Depreciation	17,715,173	20,568,102	22,195,330	23,913,517	25,635,344
Net Book Value	18,678,938	19,403,986	20,057,451	20,563,234	21,399,407
Average Net Book Value	18,532,298	19,180,899	19,730,719	20,310,343	20,981,320
Working Capital	36,180,342	39,557,593	39,666,753	41,017,457	42,287,786
Working Capital Allowance	5,427,051	5,933,639	5,950,013	6,152,619	6,343,168
Rate Base	23,959,349	25,114,538	25,680,732	26,462,961	27,324,488

16

17 Welland Hydro has provided a summary of its calculations of the cost of power and controllable  
 18 expenses used in the calculations for determining working capital for the years 2006 Board  
 19 Approved, 2006 Actual, 2007 Actual, 2008 Bridge Year and 2009 Test Year in Table 2, below.  
 20 Details of Welland Hydro's calculation of its working capital allowance are provided at Exhibit  
 21 2, Tab 4, Schedule 1.

**Table 2**  
**Summary of Working Capital Calculation**

Description	2006 OEB Approved	2006 Actual	2007 Actual Year	2008 Bridge Year	2009 Test Year
Cost of Power	32,126,282	36,036,509	35,156,442	36,290,625	37,173,850
Operations	1,105,257	1,122,683	1,213,581	1,377,671	1,497,036
Maintenance	667,983	740,507	926,058	1,135,835	1,231,214
Billing & Collecting	876,162	371,051	937,705	948,832	980,174
Community Relations	115,488	152,851	154,910	77,494	159,667
Administration & General Expense	1,289,011	1,129,472	1,278,057	1,187,000	1,245,845
Penalties	159	4,519	0	0	0
Working Capital	36,180,342	39,557,593	39,666,753	41,017,457	42,287,786

**Welland Hydro Distribution System:**

**Overview:**

Welland Hydro owns and operates the electricity distribution system in its licensed service area in the City of Welland, serving approximately 22,000 Residential, General Service, Large Use, Street Light, Sentinel Light, and Unmetered Scattered Load customers.

Welland Hydro is supplied through the Hydro One transmission system at a voltage of 27.6 kV. Electricity is then distributed through Welland Hydro's service area of 86 square kilometres over 109 kilometres of underground cable and 329 kilometres of overhead cable and 10,000 poles. Welland Hydro delivers electricity at its supply voltage of 27.6 kV and 4.16 kV. Welland Hydro owns 14 distribution stations stepping voltage down to 4.16 kV. Voltage is further stepped down in order to supply individual customers through approximately 2,500 transformers.

**Smart Meters:**

Welland Hydro owns and maintains approximately 22,000 meters installed on its customers' premises for the purpose of measuring consumption of electricity for billing purposes. Meters vary in type by customer and include meters capable of measuring kWh consumption, kW and kVA demand as well as hourly interval data. Welland Hydro is not currently approved for the

1 installation of Smart Meters as part of the Province of Ontario's smart meter initiative. These  
2 meters are capable of measuring the quantity and time of day (time-of-use) that the customer  
3 uses electricity. Welland Hydro is awaiting approval from the OEB to replace existing meters  
4 with smart meters and plans to replace all meters by the end of 2009. Capital costs are estimated  
5 at \$4,500,000. None of the capital expenditures or incremental operating costs relating to Smart  
6 Meters has been included in this Application. Welland Hydro plans to submit a separate  
7 application requesting an increase to the current Smart Meter Rate Adder of \$.30/mth in the  
8 fourth quarter of 2009.

9 **Capital Planning:**

10 In managing its distribution system assets, Welland Hydro's main objective is to optimize  
11 performance of the assets at a reasonable cost with due regard for system reliability, safety, and  
12 customer service requirements.

13 Welland Hydro is near completion of installing a GIS software system along with programs of  
14 pole, infrared, and PCB testing. To date, Welland Hydro has not had a complete asset  
15 management system review conducted. Welland Hydro is in the process of selecting an outside  
16 engineering firm to review its complete distribution system by the end of 2009. Welland Hydro  
17 expects that this review will identify and prioritize areas of the system which require upgrading,  
18 the timing of such expenditures, and the estimated capital commitment required. Currently,  
19 Welland Hydro's engineering department reviews the capital requirements on an annual basis.  
20 This review is based on knowledge of the existing system and results of testing programs. The  
21 Engineering Department also considers input from the Operations Committee and senior  
22 management. Welland Hydro is aware of the need to maintain its distribution system and has set  
23 a minimum capital expenditure target at 10% above depreciation to ensure future reliability.

24

1 The following outlines actual/forecasted capital expenditures made from 2005 to 2009:

2	2005 Actual	\$1,775,257
3	2006 Actual	\$2,002,021
4	2007 Actual	\$2,293,025
5	2008 Forecast	\$2,223,970
6	2009 Forecast	\$2,558,000
7	2009 Smart Meters	\$4,500,000 (not included in rate base/expenses)

8 The actual average annual capital spending from 2005 to 2007 was \$2,023,343. Capital  
9 spending is budgeted at \$2,223,970 in 2008 and \$2,558,000 in 2009 for an average of \$2,390,985  
10 per year. However, 2009 expenditures include \$560,000 related to wholesale metering point  
11 requirements. When adjusting for this item, the average capital investment planned over the next  
12 two years is \$2,110,985 per year. This amount is in line with the actual average annual  
13 expenditures over the past three years. In addition to the capital needs of the network, Welland  
14 Hydro provides for maintenance planning for the assets. Welland Hydro maintenance practices  
15 and programs are discussed in greater detail in Exhibit 4 – Operating Costs. Both capital  
16 expenditure programs and maintenance programs must take into account the availability of both  
17 Welland Hydro’s internal manpower and outside contractors.

18 Welland Hydro budgets for capital expenditures by department of responsibility. The  
19 departmental budgets are broken out by asset group or if large enough by project. A project  
20 number is set up to capture all costs associated with an identified capital project. However, the  
21 total costs within a project maybe charged to the various classes of assets as set out by the OEB.  
22 Changes in Fixed Asset account balances by year are presented in the continuity schedules in  
23 Exhibit 2, Tab 2, Schedule 1. A variance analysis on Gross Capital and Accumulated  
24 Depreciation balances is provided in Exhibit 2, Tab 2, Schedules 2 through 5. Variances which  
25 exceed the materiality threshold of \$194,040 are presented in Exhibit 2, Tab 3, Schedule 1. The

1 capital spending portion of the variances are detailed in Exhibit 2, Tab 3, Schedules 2 & 3, in  
2 which capital major capital expenditures by project are identified and outlined.

3 In addition, Welland Hydro has enclosed a schedule of changes in Working Capital accounts in  
4 Exhibit 2, Tab 4, Schedule 1 which is followed by a variance analysis in Exhibit 2, Tab 4,  
5 Schedule 2.

### 6 **Welland Hydro's Budget Process:**

7 The budget is prepared annually by management and is reviewed and approved by the Board of  
8 Directors. The budget is prepared before the start of each fiscal year. Once approved, it does not  
9 change, but provides a plan against which actual results may be evaluated.

### 10 **Responsibilities**

- 11 • It is the responsibility of the Finance department to coordinate the development of the  
12 operating budget, capital budget and forecast processes.
- 13 • Each department is responsible for preparing its operating budget and capital budget.
- 14 • The CEO is responsible for presenting and recommending the budget to the Audit Committee  
15 for approval. The Chairman of the Audit Committee presents the budget to the Board of  
16 Directors for approval.
- 17 • It is the responsibility of the Board of Directors, on behalf of the shareholders, to approve the  
18 budget.

19 The budget is an important planning tool for Welland Hydro. It puts capital and operational  
20 plans into a common financial plan along with goals and objectives. The final document  
21 provides a comprehensive package of department budgets that collectively ensure that  
22 appropriate resources are designated for the various capital and operational needs of the utility  
23 for the coming year.

24

1 **Actual-to-Budget Review Process:**

2 Once the budget is final, the finance department reviews and tracks progress against the budget  
3 on a monthly basis for presentation to the senior management team. Further, quarterly reviews  
4 and forecasts are presented to the Audit Committee in which major variances in revenue,  
5 expenses, and capital expenditures are identified. All members of the Board of Directors receive  
6 the quarterly financial package.



1 **RATE BASE VARIANCE ANALYSIS:**

2 The following Table 3 sets out Welland Hydro's rate base and working capital calculations for  
 3 2006 Board Approved, 2006 Actual, 2007 Actual, 2008 Bridge Year and 2009 Test Year, and the  
 4 following variances:

- 5 • 2006 Actual against 2006 Board Approved;
- 6 • 2007 Actual against 2006 Actual
- 7 • 2008 Bridge Year against 2007 Actual; and
- 8 • 2009 Test Year against 2008 Bridge Year.

9 **Table 3**  
 10 **Rate Base Variances**

**Rate Base:**

Description	2006 OEB Approved*	2006 Actual	Variance from 2006 OEB Approved	2007 Actual Year	Variance from 2006 Actual	2008 Bridge Year	Variance from 2007 Actual Year	2009 Test Year	Variance from 2008 Bridge Year
Gross Fixed Assets	36,394,111	39,972,088	3,577,977	42,252,781	2,280,693	44,476,751	2,223,970	47,034,751	2,558,000
Accumulated Depreciation	17,715,173	20,568,102	2,852,929	22,195,330	1,627,228	23,913,517	1,718,187	25,635,344	1,721,827
Net Book Value	18,678,938	19,403,986	725,048	20,057,451	653,465	20,563,234	505,783	21,399,407	836,173
Average Net Book Value	18,532,298	19,180,899	648,601	19,730,719	549,820	20,310,343	579,624	20,981,320	670,978
Working Capital	36,180,342	39,557,593	3,377,251	39,666,753	109,160	41,017,457	1,350,704	42,287,786	1,270,329
Working Capital Allowance	5,427,051	5,933,639	506,588	5,950,013	16,374	6,152,619	202,606	6,343,168	190,549
Rate Base	23,959,349	25,114,538	1,155,188	25,680,732	566,194	26,462,961	782,229	27,324,488	861,527

11

12 \*The 2006 Board Approved rate base was determined through the 2006 EDR process and is  
 13 based on the 2004 year end rate base.

14

Table 4

Rate Base Materiality

Description	2006 OEB Approved	2006 Actual	2007 Actual Year	2008 Bridge Year	2009 Test Year
Gross Fixed Assets	\$36,394,111	\$39,972,088	\$42,252,781	\$44,476,751	\$47,034,751
Accumulated Depreciation	\$17,715,173	\$20,568,102	\$22,195,330	\$23,913,517	\$25,635,344
Net Book Value	\$18,678,938	\$19,403,986	\$20,057,451	\$20,563,234	\$21,399,407
Variance calc 1% NBV		\$194,040	\$200,575	\$205,632	\$213,994

Welland Hydro has calculated the variance threshold on its rate base to be \$194,040 in accordance with the Filing Requirements. This calculation is summarized in Table 4 above.

Welland Hydro offers the following comments in respect of the relevant rate base variances identified in Table 3:

**2009 Test Year:**

As shown in Table 3, the total rate base in the 2009 test year is forecast to be \$27,324,488. Average net fixed assets accounts for \$20,981,320 of this total. The allowance for working capital totals \$6,343,168.

**Comparison to 2008 Bridge Year:**

The total rate base is expected to be \$861,527 higher in the 2009 Test Year than in the 2008 Bridge Year. This increase is shown in Table 3 and is attributed primarily to an increase in average net fixed assets of \$670,978. The increase in fixed assets is discussed in detail by capital project in Exhibit 2, Tab 3, Schedule 3.

The working capital allowance increased by \$190,549 compared to the 2008 Bridge Year. A detailed calculation of the working capital allowance for the 2009 Test Year can be found at

1 Exhibit 2, Tab 4, Schedule 1. No individual account within the working capital variances  
2 exceeded the materiality threshold.

3 **2008 Bridge Year:**

4 As shown in Table 3, the total rate base for the 2008 Bridge Year is expected to be \$26,462,961.  
5 Average net fixed assets accounts for \$20,310,343 of this total. The allowance for working  
6 capital totals \$6,152,619.

7 **Comparison to 2007 Actual:**

8 The total rate base is expected to be \$782,229 higher in the 2008 Bridge Year than in the 2007  
9 Actual. This increase is shown in Table 3 and is attributed primarily to an increase in average  
10 net fixed assets of \$579,624. The increase in fixed assets is discussed in detail by capital project  
11 in Exhibit 2, Tab 3, Schedule 3.

12 The working capital allowance increased by \$202,606 compared to the 2007 Actual. A detailed  
13 calculation of the working capital allowance for the 2008 Bridge Year can be found at Exhibit 2,  
14 Tab 4, Schedule 1. No individual account within the working capital variances exceeded the  
15 materiality threshold.

16 **2007 Actual:**

17 As shown in Table 3, the total rate base for the 2007 Actual was \$25,680,732. Average net fixed  
18 assets account for \$19,730,719 of this total. The allowance for working capital totals  
19 \$5,950,013.

20 **Comparison to 2006 Actual:**

21 The total rate base increased by \$566,194 in the 2007 Actual compared to 2006 Actual. This  
22 increase is shown in Table 3 and is attributed primarily to an increase in average net fixed assets  
23 of \$549,820. The increase in fixed assets is discussed in detail by capital project in Exhibit 2,  
24 Tab 3, Schedule 3.

1 The working capital allowance increased by \$16,374 compared to the 2006 Actual. A detailed  
2 calculation of the working capital allowance for the 2007 Actual can be found at Exhibit 2, Tab  
3 4, Schedule 1. No individual account within the working capital variances exceeded the  
4 materiality threshold.

5 **2006 Actual:**

6 As shown in Table 3, the total rate base for the 2006 Actual was \$25,114,538. Average net fixed  
7 assets accounts for \$19,180,899 of this total. The allowance for working capital totals  
8 \$5,933,639.

9 **Comparison to 2006 Board Approved:**

10 The total rate base increased by \$1,155,188 in the 2006 Actual compared to 2006 Board  
11 Approved (2 Year Period). This increase is shown in Table 3 and is partially attributed to an  
12 increase in average net fixed assets of \$648,601. The increase in fixed assets is discussed in  
13 detail by capital project in Exhibit 2, Tab 3, Schedule 3.

14 The working capital allowance increased by \$506,588 (2 Year Period) compared to the 2006  
15 Board Approved. A detailed calculation of the working capital allowance for the 2006 Actual  
16 can be found at Exhibit 2, Tab 4, Schedule 1. An analysis of the increase between the Board  
17 Approved working capital allowance and 2006 Actual can be found in Exhibit 2, Tab 4,  
18 Schedule 2.

19 Fixed Assets Continuity statements for each of 2005 Actual (2006 EDR Beginning Balances),  
20 2006 Actual, 2007 Actual, 2008 Bridge Year, 2009 Test Year are presented in Exhibit 2, Tab 2,  
21 Schedule 1 detailing capital expenditures, depreciation expenses, and disposals by OEB account.

## CONTINUITY STATEMENTS

**Table 5**  
**Welland Hydro - Distribution & Operations**  
**Fixed Asset Continuity Schedule**  
**As at December 31, 2005**

CCA Class	OEB	Description	Cost					Accumulated Depreciation					Net Book Value
			2006 EDR *	Additions	Audit Adjustment	Disposals	Closing Balance	2006 EDR	Additions	Audit Adjustment	Disposals	Closing Balance	
N/A	1905	Land - Substations	158,686.06				158,686.06				0.00	158,686.06	
CEC	1806	Land Rights	62,658.15	2,547.00			65,205.15	55,840.88	363.00			56,203.88	9,001.27
47	1808	Buildings - Substations	96,567.70				96,567.70	44,473.47	2,040.44			46,513.91	50,053.79
13	1810	Leasehold Improvements					0.00					0.00	0.00
47	1815	Transformer Station Equipment > 50 kV					0.00					0.00	0.00
47	1820	Substation Equipment	3,738,227.29	(304.47)			3,737,922.82	1,700,947.96	108,138.37			1,809,086.33	1,928,836.49
47	1825	Storage Battery Equipment					0.00					0.00	0.00
47	1830	Poles, Towers & Fixtures	527,447.16	664,627.01			1,192,074.17	25,289.09	47,682.97			72,972.06	1,119,102.11
47	1835	OH Conductors & Devices	11,476,450.37	66,319.03			11,542,769.40	5,083,714.55	454,329.17			5,538,043.72	6,004,725.68
47	1840	UG Conduit	62,221.16	7,431.98			69,653.14	4,335.62	2,786.33			7,121.95	62,531.19
47	1845	UG Conductors & Devices	8,877,099.35	457,445.89			9,334,545.24	4,501,697.09	349,355.65			4,851,052.74	4,483,492.50
47	1850	Line Transformers	4,394,374.39	261,549.41		1,257.26	4,654,666.54	1,839,741.83	182,935.40		37.72	2,022,639.51	2,632,027.03
47	1855	Services (OH & UG)	137,878.66	46,200.16			184,078.84	8,123.38	7,363.31			15,486.69	168,592.15
47	1860	Meters	2,160,088.80	44,645.20			2,204,734.00	1,089,007.60	83,869.25			1,172,876.85	1,031,857.15
47	1861	Smart Meters					0.00					0.00	0.00
47	1870	Lease Property - Cust Premises			8,009.60		8,009.60		320.38	640.86		961.24	7,048.36
47	1555	CDM Expenditures	9,027.00		(9,027.00)		0.00					0.00	0.00
N/A	1905	Land					0.00					0.00	0.00
CEC	1906	Land Rights					0.00					0.00	0.00
47	1908	Buildings & Fixtures	1,428,436.11	171,597.93			1,600,034.04	649,241.40	37,414.77			686,656.17	913,377.87
13	1910	Leasehold Improvements					0.00					0.00	0.00
8	1915	Office Furniture & Equipment	151,833.98	5,212.08			157,046.06	71,497.85	12,697.71			84,195.56	72,850.50
10	1920	Computer - Hardware	267,961.27	0.02		15,066.07	252,895.22	194,782.66	22,318.67		14,947.30	202,154.03	50,741.19
45	1921	Computer - Hardware post Mar 22/04	0.00	45,323.20			45,323.20	0.00	9,064.60			9,064.60	36,258.60
55	1921	Computer - Hardware post Mar 19/07					0.00					0.00	0.00
12	1925	Computer - Software	286,478.25	90,511.26			376,989.51	133,230.11	75,428.83			208,658.94	168,330.57
10	1930	Transportation Equipment	1,403,960.52	53,723.33	134,593.92		1,329,089.93	1,323,930.52	49,089.12	134,593.92		1,238,425.72	90,664.21
8	1935	Stores Equipment	22,983.88	(31.06)			22,952.82	22,474.57	53.52			22,528.09	424.73
8	1940	Tools, Shop & Garage Equipment	253,609.07	23,553.23			277,162.30	227,926.13	8,539.55			236,465.68	40,696.62
8	1945	Measurement & Testing Equipment	146,400.31	9,926.61			156,326.92	140,019.36	1,737.52			141,756.88	14,570.04
8	1950	Power operated Equipment					0.00					0.00	0.00
8	1955	Communications Equipment	110,717.75				110,717.75	79,932.86	4,413.37			84,346.23	26,371.52
8	1960	Miscellaneous Equipment	37,040.00				37,040.00	31,484.00	3,704.00			35,188.00	1,852.00
47	1965	Water Heater Rental Units					0.00					0.00	0.00
47	1970	Load Management controls					0.00					0.00	0.00
47	1975	Load Management Controls Utility Premises					0.00					0.00	0.00
47	1980	System Supervisory Equipment	844,977.42				844,977.42	498,162.32	47,423.65			545,585.97	299,391.45
47	1985	Sentinel Lighting Rental Units					0.00					0.00	0.00
47	1996	Hydro One S/S Contribution					0.00					0.00	0.00
47	1995	Contributions & Grants	(267,012.95)	(175,021.00)			(442,033.95)	(10,680.23)	(17,681.37)			(28,361.60)	(413,672.35)
		<b>Total before Work in Process</b>	<b>36,394,111.70</b>	<b>1,775,256.83</b>	<b>133,576.52</b>	<b>16,323.33</b>	<b>38,017,433.88</b>	<b>17,715,173.02</b>	<b>1,493,388.21</b>	<b>135,234.78</b>	<b>14,985.02</b>	<b>19,059,623.15</b>	<b>18,957,810.73</b>
		<b>Work in Process</b>					0.00	0.00	0.00		0.00	0.00	0.00
		<b>Total after Work in Process</b>	<b>36,394,111.70</b>	<b>1,775,256.83</b>	<b>133,576.52</b>	<b>16,323.33</b>	<b>38,017,433.88</b>	<b>17,715,173.02</b>	<b>1,493,388.21</b>	<b>135,234.78</b>	<b>14,985.02</b>	<b>19,059,623.15</b>	<b>18,957,810.73</b>

10	1930	Transportation
8	1935	Stores Equipment

Less: Fully Allocated Depreciation  
 Transportation  
 Stores Equipment  
 Net Depreciation **1,493,388.21**

\* 2006 EDR represents 2004 Adjusted Year End Balances

**Table 6**  
**Welland Hydro - Distribution & Operations**  
**Fixed Asset Continuity Schedule**  
**As at December 31, 2006**

CCA Class	OEB	Description	Cost				Accumulated Depreciation				Net Book Value
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
N/A	1805	Land - Substations	158,686.06			158,686.06				0.00	158,686.06
CEC	1806	Land Rights	65,205.15	5,091.00		70,296.15	56,203.88	464.82		56,668.70	13,627.45
47	1808	Buildings - Substations	96,567.70			96,567.70	46,513.91	2,040.44		48,554.35	48,013.35
13	1810	Leasehold Improvements				0.00				0.00	0.00
47	1815	Transformer Station Equipment > 50 kV				0.00				0.00	0.00
47	1820	Substation Equipment	3,737,922.82			3,737,922.82	1,809,086.33	108,138.34		1,917,224.67	1,820,698.15
47	1825	Storage Battery Equipment				0.00				0.00	0.00
47	1830	Poles, Towers & Fixtures	1,192,074.17	1,002,272.23		2,194,346.40	72,972.06	87,774.07		160,746.13	2,033,600.27
47	1835	OH Conductors & Devices	11,542,769.40	127,145.94		11,669,915.34	5,538,043.72	447,792.91		5,985,836.63	5,684,078.71
47	1840	UG Conduit	69,653.14	117,901.29		187,554.43	7,121.95	7,502.19		14,624.14	172,930.29
47	1845	UG Conductors & Devices	9,334,545.24	143,409.87		9,477,955.11	4,851,052.74	349,355.51		5,200,408.25	4,277,546.86
47	1850	Line Transformers	4,654,666.54	215,135.22	47,367.15	4,822,434.61	2,022,639.51	191,035.83	33,685.64	2,179,989.70	2,642,444.91
47	1855	Services (OH & UG)	184,078.84	51,552.88		235,631.72	15,486.69	9,425.37		24,912.06	210,719.66
47	1860	Meters	2,204,734.00	34,639.77		2,239,373.77	1,172,876.85	85,254.66		1,258,131.51	981,242.26
47	1861	Smart Meters				0.00				0.00	0.00
47	1870	Lease Property - Cust Premises	8,009.60			8,009.60	961.24	320.38		1,281.62	6,727.98
N/A	1905	Land				0.00				0.00	0.00
CEC	1906	Land Rights				0.00				0.00	0.00
47	1908	Buildings & Fixtures	1,600,034.04	146,424.16		1,746,458.20	686,656.17	42,492.76		729,148.93	1,017,309.27
13	1910	Leasehold Improvements				0.00				0.00	0.00
8	1915	Office Furniture & Equipment	157,046.06	34,680.29		191,726.35	84,195.56	15,455.74		99,651.30	92,075.05
10	1920	Computer - Hardware	252,895.22	0.00		252,895.22	202,154.03	20,566.39		222,720.42	30,174.80
45	1921	Computer - Hardware post Mar 22/04	45,323.20	13,527.42		58,850.62	9,064.60	11,770.08		20,834.68	38,015.94
55	1921	Computer - Hardware post Mar19/07				0.00				0.00	0.00
12	1925	Computer - Software	376,989.51	143,824.85		520,814.36	208,658.94	86,249.00		294,907.94	225,906.42
10	1930	Transportation Equipment	1,329,089.93	55,654.88		1,384,744.81	1,238,425.72	37,020.61		1,275,446.33	109,298.48
8	1935	Stores Equipment	22,952.82	7,070.48		30,023.30	22,528.09	760.60		23,288.69	6,734.61
8	1940	Tools, Shop & Garage Equipment	277,162.30	14,663.54		291,825.84	236,465.68	9,088.91		245,554.59	46,271.25
8	1945	Measurement & Testing Equipment	156,326.92	(4,636.49)		151,690.43	141,756.88	1,273.87		143,030.75	8,659.68
8	1950	Power operated Equipment				0.00				0.00	0.00
8	1955	Communications Equipment	110,717.75			110,717.75	84,346.23	4,384.37		88,730.60	21,987.15
8	1960	Miscellaneous Equipment	37,040.00			37,040.00	35,188.00	1,852.00		37,040.00	0.00
47	1965	Water Heater Rental Units				0.00				0.00	0.00
47	1970	Load Management controls				0.00				0.00	0.00
47	1975	Load Management Controls Utility Premises				0.00				0.00	0.00
47	1980	System Supervisory Equipment	844,977.42	83,592.00		928,569.42	545,585.97	47,423.65		593,009.62	335,559.80
47	1985	Sentinel Lighting Rental Units				0.00				0.00	0.00
47	1996	Hydro One S/S Contribution				0.00				0.00	0.00
47	1995	Contributions & Grants	(442,033.95)	(189,928.05)		(631,962.00)	(28,361.60)	(25,278.30)		(53,639.90)	(578,322.10)
		<b>Total before Work in Process</b>	<b>38,017,433.88</b>	<b>2,002,021.28</b>	<b>47,367.15</b>	<b>39,972,088.01</b>	<b>19,059,623.15</b>	<b>1,542,164.20</b>	<b>33,685.64</b>	<b>20,568,101.71</b>	<b>19,403,986.30</b>
WIP		Work in Process				0.00	0.00	0.00		0.00	0.00
		<b>Total after Work in Process</b>	<b>38,017,433.88</b>	<b>2,002,021.28</b>	<b>47,367.15</b>	<b>39,972,088.01</b>	<b>19,059,623.15</b>	<b>1,542,164.20</b>	<b>33,685.64</b>	<b>20,568,101.71</b>	<b>19,403,986.30</b>

10	1930	Transportation
8	1935	Stores Equipment

Less: Fully Allocated Depreciation  
 Transportation  
 Stores Equipment  
 Net Depreciation 1,542,164.20

**Table 7**  
**Welland Hydro - Distribution & Operations**  
**Fixed Asset Continuity Schedule**  
**As at December 31, 2007**

CCA Class	OEB	Description	Cost				Accumulated Depreciation				Net Book Value
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
N/A	1805	Land - Substations	158,688.06			158,688.06	0.00			0.00	158,688.06
CEC	1806	Land Rights	70,296.15			70,296.15	56,668.70	463.15		57,131.85	13,164.30
47	1808	Buildings - Substations	96,567.70			96,567.70	48,554.35	2,040.44		50,594.79	45,972.91
13	1810	Leasehold Improvements	0.00			0.00	0.00			0.00	0.00
47	1815	Transformer Station Equipment > 50 kV	0.00			0.00	0.00			0.00	0.00
47	1820	Substation Equipment	3,737,922.82	123,716.18		3,861,639.00	1,917,224.67	112,262.16		2,029,486.83	1,832,152.17
47	1825	Storage Battery Equipment	0.00			0.00	0.00			0.00	0.00
47	1830	Poles, Towers & Fixtures	2,194,346.40	721,877.08		2,916,223.48	160,746.13	116,648.92		277,395.05	2,638,828.43
47	1835	OH Conductors & Devices	11,669,915.34	122,289.48		11,792,204.82	5,985,836.63	440,763.30		6,426,599.93	5,365,604.89
47	1840	UG Conduit	187,554.43	43,815.32		231,369.75	14,624.14	9,254.76		23,878.90	207,490.85
47	1845	UG Conductors & Devices	9,477,955.11	939,595.44		10,417,550.55	5,200,408.25	392,915.77		5,593,324.02	4,824,226.53
47	1850	Line Transformers	4,822,434.61	825,488.23	12,332.33	5,635,590.51	2,179,989.70	223,536.47	7,105.06	2,396,421.11	3,239,169.40
47	1855	Services (OH & UG)	235,631.72	(4,738.48)		230,893.24	24,912.06	9,235.70		34,147.76	196,745.48
47	1860	Meters	2,239,373.77	25,511.37		2,264,885.14	1,258,131.51	86,275.09		1,344,406.60	920,478.54
47	1861	Smart Meters	0.00			0.00	0.00			0.00	0.00
47	1870	Lease Property - Cust Premises	8,009.60			8,009.60	1,281.62	320.38		1,602.00	6,407.60
N/A	1905	Land	0.00			0.00	0.00			0.00	0.00
CEC	1906	Land Rights	0.00			0.00	0.00			0.00	0.00
47	1908	Buildings & Fixtures	1,746,458.20	59,293.70		1,805,751.90	729,148.93	44,069.80		773,218.73	1,032,533.17
13	1910	Leasehold Improvements	0.00			0.00	0.00			0.00	0.00
8	1915	Office Furniture & Equipment	191,726.35	30,092.44		221,818.79	99,651.30	16,975.44		116,626.74	105,192.05
10	1920	Computer - Hardware	252,895.22			252,895.22	222,720.42	17,083.39		239,803.81	13,091.41
45	1921	Computer - Hardware post Mar 22/04	58,850.62	7,160.51		66,011.13	20,834.68	13,202.19		34,036.87	31,974.26
55	1921	Computer - Hardware post Mar19/07	0.00	9,554.12		9,554.12	0.00	1,910.82		1,910.82	7,643.30
12	1925	Computer - Software	520,814.36	41,442.23		562,256.59	294,907.94	88,475.29		383,383.23	178,873.36
10	1930	Transportation Equipment	1,384,744.81			1,384,744.81	1,275,446.33	34,623.61		1,310,069.94	74,674.87
8	1935	Stores Equipment	30,023.30			30,023.30	23,288.69	760.52		24,049.21	5,974.09
8	1940	Tools, Shop & Garage Equipment	291,825.84	12,855.38		304,681.22	245,554.59	8,925.45		254,480.04	50,201.18
8	1945	Measurement & Testing Equipment	151,890.43			151,890.43	143,030.75	1,273.86		144,304.61	7,385.82
8	1950	Power operated Equipment	0.00			0.00	0.00			0.00	0.00
8	1955	Communications Equipment	110,717.75			110,717.75	88,730.60	4,121.37		92,851.97	17,865.78
8	1960	Miscellaneous Equipment	37,040.00	24,018.71		61,058.71	37,040.00	2,401.87		39,441.87	21,616.84
47	1965	Water Heater Rental Units	0.00			0.00	0.00			0.00	0.00
47	1970	Load Management controls	0.00			0.00	0.00			0.00	0.00
47	1975	Load Management Controls Utility Premises	0.00			0.00	0.00			0.00	0.00
47	1980	System Supervisory Equipment	928,569.42	84,583.57		1,013,152.99	593,009.62	56,938.35		649,947.97	363,205.02
47	1985	Sentinel Lighting Rental Units	0.00			0.00	0.00			0.00	0.00
47	1996	Hydro One S/S Contribution	0.00			0.00	0.00			0.00	0.00
47	1995	Contributions & Grants	(631,962.00)	(773,530.42)		(1,405,492.42)	(53,639.90)	(50,145.22)		(103,785.12)	(1,301,707.30)
		<b>Total before Work in Process</b>	<b>39,972,088.01</b>	<b>2,293,024.86</b>	<b>12,332.33</b>	<b>42,252,780.54</b>	<b>20,568,101.71</b>	<b>1,634,332.88</b>	<b>7,105.06</b>	<b>22,195,329.53</b>	<b>20,057,451.01</b>
WIP		Work in Process	0.00			0.00	0.00	0.00		0.00	0.00
		<b>Total after Work in Process</b>	<b>39,972,088.01</b>	<b>2,293,024.86</b>	<b>12,332.33</b>	<b>42,252,780.54</b>	<b>20,568,101.71</b>	<b>1,634,332.88</b>	<b>7,105.06</b>	<b>22,195,329.53</b>	<b>20,057,451.01</b>

10	1930	Transportation
8	1935	Stores Equipment

Less: Fully Allocated Depreciated  
 Transportation  
 Stores Equipment  
 Net Depreciation 1,634,332.88

**Table 8**  
**Welland Hydro - Distribution & Operations**  
**Fixed Asset Continuity Schedule**  
**2008 Bridge Year**

CCA Class	OEB	Description	Cost				Accumulated Depreciation					Net Book Value
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
N/A	1805	Land - Substations	158,686.06			158,686.06	0.00			0.00		158,686.06
CEC	1806	Land Rights	70,296.15			70,296.15	57,131.85	464.82		57,596.67		12,699.48
47	1808	Buildings - Substations	96,567.70			96,567.70	50,594.79	2,040.44		52,635.23		43,932.47
13	1810	Leasehold Improvements	0.00			0.00	0.00			0.00		0.00
47	1815	Transformer Station Equipment > 50 kV	0.00			0.00	0.00			0.00		0.00
47	1820	Substation Equipment	3,861,639.00	150,000.00		4,011,639.00	2,029,486.83	117,262.22		2,146,749.05		1,864,889.95
47	1825	Storage Battery Equipment	0.00			0.00	0.00			0.00		0.00
47	1830	Poles, Towers & Fixtures	2,916,223.48	665,500.00		3,581,723.48	277,395.05	143,268.92		420,663.97		3,161,059.51
47	1835	OH Conductors & Devices	11,792,204.82	149,000.00		11,941,204.82	6,426,599.93	438,230.30		6,864,830.23		5,076,374.59
47	1840	UG Conduit	231,369.75	45,000.00		276,369.75	23,878.90	11,054.76		34,933.66		241,436.09
47	1845	UG Conductors & Devices	10,417,550.55	105,000.00		10,522,550.55	5,593,324.02	397,114.74		5,990,438.76		4,532,111.79
47	1850	Line Transformers	5,635,590.51	445,500.00		6,081,090.51	2,396,421.11	241,431.90		2,637,853.01		3,443,237.50
47	1855	Services (OH & UG)	230,893.24	15,000.00		245,893.24	34,147.76	9,835.70		43,983.46		201,909.78
47	1860	Meters	2,264,885.14	20,000.00		2,284,885.14	1,344,406.60	87,075.09		1,431,481.69		853,403.45
47	1861	Smart Meters	0.00			0.00	0.00			0.00		0.00
47	1870	Lease Property - Cust Premises	8,009.60			8,009.60	1,602.00	320.38		1,922.38		6,087.22
N/A	1905	Land	0.00			0.00	0.00			0.00		0.00
CEC	1906	Land Rights	0.00			0.00	0.00			0.00		0.00
47	1908	Buildings & Fixtures	1,805,751.90	75,000.00		1,880,751.90	773,218.73	46,394.80		819,613.53		1,061,138.37
13	1910	Leasehold Improvements	0.00			0.00	0.00			0.00		0.00
8	1915	Office Furniture & Equipment	221,818.79	27,800.00		249,618.79	116,626.74	19,939.27		136,566.01		113,052.78
10	1920	Computer - Hardware	252,895.22			252,895.22	239,803.81	13,091.41		252,895.22		0.00
45	1921	Computer - Hardware post Mar 22/04	66,011.13			66,011.13	34,036.87	13,202.19		47,239.06		18,772.07
55	1921	Computer - Hardware post Mar 19/07	9,554.12	40,600.00		50,154.12	1,910.82	10,030.00		11,940.82		38,213.30
12	1925	Computer - Software	562,256.59	49,000.00		611,256.59	383,383.23	88,176.42		471,559.65		139,696.94
10	1930	Transportation Equipment	1,384,744.81	210,000.00		1,594,744.81	1,310,069.94	36,413.61		1,346,483.55		248,261.26
8	1935	Stores Equipment	30,023.30			30,023.30	24,049.21	760.52		24,809.73		5,213.57
8	1940	Tools, Shop & Garage Equipment	304,681.22	15,000.00		319,681.22	254,480.04	9,697.45		264,177.49		55,503.73
8	1945	Measurement & Testing Equipment	151,690.43	15,000.00		166,690.43	144,304.61	2,773.86		147,078.47		19,611.96
8	1950	Power operated Equipment	0.00			0.00	0.00			0.00		0.00
8	1955	Communications Equipment	110,717.75	65,000.00		175,717.75	92,851.97	10,547.37		103,399.34		72,318.41
8	1960	Miscellaneous Equipment	61,058.71	231,570.00		292,628.71	39,441.87	25,558.87		65,000.74		227,627.97
47	1965	Water Heater Rental Units	0.00			0.00	0.00			0.00		0.00
47	1970	Load Management controls	0.00			0.00	0.00			0.00		0.00
47	1975	Load Management Controls Utility Premises	0.00			0.00	0.00			0.00		0.00
47	1980	System Supervisory Equipment	1,013,152.99	50,000.00		1,063,152.99	649,947.97	55,721.69		705,669.66		357,483.33
47	1985	Sentinel Lighting Rental Units	0.00			0.00	0.00			0.00		0.00
47	1996	Hydro One S/S Contribution	0.00			0.00	0.00			0.00		0.00
47	1995	Contributions & Grants	(1,405,492.42)	(150,000.00)		(1,555,492.42)	(103,785.12)	(62,219.71)		(166,004.83)		(1,389,487.59)
		<b>Total before Work in Process</b>	<b>42,252,780.54</b>	<b>2,223,970.00</b>	<b>0.00</b>	<b>44,476,750.54</b>	<b>22,195,329.53</b>	<b>1,718,187.02</b>	<b>0.00</b>	<b>23,913,516.55</b>		<b>20,563,233.99</b>
		<b>WIP</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>
		<b>Total after Work in Process</b>	<b>42,252,780.54</b>	<b>2,223,970.00</b>	<b>0.00</b>	<b>44,476,750.54</b>	<b>22,195,329.53</b>	<b>1,718,187.02</b>	<b>0.00</b>	<b>23,913,516.55</b>		<b>20,563,233.99</b>

10	Transportation
8	Stores Equipment

Less: Fully Allocated Depreciation  
 Transportation  
 Stores Equipment  
 Net Depreciation 1,718,187.02



**Table 9**  
**Welland Hydro - Distribution & Operations**  
**Fixed Asset Continuity Schedule**  
**2009 Test Year**

CCA Class	OEB	Description	Cost				Accumulated Depreciation				
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land - Substations	158,686.06			158,686.06	0.00			0.00	158,686.06
CEC	1806	Land Rights	70,296.15			70,296.15	57,596.67	464.82		58,061.49	12,234.66
47	1808	Buildings - Substations	96,567.70			96,567.70	52,635.23	2,040.44		54,675.67	41,892.03
13	1810	Leasehold Improvements	0.00			0.00	0.00			0.00	0.00
47	1815	Transformer Station Equipment > 50 kV	0.00			0.00	0.00			0.00	0.00
47	1820	Substation Equipment	4,011,639.00	300,000.00		4,311,639.00	2,146,749.05	122,262.22		2,269,011.27	2,042,627.73
47	1825	Storage Battery Equipment	0.00			0.00	0.00			0.00	0.00
47	1830	Poles, Towers & Fixtures	3,581,723.48	660,000.00		4,241,723.48	420,663.97	156,468.82		577,132.89	3,664,590.59
47	1835	OH Conductors & Devices	11,941,204.82	142,500.00		12,083,704.82	6,864,830.23	432,365.30		7,297,195.53	4,786,509.29
47	1840	UG Conduit	276,369.75	153,000.00		429,369.75	34,933.66	14,114.76		49,048.42	380,321.33
47	1845	UG Conductors & Devices	10,522,550.55	198,000.00		10,720,550.55	5,990,438.76	401,074.74		6,391,513.50	4,329,037.05
47	1850	Line Transformers	6,081,090.51	556,500.00		6,637,590.51	2,637,853.01	252,561.90		2,890,414.91	3,747,175.60
47	1855	Services (OH & UG)	245,893.24	15,000.00		260,893.24	43,983.46	10,135.70		54,119.16	206,774.08
47	1860	Meters	2,284,885.14	20,000.00		2,304,885.14	1,431,481.69	87,475.09		1,518,956.78	785,928.36
47	1861	Smart Meters	0.00			0.00	0.00			0.00	0.00
47	1870	Lease Property - Cust Premises	8,009.60			8,009.60	1,922.38	320.38		2,242.76	5,766.84
N/A	1905	Land	0.00			0.00	0.00			0.00	0.00
CEC	1906	Land Rights	0.00			0.00	0.00			0.00	0.00
47	1908	Buildings & Fixtures	1,880,751.90			1,880,751.90	819,613.53	45,647.36		865,260.89	1,015,491.01
13	1910	Leasehold Improvements	0.00			0.00	0.00			0.00	0.00
8	1915	Office Furniture & Equipment	249,618.79	19,500.00		269,118.79	136,566.01	20,056.27		156,622.28	112,496.51
10	1920	Computer - Hardware	252,895.22			252,895.22	252,895.22			252,895.22	0.00
45	1921	Computer - Hardware post Mar 22/04	66,011.13			66,011.13	47,239.06	13,202.23		60,441.29	5,569.84
55	1921	Computer - Hardware post Mar 19/07	50,154.12	28,500.00		78,654.12	11,940.82	12,881.82		24,822.64	53,831.48
12	1925	Computer - Software	611,256.59	35,000.00		646,256.59	471,559.65	68,455.09		540,014.74	106,241.85
10	1930	Transportation Equipment	1,594,744.81			1,594,744.81	1,346,483.55	35,945.61		1,382,429.16	212,315.65
8	1935	Stores Equipment	30,023.30			30,023.30	24,809.73	760.52		25,570.25	4,453.05
8	1940	Tools, Shop & Garage Equipment	319,681.22	15,000.00		334,681.22	264,177.49	10,176.45		274,353.94	60,327.28
8	1945	Measurement & Testing Equipment	166,630.43	5,000.00		171,630.43	147,073.47	3,023.86		150,102.33	21,528.10
8	1950	Power operated Equipment	0.00			0.00	0.00			0.00	0.00
8	1955	Communications Equipment	175,717.75			175,717.75	103,399.34	10,338.37		113,737.71	61,980.04
8	1960	Miscellaneous Equipment	292,628.71	560,000.00		852,628.71	65,000.74	34,892.20		99,892.94	752,735.77
47	1965	Water Heater Rental Units	0.00			0.00	0.00			0.00	0.00
47	1970	Load Management controls	0.00			0.00	0.00			0.00	0.00
47	1975	Load Management Controls Utility Premises	0.00			0.00	0.00			0.00	0.00
47	1980	System Supervisory Equipment	1,063,152.99			1,063,152.99	705,669.66	52,382.69		758,052.35	305,100.64
47	1985	Sentinel Lighting Rental Units	0.00			0.00	0.00			0.00	0.00
47	1996	Hydro One S/S Contribution	0.00			0.00	0.00			0.00	0.00
47	1995	Contributions & Grants	(1,555,492.42)	(150,000.00)		(1,705,492.42)	(166,004.83)	(65,219.71)		(231,224.54)	(1,474,267.88)
		<b>Total before Work in Process</b>	<b>44,476,750.54</b>	<b>2,558,000.00</b>	<b>0.00</b>	<b>47,034,750.54</b>	<b>23,913,516.55</b>	<b>1,721,827.03</b>	<b>0.00</b>	<b>25,635,343.58</b>	<b>21,399,406.96</b>
WIP		Work in Process	0.00			0.00	0.00			0.00	0.00
		<b>Total after Work in Process</b>	<b>44,476,750.54</b>	<b>2,558,000.00</b>	<b>0.00</b>	<b>47,034,750.54</b>	<b>23,913,516.55</b>	<b>1,721,827.03</b>	<b>0.00</b>	<b>25,635,343.58</b>	<b>21,399,406.96</b>

10	Transportation
8	Stores Equipment

Less: Fully Allocated Depreciation  
 Transportation  
 Stores Equipment  
 Net Depreciation 1,721,827.03

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**Table 10**  
**GROSS ASSETS TABLE**

Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved	2007 Actual (\$)	Variance from 2006 Actual	2008 Bridge (\$)	Variance from 2007 Bridge	2009 Test (\$)	Variance from 2008 Bridge
<b>Land and Buildings</b>									
1805-Land	158,686	158,686	0	158,686		158,686		158,686	
1806-Land Rights	62,658	70,296	7,638	70,296		70,296		70,296	
1808-Buildings and Fixtures	96,568	96,568	(0)	96,568		96,568		96,568	
1905-Land									
1906-Land Rights									
1810-Leasehold Improvements									
<b>Sub-Total-Land and Buildings</b>	<b>317,912</b>	<b>325,550</b>	<b>7,638</b>	<b>325,550</b>		<b>325,550</b>		<b>325,550</b>	
<b>TS Primary Above 50</b>									
1815-Transformer Station Equipment - Normally Primary above 50 kV									
<b>Sub-Total-TS Primary Above 50</b>									
<b>DS</b>									
1820-Distribution Station Equipment - Normally Primary below 50 kV	3,738,227	3,737,923	(304)	3,861,639	123,716	4,011,639	150,000	4,311,639	300,000
<b>Sub-Total-DS</b>	<b>3,738,227</b>	<b>3,737,923</b>	<b>(304)</b>	<b>3,861,639</b>	<b>123,716</b>	<b>4,011,639</b>	<b>150,000</b>	<b>4,311,639</b>	<b>300,000</b>
<b>Poles and Wires</b>									
1830-Poles, Towers and Fixtures	527,447	2,194,346	1,666,899	2,916,223	721,877	3,581,723	665,500	4,241,723	660,000
1835-Overhead Conductors and Devices	11,476,450	11,669,915	193,465	11,792,205	122,289	11,941,205	149,000	12,093,705	142,500
1840-Underground Conduit	62,221	187,554	125,333	231,370	43,815	276,370	45,000	429,370	153,000
1845-Underground Conductors and Devices	8,877,099	9,477,955	600,856	10,417,551	939,595	10,522,551	105,000	10,720,551	198,000
<b>Sub-Total-Poles and Wires</b>	<b>20,943,218</b>	<b>23,529,771</b>	<b>2,586,553</b>	<b>25,357,349</b>	<b>1,827,577</b>	<b>26,321,849</b>	<b>964,500</b>	<b>27,475,349</b>	<b>1,153,500</b>
<b>Line Transformers</b>									
1850-Line Transformers	4,394,374	4,822,435	428,060	5,635,591	813,156	6,081,091	445,500	6,637,591	556,500
<b>Sub-Total-Line Transformers</b>	<b>4,394,374</b>	<b>4,822,435</b>	<b>428,060</b>	<b>5,635,591</b>	<b>813,156</b>	<b>6,081,091</b>	<b>445,500</b>	<b>6,637,591</b>	<b>556,500</b>
<b>Services and Meters</b>									
1855-Services	137,879	235,632	97,753	230,893	(4,738)	245,893	15,000	260,893	15,000
1860-Meters	2,160,089	2,239,374	79,285	2,264,885	25,511	2,284,885	20,000	2,304,885	20,000
1861-Smart Meters									
1870-Lease Property Customer Premises		8,010	8,010	8,010		8,010		8,010	
<b>Sub-Total-Services and Meters</b>	<b>2,297,967</b>	<b>2,483,015</b>	<b>185,048</b>	<b>2,503,788</b>	<b>20,773</b>	<b>2,538,788</b>	<b>35,000</b>	<b>2,573,788</b>	<b>35,000</b>
<b>General Plant</b>									
1908-Buildings and Fixtures	1,428,436	1,746,458	318,022	1,805,752	59,294	1,880,752	75,000	1,880,752	
1910-Leasehold Improvements									
<b>Sub-Total-General Plant</b>	<b>1,428,436</b>	<b>1,746,458</b>	<b>318,022</b>	<b>1,805,752</b>	<b>59,294</b>	<b>1,880,752</b>	<b>75,000</b>	<b>1,880,752</b>	
<b>IT Assets</b>									
1920-Computer Equipment - Hardware	267,961	252,895	(15,066)	252,895		252,895		252,895	
1921-Computer Equipment - Hardware post March 22, 2004		58,851	58,851	66,011	7,161	66,011		66,011	
1921-Computer Equipment - Hardware post March 19, 2007					9,554	50,154	40,600	78,654	28,500
1925-Computer Software	286,478	520,814	234,336	562,257	41,442	611,257	49,000	646,257	35,000
<b>Sub-Total-IT Assets</b>	<b>554,440</b>	<b>832,560</b>	<b>278,121</b>	<b>890,717</b>	<b>58,157</b>	<b>980,317</b>	<b>89,600</b>	<b>1,043,817</b>	<b>63,500</b>
<b>Equipment</b>									
1915-Office Furniture and Equipment	151,834	191,726	39,892	221,819	30,092	249,619	27,800	269,119	19,500
1930-Transportation Equipment	1,409,961	1,384,745	(25,216)	1,384,745		1,594,745	210,000	1,594,745	
1935-Stores Equipment	22,984	30,023	7,039	30,023		30,023		30,023	
1940-Tools, Shop and Garage Equipment	253,609	291,826	38,217	304,681	12,855	319,681	15,000	334,681	15,000
1945-Measurement and Testing Equipment	146,400	151,690	5,290	151,690		166,690	15,000	171,690	5,000
1950-Power Operated Equipment									
1955-Communication Equipment	110,718	110,718		110,718		175,718	65,000	175,718	
1960-Miscellaneous Equipment	37,040	37,040		61,069	24,019	292,629	231,570	852,629	560,000
<b>Sub-Total-Equipment</b>	<b>2,132,546</b>	<b>2,197,768</b>	<b>65,223</b>	<b>2,264,735</b>	<b>66,967</b>	<b>2,829,105</b>	<b>564,370</b>	<b>3,428,605</b>	<b>599,500</b>
<b>Other Distribution Assets</b>									
1825-Storage Battery Equipment									
1970-Load Management Controls - Customer Premises									
1975-Load Management Controls - Utility Premises									
1565-CDM Expenditures	9,027		(9,027)						
1980-System Supervisory Equipment	844,977	928,569	83,592	1,013,153	84,584	1,063,153	50,000	1,063,153	
1985-Sentinel Lighting Rental Units									
1995-Contributions and Grants - Credit	(267,013)	(631,962)	(364,949)	(1,405,492)	(773,530)	(1,555,492)	(150,000)	(1,705,492)	(150,000)
1996-Hydro One S/S Contribution									
<b>Sub-Total-Other Distribution Assets</b>	<b>586,991</b>	<b>296,607</b>	<b>(290,384)</b>	<b>(392,339)</b>	<b>(688,947)</b>	<b>(492,339)</b>	<b>(100,000)</b>	<b>(642,339)</b>	<b>(150,000)</b>
<b>GROSS ASSET TOTAL</b>	<b>36,394,111</b>	<b>39,972,088</b>	<b>3,577,977</b>	<b>42,252,781</b>	<b>2,280,693</b>	<b>44,476,751</b>	<b>2,223,970</b>	<b>47,034,751</b>	<b>2,558,000</b>

5

1 **GROSS ASSETS OVERVIEW:**

2 The 2006 Board Approved closing balance for Gross Assets is based on Welland Hydro's 2004  
3 adjusted year end account balances. As such, the variance between 2006 Board Approved and  
4 2006 Actual represents two years of capital spending/disposals. A break down of changes in  
5 Gross Assets for 2005 and 2006 can be found in the continuity schedules provided in Exhibit 2,  
6 Tab 2, and Schedule 1.

7 Welland Hydro averaged \$2,023,343 in actual capital expenditures from 2005 to 2007.  
8 Significant increases in the cost of copper will contribute to increased wire and transformer costs  
9 resulting in increases in 2008 Bridge Year and 2009 Test Year capital investments. Capital  
10 spending over the next two years will average \$2,390,985 per year. However, \$560,000 is the  
11 result of mandated wholesale metering point expenditures at the Crowland TS which is discussed  
12 in detail at Exhibit 2, Tab 3, Schedule 3. When this expenditure is removed from the forecasted  
13 capital expenditures, the average over 2008 to 2009 will be \$2,110,985 per year which is in line  
14 with expenditures in the previous three years.

15 Welland Hydro has a variance analysis threshold for changes in Gross Assets of \$194,040. The  
16 calculation of this threshold is shown at Exhibit 2, Tab 1, Schedule 2, page 2. Variances which  
17 exceed the threshold are identified in Exhibit 2, Tab 3, Schedule 1 which is followed by a  
18 detailed analysis and description of capital expenditures by project.

**Table 11  
 ACCUMULATED DEPRECIATION**

Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved	2007 Actual (\$)	Variance from 2006 Actual	2008 Bridge (\$)	Variance from 2007 Bridge	2009 Test (\$)	Variance from 2008 Bridge
<b>Land and Buildings</b>									
1805-Land									
1806-Land Rights	55,841	56,669	828	57,132	463	57,597	465	58,061	465
1808-Buildings and Fixtures	44,473	48,554	4,081	50,595	2,040	52,635	2,040	54,676	2,040
1905-Land									
1906-Land Rights									
1810-Leasehold Improvements									
<b>Sub-Total-Land and Buildings</b>	<b>100,314</b>	<b>105,223</b>	<b>4,909</b>	<b>107,727</b>	<b>2,504</b>	<b>110,232</b>	<b>2,505</b>	<b>112,737</b>	<b>2,505</b>
<b>TS Primary Above 50</b>									
1815-Transformer Station Equipment - Normally Primary above 50 kV									
<b>Sub-Total-TS Primary Above 50</b>									
<b>DS</b>									
1820-Distribution Station Equipment - Normally Primary below 50 kV	1,700,948	1,917,225	216,277	2,029,487	112,262	2,146,749	117,262	2,269,011	122,262
<b>Sub-Total-DS</b>	<b>1,700,948</b>	<b>1,917,225</b>	<b>216,277</b>	<b>2,029,487</b>	<b>112,262</b>	<b>2,146,749</b>	<b>117,262</b>	<b>2,269,011</b>	<b>122,262</b>
<b>Poles and Wires</b>									
1830-Poles, Towers and Fixtures	25,289	160,746	135,457	277,395	116,649	420,664	143,269	577,133	156,469
1835-Overhead Conductors and Devices	5,083,715	5,985,837	902,122	6,426,600	440,763	6,864,830	438,230	7,297,196	432,365
1840-Underground Conduit	4,336	14,624	10,288	23,879	9,255	34,934	11,055	49,048	14,115
1845-Underground Conductors and Devices	4,501,697	5,200,408	698,711	5,593,324	392,916	5,990,439	397,115	6,391,514	401,075
<b>Sub-Total-Poles and Wires</b>	<b>9,615,037</b>	<b>11,361,615</b>	<b>1,746,578</b>	<b>12,321,198</b>	<b>959,583</b>	<b>13,310,867</b>	<b>989,669</b>	<b>14,314,890</b>	<b>1,004,024</b>
<b>Line Transformers</b>									
1850-Line Transformers	1,839,742	2,179,990	340,248	2,396,421	216,431	2,637,853	241,432	2,890,415	252,562
<b>Sub-Total-Line Transformers</b>	<b>1,839,742</b>	<b>2,179,990</b>	<b>340,248</b>	<b>2,396,421</b>	<b>216,431</b>	<b>2,637,853</b>	<b>241,432</b>	<b>2,890,415</b>	<b>252,562</b>
<b>Services and Meters</b>									
1855-Services	8,123	24,912	16,789	34,148	9,236	43,983	9,836	54,119	10,136
1860-Meters	1,089,008	1,256,132	169,124	1,344,407	86,275	1,431,482	87,075	1,518,957	87,475
1861-Smart Meters									
1870-Lease Property Customer Premises		1,282	1,282	1,602	320	1,922	320	2,243	320
<b>Sub-Total-Services and Meters</b>	<b>1,097,131</b>	<b>1,284,325</b>	<b>187,194</b>	<b>1,380,156</b>	<b>95,831</b>	<b>1,477,388</b>	<b>97,231</b>	<b>1,575,319</b>	<b>97,931</b>
<b>General Plant</b>									
1908-Buildings and Fixtures	649,241	729,149	79,908	773,219	44,070	819,614	46,395	865,261	45,647
1910-Leasehold Improvements									
<b>Sub-Total-General Plant</b>	<b>649,241</b>	<b>729,149</b>	<b>79,908</b>	<b>773,219</b>	<b>44,070</b>	<b>819,614</b>	<b>46,395</b>	<b>865,261</b>	<b>45,647</b>
<b>IT Assets</b>									
1920-Computer Equipment - Hardware	194,783	222,720	27,937	239,804	17,083	252,895	13,091	252,895	
1921-Computer Equipment - Hardware post March 22, 2004		20,835	20,835	34,037	13,202	47,239	13,202	60,441	13,202
1921-Computer Equipment - Hardware post March 19, 2007				1,911	1,911	11,941	10,030	24,823	12,882
1925-Computer Software	133,230	294,908	161,678	383,383	88,475	471,560	88,176	540,015	68,455
<b>Sub-Total-IT Assets</b>	<b>328,013</b>	<b>538,463</b>	<b>210,450</b>	<b>659,135</b>	<b>120,672</b>	<b>783,635</b>	<b>124,500</b>	<b>878,174</b>	<b>94,539</b>
<b>Equipment</b>									
1915-Office Furniture and Equipment	71,498	99,651	28,153	116,627	16,975	136,566	19,939	156,622	20,056
1930-Transportation Equipment	1,323,931	1,275,446	(48,485)	1,310,070	34,624	1,346,484	36,414	1,382,429	35,946
1935-Stores Equipment	22,475	23,289	814	24,049	761	24,810	761	25,570	761
1940-Tools, Shop and Garage Equipment	227,926	245,555	17,629	254,480	8,925	264,177	9,697	274,354	10,176
1945-Measurement and Testing Equipment	140,019	143,031	3,012	144,905	1,274	147,078	2,774	150,102	3,024
1950-Power Operated Equipment									
1955-Communication Equipment	79,933	88,731	8,798	92,852	4,121	103,399	10,547	113,738	10,338
1960-Miscellaneous Equipment	31,484	37,040	5,556	39,442	2,402	65,001	25,559	99,893	34,892
<b>Sub-Total-Equipment</b>	<b>1,897,266</b>	<b>1,912,742</b>	<b>15,476</b>	<b>1,981,824</b>	<b>69,082</b>	<b>2,087,515</b>	<b>105,691</b>	<b>2,202,709</b>	<b>115,193</b>
<b>Other Distribution Assets</b>									
1825-Storage Battery Equipment									
1970-Load Management Controls - Customer Premises									
1975-Load Management Controls - Utility Premises									
1980-System Supervisory Equipment	498,162	593,010	94,848	649,948	56,938	705,670	55,722	758,052	52,383
1985-Sentinel Lighting Rental Units									
1995-Contributions and Grants - Credit	(110,681)	(53,640)	(42,959)	(103,785)	(50,145)	(166,005)	(62,220)	(231,225)	(65,220)
1996-Hydro One S/S Contribution									
<b>Sub-Total-Other Distribution Assets</b>	<b>487,481</b>	<b>539,370</b>	<b>51,889</b>	<b>546,163</b>	<b>6,793</b>	<b>539,665</b>	<b>(6,498)</b>	<b>526,828</b>	<b>(12,837)</b>
<b>ACCUMULATED DEPRECIATION TOTAL</b>	<b>17,715,173</b>	<b>20,568,102</b>	<b>2,852,929</b>	<b>22,195,330</b>	<b>1,627,228</b>	<b>23,913,517</b>	<b>1,718,187</b>	<b>25,635,344</b>	<b>1,721,827</b>

1 **VARIANCE ANALYSIS ON ACCUMULATED DEPRECIATION:**

2 Welland Hydro has used the half year rule to calculate Depreciation Expense and Accumulated  
 3 Depreciation Balances for the 2009 Test Year.

4 The 2006 Board Approved closing balance for accumulated depreciation is based on Welland  
 5 Hydro's 2004 year end adjusted account balances. As such, the variance between 2006 Board  
 6 Approved and 2006 Actual represents two years of depreciation charges, adjustments, and  
 7 disposals. Welland Hydro has a variance analysis threshold for changes in accumulated  
 8 depreciation of \$194,040. The following Table 12 outlines the OEB accounts which exceed the  
 9 variance in each year.

10 Table 12

Welland Hydro - Changes in Accumulated Depreciation Exceeding Materiality Threshold By Year

CCA Class	OEB	Description	2005 Actual	2006 Actual	2005/6 Total	2007 Actual	2008 Bridge	2009 Test
47	1835	OH Conductors & Devices-Depreciation	454,329	447,793	902,122	440,763	438,230	432,365
47	1845	UG Conductors & Devices-Depreciation	349,355	349,356	698,711	392,916	397,115	401,075
47	1850	Line Transformers-Depreciation	182,935	191,036	373,971	223,536	241,432	252,562
47	1850	Line Transformers-Disposals	-38	-33,685	-33,723	-7105	0	0
47	1850	Line Transformers-Total	182,897	157,351	340,248	216,431	241,432	252,562

11  
 12 The above table shows that the depreciation expense for each of the above accounts has not  
 13 changed materially from year to year. The annual depreciation expense for all fixed asset  
 14 accounts has increased from \$1,493,388 in 2005 to a forecast of \$1,721,827 in 2009. The net  
 15 increase of \$228,439 is the result of capital expenditures over a five year period. As a result, no  
 16 further explanation of the changes in accumulated depreciation accounts is required.

1 **CAPITAL EXPENDITURES VARIANCE ANALYSIS:**

2 Welland Hydro has been, and continues to be, focused on maintaining the adequacy, reliability,  
 3 and quality of service to its distribution customers through effective capital spending. The actual  
 4 and budgeted capital OEB accounts which exceed the materiality threshold of \$194,040 are  
 5 presented in the following Table 13.

6 Table 13

Welland Hydro - Gross Asset Changes Exceeding Materiality Threshold By Year

CCA Class	OEB	Description	2005 Actual	2006 Actual	2005/6 Total	2007 Actual	2008 Bridge	2009 Test
47	1820	Substation Equipment-Capital Spending						300,000
47	1830	Poles, Towers & Fixtures-Capital Spending	664,627	1,002,272	1,666,899	721,877	665,500	660,000
47	1845	UG Conductors & Devices-Capital Spending	457,446	143,410	600,856	935,595		198,000
47	1850	Line Transformers-Capital Spending	261,549	215,135	476,684	825,488	445,500	556,500
47	1850	Line Transformers-Disposals	-1,257	-47,367	-48,624	-12,332	0	0
47	1850	Line Trnasformers-Total	260,292	167,768	428,060	813,156	445,500	556,500
47	1908	Buildings & Fixtures-Capital Spending	171,598	146,424	318,022			
12	1925	Computer - Software-Capital Spending	90,511	143,825	234,336			
10	1930	Transportation Equipment-Capital Spending					210,000	
8	1960	Miscellaneous Equipment-Capital Spending					231,570	560,000
47	1995	Contributions & Grants	-175,021	-189,928	-364,949	-773,530		

7  
 8 The capital spending by account is broken down by project in Exhibit 2, Tab 3, Schedule 2. As  
 9 projects can be charged to different OEB capital accounts, additional accounts have been  
 10 identified where required.

1 **Table 14**

2 **2009 Capital Expenditures**

Project Description	Total Project	Account 1820	Account 1830	Account 1835	Account 1840	Account 1845	Account 1850	Account 1960	Account 1995
Rebuild MS#2 Substation	300,000	300,000							
Miscellaneous Pole Replacement	200,000		200,000						
Mill Street Rebuild	150,000		30,000	7,500	75,000		37,500		
Ontario Road Rebuild - Complete Project	100,000		60,000	10,000			30,000		
Ridge, Rusholme, & Silverthorn - Complete Project	100,000		60,000	10,000			30,000		
Towline Road/Rail Tracks to Dain City	200,000		160,000	40,000					
Margeret, Nyr, Thorold Project	250,000		150,000	25,000			75,000		
Barrington, Endicott, Fairlawn Underground Rebuild	160,000				48,000	48,000	64,000		
Miscellaneous Underground Rebuild	100,000				30,000	30,000	40,000		
Miscellaneous Transformer Replacement	200,000						200,000		
Capitalized Subdivison Assets Transferred	50,000					120,000	80,000		-150,000
Crowland TS Meter-Wholesale Meter Point	560,000							560,000	
	<b>\$2,370,000</b>	<b>\$300,000</b>	<b>\$660,000</b>	<b>\$92,500</b>	<b>\$153,000</b>	<b>\$198,000</b>	<b>\$556,500</b>	<b>\$560,000</b>	<b>-\$150,000</b>
Total Misc Projects	\$188,000								
3 Total Capital Spending Year	\$2,558,000								

4

1 **Table 15**

2 **2008 Capital Expenditures**

Project Description	Total Project	Account 1820	Account 1830	Account 1835	Account 1840	Account 1845	Account 1850	Account 1930	Account 1960	Account 1995
Miscellaneous Pole Replacement	200,000		200,000							
Colbeck Drive 27.6 Line	90,000		40,500	9,000			40,500			
Major Street Rebuild-Completion	-25,000		40,000	10,000						-75,000
Clare Ave Rebuild	20,000		20,000							
Myrtle & Empire 27.6	250,000		112,500	25,000			112,500			
Ontario Road - Start Project	50,000		40,000	10,000						
Ridge, Rusholme, & Silverthorn - Start Project	100,000		45,000	10,000			45,000			
Aqueduct Area (Birch, Cedar, Beechwood)	100,000		55,000	10,000			35,000			
Crowland TS Line Upgrade	50,000		22,500	5,000			22,500			
Niagara Street & Lancaster 27.6	200,000		90,000	20,000			90,000			
Miscellaneous Underground Rebuild	150,000				45,000	45,000	60,000			
Rebuild MS#11-Complete	150,000	150,000								
Capitalized Subdivison Assets Transferred	25,000					60,000	40,000			-75,000
New Single Bucket Truck	210,000							210,000		
Back Up Generator - Completion	231,570								231,570	
	<b>\$1,801,570</b>	<b>\$150,000</b>	<b>\$665,500</b>	<b>\$99,000</b>	<b>\$45,000</b>	<b>\$105,000</b>	<b>\$445,500</b>	<b>\$210,000</b>	<b>\$231,570</b>	<b>-\$150,000</b>
Total Misc Projects	\$422,400									
3 Total Capital Spending Year	\$2,223,970									

4



1 **Table 16**

2 **2007 Capital Expenditures**

Project Description	Total Project	Account 1820	Account 1830	Account 1835	Account 1840	Account 1845	Account 1850	Account 1980	Account 1995
Miscellaneous Pole Replacement	205,960		205,960						
Riverside/Broadway Ave-Complete	11,384		11,384						
Major Street Rebuild-Start	146,419		121,478	21,800			3,141		
Rebuild MS#11-Start	157,516	123,716	6,074	6,026		21,700			
Townline Tunnel	177,138		102,971			74,167			
Load Transfer from Hydro One-Fairgrounds	144,267		96,481	15,095			32,691		
Niagara Street 27.6 CDM Capital-Complete	243,729		177,529	-11,275		65,160	12,315		
Capitalized Subdivison Assets Transferred	137,093					707,548	203,075		-773,530
Scada Upgrade-Complete	84,584							84,584	
Miscellaneous Underground Rebuild	122,131				43,815	67,020	11,296		
Miscellaneous Transformer Replacement	139,163						139,163		
Transformer Inventory	423,807						423,807		
	<u>\$1,993,191</u>	<u>\$123,716</u>	<u>\$721,877</u>	<u>\$31,646</u>	<u>\$43,815</u>	<u>\$935,595</u>	<u>\$825,488</u>	<u>\$84,584</u>	<u>-\$773,530</u>
Total Misc Projects	\$299,834								
3 Total Capital Spending Year	\$2,293,025								

4

1 **Table 17**  
 2  
 3 **2006 Capital Expenditures**  
 4

Project Description	Total Project	Account 1830	Account 1835	Account 1840	Account 1845	Account 1850	Account 1855	Account 1980	Account 1995
Scada Upgrade-Start	83,592							83,592	
Niagara Street 27.6 CDM Capital-Start	452,498	299,136	62,159	111,946	2,906	90,206	17,401		-131,256
Riverside/Broadway Ave-Continue	216,050	191,144	5,865			19,041			
Fitch Street - Relocation	116,292	115,354	21,549						-20,611
Moyer Road /Mathews-Complete	69,239	59,320	3,083			6,836			
Carl Road North	69,396	69,396							
Chipewa/Nortre Dame	50,931	50,111	820						
Miscellaneous Pole Replacement	217,811	217,811							
Miscellaneous Underground Rebuild	104,468			5,759	96,337	2,372			
Miscellaneous Transformer Replacement	165,187					165,187			
Capitalized Subdivison Assets Transferred	15,188				41,193	12,056			-38,061
Transformer Inventory	-80,563					-80,563			
	<b>\$1,480,089</b>	<b>\$1,002,272</b>	<b>\$93,476</b>	<b>\$117,705</b>	<b>\$140,436</b>	<b>\$215,135</b>	<b>\$17,401</b>	<b>\$83,592</b>	<b>-\$189,928</b>
Total Misc Projects	\$521,923								
Total Capital Spending Year	\$2,002,012								

5  
6

1 **Table 18**  
 2  
 3 **2005 Capital Expenditures**  
 4

Project Description	Total Project	Account 1830	Account 1835	Account 1845	Account 1850	Account 1995
Riverside/Broadway Ave-Start	169,034	166,865	2,169			
Moyer Road/Mathews-Start	91,466	91,466				
Shisler/Darby Road	124,846	124,846				
Miscellaneous Pole Replacement	281,450	281,450				
Primeway Drive	184,523			184,523		
Capitalized Subdivison Assets Transferred	35,170			190,831	19,360	-175,021
Miscellaneous Underground Rebuild	82,092			82,092		
Miscellaneous Transformer Replacement	104,240				104,240	
Transformer Inventory	137,949				137,949	
	<u>\$1,210,770</u>	<u>\$664,627</u>	<u>\$2,169</u>	<u>\$457,446</u>	<u>\$261,549</u>	<u>-\$175,021</u>
Total Misc Projects	\$564,487					
Total Capital Spending Year	\$1,775,257					

5

1 **CAPITAL EXPENDITURES DESCRIPTION:**

2 **2009 CAPITAL EXPENDITURES BY PROJECT**

3 **Rebuild MS#2 Substation**

4 MS#2 is one of 14 substations owned and operated by Welland Hydro and is located on  
5 McMaster Avenue. The substation is approximately 50 years old and transforms voltage from  
6 27.6 kV down to 4.16 kV. There are currently two switch gears which require replacement at an  
7 estimated cost of \$150,000. An additional \$150,000 is required to replace existing transformers  
8 with an equivalent transformation capacity. Total cost is estimated at \$300,000 for the project.

9 **Miscellaneous Pole Replacement**

10 Each year Welland Hydro evaluates poles currently in service (testing / service age / visual  
11 inspection) and identifies which ones require replacement. The amount budgeted for this capital  
12 expenditure represents cases in which individual or a few poles are replaced as opposed to a  
13 major project in which a complete section is rebuilt. The estimate of \$200,000 for 2009 Test  
14 Year and 2008 Bridge Year was based on historical actual expenditures from 2005 (\$281,450),  
15 2006 (\$217,811) and 2007 (\$205,960).

16 **Mill Street Rebuild**

17 An apartment complex (subsidized rent) is currently being built at the intersection of Mill Street  
18 and Niagara Street. This area is an older section of Welland and the distribution system in the  
19 area is 4160/2400V and requires replacement. The system in this area will be updated to  
20 27600/16000V at a total estimated cost of \$150,000.

21 **Ontario Road Rebuild (2008/09)**

22 In 2008, Welland Hydro is scheduled to begin rebuilding and extending the distribution system  
23 on Ontario Road which is located in southeast Welland. The existing poles and power lines have

1 been in service for over 40 years and require replacement. Total capital expenditures are  
2 budgeted at \$150,000 with \$50,000 scheduled for 2008 and the balance of \$100,000 in 2009.

3 **Ridge, Rusholme, & Silverthorn (2008/09)**

4 In 2008, Welland Hydro is scheduled to begin rebuilding the distribution system in the Ridge  
5 Road, Rusholme Road & Silverthorn Court areas on the east side of Welland. This area of  
6 Welland is comprised of rural residential and industrial customers. The distribution system is  
7 approximately 40 year old and requires updating/replacement. Total capital expenditures are  
8 budgeted at \$200,000 with \$100,000 per year forecasted in each of 2008 and 2009.

9 **Towline Road/Rail Track to Dain City**

10 This area is located in the south part of Welland and is mainly a rural area. The distribution lines  
11 in this area are a vital link to the supply of electricity to an area of Welland known as Dain City.  
12 The system is between 40 to 50 years old and requires updating/replacement. Total capital  
13 expenditures are budgeted at \$200,000 in 2009.

14 **Margeret, Nyr, Thorold Road Project**

15 This is an older residential section of Welland located in the centre of the city. The distribution  
16 system has been in service for approximately 40 years and requires updating/replacement. Total  
17 capital costs are budgeted at \$250,000 in 2009.

18 **Barrington, Endicott, Fairlawn Underground Rebuild**

19 This residential subdivision is located on the west side of Welland. The underground  
20 distribution system requires new cabling and a new civil infrastructure at a projected capital cost  
21 of \$260,000 in 2009.

22

1 **Miscellaneous Underground Rebuild**

2 Each year Welland Hydro budgets for miscellaneous upgrades to underground sections (service  
 3 age / reliability) of the distribution section. Expenditures in this category are smaller in nature  
 4 and not part of an overall larger project. The estimates of \$100,000 for 2009 Test Year and  
 5 \$150,000 for 2008 Bridge Year were based on historical actual expenditures from 2005  
 6 (\$82,092), 2006 (\$104,468), and 2007 (\$122,131).

7 **Miscellaneous Transformer Replacement**

8 Each year Welland Hydro budgets for miscellaneous replacement of transformers (testing /  
 9 service age / reliability / failures) within the distribution area. Expenditures in this category are  
 10 smaller in nature and not part of an overall larger project. These expenditures represent the net  
 11 amount of transformers placed in service and changes in transformers in inventory. In order to  
 12 compare budgeted expenditures to previous years, the amount of the change in transformers in  
 13 inventory must be taken into consideration. The following shows the 2009 Test Year and 2008  
 14 Bridge year total expenditures on transformers (In Service/Change in Inventory).

	2005	2006	2007	2008	2009
16 In Service	\$104,240	\$165,187	\$139,163	\$200,000	\$200,000
17 In Inventory	<u>137,949</u>	<u>(80,563)</u>	<u>423,807</u>	<u>(200,000)</u>	<u>\$0</u>
18 Total Transformer	\$242,189	\$ 84,624	\$562,970	\$0	\$200,000

19 The Accounting Procedures Handbook calls for LDCs to record transformer inventory as capital  
 20 assets as opposed to inventory unless the transformer has been designated for specific use at a  
 21 later date. The five year average for miscellaneous transformer capital expenditures is \$217,957  
 22 with the majority of transformers already being purchased. The increase in transformer  
 23 inventory in 2007 is related to a 9 to 15 month lead time on new purchases. This resulted in a  
 24 decrease in transformer inventory in 2006. Although Welland Hydro has budgeted to reduce  
 25 transformers in inventory in 2008 by \$200,000 followed by no increase in 2009 the actual change

1 will be determined by levels which meet both the needs of Welland Hydro's customers and the  
2 reliability of the distribution system.

### 3 **Capitalized Subdivision Assets Transferred**

4 These capital expenditures represent Welland Hydro's capital investment in new subdivisions  
5 within the distribution system. The amount of the capital investment is based on Welland  
6 Hydro's forecasted net revenue (income less incremental expenses) from the system expansion.  
7 The developer is required to enter into an agreement prior to any construction and agrees to  
8 provide Welland Hydro with the capital cost of the expansion. These amounts are then recorded  
9 into Welland Hydro's asset ledger by OEB account. A credit in the Capital Contributions  
10 account is also set up with the net difference representing Welland Hydro's Capital Investment to  
11 the system expansion. Actual amounts of capital investments made by Welland Hydro were  
12 \$35,170 in 2005, \$15,188 in 2006, and \$137,093 in 2007 for an average annual amount of  
13 \$62,484. Amounts included in forecast capital expenditures are \$25,000 in 2008 Bridge Year  
14 and \$50,000 in 2009 Test Year based on past history.

### 15 **Crowland TS Meter-Wholesale Meter Point**

16 The budget for Wholesale Meter Point upgrades is based on requirements issued by the IESO.  
17 The timing of the upgrades is dependent on the availability of Hydro One resources since  
18 Welland Hydro's Wholesale Meter Points are located in Hydro One substations and Welland  
19 Hydro employees are not permitted to work on the Hydro One assets. As a result, Welland  
20 Hydro must schedule upgrades with Hydro One and must rely on Hydro One to provide the  
21 construction crews necessary to complete the projects.

22 Welland Hydro has one Wholesale Meter Point within the distribution system which is located at  
23 the Crowland TS. This site is only partially compliant under existing market rules. The existing  
24 instrument transformers have been given dispensation until the end of 2009. The Wholesale  
25 Meter Point is used to determine the energy used on eight 27.6 kV Welland Hydro feeders. The

1 upgrade cost is based on installing fully compliant metering in each of the eight feeders. Total  
2 capital expenditures are budgeted at \$560,000 in 2009.

3

#### 4 **2008 CAPITAL EXPENDITURES BY PROJECT**

##### 5 **Miscellaneous Pole Replacement**

6 Each year Welland Hydro evaluates poles currently in service (testing / service age / visual  
7 inspection) and identifies which ones require replacement. The amount budgeted for this capital  
8 expenditure represents cases in which individual or a few poles are replaced as opposed to a  
9 major project in which a complete section is rebuilt. The estimate of \$200,000 for 2009 Test  
10 Year and 2008 Bridge Year was based on historical actual expenditures from 2005 (\$281,450),  
11 2006 (\$217,811), and 2007 (\$205,960).

##### 12 **Colbeck Drive 27.6 Line**

13 Colbeck Drive is located in the south west part of the City of Welland. This area which was  
14 once considered rural is currently an area where residential growth is taking place with new  
15 subdivisions being built. The distribution line which supplies power to this growth area requires  
16 rebuilding and will be updated from 4.16 kV to 27.6 kV. Total budgeted capital costs for 2008  
17 are \$90,000.

##### 18 **Major Street Rebuild (2007/08)**

19 The Major Street/Centre Street area of Welland is an older heavy industrial area of the city. The  
20 City of Welland is currently in the process of revitalizing an old steel mill property into smaller  
21 industrial complexes. The distribution system in the area is over 40 years old and required  
22 updating along with a small extension. Work began on this project in 2007 and total capital  
23 expenditures for the year were \$146,419. Work will be completed in 2008 at an estimated cost  
24 of \$50,000. However, a \$75,000 capital contribution from new customers has been planned for  
25 2008 which will more than offset 2008 expenses.



1 **Clare Avenue Rebuild**

2 A small section of the distribution system on Clare Avenue in northwest Welland requires  
3 replacement. The poles will also be relocated during the construction process. Total capital  
4 costs of the project are estimated at \$20,000 in 2008.

5 **Myrtle & Empire 27.6 Line**

6 Myrtle Avenue and Empire Street areas are older residential sections in central Welland. The  
7 distribution system requires replacement and will be updated from the current 4.16 kV to 27.6  
8 kV. This will require new poles, hardware, lines, and transformers at a total cost of \$250,000 in  
9 2008.

10 **Ontario Road Rebuild (2008/09)**

11 Description provided in 2009 Capital Expenditures by Project. Total capital expenditures for  
12 2008 are budgeted at \$50,000 with an additional \$100,000 planned in 2009.

13 **Ridge, Rusholme, & Silverthorn (2008/09)**

14 Description provided in 2009 Capital Expenditures by Project. Total capital expenditures for  
15 2008 are budgeted at \$100,000 with an additional \$100,000 planned in 2009.

16 **Aqueduct Area (Birch, Cedar, and Beechwood)**

17 The existing 27.6 kV line in this area requires replacement. During the rebuild Welland Hydro  
18 will be converting some existing customers from 4.16 kV to 27.6 kV. Total capital expenditures  
19 for 2008 are budgeted at \$100,000.

20 **Crowland TS Line Upgrade**

21 This upgrade is related to work being performed by Hydro One in an area located adjacent to  
22 Welland Hydro's distribution area. Total costs are projected at \$50,000 in 2008.

1 **Niagara Street & Lancaster 27.6 Line**

2 Niagara Street is a major commercial area located on the north side of Welland. In 2007 the  
3 distribution system south of Woodlawn road was rebuilt and upgraded from 4.16 kV to 27.6 kV.  
4 The distribution system north of Woodlawn requires replacement and will also be upgraded to  
5 27.6 kV. Total capital expenditure required is planned at \$200,000 in 2008.

6 **Miscellaneous Underground Rebuild**

7 Each year Welland Hydro budgets for miscellaneous upgrades to underground sections (service  
8 age / reliability) of the distribution section. Expenditures in this category are smaller in nature  
9 and not part of an overall larger project. The estimate of \$100,000 for 2009 Test Year and  
10 \$150,000 for 2008 Bridge Year were based on historical actual expenditures from 2005  
11 (\$82,092), 2006 (\$104,468), and 2007 (\$122,131).

12 **Rebuild MS#11 Substation (2007/08)**

13 MS#11 is one of 14 substations owned and operated by Welland Hydro. It is located on Darby  
14 Road on the east side of Welland. In 2007 work began on replacing the switch gear and the  
15 installation of a new transformer. Total capital expenditures are estimated at \$307,516. A total  
16 of \$157,516 was spent in 2007 with the balance of \$150,000 required to complete the project  
17 planned for 2008.

18 **Capitalized Subdivision Assets Transferred**

19 These capital expenditures represent Welland Hydro's capital investment in new subdivisions  
20 within the distribution system. The amount of the capital investment is based on Welland  
21 Hydro's forecasted net revenue (income less incremental expenses) from the system expansion.  
22 The developer is required to enter into an agreement prior any construction and agrees to provide  
23 Welland Hydro with the capital cost of the expansion. These amounts are then recorded into  
24 Welland Hydro's asset ledger by OEB account. A credit in the Capital Contributions account is  
25 also set up with the net difference representing Welland Hydro's Capital Investment to the

1 system expansion. Actual amounts of capital investments made by Welland Hydro were \$35,170  
2 in 2005, \$15,188 in 2006, and \$137,093 in 2007 for an average annual amount of \$62,484.  
3 Amounts included in forecast capital expenditures are \$25,000 in 2008 Bridge Year and \$50,000  
4 in 2009 Test Year based on past history.

#### 5 **New Single Bucket Truck**

6 Welland Hydro reviews its current fleet of vehicles on a yearly basis to determine if any capital  
7 investments are required. The decision to replace a vehicle is based on age of service, past repair  
8 costs, and safety related items. A new single bucket truck has been ordered to replace an aging  
9 truck in the current fleet. The truck was ordered in early 2008 as the result of a 10 month lead  
10 time for delivery. Total cost of the truck and equipment is budgeted at \$210,000 for 2008.

#### 11 **Back Up Generator (2007/08)**

12 The existing backup generator for Welland Hydro's service centre has been in operation for over  
13 forty years. The current generator is not large enough to provide power for the entire service  
14 centre supplying only enough to keep the control room and engineering operational. In 2007,  
15 Welland Hydro's board approved replacement of the current generator with a system large  
16 enough to power the entire service centre and meet environmental regulations. During a power  
17 outage, the operation of the service centre is crucial for reviewing the status of the distribution  
18 system and directing manpower and resources to complete the necessary work. Initial capital  
19 expenditures of \$24,019 in 2007 will be followed by \$231,570 in 2008 to fully complete the  
20 project.

21

### 22 **2007 CAPITAL EXPENDITURES BY PROJECT**

#### 23 **Miscellaneous Pole Replacement**

24 Each year Welland Hydro evaluates poles currently in service (testing / service age / visual  
25 inspection) and identifies which ones require replacement. The amounts recorded for this capital

1 expenditure represents cases in which individual or a few poles are replaced as opposed to a  
2 major project in which a complete section is rebuilt. The actual expenditures for 2007 were  
3 \$205,960.

4 **Riverside/Broadway Ave Rebuild (2005-2007)**

5 Broadway Avenue and Riverside Drive are older residential areas in Welland south. In 2005,  
6 Welland Hydro started on a two year project to replace the existing 4.16 kV and 27.6 kV lines in  
7 this area. In addition, a new 27.6 kV line was constructed on Riverside Drive. During the  
8 construction process, some existing 4.16 kV customers were also converted to 27.6 kV. Total  
9 cost of the project was \$396,468 with expenditures of \$169,034 in 2005, \$216,050 in 2006, and  
10 \$11,384 in 2007.

11 **Major Street Rebuild (2007/08)**

12 Description provided in 2008 Capital Expenditures by Project. Actual capital expenditures in  
13 2007 were \$146,419 with \$50,000 budgeted for 2008 to complete the project.

14 **Rebuild MS#11 (2007/08)**

15 Description provided in 2008 Capital Expenditures by Project. Actual capital expenditures in  
16 2007 were \$157,516 with \$150,000 budgeted for 2008 to complete the project.

17 **Towline Tunnel Project**

18 This project represents rebuilding the distribution system from Ridge Road in the east  
19 proceeding through the Towline Tunnel under the Welland Canal to Ontario Road in the west.  
20 The project included replacing the cables which run in underground vaults associated with the  
21 Towline Tunnel which provides access under the canal. Total actual costs of capital  
22 expenditures relating to this project were \$177,138 in 2007.

23

1 **Load Transfer from Hydro One-Fairgrounds**

2 Welland Hydro currently has a long term load transfer arrangement with Hydro One  
3 Networks Inc. (“Hydro One”). In order to eliminate the requirement for the load transfer  
4 and comply with OEB requirements, Welland Hydro invested a total of \$144,267 in capital  
5 expenditures in 2007. The area involved is located in north east Welland and includes the  
6 Welland Fairgrounds. Plans are also in place to develop new subdivisions in the immediate  
7 area and the improvements made will allow Welland Hydro to meet future service  
8 requirements within its distribution service area boundaries. As a result of the above  
9 capital expenditure all load transfer customers in this area who were previously supplied  
10 power by Hydro One are now being supplied by Welland Hydro.

11 **Niagara Street 27.6 CDM Capital (2006/07)**

12 The primary drivers for these types of projects are requests by municipalities and road  
13 authorities for plant relocation and/or modifications. These projects generally occur due to  
14 road widening, resurfacing, and or realignment. The *Public Service Works on Highways*  
15 *Act* provides for a cost sharing arrangement whereby the road authority contributes 50% of  
16 the cost of labor and equipment for the project. Welland Hydro is then responsible for the  
17 remaining 50% of the labor and equipment cost, and 100% of the cost of material for the  
18 project.

19 In 2005 Welland Hydro was informed by the Region of Niagara of the plans to widen  
20 Niagara Street in Welland from Thorold road in the south to Woodlawn road in the north.  
21 The widening would allow for the addition of a turning lane to be used by traffic flowing in  
22 either direction. This section of Welland Hydro’s distribution system was being serviced  
23 by older 4.16 kV lines which have a higher line loss factor than 27.6 kV lines. Welland  
24 Hydro proposed to rebuild and upgrade this section of Welland Hydro’s distribution system  
25 to 27.6 kV line as part of the Third Tranche CDM spending which was subsequently  
26 approved by the OEB.

1 A total of \$696,227 in capital expenditures was spent in 2006 (\$452,498) and 2007  
2 (\$243,729). These costs were offset by a capital contribution from the Region of Niagara  
3 in 2006 of \$131,256 which is recorded in Account 1995.

#### 4 **Capitalized Subdivision Assets Transferred**

5 These capital expenditures represent Welland Hydro's capital investments in new subdivisions  
6 within the distribution system. The amount of the capital investment is based on Welland  
7 Hydro's forecasted net revenue (income less incremental expenses) from the system expansion.  
8 The developer is required to enter into an agreement prior to any construction and agrees to  
9 provide Welland Hydro with the capital cost of the expansion. These amounts are then recorded  
10 into Welland Hydro's asset ledger by OEB account. A credit in the Capital Contributions  
11 account is also set up with the net difference representing Welland Hydro's Capital Investment to  
12 the system expansion.

13 In 2007, capital investments were made for the following subdivisions:

14	Harvest I	\$15,771
15	Harvest II	22,037
16	Harvest III	26,102
17	Whispering Pine I	17,786
18	Draper Creek I & II	41,421
19	Welland River Estates	<u>13,976</u>
20	Total Welland Hydro Investment	\$137,093

21

1 **SCADA System Upgrade (2006/07)**

2 The existing SCADA software and hardware control system was purchased in 1998 with a VMS  
3 operating system for which support is being phased out by the software vendor. The existing  
4 hardware is obsolete and no longer supported. A decision was made to upgrade the system in  
5 November, 2006 to a windows based operating system with new computers and servers. The  
6 new system is significantly faster than the existing system with increased reliability and  
7 additional features. Actual capital spending was \$83,592 in 2006 followed by \$84,584 in 2007  
8 for a total project cost of \$168,176.

9 **Miscellaneous Underground Rebuild**

10 Each year Welland Hydro budgets for miscellaneous upgrades to underground sections (service  
11 age / reliability) of the distribution section. Expenditures in this category are smaller in nature  
12 and not part of an overall larger project. The actual capital expenditure for 2007 was \$122,131.

13 **Miscellaneous Transformer Replacement**

14 Description provided in 2009 Capital Expenditures by Project - Misc. Transformer Replacement.  
15 Actual capital expenditures in 2007 were \$139,163.

16 **Transformer Inventory**

17 Description provided in 2009 Capital Expenditures by Project - Misc. Transformer Replacement.  
18 Actual capital expenditures in 2007 were \$423,807.

19

20 **2006 CAPITAL EXPENDITUES BY PROJECT**

21 **SCADA System Upgrade (2006/07)**

22 Description provided in 2007 Capital Expenditures by Project. Actual capital expenditures were  
23 \$83,592 in 2006 followed by \$84,584 in 2007.

1 **Niagara Street 27.6 CDM Capital (2006/07)**

2 Description provided in 2007 Capital Expenditures by Project. Actual capital expenditures were  
3 \$452,498 in 2006 followed by \$243,729 in 2007.

4 **Riverside/Broadway Ave Rebuild (2005-2007)**

5 Description provided in 2007 Capital Expenditures by Project. Actual capital expenditures in  
6 2006 were \$216,050.

7 **Fitch Street Relocation**

8 Fitch Street is located on the west side of Welland and was widened and resurfaced in 2006. As  
9 a result, Welland Hydro made improvements to the existing distribution system while relocating  
10 the poles to new locations. A capital contribution was received to offset 50% of labor and  
11 equipment costs and is recorded in Account 1995. Total capital costs were \$116,292 net of  
12 contributed capital in 2006.

13 **Moyer Road/Mathews (2005/06)**

14 In 2005, Welland Hydro began replacing the existing 4.16 kV and 27.6 kV power lines in this  
15 area. This project was performed in conjunction with the distribution system rebuild on Carl  
16 Road. This continuous section of line connects into the Hydro One system bordering Welland  
17 Hydro's service area. This would allow for the transfer of electricity between systems in the  
18 event of a power interruption. Total expenditures included \$91,466 in 2005 followed by \$69,239  
19 in 2006 to complete the project.

20 **Carl Road North**

21 As indicated above this project was made in conjunction with the distribution system rebuild on  
22 Moyer Road and Mathews Road. Total capital expenditures were \$69,396 in 2006.

23



1 **Chippewa/Notre Dame**

2 This project involved the relocation of existing poles and an upgrade to the distribution system at  
3 a total cost of \$50,931 in 2006.

4 **Miscellaneous Pole Replacement**

5 Each year Welland Hydro evaluates poles currently in service (testing / service age / visual  
6 inspection) and identifies which ones require replacement. The amount budgeted for this capital  
7 expenditure represents cases in which individual or a few poles are replaced as opposed to a  
8 major project in which a complete section is rebuilt. The actual expenditures for 2006 were  
9 \$217,811.

10 **Miscellaneous Underground Rebuild**

11 Each year Welland Hydro budgets for miscellaneous upgrades to underground sections (service  
12 age / system reliability) of the distribution section. Expenditures in this category are smaller in  
13 nature and not part of an overall larger project. The actual capital expenditure for 2006 was  
14 \$104,468.

15 **Miscellaneous Transformer Replacement**

16 Description provided in 2009 Capital Expenditures by Project - Misc. Transformer Replacement.  
17 Actual capital expenditures were \$165,187 in 2006.

18 **Capitalized Subdivision Assets Transferred**

19 These capital expenditures represent Welland Hydro's capital investments in new subdivisions  
20 within the distribution system. The amount of the capital investment is based on Welland  
21 Hydro's forecasted net revenue (income less incremental expenses) from the system expansion.  
22 The developer is required to enter into an agreement prior any construction and agrees to provide  
23 Welland Hydro with the capital cost of the expansion. These amounts are then recorded into  
24 Welland Hydro's asset ledger by OEB account. A credit in the Capital Contributions account is

1 also set up with the net difference representing Welland Hydro's Capital Investment to the  
2 system expansion. In 2006, a capital investment of \$15,188 was made to the Stoneybrook  
3 subdivision.

#### 4 **Transformer Inventory**

5 Description provided in 2009 Capital Expenditures by Project - Misc. Transformer Replacement.  
6 Actual capital expenditures in 2006 were (\$80,563).

7

### 8 **2005 CAPITAL EXPENDITURES BY PROJECT**

#### 9 **Riverside/Broadway Ave (2005-2007)**

10 Description provided in 2007 Capital Expenditures by Project. Actual capital expenditures in  
11 2005 were \$169,034.

#### 12 **Moyer Road/Mathews (2005/06)**

13 Description provided in 2006 Capital Expenditures by Project. Actual capital expenditures in  
14 2005 were \$91,466.

#### 15 **Shisler/Darby Road**

16 This project in a rural area on Welland's east side required the replacement of hydro poles in an  
17 older section of Welland Hydro's distribution section. Actual capital expenditures were  
18 \$124,846 in 2005.

#### 19 **Miscellaneous Pole Replacement**

20 Each year Welland Hydro evaluates poles currently in service (testing / service age / visual  
21 inspection) and identifies which ones require replacement. The amount budgeted for this capital  
22 expenditure represents cases in which individual or a few poles are replaced as opposed to a

1 major project in which a complete section is rebuilt. Actual expenditures for 2005 were  
2 \$281,450.

### 3 **Primeway Drive**

4 Primeway Drive is a new roadway in the City of Welland which was completed in 2006.  
5 Construction of a major commercial shopping area began in 2005 and is still ongoing. In order  
6 to service this area, Welland Hydro extended the current distribution system and spent \$184,523  
7 on underground cabling in 2005. This section of Welland is projected as a high growth area with  
8 the possibility of significant construction and development over the next decade.

### 9 **Capitalized Subdivision Assets Transferred**

10 These capital expenditures represent Welland Hydro's capital investments in new subdivisions  
11 within the distribution system. The amount of the capital investment is based on Welland  
12 Hydro's forecasted net revenue (income less incremental expenses) from the system expansion.  
13 The developer is required to enter into an agreement prior any construction and agrees to provide  
14 Welland Hydro with the capital cost of the expansion. These amounts are then recorded into  
15 Welland Hydro's asset ledger by OEB account. A credit in the Capital Contributions account is  
16 also set up with the net difference representing Welland Hydro's Capital Investment to the  
17 system expansion.

18 In 2005, capital investments were made for the following subdivisions:

19	Woodhaven Phase II	\$16,454
20	Larchwood Subdivision	7,390
21	Clare Ave Estates	<u>11,326</u>
22	Total Welland Hydro Investment	\$35,170

23

1 **Miscellaneous Underground Rebuild**

2 Each year Welland Hydro budgets for miscellaneous upgrades to underground sections (service  
3 age / system reliability) of the distribution section. Expenditures in this category are smaller in  
4 nature and not part of an overall larger project. The actual capital expenditure for 2005 was  
5 \$82,098.

6 **Miscellaneous Transformer Replacement**

7 Description provided in 2009 Capital Expenditures by Project - Misc. Transformer Replacement.  
8 Actual capital expenditures in 2005 were \$104,240.

9 **Transformer Inventory**

10 Description provided in 2009 Capital Expenditures by Project - Misc. Transformer Replacement.  
11 Actual capital expenditures in 2005 were \$137,949.

1 **CAPITALIZATION POLICY:**

2 Welland Hydro applies the following general capitalization policies and principles based on  
3 Generally Accepted Accounting Principles (“GAAP”), in particular CICA Handbook Section  
4 3060 Capital Assets, as well as guidelines set out by the OEB, where applicable:

- 5 • The amount to be capitalized is the cost to acquire or construct a capital asset, including  
6 any ancillary costs incurred to place a capital asset into its intended state of operation.  
7 Welland Hydro does not currently capitalize interest on funds for construction.
- 8 • Assets that are intended to be used on an on-going basis and are expected to provide  
9 future economic benefit (generally considered to be greater than one year) will be  
10 capitalized.
- 11 • Individual items with an estimated useful life greater than one year and valued at greater  
12 than \$250 will be capitalized.
- 13 • Expenditures that create a physical betterment or improvement of the asset (i.e. there is a  
14 significant increase in the physical output or service capacity; or the useful life of the  
15 capital asset is extended) will be capitalized.
- 16 • With respect to transportation equipment (e.g. vehicles), all costs associated with putting  
17 a vehicle into service are capitalized.

1 **WORKING CAPITAL CALCULATION:**

2 **OVERVIEW:**

3 Welland Hydro's working capital allowance is forecast to be \$6,343,168 for 2009 and is based  
4 on the "15% of specific O&M accounts formula approach" referred to at page 15 of the Board's  
5 Filing Requirements. Welland Hydro has provided its calculations by account for each of 2006  
6 Actual, 2007 Actual, the 2008 Bridge Year and the 2009 Test Year in Table 19 on the following  
7 pages.

Table 19

Working Capital Calculation by Account

Description	2006 Actual	Allowance for Working Capital	2007 Actual	Allowance for Working Capital	2008 Bridge	Allowance for Working Capital	2009 Test	Allowance for Working Capital
<b>Rate used for Working Capital Allowance</b>		15%		15%		15%		15%
<b>Operation</b>								
5005-Operation Supervision and Engineering	54,188	8,128	65,475	9,821	83,862	12,579	86,349	12,952
5010-Load Dispatching	58,569	8,785	74,914	11,237	76,867	11,530	79,101	11,865
5012-Station Buildings and Fixtures Expense	5,122	768	11,787	1,768	11,973	1,796	12,268	1,840
5014-Transformer Station Equipment - Operation Labour	0	0	0	0	0	0	0	0
5015-Transformer Station Equipment - Operation Supplies and Expenses	0	0	0	0	0	0	0	0
5016-Distribution Station Equipment - Operation Labour	8,698	1,305	11,993	1,799	15,552	2,333	17,676	2,651
5017-Distribution Station Equipment - Operation Supplies and Expenses	106,991	16,049	110,129	16,519	112,565	16,886	115,650	17,348
5020-Overhead Distribution Lines and Feeders - Operation Labour	55,838	8,376	67,768	10,165	87,931	13,190	99,595	14,939
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	48,917	7,338	155,733	23,360	168,573	25,286	181,766	27,265
5030-Overhead Sub transmission Feeders - Operation	58,947	8,842	61,256	9,188	76,052	11,408	85,777	12,867
5035-Overhead Distribution Transformers- Operation	11,328	1,699	12,018	1,803	13,853	2,078	14,131	2,120
5040-Underground Distribution Lines and Feeders - Operation Labour	101,693	15,254	106,693	16,004	138,440	20,766	157,335	23,600
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	26,172	3,926	29,396	4,409	26,409	3,961	27,295	4,094
5050-Underground Sub transmission Feeders - Operation	29,219	4,383	34,319	5,148	42,382	6,357	47,806	7,171
5055-Underground Distribution Transformers - Operation	8,152	1,223	12,741	1,911	13,200	1,980	13,444	2,017
5065-Meter Expense	283,635	42,545	310,752	46,613	312,698	46,905	339,287	50,893
5070-Customer Premises - Operation Labour	1,317	198	5,865	880	7,606	1,141	8,644	1,297
5075-Customer Premises - Materials and Expenses	210	32	0	0	0	0	0	0
5085-Miscellaneous Distribution Expense	241,338	36,201	136,512	20,477	167,742	25,161	188,506	28,276
5095-Overhead Distribution Lines and Feeders - Rental Paid	22,349	3,352	6,230	935	21,966	3,295	22,405	3,361
5096-Other Rent	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>1,122,683</b>	<b>168,402</b>	<b>1,213,581</b>	<b>182,037</b>	<b>1,377,671</b>	<b>206,651</b>	<b>1,497,036</b>	<b>224,555</b>
<b>Maintenance</b>								
5105-Maintenance Supervision and Engineering	58,199	8,730	69,212	10,382	85,144	12,772	95,673	14,351
5110-Maintenance of Buildings and Fixtures - Distribution Stations	20,307	3,046	15,607	2,341	18,022	2,703	18,933	2,840
5114-Maintenance of Distribution Station Equipment	12,875	1,931	23,550	3,532	16,627	2,494	18,397	2,760
5120-Maintenance of Poles, Towers and Fixtures	60,648	9,097	38,262	5,739	45,281	6,792	50,587	7,588
5121-Maintenance of Subtrans	10,834	1,625	12,003	1,800	11,980	1,797	13,469	2,020
5125-Maintenance of Overhead Conductors and Devices	151,279	22,692	131,592	19,739	162,406	24,361	180,518	27,078
5128-Maintenance of Overhead Subtrans	33,077	4,962	54,597	8,190	66,512	9,977	74,124	11,119
5130-Maintenance of Overhead Services	150,522	22,578	155,952	23,393	181,594	27,239	199,717	29,958
5135-Overhead Distribution Lines and Feeders - Right of Way	94,131	14,120	146,128	21,919	204,588	30,888	209,200	31,380
5145-Maintenance of Underground Conduit	21	3	21,141	3,171	22,548	3,382	23,977	3,597
5150-Maintenance of Underground Conductors and Devices	67,675	10,151	132,448	19,867	143,766	21,565	158,122	23,718
5151-Maintenance Emergency	12,743	1,911	16,331	2,450	20,728	3,109	22,969	3,445
5155-Maintenance of Underground Services	46,848	7,027	50,744	7,612	56,898	8,535	62,433	9,365
5160-Maintenance of Line Transformers	17,826	2,674	50,399	7,560	91,046	13,657	93,606	14,041
5175-Maintenance of Meters	3,237	486	4,242	636	3,701	555	3,813	572
5195-Maintenance of Other Installations on Customer Premises	286	43	3,851	578	4,994	749	5,676	851
<b>Sub-Total</b>	<b>740,507</b>	<b>111,076</b>	<b>926,058</b>	<b>138,909</b>	<b>1,135,835</b>	<b>170,375</b>	<b>1,231,214</b>	<b>184,682</b>

Table 19

Working Capital Calculation by Account

Description	2006 Actual	Allowance for Working Capital	2007 Actual	Allowance for Working Capital	2008 Bridge	Allowance for Working Capital	2009 Test	Allowance for Working Capital
<b>Rate used for Working Capital Allowance</b>		15%		15%		15%		15%
<b>Billing and Collections</b>								
5305-Supervision	0	0	0	0	0	0	0	0
5310-Meter Reading Expense	115,815	17,342	132,170	19,825	129,563	19,434	132,554	19,883
5315-Customer Billing	364,572	54,686	395,966	59,395	397,246	59,587	409,365	61,405
5320-Collecting	292,756	43,913	329,920	49,488	332,691	49,904	345,711	51,857
5325-Collecting - Cash Over and Short	169	25	32	5	12	2	50	8
5335-Bad Debt Expense	(434,303)	(65,145)	48,263	7,239	58,480	8,772	59,650	8,948
5340-Miscellaneous Customer Accounts Expenses	0	0	0	0	0	0	0	0
5350-Retail Billing	28,602	4,290	29,365	4,405	28,781	4,317	30,725	4,609
5360-Retail STR	3,640	546	1,988	298	2,059	309	2,119	318
<b>Sub-Total</b>	<b>371,051</b>	<b>55,658</b>	<b>937,705</b>	<b>140,656</b>	<b>948,832</b>	<b>142,325</b>	<b>980,174</b>	<b>147,026</b>
<b>Community Relations</b>								
5405-Supervision	34,719	5,208	38,239	5,736	39,613	5,942	40,800	6,120
5410-Community Relations - Sundry	8,334	1,250	5,356	803	4,978	747	5,536	830
5415-Energy Conservation	95,392	14,309	95,904	14,386	15,000	2,250	95,274	14,291
5420-Community Safety Program	7,274	1,091	5,783	867	7,290	1,094	6,500	975
5425-Miscellaneous Customer Service and Informational Expenses	621	93	80	12	111	17	100	15
5510-Demonstrating and Selling Expense	0	0	0	0	0	0	0	0
5515-Advertising Expense	6,512	977	9,548	1,432	10,502	1,575	11,457	1,719
5520-Miscellaneous Sales Expense	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>152,851</b>	<b>22,928</b>	<b>154,910</b>	<b>23,237</b>	<b>177,494</b>	<b>11,624</b>	<b>159,667</b>	<b>23,950</b>
<b>Administrative and General Expenses</b>								
5605-Executive Salaries and Expenses	228,724	34,309	350,871	52,631	313,443	47,016	327,398	49,110
5610-Management Salaries and Expenses	243,200	36,480	391,994	58,799	393,151	58,973	403,669	60,550
5615-General Administrative Salaries and Expenses	318,686	47,803	286,255	42,938	273,349	41,002	283,123	42,468
5620-Office Supplies and Expenses	0	0	0	0	0	0	0	0
5625-Administrative Expense Transferred Credit	(166,039)	(24,906)	(153,081)	(22,962)	(194,884)	(29,233)	(215,178)	(32,277)
5630-Outside Services Employed	204,046	30,607	145,522	21,828	135,000	20,250	146,700	22,005
5635-Property Insurance	0	0	0	0	0	0	0	0
5640-Injuries and Damages	0	0	0	0	0	0	0	0
5645-Employee Pensions and Benefits	115,191	17,279	112,687	16,903	111,064	16,660	117,300	17,595
5655-Regulatory Expenses	86,738	13,011	43,837	6,576	45,800	6,870	66,500	9,975
5660-General Advertising Expenses	0	0	0	0	0	0	0	0
5665-Miscellaneous General Expenses	90,965	13,645	91,966	13,795	102,054	15,308	108,070	16,211
5675-Maintenance of General Plant	0	0	0	0	0	0	0	0
5680-Electrical Safety Authority Fees	7,962	1,194	8,007	1,201	8,023	1,203	8,263	1,239
<b>Sub-Total</b>	<b>1,129,472</b>	<b>169,421</b>	<b>1,278,057</b>	<b>191,709</b>	<b>1,187,000</b>	<b>178,050</b>	<b>1,245,845</b>	<b>186,877</b>
<b>Property Taxes</b>								
6215 - Penalties	4,519	678	0	0	0	0	0	0
<b>Sub-Total</b>	<b>4,519</b>	<b>678</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cost of Power</b>								
4705-Power Purchased	28,223,374	4,233,506	27,227,508	4,084,126	28,515,278	4,277,292	29,451,014	4,417,652
4708-Charges-WMS	3,036,517	455,477	3,065,951	459,893	3,072,362	460,854	3,080,760	462,114
4710-Cost of Power Adjustments	0	0	1,104	166	0	0	0	0
4714-Charges-NW	2,522,838	378,426	2,617,761	392,664	2,416,581	362,487	2,335,966	350,395
4716-Charges-CN	2,225,373	333,806	2,255,083	338,263	2,286,404	342,961	2,306,110	345,917
4720-Other Power Expenses	28,408	4,261	(10,965)	(1,645)	0	0	0	0
4730-Rural Rate Assistance Expense	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>36,036,509</b>	<b>5,405,476</b>	<b>35,156,442</b>	<b>5,273,466</b>	<b>36,290,625</b>	<b>5,443,594</b>	<b>37,173,850</b>	<b>5,576,078</b>
<b>WORKING CAPITAL ALLOWANCE TOTAL</b>	<b>39,557,593</b>	<b>5,933,639</b>	<b>39,666,753</b>	<b>5,950,013</b>	<b>41,017,457</b>	<b>6,152,619</b>	<b>42,287,786</b>	<b>6,343,168</b>

1  
2  
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4



1 **VARIANCE ANALYSIS – WORKING CAPITAL:**

2 Welland Hydro's materiality threshold for changes in working capital allowance is \$194,040.  
3 For 2007 Actual, 2008 Bridge, and 2009 Test there are no changes in individual accounts which  
4 exceed the materiality threshold. As a result, no explanation of the increases is required.  
5 However, the majority of the increase in the working capital/working capital allowance in each  
6 of the 2008 Bridge Year (\$1,350,704 / \$202,606) and 2009 Test Year (\$1,270,329 / \$190,549) is  
7 related to account 4705-Power Purchased. There was very little change in the working  
8 capital/working capital allowance in 2007 (\$109,160 / \$16,374). These numbers are obtained  
9 from Table 3 in Exhibit 2, Tab 1, and Schedule 2.

10 The working capital allowance for 2006 Actual compared to the 2006 Board Approved  
11 increased by \$506,588 as a result of an increase in total working capital of \$3,377,521. The  
12 increase represents a change over a two year period from 2004 to 2006. The variance is again  
13 related to Power Supply Expenses. The 2006 Board Approved Power Supply Expenses of  
14 \$32,126,282 increased to \$36,036,509 for Actual 2006. The total increase of \$3,910,227  
15 accounts for \$586,534 (15%) in the change in working capital allowance. As a result, no further  
16 analysis is required.

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>3 – Operating Revenue</b>				
	1			<b>Overview</b>
		1		Overview of Operating Revenue
		2		Summary of Operating Revenue
		3		Variance Analysis on Operating Revenue
	2			<b>Throughput Revenue</b>
		1		Weather Normalized Forecasting Methodology
		2		Economic and Forecast Assumptions
		3		Volume Forecast Table
		4		Variance Analysis on Volume Forecast
		5		Customer Count Forecast Table
		6		Variance Analysis on Customer Count Forecast
		7		Historical Average Consumption
		8		Distribution Revenue Data by Class
	3			<b>Other Distribution Revenue</b>
		1		Summary of Other Distribution Revenue
		2		Materiality Analysis on Other Distribution Revenue
	4			<b>Revenue Sharing</b>
		1		Description of Revenue Sharing

1 **OVERVIEW OF OPERATING REVENUE:**

2 This Exhibit provides the details of Welland Hydro's operating revenue for the 2006 Board  
3 Approved, 2006 Actual, 2007 Actual, 2008 Bridge Year and the 2009 Test Year. This Exhibit  
4 also provides a detailed variance analysis by rate class of the operating revenue components.

5 Distribution revenues for the 2008 Bridge year and 2009 test year have been calculated using the  
6 rates approved in the OEB's 2008 Decision and Order for EB-2007-0855, dated March 18, 2008.

7 Distribution revenue does not include revenue from commodity sales.

8 A summary of operating revenues is presented in Exhibit 3, Tab 1, and Schedule 2.

9 **Throughput Revenue:**

10 Information related to Welland Hydro's throughput revenue includes details such as weather  
11 normalized forecasting methodology, normalized volume and customer count forecast tables.

12 Detailed variance analysis on the forecast information is also provided. Detailed information  
13 relating to throughput revenue is set out in the Schedules contained in Exhibit 3, Tab 2.

14 **Other Revenue:**

15 Other revenues include (for example) Late Payment Charges, Miscellaneous Service Revenues  
16 and Retail Services Revenues. A summary of these operating revenues together with a  
17 materiality analysis of variances is presented in Exhibit 3, Tab 3, Schedules 1 and 2.

18 **Revenue Sharing:**

19 As noted in Exhibit 3, Tab 4, Schedule 1, Welland Hydro does not have a revenue sharing  
20 practice in place.

WELLAND HYDRO ELECTRIC SYSTEM CORP  
 SUMMARY OF OPERATING REVENUE TABLE 1  
 REVISED TO REFLECT 2007 PILS DECISION

	2006 Board Approved (\$)	2006 Full Yr Actual (\$)	Variance from 2006 Board Approved (\$)	2007 Full Yr Actual (\$)	Variance from 2006 Actual (\$)	2008 Bridge Yr Current Rates (\$)	Variance from 2007 Actual (\$)	2009 Test Yr Current Rates (\$)	Variance from 2008 Actual (\$)
<b>Distribution Services Revenue-Monthly</b>									
Residential	2,933,950	2,736,531	-197,419	2,889,520	152,989	3,037,723	148,203	3,063,071	25,348
General Service Less Than 50 kw	375,463	382,789	7,326	381,863	-926	389,104	7,241	389,104	0
General Service 50 to 4999 kw	474,512	440,493	-34,019	416,596	-23,897	412,029	-4,567	412,029	0
Large Use	379,847	349,185	-30,662	285,374	-63,811	383,265	97,891	383,265	0
Unmetered Scattered Load*	28,701	0	-28,701	14,697	14,697	24,702	10,005	24,236	-466
Sentinel Lighting	3,157	2,746	-411	2,833	87	3,154	321	3,115	-39
Street Lighting	14,308	12,909	-1,399	13,449	540	14,366	917	14,422	56
<b>Total Distribution Revenue Monthly</b>	<b>4,209,938</b>	<b>3,924,653</b>	<b>-285,285</b>	<b>4,004,332</b>	<b>79,679</b>	<b>4,264,343</b>	<b>260,011</b>	<b>4,289,242</b>	<b>24,899</b>
<b>Distribution Services Revenue-Volumetric</b>									
Residential	1,984,137	1,899,135	-85,002	2,001,363	102,228	2,154,181	152,818	2,170,996	16,815
General Service Less Than 50 kw	304,260	311,182	6,922	320,337	9,155	366,084	45,747	366,084	0
General Service 50 to 4999 kw	338,952	294,461	-44,491	362,439	67,978	316,565	-45,874	316,565	0
Large Use	201,595	183,148	-18,447	170,800	-12,348	215,889	45,089	215,889	0
Unmetered Scattered Load*	8,271	0	-8,271	5,779	5,779	7,328	1,549	7,188	-140
Sentinel Lighting	1,793	2,208	415	2,066	-142	2,159	93	2,133	-26
Street Lighting	9,849	9,067	-782	9,488	421	10,155	667	10,196	41
<b>Total Distribution Revenue Volumetric</b>	<b>2,848,857</b>	<b>2,699,201</b>	<b>-149,656</b>	<b>2,872,272</b>	<b>173,071</b>	<b>3,072,361</b>	<b>200,089</b>	<b>3,089,051</b>	<b>16,690</b>
CDM Revenue	0	-91,969	-91,969	598,714	690,683	0	-598,714	0	0
SSA Administrative Revenue	83,845	74,486	-9,359	73,386	-1,100	72,249	-1,137	72,780	531
Transformer Allowance-General Service 50 to 4999 kW	-130,446	-121,987	8,459	-139,597	-17,610	-104,868	34,729	-104,868	0
Transformer Allowance-Large Use	-172,141	-173,771	-1,630	-153,956	19,815	-180,333	-26,377	-180,333	0
<b>Total Distribution Services Revenue</b>	<b>6,840,053</b>	<b>6,310,613</b>	<b>-529,440</b>	<b>7,255,151</b>	<b>944,538</b>	<b>7,123,752</b>	<b>-131,399</b>	<b>7,165,872</b>	<b>42,120</b>
Retail Services Revenue	31,074	32,680	1,606	46,970	14,290	35,174	-11,796	35,174	0
Service Transaction Requests	331	1,901	1,570	2,060	159	2,040	-20	2,040	0
<b>Total Distribution Revenue</b>	<b>6,871,458</b>	<b>6,345,194</b>	<b>-526,264</b>	<b>7,304,181</b>	<b>958,987</b>	<b>7,160,966</b>	<b>-143,215</b>	<b>7,203,086</b>	<b>42,120</b>
Other Income & Reveune	691,540	835,856	144,316	856,451	20,595	589,456	-266,995	546,356	-43,100
<b>Total Service Revenue</b>	<b>7,562,998</b>	<b>7,181,050</b>	<b>-381,948</b>	<b>8,160,632</b>	<b>979,582</b>	<b>7,750,422</b>	<b>-410,210</b>	<b>7,749,442</b>	<b>-980</b>

\* Unmetered Scattered Load Revenues were charged to the same general ledger account as GS<50 until May, 2007

1 **VARIANCE ANALYSIS ON OPERATING REVENUE:**

2 Welland Hydro's distribution revenue for 2008 Bridge Year and 2009 Test Year has been  
 3 calculated using its most recently approved rates. In particular, delivery rates are based on the  
 4 EB-2007-0855 Rate Order, dated March 18, 2008. As noted above, distribution revenue does not  
 5 include commodity-related revenue. In addition, 2006 and 2007 distribution revenues have been  
 6 affected by the accounting treatment of Third-Tranche CDM activities. A total amount of  
 7 \$694,106 was approved for spending by Welland Hydro on Conservation and Demand related  
 8 expenses. Revenues were deferred until actual expenses were incurred. A summary of the  
 9 accounting is as follows:

	<u>2005 YR</u>	<u>2006YR</u>	<u>2007YR</u>	<u>TOTAL</u>
11 Deferred Revenue	(\$506,745)	(\$187,361)	-	(\$694,106)
12 Actual Expenditures	<u>-</u>	<u>95,392</u>	<u>598,714</u>	<u>694,106</u>
13 CDM Revenue	(\$506,745)	(\$ 91,969)	\$598,714	\$0

14 All expenses were incurred prior to September 1, 2007 and Welland Hydro has not requested any  
 15 subsequent CDM Revenues. The treatment of Third-Tranche CDM activities is strictly an  
 16 accounting issue and has no effect on 2008 Bridge Year or 2009 Test Year distribution revenues  
 17 or Revenue deficiency calculations.

18 **VARIANCE ANALYSIS BY YEAR:**

19 **2006 Board Approved:**

20 Welland Hydro's 2006 Board Approved operating revenue was forecast to be \$7,562,998 as  
 21 shown in Exhibit 3, Tab 1, Schedule 2. Distribution revenue totaled \$6,871,458 or 90.9% of total  
 22 revenues. Other operating revenues account for the remaining \$691,540. The original 2006 EDR  
 23 Board Approved rates have been revised to reflect an interim rate order effective October 1, 2007  
 24 (EB-2007-0663) to adjust rates for PILs resulting from the elimination of loss carry forwards. As

1 a result of the decision, Distribution Revenues were increased by \$353,832 per year. The new  
2 rates are being charged to customers effective February 1, 2008. Deferral account 1574 has been  
3 set up to record increased revenues from October 1, 2007 through February 1, 2008 for  
4 disposition at a later date.

5 **2006 Actual:**

6 Welland Hydro's operating revenue in fiscal 2006 was \$7,181,050, as shown in Exhibit 3, Tab 1,  
7 Schedule 2. Distribution revenue totaled \$6,345,194 or 88.4% of total revenues. Other operating  
8 revenues account for the remaining \$835,856.

9 ***Comparison to 2006 Board Approved:***

10 As shown in Exhibit 3, Tab 1, Schedule 2, the total operating revenue was \$381,948 lower than  
11 the 2006 Board Approved levels, or \$289,979 lower when adjusted for CDM revenues. This  
12 difference results from two major issues. The first was that original 2006 EDR rates did not take  
13 effect until May 1, 2006 resulting in only 8 months of comparable distribution revenues. The  
14 second is that increased rates for PILs were not in effect until October 1, 2007 but the 2006  
15 Board Approved numbers have been revised to include the increase in PILs. During 2006,  
16 Welland Hydro was sharing loss carry forwards with customers which were the result of timing  
17 differences from Regulatory Assets.

18 These decreases to Distribution Revenue were partially offset by increases in Other Income  
19 (Capital Gain, Scrap Metal Sales) and Investment Income (Interest Income).

20 **2007 Actual:**

21 Welland Hydro's operating revenue in fiscal 2007 was \$8,160,632 as shown in Exhibit 3, Tab 1,  
22 Schedule 2. Distribution revenue totaled \$7,304,181 or 89.5% of total revenues. Other operating  
23 revenues accounts for the remaining \$856,451.

24

1    ***Comparison to 2006 Actual:***

2    As shown in Exhibit 3, Tab 1, Schedule 2, the total operating revenue was \$979,582 higher than  
3    the 2006 Actual amounts. This amount is reduced to \$288,899 higher when adjusted for CDM  
4    revenues. The increase in revenues in 2007 compared to 2006 is mainly due to having 12  
5    months of 2006 EDR rates in 2007 versus 8 months in 2006. However, during 2007 Welland  
6    Hydro experienced some shifting of customers within classes which has had a material negative  
7    impact on Distribution Revenues. The number of large users decreased from 3 to 2 and there  
8    was also a shift from General Service 50 to 4999kW to General Service less than 50kW.  
9    Increased revenues from October to December relating to the interim PILs rate order were not  
10   included in revenues in 2007 as the amounts to be accrued were not known until after year end.  
11   Other Income and Revenue for 2007 was comparable to 2006 as a result of a capital gain on the  
12   sale of stock obtained from the demutualization of Sun Life Insurance.

13   **2008 Bridge Year:**

14   Welland Hydro's operating revenue is forecast to be \$7,750,422 in fiscal 2008, as shown in  
15   Exhibit 3, Tab 1, Schedule 2. Distribution revenue totals \$7,160,966 or 92.4% of total revenues.  
16   Other operating revenues accounts for the remaining \$589,456.

17   ***Comparison to 2007 Actual:***

18   As shown in Exhibit 3, Tab 1, Schedule 2, the total operating revenue is expected to be \$410,210  
19   lower than 2007 actual amounts. However, this amount is revised to an \$188,504 increase when  
20   adjusted for CDM revenues. The increase is due mainly to two reasons. The first is 2008  
21   revenues reflect the increase in rates as approved in the PILs interim rate order. The second is a  
22   change in the number of large users from 2 back to 3. Welland Hydro has two large volume  
23   customers which border the 5000kW demand line between Large User and General Service.  
24   There is currently a substantial difference in the Distribution Revenues between the two classes.  
25   The difference in Distribution Revenues has been partially addressed in this Application through  
26   cost allocation and rate design. However, Welland Hydro remains concerned about the potential

1 loss of one or more of its Large Use customers in the future and the resulting effects on total  
2 distribution revenues. Actual revenues in 2007 (8 months) and 2008 (4 months) were negatively  
3 impacted by the reclassification of a Large Use account. There is also significant increased  
4 exposure to pass through cost of power and retail transmission charges associated with large  
5 volume customers.

6 During 2008, forecasted Other Income and Revenues decrease by \$266,995 compared to 2007.  
7 This is the result of reduced capital gains revenue (\$109,985) and reduced interest income  
8 resulting from reduced interest rates and lower cash balances. The forecasted Other Income and  
9 Revenue for 2008 falls \$102,084 below levels approved in the 2006 EDR. This will impact rates  
10 in 2009.

11 **2009 Test Year:**

12 Welland Hydro's operating revenue is forecast to be \$7,749,442 in fiscal 2009, as shown in  
13 Exhibit 3, Tab 1, Schedule 2. Distribution revenue totals \$7,203,086 or 92.9% of total revenues.  
14 Other operating revenues account for the remaining \$546,356.

15 ***Comparison to 2008 Bridge Year:***

16 As shown in Exhibit 3, Tab 1, Schedule 2, the total operating revenue is expected to be \$980  
17 below the Bridge Year level in fiscal 2008. Increases in residential customer accounts and usage  
18 are more than offset by reductions in Interest Income as cash balances decrease due to capital  
19 spending above depreciation levels and the forecasted operating loss in 2009.



1 **WEATHER NORMALIZED FORECASTING METHODOLOGY:**

2 This exhibit discusses the methodology used to determine Welland Hydro's customer and load  
3 forecasts. Welland Hydro has provided projections for the number of customers in each  
4 customer class for both the 2008 Bridge Year and the 2009 Test Year. Historical data for the  
5 annual number of customers in each rate class is presented for 2002 through to 2007 in Exhibit 3,  
6 Tab 2, Schedule 2.

7 Welland Hydro contracted with Hydro One to prepare weather normalized data as part of its Cost  
8 Allocation filing in 2007. The Hydro One model takes into consideration thirty years of weather  
9 related data and translates this into current year normalized data as an annual consumption per  
10 customer. The Hydro One model normalized Welland Hydro's actual wholesale data for 2004.  
11 By using the latest Hydro One forecast that is specific to Welland Hydro, the 2004 weather  
12 normalized data has been used to forecast the required information for the 2008 Bridge Year and  
13 2009 Test Year for the Residential Class. The process to obtain the weather normal data was an  
14 intensive effort for all parties involved, and Welland Hydro is making use of this opportunity to  
15 leverage the value of that work by using it for this Application. Welland Hydro submits that  
16 three additional years of actual data, being 2005, 2006, and 2007 would not have a significant  
17 impact on the existing normalized data from 2004, as the Hydro One forecast takes into  
18 consideration 31 years of historical data for Welland Hydro.

19 As a result of significant customer reclassifications in 2007 (Large Use/GS 50 to  
20 4999kW/GS<50kW) the use of weather normalized data to project load forecasts has been  
21 restricted to the Residential Class. Volume forecasts for GS<50kW, GS 50 to 4,999kW, and  
22 Large Use have been based on 2007 levels revised for customer reclassifications. The 2007  
23 actual volumes have been adjusted as if the changes in customer classes which actually took  
24 place May 1, 2007 had taken place January 1, 2007. They have also been adjusted to reflect a  
25 major change in a customer classification which took place on May 1, 2008 in which a GS 50 to  
26 4,999kW customer is moving back to Large Use.

1 A summary of the changes is as follows:

<u>Customer Class</u>	<u># Customers 2007</u>	<u>Class Change 2007</u>	<u>Additions/ (Reductions)</u>	<u>Class Change 2008</u>	<u># Customers 2008</u>
GS<50	1668	30	-3	0	1695
GS>50	209	-29	0	-1	179
Large Use	3	-1	0	1	3

**Resulting Volume Adjustments**

<u>Class/Change</u>	<u>Year</u>	<u>Customers</u>	<u>kW</u>	<u>kWh</u>
GS<50 kW to GS>50 kW	2007	-6	-2,289	-751,648
GS<50 kW from GS>50 kW	2007	36	6,362	2,131,231
<b>Total GS&lt;50</b>		<b>30</b>	<b>4,073</b>	<b>1,379,583</b>
GS>50 kW from GS<50kW	2007	6	2,289	751,648
GS>50 kW to GS<50kW	2007	-36	-6,362	-2,131,231
GS>50 kW from Large Use	2007	1	18,092	6,048,753
GS>50 kW to Large Use	2008	-1	-62,054	-31,530,754
<b>Total GS 50 to 4,999 kW</b>		<b>-30</b>	<b>-48,035</b>	<b>-26,861,584</b>
Large Use to GS>50 kW	2007	-1	-18,092	-6,048,753
Large Use from GS>50 kW	2008	1	62,054	31,530,754
<b>Total Large Use</b>		<b>0</b>	<b>43,962</b>	<b>25,482,001</b>
<b>Grand Total All Three Classes</b>		<b>0</b>	<b>0</b>	<b>0</b>

2  
 3 Given the magnitude of changes the use of weather normalized data for these classes could  
 4 provide inaccurate results. This is further complicated by the fact that although the number of  
 5 Large Use customers in 2006 (3) remained at the same level as the previous year there was a  
 6 switch of customers between classes effective May 1, 2006. The two customers involved have  
 7 significantly different load profiles. As a result, Welland Hydro feels the best method to forecast  
 8 volume for the 2008 Bridge and 2009 Test Year for these three classes is to use 2007 volumes  
 9 adjusted for changes in customer classifications.

10 Unmetered Scattered Load, Sentinel Lights, and Street Lights are not subject to weather  
 11 normalization. Volume levels for these customer classifications are based on past average  
 12 consumption multiplied by the forecasted number of customers.

1 Given the slow growth and consistent trend in customer numbers in Welland Hydro's service  
2 territory over the past five years, Welland Hydro expects that the resulting customer load  
3 forecasts are likely not materially different than what would result from using more sophisticated  
4 techniques. Historical and forecast volumes, by class, are displayed in Exhibit 3, Tab 2,  
5 Schedule 2.

6 As required by the OEB's Filing Requirements, Welland Hydro is providing normalized  
7 historical and forecast (Bridge Year and Test Year) throughput data. Weather normalization  
8 (where required) is based on normalized average use per customer ("NAC") calculated from the  
9 weather-normalized throughput of the utility from 2004.

10 Welland Hydro is aware that intervenors in Hydro One's 2008 and 2009 Transmission Revenue  
11 Requirement proceeding (OEB File No. EB-2006-0501) raised concerns regarding the accuracy  
12 of Hydro One's weather normalization methodology. However, the OEB acknowledged (at p.87  
13 of its August 16, 2008 Decision with Reasons) "that Hydro One's weather-normalization method  
14 has been applied consistently over the years and is similar to the methods used by most North  
15 American utilities. The Board accepts Hydro One's weather-normal peak load forecast for 2008  
16 and 2009 (before the effects of CDM)."

17 After identifying certain concerns with respect to global climate change and an apparent increase  
18 in "extreme weather events" in recent years, and with respect to the need for an explanation of  
19 inconsistencies between Hydro One's forecasts and those of the IESO, the OEB held (at p.88 of  
20 the Decision with Reasons):

21 "Given the concerns set out in the two preceding paragraphs, the Board directs Hydro One to  
22 prepare, and to submit to the Board prior to the Company's next transmission rates case, a study  
23 of evolving weather-normalization practices of utilities and other relevant entities. The study  
24 should include a recommendation, with supporting rationale, for either retaining the current  
25 methodology or making modifications. As noted by Hydro One's counsel in final argument, the  
26 Board's current three-year business plan includes an initiative to review weather normalization  
27 methodologies. That project, which has not yet been fully defined, is intended to deal  
28 specifically with the practices of gas distributors. As such, it is not a substitute for the study that  
29 the Board is directing Hydro One to undertake.

1 The Board also directs Hydro One to submit a detailed comparison of its forecasting  
2 methodology and assumptions with those used by the IESO in its monthly peak load forecasts  
3 before its next rates case. That report should, to the extent possible, identify the reasons for  
4 significant differences in the two forecasts in recent years.”

5 Welland Hydro submits that pending the outcome of any such studies and any changes to the  
6 Hydro One methodology that may flow from it, Welland Hydro has acted prudently in engaging  
7 Hydro One to prepare Welland Hydro’s weather normalized data for the cost allocation  
8 information filing using the current Hydro One methodology and in turn has used the weather  
9 normalized data from the cost allocation filing for this application.

1 **ECONOMIC AND FORECAST ASSUMPTIONS:**

2 **Customer/Connection Forecast:**

3 Table 2 below presents historical and forecast customer/connection numbers, by class, for  
 4 Welland Hydro. Annual percentage change is presented for all customer classifications.

5 **TABLE 2**  
 6 **CUSTOMER/CONNECTION BY CLASS**

	2002	2003	2004	2005	2006	2007	2008	2009
Residential	18768	19007	19142	19290	19399	19512	19664	19818
<i>Per cent chg</i>		1.3%	0.7%	0.8%	0.6%	0.6%	0.8%	0.8%
GS<50 kW	1747	1672	1650	1667	1668	1695	1695	1695
<i>Per cent chg</i>		(4.3%)	(1.3%)	1.0%	0.0%	1.6%	0.0%	0.0%
GS 50 to 4999kW	230	236	208	209	209	180	179	179
<i>Percent chg</i>		2.6%	(11.9%)	0.5%	0.0%	(13.9%)	(0.6%)	0.0%
Large Use	2	3	3	3	3	2	3	3
<i>Percent chg</i>		50.0%	0.0%	0.0%	0.0%	(33.3%)	50.0%	0.0%
USL	238	237	243	234	224	216	212	208
<i>Percent chg</i>		(0.4%)	2.5%	(3.7%)	(4.3%)	(3.6%)	(1.9%)	(1.9%)
Sentinel Lighting	785	784	728	773	747	739	730	721
<i>Percent chg</i>		(0.1%)	(7.1%)	6.2%	(3.4%)	(1.1%)	(1.2%)	(1.2%)
Street Lighting	6493	6537	6495	6572	6581	6624	6651	6677
<i>Percent chg</i>		0.7%	(0.6%)	1.2%	0.1%	0.7%	0.4%	0.4%
Total Cust/Conn	28263	28476	28469	28748	28831	28968	29134	29301
<i>Percent chg</i>		0.8%	(0.0%)	1.0%	0.3%	0.5%	0.6%	0.6%

7 For the Residential, Unmetered Scattered Load (“USL”), Sentinel Lighting, and Street Lighting  
 8 customer classes, the 2008 and 2009 customer/connection numbers are forecast based on the  
 9 average growth rate for the period from 2003 to 2007.

10 No change has been made to the number of customers in GS<50kW, GS 50 to 4999kW, and  
 11 Large Use classes for 2008 and 2009 with the exception of one account which is moving from  
 12 GS 50 to 4999kW to Large Use effective May 1, 2008. In 2007 there was significant movement  
 13 from the GS 50 to 4999kW classification to the GS<50 classification. However, the total  
 14 number of customers across these three classifications has actually decreased since 2002. They

1 totaled 1,979 customers in 2002 and have steadily decreased to the current level of 1,877 in  
2 2007. Welland Hydro feels it is appropriate to leave customer levels in these classes at current  
3 levels and to exclude any growth or reductions. Volumes in each class in 2008 and 2009 will be  
4 adjusted to reflect full year changes in customer classifications.

5 Customer numbers for Sentinel Lighting, and USL classes have had a steady decrease since 2002  
6 and this trend is expected to continue in 2008 and 2009.

7 **Load Forecast:**

8 Weather sensitive Residential load is calculated by using retail normalized average use per  
9 customer ("retail NAC"). This is calculated by dividing the class weather normal retail kWh for  
10 2004 by the number of customers in class in 2004. Class weather normal retail kWh for 2004 is  
11 determined by dividing the class weather normal wholesale kWh for 2004 reported in the Hydro  
12 One weather normalization analysis by the class loss factor. The class loss factor is calculated for  
13 2004 by dividing the class weather actual wholesale consumption for 2004 (Hydro One file) by  
14 the class weather actual retail consumption (utility data). Weather sensitive class weather actual  
15 wholesale and retail kWh and associated loss factors are reported below.

16  
17

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

<b>Class</b>	<b>Weather Actual Wholesale kWh</b>	<b>Weather Actual Retail kWh</b>	<b>Loss Factor</b>
Residential	164,356,707	158,515,644	1.037

18 Weather sensitive class wholesale weather normal kWh, number of customers, and retail NAC  
19 for 2004 are reported below.

20

1  
2

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

<b>Class</b>	<b>Weather Normal Wholesale kWh (2004) (A)</b>	<b>Customer Connections (2004) (B)</b>	<b>Retail NAC (C)=(A)/(Loss Factor)/(B)</b>
Residential	167,248,797	19,142	8,427

3 Annual kWh for Residential weather sensitive load for the Bridge and Test Years are calculated  
 4 by multiplying retail NAC by forecast number of customers. The result is a 1.4% increase in the  
 5 annual usage per Residential customer. Given the current culture of conservation this may be an  
 6 overly optimistic increase. However, to be conservative in its approach to 2009 rates, Welland  
 7 Hydro will not adjust the weather normalized figure for total Residential load forecasting.

8 As previously stated, the number of customers across the GS<50kW, GS 50 to 4,999kW, and  
 9 Large Use classifications has decreased steadily since 2002. In addition, there were significant  
 10 changes to customer classifications as a result of decreased demand of over 40 customers which  
 11 represents over 20% of the customer base. Welland Hydro is of the opinion that the best way to  
 12 forecast load for these classifications is to leave the number of customers at 2007 levels and to  
 13 adjust 2007 actual volumes for the full year impact of the changes in customer classifications. In  
 14 other words, adjust volume levels by classifications as if the changes to classifications made May  
 15 1, 2007 and May 1, 2008 had taken place January 1, 2007. The volume levels would then be  
 16 used for 2008 and 2009 with no expected increase in load. This results in increases to GS<50kW  
 17 and Large Use with a corresponding decrease in GS 50 to 4,999kW.

18 Consumption for USL, Sentinel Lighting, and Street Lighting are not weather sensitive. For  
 19 these classes an average usage for each customer classification from 2002 to 2007 is determined.  
 20 Annual class kWh for the 2008 Bridge Year and 2009 Test Year is forecasted by multiplying the  
 21 average usage per customer by the forecast number of connections in each class.

1 Class kW for Sentinel Lighting and Street Lighting for the Bridge and Test years are calculated  
2 by applying the average relationship of kW to kWh from 2002 to 2007 to the forecasted  
3 consumption for the Bridge and Test years.

4 Table 3 below summarizes the results of Welland Hydro's Customer and Load Forecasts.

5



1

**TABLE 3**

2

**SUMMARY OF WELLAND HYDRO  
 CUSTOMER AND LOAD FORECAST**

3

		Historical Board Approved	Historical Actual	Historical Actual Normalized	Historical Actual	Historical Actual Normalized	Bridge Year - Estimated	Bridge Year Forecast Normalized	Test Year Normalized Forecast
Year		2004	2006	2006	2007	2007	2008	2008	2009
Residential	#	19,142	19,399	19,399	19,512	19,512	19,664	19,664	19,818
	kWh	158,515,644	160,436,606	163,470,628	162,194,309	164,422,852	163,460,330	165,706,267	166,999,701
GS < 50 kW	#	1,650	1,668	1,668	1,695	1,695	1,695	1,695	1,695
	kWh	49,218,700	50,499,927	50,499,927	53,259,754	53,259,754	54,639,337	54,639,337	54,639,337
GS > 50 kW	#	208	209	209	180	180	179	179	179
	kWh	146,428,658	149,058,851	149,058,851	162,260,470	162,260,470	135,398,886	135,398,886	135,398,886
	kW	419,308	411,399	411,399	441,430	441,430	393,395	393,395	393,395
Large Use	#	3	3	3	2	2	3	3	3
	kWh	122,885,824	106,279,181	106,279,181	85,814,110	85,814,110	111,296,111	111,296,111	111,296,111
	kW	286,901	289,619	289,619	256,593	256,593	300,555	300,555	300,555
USL	#	243	224	224	216	216	212	212	208
	kWh	1,196,517	1,220,558	1,220,558	1,170,025	1,170,025	1,147,547	1,093,788	1,072,774
Sentinel	#	728	747	747	739	739	730	730	721
Lights	kWh	1,020,158	1,026,925	1,026,925	1,110,764	1,110,764	1,097,430	1,111,656	1,098,311
	kW	2,697	2,742	2,742	2,711	2,711	2,589	2,623	2,592
Street	#	6,495	6,581	6,581	6,624	6,624	6,651	6,651	6,677
Lights	kWh	4,669,826	4,685,215	4,685,215	4,688,349	4,688,349	4,707,116	4,703,951	4,722,781
	kW	12,988	13,084	13,084	13,086	13,086	13,218	13,209	13,262
Total	# kWh	483,935,327	473,207,263	476,241,285	470,497,781	472,726,324	471,746,757	473,949,996	475,227,901

4

1 **VOLUME FORECAST TABLE:**

2 The following Table 4 sets out Welland Hydro's volume forecasts for 2006 Board Approved, 2006 Actual, 2007 Actual, the 2008 Bridge Year  
 3 and the 2009 Test Year, together with corresponding variances.

4 Table 4 – Volume Forecast Table

	2006 Board Approved	2006 Board Approved	2006 Actual	2006 Actual	Variance from 2006 Board Approved	2007 Actual	2007 Actual	Variance from 2006 Actual	2008 Bridge	2008 Bridge	Variance from 2007 Actual	2009 Test	2009 Test	Variance from 2008 Actual
	(kWh)	(kW)	(kWh)	(kW)		(kWh)	(kW)		(kWh)	(kW)		(kWh)	(kW)	
<b>Rate Classes</b>														
Residential	158,515,644		160,436,606		1,920,962	162,194,309		1,758,303	165,706,267		3,511,958	166,999,701		1,293,434
GS<50	49,218,700		50,499,927		1,281,227	53,259,754		2,759,827	54,639,337		1,379,583	54,639,337		0
GS>50-Regular		419,308		411,399	(7,909)		441,430	30,031		393,395	(48,035)		393,395	0
Large Use		286,901		289,619	2,718		256,593	(33,026)		300,555	43,962		300,555	0
Street Light		12,988		13,084	96		13,086	2		13,209	123		13,262	53
Sentinel		2,697		2,742	45		2,711	(31)		2,623	(88)		2,592	(31)
Unmetered Scattered Load	1,196,517		1,220,558		24,041	1,170,025		(50,533)	1,093,788		(76,237)	1,072,774		(21,014)

1 **VARIANCE ANALYSIS ON VOLUME FORECAST:**

2 **2006 Board Approved vs. 2006 Actual**

3 The most recent Historical Board Approved values (2006 Board Approved) are from 2004. The  
4 percentage variations between the 2006 Board Approved and 2006 Actual volumes by class are  
5 presented in the following table.

Residential-kWh	1.2%
GS < 50 kW-kWh	2.6%
GS > 50 kW-kW	(1.9%)
Large Use-kW	0.9%
Street Light-kW	0.7%
Sentinel Light-kW	1.7%
USL-kWh	2.0%

6 The growth over this period appears normal for Residential and Street Lights. There continue to  
7 be variations between the GS<50kW and the GS 50 to 4,999 kW as customers change  
8 classifications. The growth in the Large Use classification is related to two customers switching  
9 classifications on May 1, 2006. Although the number of Large Use customers remained at three,  
10 one customer from Large Use moved down to GS 50 to 4,999 kW and one customer from GS 50  
11 to 4,999 kW moved up to Large Use. The two customers have significantly different load  
12 profiles. Increases in Sentinel Light and USL are followed by decreases in the following year.

13 **2006 Actual vs. 2007 Actual**

14 The percentage variations between the 2007 and 2006 actual volumes by class are presented in  
15 the following table.

Residential-kWh	1.1%
GS < 50 kW-kWh	5.5%
GS > 50 kW-kW	7.3%
Large Use – kW	(11.4%)
Street Light-kW	0.0%
Sentinel Light-kW	(1.1%)
USL-kWh	(4.1%)

1 The growth over this period appears normal for Residential. Significant variations continue  
2 between GS<50kW and the GS 50 to 4,999kW classifications and now include a variation  
3 between Large Use and GS 50 to 4,999kW. A customer previously increased from GS 50 to  
4 4,999 kW to Large Use effective May 1, 2006 moved back to its original classification effective  
5 May 1, 2007. In addition, 6 customers switched classifications from GS<50kW up to GS 50 to  
6 4,999kW and 36 customers moved from GS 50 to 4,999kW to GS<50kW. Decreases in Sentinel  
7 Lights and USL reflect the trend of reductions in numbers of customers over the past few years.

8 **2007 Actual vs. 2008 Bridge Year – Normalized**

9 The percentage variations between the 2008 normalized and 2007 actual volumes by class are  
10 presented in the following table.

Residential-kWh	2.2%
GS < 50 kW-kWh	2.6%
GS > 50 kW-kW	(10.9%)
Large Use-kW	17.1%
Street Light-kW	0.9%
Sentinel Light-kW	(3.2%)
USL-kWh	(6.5%)

11 The growth over this period appears high for Residential compared to the actual growth over the  
12 previous two years due to weather normalization. Growth for Street Lights appears to be normal.  
13 Significant offsetting changes in the other three classes are the result of annualising volumes  
14 resulting from customer classification changes effective May 1, 2007. One additional customer  
15 class change has been included in the 2008 Bridge Year volumes. A customer who had moved  
16 from Large Use to GS 50 to 4,999 kW effective May 1, 2006 returned to Large Use effective  
17 May 1, 2008. It is difficult to forecast which customer classification two of Welland Hydro's  
18 customers will be in as they border 5000 kW demand. They are both industrial companies  
19 involved in the volatile North American automotive parts market. Reductions in Sentinel Lights  
20 and USL reflect decreases in the number of customers.

21

1 **2008 Bridge Year – Normalized vs. 2009 Test Year**

2 The percentage variations between the 2008 normalized and 2009 forecast volumes by class are  
3 presented in the following table.

Residential-kWh	0.8%
GS < 50 kW-kWh	0.0%
GS > 50 kW-kW	0.0%
Large Use-kW	0.0%
Street Light-kW	0.4%
Sentinel Light-kW	(1.2%)
USL-kWh	(1.9%)

4 The growth over this period appears normal for Residential and Street Light classifications. No  
5 growth was forecast for GS<50kW, GS 50 to 4,999 kW, and Large Use due to the significant  
6 changes in classifications over the past two years. The number of combined customers for these  
7 three categories has actually decreased from 1,979 in 2002 to 1,877 at the end of 2007. Negative  
8 growth in Sentinel Lights and USL reflects the downward trend in the number of customers  
9 within these customer classifications.

1 **CUSTOMER COUNT FORECAST TABLE:**

2 The following Table 5 sets out Welland Hydro's customer counts for 2006 Board Approved,  
 3 2006 Actual, 2007 Actual, the 2008 Bridge Year and the 2009 Test Year, together with  
 4 corresponding variances.

5 **Table 5 – Customer Forecast Table**

	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>	<b>2007 Actual</b>	<b>Variance from 2006 Actual</b>	<b>2008 Bridge</b>	<b>Variance from 2007 Actual</b>	<b>2009 Test</b>	<b>Variance from 2009 Actual</b>
Residential	19,142	19,399	257	19,512	113	19,664	152	19,818	154
GS<50	1,650	1,668	18	1,695	27	1,695	0	1,695	0
GS 50 to 4,999	208	209	1	180	(29)	179	(1)	179	0
Large Use	3	3	0	2	(1)	3	1	3	0
Street Light	6,495	6,581	86	6,624	43	6,651	27	6,677	26
Sentinel	728	747	19	739	(8)	730	(9)	721	(9)
USL	243	224	(19)	216	(8)	212	(4)	208	(4)
<b>Total</b>	<b>28,469</b>	<b>28,831</b>	<b>362</b>	<b>28,968</b>	<b>137</b>	<b>29,134</b>	<b>166</b>	<b>29,301</b>	<b>167</b>

1 **VARIANCE ANALYSIS ON CUSTOMER COUNT FORECAST:**

2 **2006 Historical Board Approved vs. 2006 Actual**

3 The most recent Historical Board Approved values are from 2004. The percentage variations  
4 between the 2004 Board approved and 2006 customer counts by class are presented in the  
5 following table.

Residential	1.3%
GS < 50 kW	1.1%
GS 50 to 4,999 kW	0.5%
Large Use	0.0%
Street Light	1.3%
Sentinel Light	2.6%
USL	(7.8%)

6 The customer growth over this period appears normal for Residential and Street Light  
7 classifications with no change to the number of Large Use customers. Growth in GS<50 kW,  
8 GS 50 to 4,999 kW and Sentinel Lights offset losses in the previous years. Actual numbers in  
9 each of these three categories remain below 2002 levels. The reduction in USL reflects the  
10 downward trend in this classification and is below 2002 levels.

11 **2006 Actual vs. 2007 Actual**

12 The percentage variations between the 2006 Actual and 2007 Actual customer counts by class  
13 are presented in the following table.

Residential	0.6%
GS < 50 kW	1.6%
GS 50 to 4,999 kW	(13.9%)
Large Use	(50.0%)
Street Light	0.7%
Sentinel Light	(1.1%)
USL	(3.6%)

1 The customer growth over this period appears normal for Residential and Street Light  
 2 classifications. Changes to GS<50 kW, GS 50 to 4,999 kW, and Large Use represent changes  
 3 from class to class effective May 1, 2007. Movements within each classification were as  
 4 follows:

5 GS<50kW      1,668 - 6 (to GS>50) + 36 (from GS>50) – 3 (Reduction) = 1,695

6 GS>50kW      209 +6 (from GS<50) +1 (from Large Use) -36 (to GS<50) = 180

7 Large Use      3 -1 (to GS>50) = 2

8 **2007 Actual vs. 2008 Bridge Year**

9 The percentage variations between the 2007 Actual and 2008 Bridge Year forecast customer  
 10 counts by class are presented in the following table.

Residential	0.8%
GS < 50 kW	0.0%
GS 50 to 4,999 kW	(0.6%)
Large Use	50.0%
Street Light	0.4%
Sentinel Light	(1.2%)
USL	(1.9%)

11 The customer growth over this period for Residential, Street Light, Sentinel Light, and USL  
 12 represents the average growth/reduction over the past six years within each classification. No  
 13 growth is forecast for GS<50 kW despite the loss of 3 existing customers within this  
 14 classification in 2007. The reclassification of one account effective May 1, 2008 accounts for  
 15 the changes in the GS 50 to 4,999 kW and Large Use customer classes.

16



1 **2008 Bridge Year vs. 2009 Test Year**

2 The percentage variations between the 2008 and 2009 forecast customer counts by class are  
3 presented in the following table.

Residential	0.8%
GS < 50 kW	0.0%
GS 50 to 4,999 kW	0.0%
Large Use	0.0%
Street Light	0.4%
Sentinel Light	(1.2%)
USL	(1.9%)

4 The customer growth over this period for Residential, Street Light, Sentinel Light, and USL  
5 represent the average growth/reduction over the past six years within each classification. No  
6 growth is forecast for the other three categories for reasons previously outlined.

1 **HISTORICAL AVERAGE CONSUMPTION:**

2 The following Table 6 sets out historical and average consumption for each of Welland Hydro's  
 3 customer classes. The adjustments made to GS<50 kW, GS 50 to 4,999 kW, and Large Use  
 4 represent the changes required to annualize the usage for the changes in customer classifications  
 5 effective May 1, 2007 and May 1, 2008.

6 **Table 6 – Historical Average Consumption**

<b><u>Residential</u></b>				
<u>Year</u>	<u>Kwh</u>	<u># Customers</u>	<u>Average</u>	<u>Actual % Diff</u>
2002-Actual	156,575,026	18,768	8,343	
2003-Actual	156,410,987	19,007	8,229	(1.4%)
2004-Actual	158,515,644	19,142	8,281	0.6%
2005-Actual	170,930,775	19,290	8,861	7.0%
2006-Actual	160,436,606	19,399	8,270	(6.7%)
2007-Actual	162,194,309	19,512	8,313	0.5%
2008-Forecast	163,460,330	19,664	8,313	0.0%
2008-Weather Normalized	165,706,267	19,664	8,426	1.36%
2009-Weather Normalized	166,999,701	19,818	8,426	0.0%

<b><u>Sentinel Lighting</u></b>				
<u>Year</u>	<u>kW</u>	<u># Connections</u>	<u>Average</u>	<u>Actual % Diff</u>
2002-Actual	2,670	785	3.4	
2003-Actual	2,882	784	3.7	8.8%
2004-Actual	2,697	728	3.7	0.0%
2005-Actual	2,703	773	3.5	(5.4%)
2006-Actual	2,742	747	3.7	5.7%
2007-Actual	2,711	739	3.7	0.0%
2008-Forecast	2,623	730	3.6	(2.7%)
2009-Forecast	2,592	721	3.6	0.0%

<b><u>Street Lights</u></b>				
<u>Year</u>	<u>kW</u>	<u># Connections</u>	<u>Average</u>	<u>Actual % Diff</u>
2002-Actual	12,892	6,493	2.0	
2003-Actual	12,976	6,537	2.0	0.0%
2004-Actual	12,988	6,495	2.0	0.0%
2005-Actual	13,039	6,572	2.0	0.0%
2006-Actual	13,084	6,581	2.0	0.0%
2007-Actual	13,086	6,624	2.0	0.0%
2008-Forecast	13,209	6,651	2.0	0.0%
2009-Forecast	13,262	6,677	2.0	0.0%

**Unmetered Scattered Load**

<u>Year</u>	<u>Kwh</u>	<u># Connections</u>	<u>Average</u>	<u>Actual % Diff</u>
2002-Actual	1,182,484	238	4,968	
2003-Actual	1,209,226	237	5,102	2.7%
2004-Actual	1,196,517	243	4,924	(3.6%)
2005-Actual	1,197,576	234	5,118	3.9%
2006-Actual	1,220,558	224	5,449	6.5%
2007-Actual	1,170,025	216	5,417	(0.6%)
2008-Forecast	1,093,788	212	5,158	(4.8%)
2009-Forecast	1,072,774	208	5,158	0.0%

**GS<50**

<u>Year</u>	<u>Kwh</u>	<u># Customers</u>	<u>Average</u>	<u>Actual % Diff</u>
2002-Actual	45,520,745	1,747	26,057	
2003-Actual	46,736,801	1,672	27,953	7.3%
2004-Actual	49,218,700	1,650	29,830	4.0%
2005-Actual	51,271,439	1,667	30,757	3.1%
2006-Actual	50,499,927	1,668	30,276	(1.6%)
2007-Actual	53,259,754	1,695	31,422	3.8%
2007Annual Class Change Adj.	1,379,583			
2008-Forecast	54,639,337	1,695	32,236	2.6%
2009-Forecast	54,639,337	1,695	32,236	0.0%

**GS>50-Regular**

<u>Year</u>	<u>kW</u>	<u>Kwh</u>	<u># Customers</u>	<u>Average</u>	<u>% Diff</u>
2002-Actual	553,897	212,376,737	230	2,408	
2003-Actual	449,149	148,237,495	236	1,903	(21.0%)
2004-Actual	419,308	146,428,658	208	2,016	5.9%
2005-Actual	417,939	144,674,425	209	2,000	(0.8%)
2006-Actual	411,399	149,058,851	209	1,968	(1.6%)
2007-Actual	441,430	162,260,470	180	2,452	24.6%
2007Annual Class Change Adj.	(4,073)	(1,379,583)			
2007Annual Class Change Adj.	18,092	6,048,753			
2008 Annual Class Change Adj.	(62,054)	(31,530,754)			
2008-Forecast	393,395	135,398,886	179	2,198	10.4%
2009-Forecast	393,395	135,398,886	179	2,198	0.0%

**Large Use**

<u>Year</u>	<u>kW</u>	<u>Kwh</u>	<u># Customers</u>	<u>Average</u>	<u>% Diff</u>
2002-Actual	179,501	66,272,895	2	89,751	
2003-Actual	283,328	113,948,260	3	94,443	5.2%
2004-Actual	286,901	122,885,824	3	95,634	1.3%
2005-Actual	296,105	125,172,141	3	98,702	3.2%
2006-Actual	289,619	106,279,181	3	96,540	(2.2%)
2007-Actual	256,593	85,814,110	2	128,297	32.9%
2007Annual Class Change Adj.	(18,092)	(6,048,753)			

2008 Annual Class Change Adj.	62,054	31,530,754			
2008-Forecast	300,555	111,296,111	3	100,185	(21.9%)
2009-Forecast	300,555	111,296,111	3	100,185	0.0%

1 **DISTRIBUTION REVENUE DATA BY CLASS:**

2 **Table 7 – Distribution Revenue By Class**

**DISTRIBUTION REVENUE DATA-  
 MONTHLY & VOLUMETRIC ONLY  
 TRANSFORMER ALLOWANCE APPLIED**

**2006 Board Approved**

	<b>Customers (Year-End)</b>	<b>Consumption (kWh / KW)</b>	<b>Distribution Revenues (\$)</b>	<b>Unit Revenues \$/kWh/KW</b>
<b>Residential</b>	19,142	158,515,644	4,918,087	0.0310
<b>GS&lt;50</b>	1,650	49,218,700	679,723	0.0138
<b>GS&gt;50-Regular</b>	208	419,308	683,018	1.6289
<b>Large Use</b>	3	286,901	409,301	1.4266
<b>Street Light</b>	6,495	12,988	24,157	1.8600
<b>Sentinel</b>	728	2,697	4,950	1.8354
<b>Unmetered Scattered Load</b>	243	1,196,517	36,972	0.0309
<b>TOTAL</b>	<b>28,469</b>		<b>6,756,208</b>	

**2006 Actual**

	<b>Customers (Year-End)</b>	<b>Consumption (kWh / KW)</b>	<b>Distribution Revenues (\$)</b>	<b>Unit Revenues \$/kWh/KW</b>
<b>Residential</b>	19,399	160,436,606	4,635,666	0.0290
<b>GS&lt;50</b>	1,668	50,499,927	693,971	0.0137
<b>GS&gt;50-Regular</b>	209	411,399	612,967	1.4900
<b>Large Use</b>	3	289,619	358,562	1.2380
<b>Street Light</b>	6,581	13,084	21,976	1.6796
<b>Sentinel</b>	747	2,742	4,954	1.8067
<b>Unmetered Scattered Load</b>	224	1,220,558	0*	0
<b>TOTAL</b>	<b>28,831</b>		<b>6,328,096</b>	

\*Included in GS<50

**DISTRIBUTION REVENUE DATA-  
 MONTHLY & VOLUMETRIC ONLY  
 TRANSFORMER ALLOWANCE APPLIED**

**2007 Actual**

	<b>Customers (Year-End)</b>	<b>Consumption (kWh / KW)</b>	<b>Distribution Revenues (\$)</b>	<b>Unit Revenues \$/kWh/KW</b>
<b>Residential</b>	19,512	162,194,309	4,890,883	0.0302
<b>GS&lt;50</b>	1,695	53,259,754	702,200	0.0132
<b>GS&gt;50-Regular</b>	180	441,430	639,438	1.4486
<b>Large Use</b>	2	256,593	302,218	1.1778
<b>Street Light</b>	6,624	13,086	22,937	1.7528
<b>Sentinel</b>	739	2,711	4,899	1.8071
<b>Unmetered Scattered Load</b>	216	1,170,025	20,476*	0.0175
<b>TOTAL</b>	<b>28,968</b>		<b>6,583,051</b>	

\*Partially included in GS<50

**2008 Bridge -Normalized**

	<b>Customers (Year-End)</b>	<b>Consumption (kWh / KW)</b>	<b>Distribution Revenues (\$)</b>	<b>Unit Revenues \$/kWh/KW</b>
<b>Residential</b>	19,664	165,706,267	5,191,904	0.0313
<b>GS&lt;50</b>	1,695	54,639,337	755,188	0.0138
<b>GS&gt;50-Regular</b>	179	393,395	623,726	1.5855
<b>Large Use</b>	3	300,555	418,821	1.3935
<b>Street Light</b>	6,651	13,209	24,521	1.8564
<b>Sentinel</b>	730	2,623	5,313	2.0255
<b>Unmetered Scattered Load</b>	212	1,093,788	32,030	0.0293
<b>TOTAL</b>	<b>29,134</b>		<b>7,051,503</b>	

**DISTRIBUTION REVENUE DATA-  
 MONTHLY & VOLUMETRIC ONLY  
 TRANSFORMER ALLOWANCE APPLIED**

**2009 Test**

	<b>Customers (Year-End)</b>	<b>Consumption (kWh / KW)</b>	<b>Distribution Revenues (\$)</b>	<b>Unit Revenues \$/kWh/KW</b>
<b>Residential</b>	19,818	166,999,701	5,234,067	0.0313
<b>GS&lt;50</b>	1,695	54,639,337	755,188	0.0138
<b>GS&gt;50-Regular</b>	179	393,395	623,726	1.5855
<b>Large Use</b>	3	300,555	418,821	1.3935
<b>Street Light</b>	6,677	13,262	24,618	1.8563
<b>Sentinel</b>	721	2,592	5,248	2.0247
<b>Unmetered Scattered Load</b>	208	1,072,774	31,424	0.0293
<b>TOTAL</b>	<b>29,301</b>		<b>7,093,092</b>	

**WELLAND HYDRO ELECTRIC SYSTEM CORP  
 SUMMARY OF OTHER OPERATING REVENUE  
 TABLE 8**

	2006 Board Approved (\$)	2006 Full Yr Actual (\$)	Variance from 2006 Board Approved	2007 Full Yr Actual (\$)	Variance from 2006 Actual	2008 Bridge Yr Current Rates (\$)	Variance from 2007 Actual	2009 Bridge Yr Current Rates (\$)	Variance from 2008 Actual
<b>Other Operating Revenue</b>									
Rent from Electric Property	81,801	139,809	58,008	131,677	-8,132	149,031	17,354	149,031	0
Late Payment Charges	71,300	59,638	-11,662	68,984	9,346	66,000	-2,984	66,000	0
Misc-Account Status Fee	3,875	3,631	-244	3,811	180	3,960	149	3,960	0
Misc Service-NSF Charges	5,950	6,228	278	6,192	-36	6,480	288	6,480	0
Misc Service-Occupancy Related	93,260	58,084	-35,176	85,179	27,095	83,880	-1,299	83,880	0
Misc Service-Disconnect/Reconnect	23,648	13,424	-10,224	33,845	20,421	31,135	-2,710	31,135	0
Misc Service-Mark Up on Work Orders	38,545	55,795	17,250	31,189	-24,606	24,000	-7,189	24,000	0
<b>Total Other Operating Revenue</b>	<b>318,379</b>	<b>336,609</b>	<b>18,230</b>	<b>360,877</b>	<b>24,268</b>	<b>364,486</b>	<b>3,609</b>	<b>364,486</b>	<b>0</b>
<b>Other Income &amp; Deductions</b>									
Gain on Disposition of Utility and Other Property	0	10,991	10,991	2,278	-8,713	0	-2,278	0	0
Capital Gains	0	59,968	59,968	109,985	50,017	0	-109,985	0	0
Scrap Metal Sales	5,387	20,669	15,282	27,919	7,250	12,000	-15,919	12,000	0
Miscellaneous Non Operating	4,740	3,674	-1,066	11,119	7,445	7,020	-4,099	7,020	0
<b>Total Other Income &amp; Deductions</b>	<b>10,127</b>	<b>95,302</b>	<b>85,175</b>	<b>151,301</b>	<b>55,999</b>	<b>19,020</b>	<b>-132,281</b>	<b>19,020</b>	<b>0</b>
<b>Investment Income</b>									
Interest Income	363,034	400,834	37,800	342,528	-58,306	212,058	-130,470	175,990	-36,068
Dividend Income	0	3,111	3,111	1,745	-1,366	0	-1,745	0	0
Interest Variance Accounts	0	0	0	0	0	-6,108	-6,108	-13,140	-7,032
<b>Total Other Income &amp; Deductions</b>	<b>363,034</b>	<b>403,945</b>	<b>40,911</b>	<b>344,273</b>	<b>-59,672</b>	<b>205,950</b>	<b>-138,323</b>	<b>162,850</b>	<b>-43,100</b>
<b>Total Other Income &amp; Revenue</b>	<b>691,540</b>	<b>835,856</b>	<b>144,316</b>	<b>856,451</b>	<b>20,595</b>	<b>589,456</b>	<b>-266,995</b>	<b>546,356</b>	<b>-43,100</b>

1

2



1 **MATERIALITY ANALYSIS ON OTHER DISTRIBUTION REVENUE:**

2 **Preamble:**

3 The Materiality threshold used to analyze Other Distribution Revenue was the threshold used for  
 4 OM&A costs, being 1 per cent of total distribution expenses before PILs as set out below. The  
 5 OM&A cost threshold was used because other distribution revenues, like OM&A costs, are  
 6 recorded in Income Statement accounts.

7

	<b>2006 ACTUAL</b>	<b>2007 ACTUAL</b>	<b>2008 BRIDGE</b>	<b>2009 TEST</b>
Distribution Expenses other than PILS & Interest	\$5,063,248	\$6,144,644	\$6,445,019	\$6,835,763
Materiality Threshold	\$50,632	\$61,446	\$64,450	\$68,358

8 To allow for the most detailed review of materiality on Other Distribution Revenue, Welland  
 9 Hydro has selected the lowest materiality threshold of \$50,632. Welland Hydro has provided  
 10 explanations for the following variances, which exceed the materiality threshold.

11

12

**2006 ACTUAL TO 2006 BOARD APPROVED**

<b>Account</b>	<b>2006 Actual</b>	<b>2006 Board</b>	<b>Variance</b>
4210 Rent from Electric Property	\$139,809	\$81,801	\$58,008

13 **Explanation:**

14 The increase in Rent Revenue is made up of three separate items. The first is growth in Pole  
 15 Rental income (\$29K) as two additional companies were charged for the use of Welland Hydro  
 16 owned poles. The second is a correction in accounting policy (\$16K). In previous years,  
 17 Welland Hydro had netted the billings/charges from joint use poles with Bell Canada. This was  
 18 corrected in 2006 to recognize the income and expense separately. The third was renting a

1 portion of the service centre to the City of Welland Fire Department. This accounted for \$13K  
 2 of the increased revenue in 2006 and \$18K annually. As a result, Rent from Electric Property  
 3 increases to \$149,031 for the 2008 Test Year. A summary of the variance is as follows:

4

	<u>2006 Actual</u>	<u>2006 Board Approved</u>	<u>Variance</u>
6 Bell Pole Rental	\$ 16,290	\$0	\$16,290
7 Pole Rentals	\$110,896	\$81,801	\$29,095
8 Rental of Facility	<u>\$ 12,623</u>	<u>\$0</u>	<u>\$12,623</u>
9 Totals	<u>\$139,809</u>	<u>\$81,801</u>	<u>\$58,008</u>

10

11

12

**2006 ACTUAL TO 2006 BOARD APPROVED**

Account	2006 Actual	2006 Board	Variance
Other Income 4390/4355	\$95,302	\$10,127	\$85,175

13 **Explanation:**

14 Other income includes Gains on Disposition of Property, Capital Gains, Scarp Metal Sales, and  
 15 Miscellaneous Non Operating revenues. Various assets were sold or scrapped in 2006 with a  
 16 resulting gain of \$10,991. In addition, the price of scrap metal (copper) increased dramatically  
 17 in 2006 resulting in a \$15,282 increase in revenue. A Capital Gain of \$59,968 materialized when  
 18 stocks issued in settlement of a previous bad debt were sold at a profit. A summary of the  
 19 variance is as follows:

20

	<u>2006 Actual</u>	<u>2006 Board Approved</u>	<u>Variance</u>
22 Misc. Revenue	\$ 3,674	\$5,387	(\$1,713)
23 Scrap Metal Sales	\$20,669	\$4,740	\$15,929
24 Gain Asset Sales	\$10,991	\$0	\$10,991
25 Capital Gains	<u>\$59,968</u>	<u>\$0</u>	<u>\$59,968</u>
26 Totals	<u>\$95,302</u>	<u>\$10,127</u>	<u>\$85,175</u>

27

1

**2007 ACTUAL TO 2006 ACTUAL**

<b>Account</b>	<b>2007 Actual</b>	<b>2006 Actual</b>	<b>Variance</b>
Other Income 4390/4355	\$151,301	\$95,302	\$55,999

2 **Explanation:**

3 A \$109,985 capital gain was recognized when shares previously obtained from the  
 4 demutualization of an insurance company were disposed of in 2007. A summary of the variance  
 5 is as follows:

	<u>2007 Actual</u>	<u>2006 Actual</u>	<u>Variance</u>
6 Misc. Revenue	\$11,119	\$ 3,674	\$ 7,445
7 Scrap Metal Sales	\$27,919	\$20,669	\$ 7,250
8 Gain Asset Sales	\$ 2,278	\$10,991	(\$8,713)
9 Capital Gains	<u>\$109,985</u>	<u>\$59,968</u>	<u>\$50,017</u>
10 Totals	<u>\$151,301</u>	<u>\$95,302</u>	<u>\$55,999</u>

12

13

**2007 ACTUAL TO 2006 ACTUAL**

<b>Account</b>	<b>2007 Actual</b>	<b>2006 Actual</b>	<b>Variance</b>
Investment Income 4405	\$344,273	\$403,945	(\$59,672)

14 **Explanation:**

15 Interest Income decreased in 2007 compared to 2006 as a result of a decrease in the average cash  
 16 reserve balances.

17

1

**2008 BRIDGE YEAR TO 2007 ACTUAL**

Account	2008 Bridge	2007 Actual	Variance
Other Income 4390/4355	\$19,020	\$151,301	(\$132,281)

2 **Explanation:**

3 There are no capital gains forecast for 2008 which accounts for \$109,985 of the total variance.  
 4 The balance is the result of a decrease in scrap metal sales as most obsolete wire in inventory  
 5 was sold in the previous two years. A summary of the variance is as follows:

6

7

8

	<u>2008 Bridge</u>	<u>2007 Actual</u>	<u>Variance</u>
9 Misc. Revenue	\$ 7,020	\$ 11,119	(\$ 4,099)
10 Scrap Metal Sales	\$12,000	\$ 27,919	(\$ 15,919)
11 Gain Asset Sales	\$ 0	\$ 2,278	(\$ 2,278)
12 Capital Gains	\$ 0	\$109,985	(\$109,985)
13 Totals	<u>\$19,020</u>	<u>\$151,301</u>	<u>(\$132,281)</u>

14

15

16

**2008 BRIDGE YEAR TO 2007 ACTUAL**

Account	2008 Bridge	2007 Actual	Variance
Investment Income 4405	\$205,950	\$344,273	(\$138,323)

17 **Explanation:**

18 Interest Income continues to decline as a result of decreased interest rates and reduced cash  
 19 balances from capital spending over depreciation levels and reduced operating incomes in both  
 20 the 2008 and the 2009 fiscal year.

1 **DESCRIPTION OF REVENUE SHARING:**

2 Welland Hydro does not have a revenue sharing practice in place.

Exhibit	Tab	Schedule	Appendix	Contents
<b>4 – Operating Costs</b>				
	1			<b>Overview</b>
		1		Overview of Operating Costs
			A	2007 Federal and Ontario Tax Return
	2			<b>OM&amp;A Costs</b>
		1		Departmental and Corporate OM&A Activities
		2		OM&A Detailed Costs Table
		3		Variance Analysis on OM&A Costs
		4		Charges to Affiliates for Services Provided
		5		Purchase of Services
		6		Employee Compensation, Incentive Plan Expenses, Pension Expense and Post Retirement Benefits
		7		Depreciation, Amortization and Depletion
		8		Determination of Loss Adjustment Factors
	3			<b>Income Tax, Large Corporation Tax</b>
		1		Tax Calculations
		2		Interest Expense
		3		Capital Cost Allowance (CCA)

1 **OVERVIEW OF OPERATING COSTS:**

2 **Operating Costs:**

3 The operating costs presented in this Exhibit represent the annual expenditures required to  
 4 sustain Welland Hydro's distribution operations. Welland Hydro follows the OEB's Accounting  
 5 Procedures Handbook (the "APH") in distinguishing work performed between operations and  
 6 maintenance. A summary of Welland Hydro's operating costs for the 2006 Board Approved,  
 7 2006 Actual, 2007 Actual, 2008 Bridge Year and the 2009 Test Year including the determination  
 8 of the variance amount for analysis, in accordance with the Filing Requirements, is provided in  
 9 Table 1 below.

10 **Table 1**  
**Summary of Operating Costs**

Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2009 Test
<b>OM&amp;A expenses</b>					
Operation	1,105,257	1,122,683	1,213,581	1,377,671	1,497,036
Maintenance	667,983	740,507	926,058	1,135,835	1,231,214
Billing and Collections	876,162	371,051	937,705	948,832	980,174
Community Relations	115,488	152,851	154,910	77,494	159,667
Administrative and General Expenses	1,289,011	1,129,472	1,278,057	1,187,000	1,245,845
Penalties	159	4,519	0	0	0
Amortization Expenses	1,230,920	1,542,164	1,634,333	1,718,187	1,721,827
Total Operating Costs other than PILS & Interest	5,284,979	5,063,248	6,144,644	6,445,019	6,835,763
Determination of Variance Amount (1%)	52,850	50,632	61,446	64,450	68,358

12

13 Detailed information with respect to OM&A costs and variances, arranged by USoA account, is  
 14 provided at Exhibit 4, Tab 2, Schedule 2.

15 The variance used to determine the OM&A accounts requiring analysis has been prescribed by  
 16 the Filing Requirements as 1% of total distribution expenses before PILs. Welland Hydro has

1 adopted a variance analysis threshold of \$50,632 being the lowest of the variances among the  
2 years under review.

3 **OM&A Costs:**

4 OM&A costs in this Exhibit represent Welland Hydro's integrated set of asset maintenance and  
5 customer activity needs to meet public and employee safety objectives; to comply with the  
6 Distribution System Code, environmental requirements and government direction; and to  
7 maintain distribution business service quality and reliability at targeted performance levels.  
8 OM&A costs also include providing services to customers connected to Welland Hydro's  
9 distribution system, and meeting the requirements of the OEB's Standard Supply Service Code  
10 and Retail Settlement Code.

11 The proposed OM&A expenditures for the 2009 Test Year are the result of a business planning  
12 and work prioritization process that ensures that the most appropriate, cost effective solutions are  
13 put in place.

14 Welland Hydro is proposing recovery of 2009 Test Year OM&A costs, including amortization  
15 but excluding PILs and Interest totaling \$6,835,763.

16 **OM&A Budgeting Process Used by Welland Hydro:**

17 The operating budget is prepared annually by management and is reviewed and approved by the  
18 Board of Directors. The budget is prepared before the start of each fiscal year. Once approved,  
19 it does not change, but provides a plan against which actual results may be evaluated.

20 The operating budget is a component of the overall budget process described in Exhibit 1, Tab 2,  
21 Schedule 2.

22 **Operating Work plans:**

23 Each department Manager provides input for the preparation of the departmental budget. The  
24 following directives are provided to each manager and director:



- 1 • Outside expenses for all department budgets are built using previous year actual, current
- 2 year forecast and current year budget as the base;
- 3 • Significant variances in spending from prior years must be explained and documented;
- 4 • Review the headcount of the department for accuracy and outline any changes;
- 5 • Accounting prepares a total labor budget by department using projected wage and benefit
- 6 cost. Overtime and account distribution are based on previous years actual;

7 **Income Tax, Large Corporation Tax and Ontario Capital Taxes:**

8 Welland Hydro is subject to the payment of PILs under Section 93 of the *Electricity Act, 1998*,

9 as amended. The Applicant does not pay Section 89 proxy taxes, and is exempt from the

10 payment of income and capital taxes under the *Income Tax Act (Canada)* and the Ontario

11 *Corporations Tax Act*. Table 2 below provides a summary of 2006 OEB Approved, 2006 and

12 2007 income taxes included in audited statements, 2008 Bridge Year estimate using current

13 rates, and 2009 Test Year income taxes based on revised rates. A copy of the 2007 Federal T2

14 and Ontario C23 tax return has been provided in Exhibit 4, Tab 1, Schedule 1, Appendix A.

15 Income Tax amounts included in the 2007 financial statements are based on estimates and will

16 differ from the actual tax return. The difference between actual and estimate will be recorded in

17 2008 financial statements.

18 **Table 2**

**Summary of Income Taxes**

Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Income Taxes	394,002	608,675	683,071	203,780	531,437
Large Corporation Tax	0	0	0	0	0
Ontario Capital Tax	57,116	60,399	60,000	25,792	27,730
<b>Total Taxes</b>	<b>451,118</b>	<b>669,074</b>	<b>743,071</b>	<b>229,572</b>	<b>559,167</b>

**APPENDIX A**  
**2007 FEDERAL AND ONTARIO TAX RETURN**

Corporate tax returns of

**Welland Hydro-Electric System Corp.**

December 31, 2007

# Welland Hydro-Electric System Corp.

December 31, 2007

## Table of contents

Federal return – T2 (Nil return) .....	1
Federal return – T2 (Pil return).....	2
Province of Ontario CT23 (Pil return).....	3

Canada Revenue Agency / Agence du revenu du Canada

# T2 CORPORATION INCOME TAX RETURN

200

## EXEMPT FROM TAX

055 Do not use this area

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec, Ontario, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax services office or tax centre. You have to file the return within six months after the end of the corporation's tax year.

For more information see [www.cra.gc.ca](http://www.cra.gc.ca) or the *T2 Corporation - Income Tax Guide* (T4012).

### Identification

Business Number (BN) 001 86375 9692 RC0001

#### Corporation's name

002 WELLAND HYDRO ELECTRIC SYSTEM CORP.

Has the corporation changed its name since the last time you filed your T2 return? 003 1 Yes  2 No

If yes, do you have a copy of the articles of amendment? (Do not submit) 004 1 Yes  2 No

#### Address of head office

Has this address changed since the last time you filed your T2 return? 010 1 Yes  2 No

(If yes, complete lines 011 to 018)

011 950 EAST MAIN STREET

012 P.O. BOX 280

City Province, territory, or state

015 WELLAND

016 ON

Country (other than Canada) Postal code/Zip code

017 018 L3B 5P6

#### To which tax year does this return apply?

Tax year start Tax year-end  
060 2007-01-01 061 2007-12-31  
YYYY MM DD YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? 063 1 Yes  2 No

If yes, provide the date control was acquired 065  
YYYY MM DD

#### Mailing address (if different from head office address)

Has this address changed since the last time you filed your T2 return? 020 1 Yes  2 No

(If yes, complete lines 021 to 028)

021 c/o

022

023

City Province, territory, or state

025 WELLAND

026 ON

Country (other than Canada) Postal code/Zip code

027 028 L3B 5P6

Is the date on line 061 a deemed tax year-end in accordance with subsection 249(3.1)? 066 1 Yes  2 No

Is the corporation a professional corporation that is a member of a partnership? 067 1 Yes  2 No

Is this the first year of filing after:  
Incorporation? 070 1 Yes  2 No   
Amalgamation? 071 1 Yes  2 No

If yes, complete lines 030 to 038 and attach Schedule 24.

#### Location of books and records

Has the location of books and records changed since the last time you filed your T2 return? 030 1 Yes  2 No

(If yes, complete lines 031 to 038)

031 950 EAST MAIN STREET

032 P.O. BOX 280

City Province, territory, or state

035 WELLAND

036 ON

Country (other than Canada) Postal code/Zip code

037 038 L3B 5P6

Has there been a wind-up of a subsidiary under section 88 during the current tax year? 072 1 Yes  2 No

If yes, complete and attach Schedule 24.

Is this the final tax year before amalgamation? 076 1 Yes  2 No

Is this the final return up to dissolution? 078 1 Yes  2 No

Is the corporation a resident of Canada? 080 1 Yes  2 No  If no, give the country of residence on line 081 and complete and attach Schedule 97.

081

Is the non-resident corporation claiming an exemption under an income tax treaty? 082 1 Yes  2 No

If yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

- 085 1  Exempt under paragraph 149(1)(e) or (l)
- 2  Exempt under paragraph 149(1)(j)
- 3  Exempt under paragraph 149(1)(t)
- 4  Exempt under other paragraphs of section 149

#### 040 Type of corporation at the end of the tax year

- 1  Canadian-controlled private corporation (CCPC)
- 2  Other private corporation
- 3  Public corporation TAX EXEMPT
- 4  Corporation controlled by a public corporation
- 5  Other corporation (specify, below)

If the type of corporation changed during the tax year, provide the effective date of the change. 043  
YYYY MM DD

Do not use this area

091 092 093 094 095 096  
100

**Attachments**

**Financial statement information:** Use GIF1 schedules 100, 125, and 141.

**Schedules – Answer the following questions. For each Yes response, attach to the T2 return the schedule that applies.**

	Yes	Schedule
Is the corporation related to any other corporations?	<input checked="" type="checkbox"/>	9
Is the corporation an associated CCPC?	<input type="checkbox"/>	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	<input type="checkbox"/>	49
Does the corporation have any non-resident shareholders?	<input type="checkbox"/>	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	<input type="checkbox"/>	11
If you answered <b>yes</b> to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	<input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	<input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	<input type="checkbox"/>	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	<input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	<input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ?	<input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	<input type="checkbox"/>	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	<input checked="" type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<input type="checkbox"/>	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	<input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	<input type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<input type="checkbox"/>	3
Is the corporation claiming any type of losses?	<input type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	<input type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	<input type="checkbox"/>	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	<input type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	<input type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	<input type="checkbox"/>	10
Does the corporation have any resource-related deductions?	<input type="checkbox"/>	12
Is the corporation claiming reserves of any kind?	<input type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	<input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	<input type="checkbox"/>	18
Was the corporation carrying on business in Canada as a non-resident corporation?	<input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	<input type="checkbox"/>	21
Does the corporation have any Canadian manufacturing and processing profits?	<input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	<input type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<input type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	<input checked="" type="checkbox"/>	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000?	<input checked="" type="checkbox"/>	
Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax?	<input type="checkbox"/>	36
Is the corporation claiming a surtax credit?	<input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	<input type="checkbox"/>	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	<input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	<input type="checkbox"/>	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	<input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	<input type="checkbox"/>	T1177

**Attachments – continued from page 2**

		Yes	Schedule
Is the corporation subject to Part XIII.1 tax?	<b>255</b>	<input type="checkbox"/>	92 *
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	<b>256</b>	<input type="checkbox"/>	T1134-A
Did the corporation have any controlled foreign affiliates?	<b>258</b>	<input type="checkbox"/>	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	<b>259</b>	<input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?	<b>260</b>	<input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	<b>261</b>	<input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	<b>262</b>	<input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	<b>263</b>	<input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	<b>264</b>	<input type="checkbox"/>	T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	<b>265</b>	<input type="checkbox"/>	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	<b>266</b>	<input type="checkbox"/>	T2002
Has the corporation revoked any previous election made under subsection 89(11)?	<b>267</b>	<input type="checkbox"/>	T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	<b>268</b>	<input type="checkbox"/>	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	<b>269</b>	<input type="checkbox"/>	54

\* We do not print this schedule.

**Additional information**

Is the corporation inactive? **280** 1 Yes  2 No

Has the major business activity changed since the last return was filed? (enter yes for first-time filers) **281** 1 Yes  2 No

What is the corporation's major business activity? **282** \_\_\_\_\_  
(Only complete if yes was entered at line 281)

If the major business activity involves the resale of goods, show whether it is wholesale or retail **283** 1 Wholesale  2 Retail

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.

<b>284</b> POWER DISTRIBUTION	<b>285</b> 100.000 %
<b>286</b> _____	<b>287</b> _____ %
<b>288</b> _____	<b>289</b> _____ %

Did the corporation immigrate to Canada during the tax year? **291** 1 Yes  2 No

Did the corporation emigrate from Canada during the tax year? **292** 1 Yes  2 No

**Taxable income**

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL. **300** \_\_\_\_\_ A

**Deduct:**

Charitable donations from Schedule 2	<b>311</b>	_____
Gifts to Canada, a province, or a territory from Schedule 2	<b>312</b>	_____
Cultural gifts from Schedule 2	<b>313</b>	_____
Ecological gifts from Schedule 2	<b>314</b>	_____
Gifts of medicine from Schedule 2	<b>315</b>	_____
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	<b>320</b>	_____
Part VI.1 tax deduction *	<b>325</b>	_____
Non-capital losses of previous tax years from Schedule 4	<b>331</b>	_____
Net capital losses of previous tax years from Schedule 4	<b>332</b>	_____
Restricted farm losses of previous tax years from Schedule 4	<b>333</b>	_____
Farm losses of previous tax years from Schedule 4	<b>334</b>	_____
Limited partnership losses of previous tax years from Schedule 4	<b>335</b>	_____
Taxable capital gains or taxable dividends allocated from a central credit union	<b>340</b>	_____
Prospector's and grubstaker's shares	<b>350</b>	_____

Subtotal B

Subtotal (amount A minus amount B) (if negative, enter "0") C

**Add:** Section 110.5 additions or subparagraph 115(1)(a)(vii) additions **355** \_\_\_\_\_ D

**Taxable income** (amount C plus amount D) **360** \_\_\_\_\_

Income exempt under paragraph 149(1)(t) **370** \_\_\_\_\_

**Taxable income** for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370) Z

\* This amount is equal to 3 times the Part VI.1 tax payable at line 724.

**Small business deduction**

**Canadian-controlled private corporations (CCPCs) throughout the tax year**

Income from active business carried on in Canada from Schedule 7	400	A
Taxable income from line 360, minus 10/3 of the amount on line 632*, minus 3 times the amount on line 636**, and minus any amount that, because of federal law, is exempt from Part I tax	405	B

**Calculation of the business limit:**

For all CCPCs, calculate the amount at line 4 below.

300,000	x	Number of days in the tax year in 2005 and in 2006	=	.....	1
		Number of days in the tax year	365		
400,000	x	Number of days in the tax year after 2006	365	=	..... 400,000
		Number of days in the tax year	365		
Add amounts at lines 1 and 2				400,000	4

Business limit (see notes 1 and 2 below)	410	C
--	-----	---

- Notes:**
- For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.
  - For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

**Business limit reduction:**

Amount C	x	415 ***	D	=	.....	E
		11,250				
Reduced business limit (amount C minus amount E) (if negative, enter "0")					425	F

**Small business deduction**

Amount A, B, C, or F whichever is the least	x	Number of days in the tax year before January 1, 2008	365	x	16 %	=	.....	5
		Number of days in the tax year	365					
Amount A, B, C, or F whichever is the least	x	Number of days in the tax year after December 31, 2007 and before January 1, 2009		x	17 %	=	.....	6
		Number of days in the tax year	365					
Amount A, B, C, or F whichever is the least	x	Number of days in the tax year after December 31, 2008		x	17 %	=	.....	7
		Number of days in the tax year	365					
Total of amounts 5, 6, and 7 – enter on line 9							430	G

\* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.  
 \*\* Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporate tax reductions under section 123.4.

**\*\*\* Large corporations**

- If the corporation is not associated with any corporations in both the current and the previous tax years, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the prior year minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the current year minus \$10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

**Resource deduction**

Taxable resource income [as defined in subsection 125.11(1)]						435	H	
Amount H	x	Number of days in the tax year in 2005		x	3 %	=	.....	I
		Number of days in the tax year	365					
Amount H	x	Number of days in the tax year in 2006		x	5 %	=	.....	J
		Number of days in the tax year	365					
Amount H	x	Number of days in the tax year in 2007	365	x	7 %	=	.....	K
		Number of days in the tax year	365					
Resource deduction – total of amounts I, J and K						438	L	

Enter amount L on line 10.



**General tax reduction for Canadian-controlled private corporations**

**Canadian-controlled private corporations throughout the tax year**

Taxable income from line 360									A
Amount Z1 from Part 9 of Schedule 27									B
Amount QQ from Part 13 of Schedule 27									C
Taxable resource income from line 435									D
Amount used to calculate the credit union deduction (from Schedule 17)									E
Amount from line 400, 405, 410, or 425, whichever is the least									F
Aggregate investment income from line 440									G
Total of amounts B, C, D, E, F, and G									H
Amount A minus amount H (if negative, enter "0")									I
Amount I	x	Number of days in the tax year before January 1, 2008	365	x	7 %	=			J
		Number of days in the tax year	365						
Amount I	x	Number of days in the tax year after December 31, 2007 and before January 1, 2009		x	8.5 %	=			K
		Number of days in the tax year	365						
Amount I	x	Number of days in the tax year after December 31, 2008 and before January 1, 2010		x	9 %	=			K1
		Number of days in the tax year	365						
Amount I	x	Number of days in the tax year after December 31, 2009 and before January 1, 2011		x	10 %	=			K2
		Number of days in the tax year	365						
<b>General tax reduction for Canadian-controlled private corporations – total of amounts J, K, K1, and K2</b>									L
Enter amount L on line 638.									

**General tax reduction**

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation, and for tax years starting after May 1, 2006, any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from line 360 (for tax years starting after May 1, 2006, amount Z)									M
Amount Z1 from Part 9 of Schedule 27									N
Amount QQ from Part 13 of Schedule 27									O
Taxable resource income from line 435									P
Amount used to calculate the credit union deduction (from Schedule 17)									Q
Total of amounts N, O, P, and Q									R
Amount M minus amount R (if negative, enter "0")									S
Amount S	x	Number of days in the tax year before January 1, 2008	365	x	7 %	=			T
		Number of days in the tax year	365						
Amount S	x	Number of days in the tax year after December 31, 2007 and before January 1, 2009		x	8.5 %	=			U
		Number of days in the tax year	365						
Amount S	x	Number of days in the tax year after December 31, 2008 and before January 1, 2010		x	9 %	=			U1
		Number of days in the tax year	365						
Amount S	x	Number of days in the tax year after December 31, 2009 and before January 1, 2011		x	10 %	=			U2
		Number of days in the tax year	365						
<b>General tax reduction – total of amounts T, U, U1, and U2</b>									V
Enter amount V on line 639.									

**Refundable portion of Part I tax**

**Canadian-controlled private corporations throughout the tax year**

Aggregate investment income ..... **440** ..... x 26 2 / 3 % = ..... A  
(from Schedule 7)

Foreign non-business income tax credit from line 632 .....

**Deduct:**

Foreign investment income ..... **445** ..... x 9 1 / 3 % = ..... B  
(from Schedule 7) (if negative, enter "0")

Amount A minus amount B (if negative, enter "0") .....

Taxable income from line 360 .....

**Deduct:**

Amount from line 400, 405, 410, or 425, whichever is the least .....

Foreign non-business income tax credit from line 632 ..... x 25 / 9 = .....

Foreign business income tax credit from line 636 ..... x 3 = .....

..... x 26 2 / 3 % = ..... D

Part I tax payable minus investment tax credit refund (line 700 minus line 780) .....

**Deduct:** Corporate surtax from line 600 .....

Net amount .....

**Refundable portion of Part I tax** – Amount C, D, or E, whichever is the least ..... **450** ..... F

**Refundable dividend tax on hand**

Refundable dividend tax on hand at the end of the previous tax year ..... **460** .....

**Deduct:** Dividend refund for the previous tax year ..... **465** .....

**Add the total of:**

Refundable portion of Part I tax from line 450 above .....

Total Part IV tax payable from Schedule 3 .....

Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation ..... **480** .....

**Refundable dividend tax on hand at the end of the tax year** – Amount G plus amount H ..... **485** .....

**Dividend refund**

**Private and subject corporations at the time taxable dividends were paid in the tax year**

Taxable dividends paid in the tax year from line 460 of Schedule 3 ..... x 1 / 3 ..... I

Refundable dividend tax on hand at the end of the tax year from line 485 above .....

**Dividend refund** – Amount I or J, whichever is less (enter this amount on line 784) .....

**Part I tax**

Base amount of Part I tax – taxable income (line 360 or amount Z, whichever applies) multiplied by	38.00 %		<b>550</b>	A
<b>Corporate surtax calculation</b>				
Base amount from line A above			1	
<b>Deduct:</b>				
10 % of taxable income (line 360 or amount Z, whichever applies)			2	
Investment corporation deduction from line 620 below			3	
Federal logging tax credit from line 640 below			4	
Federal qualifying environmental trust tax credit from line 648 below			5	
For a mutual fund corporation or an investment corporation throughout the tax year, enter amount a, b, or c below on line 6, whichever is the least:				
28.00 % of taxable income from line 360		a	} _____	6
28.00 % of taxed capital gains		b		
Part I tax otherwise payable (line A plus lines C and D minus line F)		c		
Total of lines 2 to 6			7	
Net amount (line 1 minus line 7)			8	
<b>Corporate surtax*</b>				
Line 8	x	Number of days in the tax year before January 1, 2008	365	x
		Number of days in the tax year	365	=
			<b>600</b>	B
* The corporate surtax is zero effective January 1, 2008.				
Recapture of investment tax credit from Schedule 31			<b>602</b>	C
<b>Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income</b> (if it was a CCPC throughout the tax year)				
Aggregate investment income from line 440			i	
Taxable income from line 360				
<b>Deduct:</b>				
Amount from line 400, 405, 410, or 425, whichever is the least				
Net amount			ii	
Refundable tax on CCPC's investment income –	6 2 / 3 %	of whichever is less: amount i or ii		<b>604</b>
Subtotal (add lines A, B, C, and D)				E
<b>Deduct:</b>				
Small business deduction from line 430			9	
Federal tax abatement		<b>608</b>		
Manufacturing and processing profits deduction from Schedule 27		<b>616</b>		
Investment corporation deduction (taxed capital gains <b>624</b> )		<b>620</b>		
Additional deduction – credit unions from Schedule 17		<b>628</b>		
Federal foreign non-business income tax credit from Schedule 21		<b>632</b>		
Federal foreign business income tax credit from Schedule 21		<b>636</b>		
Resource deduction from line 438			10	
General tax reduction for CCPCs from amount L		<b>638</b>		
General tax reduction from amount V		<b>639</b>		
Federal logging tax credit from Schedule 21		<b>640</b>		
Federal political contribution tax credit		<b>644</b>		
Federal political contributions <b>646</b>				
Federal qualifying environmental trust tax credit		<b>648</b>		
Investment tax credit from Schedule 31		<b>652</b>		
Subtotal				F
Part I tax payable – Line E minus line F				G
Enter amount G on line 700.				

**Summary of tax and credits**

**Federal tax**

Part I tax payable	700
Part I.3 tax payable from Schedule 33, 34, or 35	704
Part II surtax payable from Schedule 46	708
Part III.1 tax payable from Schedule 55	710
Part IV tax payable from Schedule 3	712
Part IV.1 tax payable from Schedule 43	716
Part VI tax payable from Schedule 38	720
Part VI.1 tax payable from Schedule 43	724
Part XIII.1 tax payable from Schedule 92	727
Part XIV tax payable from Schedule 20	728

Total federal tax \_\_\_\_\_

**Add provincial or territorial tax:**

Provincial or territorial jurisdiction **750** Ontario

(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Québec, Ontario, and Alberta) **760**

Provincial tax on large corporations (New Brunswick and Nova Scotia) **765**

Total tax payable **770** **A**

**Deduct other credits:**

Investment tax credit refund from Schedule 31 **780**

Dividend refund **784**

Federal capital gains refund from Schedule 18 **788**

Federal qualifying environmental trust tax credit refund **792**

Canadian film or video production tax credit refund (Form T1131) **796**

Film or video production services tax credit refund (Form T1177) **797**

Tax withheld at source **800**

Total payments on which tax has been withheld **801**

Provincial and territorial capital gains refund from Schedule 18 **808**

Provincial and territorial refundable tax credits from Schedule 5 **812**

Tax instalments paid **840**

Total credits **890** **B**

Refund code **894**  Overpayment

Balance (line A minus line B) \_\_\_\_\_

**Direct deposit request**

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

Start  Change information **910** \_\_\_\_\_  
Branch number

**914** \_\_\_\_\_ **918** \_\_\_\_\_  
Institution number Account number

If the result is negative, you have an **overpayment**.  
If the result is positive, you have a **balance unpaid**.  
Enter the amount on whichever line applies.  
Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid \_\_\_\_\_

Enclosed payment **898** \_\_\_\_\_

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? **896** 1 Yes  2 No

**Certification**

I, **950** PEEVER **951** ROSS **954** PRESIDENT  
Last name in block letters First name in block letters Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

**955** 2008-06-26 **956** (905) 732-1381  
Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation Telephone number

Is the contact person the same as the authorized signing officer? If no, complete the information below **957** 1 Yes  2 No

**958** \_\_\_\_\_ **959** \_\_\_\_\_  
Name in block letters Telephone number

**Language of correspondence – Langue de correspondance**

**990** Indicate your language of correspondence by entering 1 for English or 2 for French. 1 English / Anglais  2 Français / French   
Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français.

## GENERAL INDEX OF FINANCIAL INFORMATION – GIF1

Form identifier 100

Name of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2007-12-31

### Balance sheet information

Account	Description	GIFI	Current year	Prior year
<b>Assets</b>				
	Total current assets .....	<b>1599</b> +	15,020,439	16,064,204
	Total tangible capital assets .....	<b>2008</b> +	20,057,451	19,403,986
	Total accumulated amortization of tangible capital assets .....	<b>2009</b> -		
	Total intangible capital assets .....	<b>2178</b> +		
	Total accumulated amortization of intangible capital assets .....	<b>2179</b> -		
	Total long-term assets .....	<b>2589</b> +	137,487	301,207
	* Assets held in trust .....	<b>2590</b> +		
	<b>Total assets (mandatory field)</b>	<b>2599</b> =	<u>35,215,377</u>	<u>35,769,397</u>
<b>Liabilities</b>				
	Total current liabilities .....	<b>3139</b> +	4,716,378	5,596,695
	Total long-term liabilities .....	<b>3450</b> +	16,203,712	15,375,144
	* Subordinated debt .....	<b>3460</b> +		
	* Amounts held in trust .....	<b>3470</b> +		
	<b>Total liabilities (mandatory field)</b>	<b>3499</b> =	<u>20,920,090</u>	<u>20,971,839</u>
<b>Shareholder equity</b>				
	<b>Total shareholder equity (mandatory field)</b>	<b>3620</b> +	14,295,287	14,797,558
	<b>Total liabilities and shareholder equity</b>	<b>3640</b> =	<u>35,215,377</u>	<u>35,769,397</u>
<b>Retained earnings</b>				
	<b>Retained earnings/deficit – end (mandatory field)</b>	<b>3849</b> =	711,949	1,214,220

\* Generic item

# Current Assets

Form identifier 1599

Account	Description	GIFI	Current year	Prior year
<b>Cash and deposits</b>				
	* Cash and deposits	1000	7,074,132	8,006,110
	Cash	1001		
	Deposits in Canadian banks and institutions – Canadian currency	1002		
	Deposits in Canadian banks and institutions – foreign currency	1003		
	Deposits in foreign banks – Canadian currency	1004		
	Deposits in foreign banks – foreign currency	1005		
	Credit union central deposits	1006		
	Other cash like instruments	1007		
	<b>Cash and deposits</b>		<b>+</b> 7,074,132	<b>8,006,110</b>
<b>Accounts receivable</b>				
	* Accounts receivable	1060	2,060,513	2,035,851
	Trade accounts receivable	1062	5,297,085	5,506,136
	Trade accounts receivable from related parties	1064		
	Taxes receivable	1066		
	Interest receivable	1067		
	Holdbacks receivable	1068		
	Leases receivable	1069		
	Accounts receivable from employees	1071		
	Amounts receivable from members of NPOs	1073		
	<b>Accounts receivable</b>		<b>+</b> 7,357,598	<b>7,541,987</b>
<b>- Allowance for doubtful accounts</b>				
	* Allowance for doubtful accounts	1061		
	Allowance for doubtful trade accounts receivable	1063		
	Allowance for doubtful trade accounts receivable from related parties	1065		
	Allowance for doubtful amounts contained in leases receivable	1070		
	Allowance for doubtful accounts receivable from employees	1072		
	<b>Allowance for doubtful accounts</b>		<b>-</b>	
<b>Inventories</b>				
	* Inventories	1120	502,159	470,431
	Inventory of goods for sale	1121		
	Inventory parts and supplies	1122		
	Inventory properties	1123		
	Inventory of aggregates	1124		
	Work in progress	1125		
	Raw materials	1126		
	Inventory of securities	1127		
	<b>Inventories</b>		<b>+</b> 502,159	<b>470,431</b>
<b>Short-term investments</b>				
	* Short-term investments	1180		35,188
	Canadian term deposits	1181		
	Canadian shares	1182		
	Canadian bonds	1183		
	Canadian treasury bills	1184		
	Securities purchased under resale agreements	1185		
	Other short-term Canadian investments	1186		
	Short-term foreign investments	1187		
	<b>Short-term investments</b>		<b>+</b>	<b>35,188</b>

<b>Loans and notes receivable</b>			
* Loans and notes receivable	1240		
Demand loans receivable	1241		
Other loans receivable	1242		
Notes receivable	1243		
Mortgages receivable	1244		
<b>Loans and notes receivable</b>		+	

<b>Due from shareholder(s)/director(s)</b>			
* Due from shareholder(s)/director(s)	1300		
Due from individual shareholder(s)	1301		
Due from corporate shareholder(s)	1302		
Due from director(s)	1303		
<b>Due from shareholder(s)/director(s)</b>		+	

* Investment in joint venture(s)/partnership(s)	1360	+	
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* Due from joint venture(s)/partnership(s)	1380	+	
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<b>- Due from/investment in related parties</b>			
* Due from/investment in related parties	1400		
Demand notes from related parties	1401		
Interest receivable from related parties	1402		
Loans/advances due from related parties	1403		
<b>Due from/investment in related parties</b>		+	

* Customers' liability under acceptances	1460	+	
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<b>- Other current assets</b>			
* Other current assets	1480		
Future (deferred) income taxes	1481		
Accrued investment income	1482		
Taxes recoverable/refundable	1483		
Prepaid expenses	1484	86,550	10,488
Drilling advances	1485		
Security/tender deposits	1486		
<b>Other current assets</b>		+	86,550 10,488

<b>Total current assets</b>	<b>1599</b>	=	<u>15,020,439</u>	<u>16,064,204</u>
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\* Generic item

# Long-term Assets

Form identifier 2589

Account	Description	GIFI	Current year	Prior year
<b>Due from shareholder(s)/director(s)</b>				
	* Due from shareholder(s)/director(s)	2180		
	Due from individual shareholder(s)	2181		
	Due from corporate shareholder(s)	2182		
	Due from director(s)	2183		
	<b>Due from shareholder(s)/director(s)</b>		+	

	* Due from members	2190	+	
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	* Investment in joint venture(s)/partnership(s)	2200	+	
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	* Due from joint venture(s)/partnership(s)	2220	+	
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<b>Due from/investment in related parties</b>				
	* Due from/investment in related parties	2240	137,487	123,716
	Due from/investment in Canadian related parties	2241		
	Shares in Canadian related corporations	2242		
	Loans/advances to Canadian related corporations	2243		
	Investment in Canadian related corporations at cost	2244		
	Investment in Canadian related corporations at equity	2245		
	Due from/investment in foreign related parties	2246		
	Shares in foreign related corporations	2247		
	Loans/advances to foreign related corporations	2248		
	Investment in foreign related corporations at cost	2249		
	Investment in foreign related corporations at equity	2250		
	<b>Due from/investment in related parties</b>		+	137,487
				123,716

	* Investment in co-tenancy	2280	+	
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<b>Long-term investments</b>				
	* Long-term investments	2300		
	Foreign shares	2301		
	Other types of foreign investments	2302		
	Canadian shares	2303		
	Government of Canada debt	2304		
	Canadian, provincial and municipal government debt	2305		
	Canadian corporate bonds and debentures	2306		
	Debt securities	2307		
	Equity securities	2308		
	Securities purchased under resale agreements	2309		
	Central credit union shares	2310		
	Other Canadian long-term investments	2311		
	<b>Long-term investments</b>		+	



**Long-term loans**

* Long-term loans	2360		
Mortgages	2361		
Personal and credit card loans	2362		
Business and government loans	2363		
Line of credit	2364		
<b>Long-term loans</b>		+	

**Other long-term assets**

* Other long-term assets	2420		
Future (deferred) income taxes	2421		
Deferred pension charges	2422		
Deferred unrealized exchange losses	2423		
Other deferred items/charges	2424		177,491
Reserve fund	2426		
Cash surrender value of life insurance	2427		
<b>Other long-term assets</b>		+	177,491

Accumulated amortization of deferred charges	2425	-	
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<b>Total long-term assets</b>	<b>2589</b>	=	<u>137,487</u>	<u>301,207</u>
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\* Generic item

# Current Liabilities

Form identifier 3139

Account	Description	GIFI	Current year	Prior year
	* Bank overdraft	2600	+	

<b>Amounts payable and accrued liabilities</b>				
	* Amounts payable and accrued liabilities	2620	3,668,278	4,328,347
	Trade payables	2621		
	Trade payables to related parties	2622		
	Holdbacks payable	2623		
	Wages payable	2624		
	Management fees payable	2625		
	Bonuses payable	2626		
	Employee deductions payable	2627		
	Withholding taxes payable	2628		
	Interest payable	2629		
	Amounts payable to members of NPOs	2630		
	<b>Amounts payable and accrued liabilities</b>		+	3,668,278
				4,328,347

	* Taxes payable	2680	+	
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<b>Short-term debt</b>				
	* Short-term debt	2700		
	Loans from Canadian banks	2701		
	Liability for securities sold short	2702		
	Liability for securities sold under repurchase agreements	2703		
	Gold and silver certificates	2704		
	Cheques and other items in transit	2705		
	Lien notes	2706		
	Credit card loans	2707		
	<b>Short-term debt</b>		+	

	* Deferred income	2770	+	
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<b>Due to shareholder(s)/director(s)</b>				
	* Due to shareholder(s)/director(s)	2780		
	Due to individual shareholder(s)	2781		
	Due to corporate shareholder(s)	2782		
	Due to director(s)	2783		
	<b>Due to shareholder(s)/director(s)</b>		+	

	* Due to joint venture(s)/partnership(s)	2840	+	
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<b>Due to related parties</b>				
	* Due to related parties	2860		
	Demand notes due to related parties	2861		
	Interest payable to related parties	2862		
	Advances due to related parties	2863		
	<b>Due to related parties</b>		+	

* Current portion of long-term liability	2920	+	70,545	70,545
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* Bankers' acceptances	2940	+		
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<b>Other current liabilities</b>				
* Other current liabilities	2960		113,340	496,814
Deposits received	2961		864,215	700,989
Dividends payable	2962			
Future (deferred) income taxes	2963			
Reserves for guarantees, warranties, or indemnities	2964			
General provisions/reserves	2965			
Crew shares	2966			
<b>Other current liabilities</b>		+	977,555	1,197,803

<b>Total current liabilities</b>	<b>3139</b>	=	<u>4,716,378</u>	<u>5,596,695</u>
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\* Generic item

# Long-term Liabilities

Form identifier 3450

Account	Description	GIFI	Current year	Prior year
<b>Long-term debt</b>				
	* Long-term debt	3140	13,499,953	13,499,953
	Mortgages	3141		
	Farm credit corporation loan	3142		
	Chartered bank loan	3143		
	Credit Union/Caisse Populaire loan	3144		
	Provincial government loan	3145		
	Supply company loan	3146		
	Private loan	3147		
	Central, league, and federation loans	3148		
	Line of credit	3149		
	Liability for securities sold short	3150		
	Liability for securities sold under repurchase agreements	3151		
	Lien notes	3152		
	<b>Long-term debt</b>		<u>13,499,953</u>	<u>13,499,953</u>
	* Deposit liabilities of financial institutions	3200	+	
	* Bonds and debentures	3210	+	
	* Deferred income	3220	+	
	* Future (deferred) income taxes	3240	+	
<b>Due to shareholder(s)/director(s)</b>				
	* Due to shareholder(s)/director(s)	3260		
	Due to individual shareholder(s)	3261		
	Due to corporate shareholder(s)	3262		
	Due to director(s)	3263		
	<b>Due to shareholder(s)/director(s)</b>		+	
	* Due to members	3270	+	
	* Due to joint venture(s)/partnership(s)	3280	+	
<b>Due to related parties</b>				
	* Due to related parties	3300		
	Amounts owing to related Canadian parties	3301		
	Amounts owing to related foreign parties	3302		
	<b>Due to related parties</b>		+	

**Other long-term liabilities**

* Other long-term liabilities	3320	2,703,759	1,875,191
Long-term obligations/commitments/capital leases	3321		
Reserves for guarantees, warranties, or indemnities	3322		
Provision for site restoration	3323		
Contributions to qualifying environmental trust	3324		
General provisions/reserves	3325		
Preference shares restated	3326		
Member allocations	3327		
Deferred revenue from incomplete contracts	3328		
<b>Other long-term liabilities</b>		<b>+</b> 2,703,759	1,875,191

<b>Total long-term liabilities</b>	<b>3450</b>	<b>=</b> 16,203,712	15,375,144
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\* Generic item

# Shareholder Equity

Form identifier 3620

Account	Description	GIFI	Current year	Prior year
	* Common shares	3500	12,953,180	12,953,180
	* Preferred shares	3520		
<b>Contributed and other surplus</b>				
	* Contributed and other surplus	3540	630,158	630,158
	Contributed surplus	3541		
	Appraisal surplus	3542		
	General reserve	3543		
	<b>Contributed and other surplus</b>		<u>630,158</u>	<u>630,158</u>
	* Head office account	3570		
	* Retained earnings/deficit	3600	711,949	1,214,220
	<b>Total shareholder equity</b>	<b>3620</b>	<u>14,295,287</u>	<u>14,797,558</u>

\* Generic item

# Retained Earnings/Deficit

Form identifier 3849

Account	Description	GIFI	Current year	Prior year
	* Retained earnings/deficit – start	3660 +	1,214,220	495,303
	* Net income/loss	3680 +	97,729	2,018,917
<b>Dividends declared</b>				
	* Dividends declared	3700	600,000	1,300,000
	Cash dividends	3701		
	Patronage dividends	3702		
	<b>Dividends declared</b>	-	<u>600,000</u>	<u>1,300,000</u>
	* Prior period adjustments	3720 +		
<b>Other items affecting retained earnings</b>				
	* Other items affecting retained earnings	3740		
	Share redemptions	3741		
	Special reserves	3742		
	Currency adjustments	3743		
	Unusual revenue items	3744		
	Interfund transfer	3745		
	<b>Other items affecting retained earnings</b>	+		
	<b>Retained earnings/deficit – end</b>	<b>3849 =</b>	<u>711,949</u>	<u>1,214,220</u>

\* Generic item

**GENERAL INDEX OF FINANCIAL INFORMATION – GIF1**

Form identifier 125

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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**Income statement information**

Description	GIFI
Operating name	<b>0001</b>
Description of the operation	<b>0002</b>
Sequence Number	<b>0003</b> 01

Account	Description	GIFI	Current year	Prior year
<b>Income statement information</b>				
	Total sales of goods and services	<b>8089</b> +	42,460,624	42,381,705
	Cost of sales	<b>8518</b> -	35,156,443	36,036,510
	<b>Gross profit/loss</b>	<b>8519</b> =	7,304,181	6,345,195
	Cost of sales	<b>8518</b> +	35,156,443	36,036,510
	Total operating expenses	<b>9367</b> +	7,379,833	5,714,751
	<b>Total expenses (mandatory field)</b>	<b>9368</b> =	42,536,276	41,751,261
	Total revenue (mandatory field)	<b>8299</b> +	43,317,076	44,378,853
	Total expenses (mandatory field)	<b>9368</b> -	42,536,276	41,751,261
	<b>Net non-farming income</b>	<b>9369</b> =	780,800	2,627,592

<b>Farming income statement information</b>				
	Total farm revenue (mandatory field)	<b>9659</b> +		
	Total farm expenses (mandatory field)	<b>9898</b> -		
	<b>Net farm income</b>	<b>9899</b> =		

	<b>Net income/loss before taxes and extraordinary items</b>	<b>9970</b> =	780,800	2,627,592
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<b>Extraordinary items and income (linked to Schedule 140)</b>				
	Extraordinary item(s)	<b>9975</b> -		
	Legal settlements	<b>9976</b> -		
	Unrealized gains/losses	<b>9980</b> +		
	Unusual items	<b>9985</b> -		
	Current income taxes	<b>9990</b> -	683,071	608,675
	Deferred income tax provision	<b>9995</b> -		
	<b>Net income/loss after taxes and extraordinary items (mandatory field)</b>	<b>9999</b> =	97,729	2,018,917



# Revenue

Form identifier 8299

Account	Description	GIFI	Current year	Prior year
	* Trade sales of goods and services	8000	42,460,624	42,381,705
	* Sales of goods and services to related parties	8020		
	* Interdivisional sales	8030		
<b>Sales from resource properties</b>				
	* Sales from resource properties	8040		
	Petroleum and natural gas sales	8041		
	Petroleum and natural gas sales to related parties	8042		
	Gas marketing	8043		
	Processing revenue	8044		
	Pipeline revenue	8045		
	Seismic sales	8046		
	Mining revenue	8047		
	Coal revenue	8048		
	Oil sands revenue	8049		
	Royalty income	8050		
	Oil and gas partnership/joint venture income/loss	8051		
	Mining partnership/joint venture income/loss	8052		
	Other production revenue	8053		
	<b>Sales from resource properties</b>			
	<b>Total sales of goods and services</b>	8089	= 42,460,624	42,381,705
<b>Investment revenue</b>				
	* Investment revenue	8090		
	Interest from foreign sources	8091		
	Interest from Canadian bonds and debentures	8092		
	Interest from Canadian mortgage loans	8093		
	Interest from other Canadian sources	8094		
	Dividend income	8095		
	Dividends from Canadian sources	8096		
	Dividends from foreign sources	8097		
	<b>Investment revenue</b>			
<b>- Interest income (financial institutions)</b>				
	* Interest income (financial institutions)	8100		
	Loan interest	8101		
	Securities interest	8102		
	Deposits with banks interest	8103		
	<b>Interest income (financial institutions)</b>			
<b>Commission revenue</b>				
	* Commission revenue	8120		
	Commission income on real estate transactions	8121		
	<b>Commission revenue</b>			

<b>Rental revenue</b>			
* Rental revenue	8140		
Real estate rental revenue	8141		
Film rental revenue	8142		
<b>Rental revenue</b>		+	

* Vehicle leasing	8150	+	
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<b>Fishing revenue</b>			
* Fishing revenue	8160		
Fish products	8161		
Other marine products	8162		
Fishing grants, credits, and rebates	8163		
Fishing subsidies	8164		
Compensation for loss of fishing income or property	8165		
Sharesman income	8166		
<b>Fishing revenue</b>		+	

<b>Realized gains/losses on disposal of assets</b>			
* Realized gains/losses on disposal of assets	8210		
Realized gains/losses on sale of investments	8211		
Realized gains/losses on sale of resource properties	8212		
<b>Realized gains/losses on disposal of assets</b>		+	

<b>NPO amounts received</b>			
* Non-Profit organizations amounts received	8220		
Membership fees	8221		
Assessments	8222		
Gifts	8223		
Gross sales and revenues from organizational activities	8224		
<b>NPO amounts received</b>		+	

<b>Other revenue</b>			
* Other revenue	8230	856,452	1,997,148
Foreign exchange gains/losses	8231		
Income/loss of subsidiaries/affiliates	8232		
Income/loss of other divisions	8233		
Income/loss of joint ventures	8234		
Income/loss of partnerships	8235		
Realization of deferred revenues	8236		
Royalty income other than resource	8237		
Alberta royalty tax credits	8238		
Management and administration fees	8239		
Telecommunications revenue	8240		
Consulting fees	8241		
Subsidies and grants	8242		
Sale of by-products	8243		
Deposit services	8244		
Credit services	8245		
Card services	8246		
Patronage dividends	8247		
Insurance recoveries	8248		
Expense recoveries	8249		
Bad debt recoveries	8250		
<b>Other revenue</b>		+	856,452 1,997,148

<b>Total revenue</b>	<b>8299</b>	=	<b>43,317,076</b>	<b>44,378,853</b>
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Generic item

# Cost of Sales

Form identifier 8518

Account	Description	GIFI	Current year	Prior year
<b>Opening inventory</b>				
	* Opening inventory	8300		
	Opening inventory – finished goods	8301		
	Opening inventory – raw materials	8302		
	Opening inventory – goods in process	8303		
	<b>Opening inventory</b>			
			+	
	* Purchases/cost of materials	8320	35,156,443	36,036,510
	* Direct wages	8340		
	* Benefits on direct wages	8350		
	* Trades and sub-contracts	8360		
	* Production costs other than resource	8370		
<b>Resource production costs</b>				
	* Resource production costs	8400		
	Pipeline operations	8401		
	Drilling	8402		
	Site restoration costs	8403		
	Gross overriding royalty	8404		
	Freehold royalties	8405		
	Other producing properties rental	8406		
	Prospect/geological	8407		
	Well operating, fuel and equipment	8408		
	Well abandonment and dry holes	8409		
	Other lease rentals	8410		
	Exploration expenses	8411		
	Development expenses	8412		
	<b>Resource production costs</b>			
			+	
<b>Crown charges</b>				
	* Crown charges	8435		
	Crown royalties	8436		
	Crown lease rentals	8437		
	Freehold mineral tax	8438		
	Mining taxes	8439		
	Oil sand leases	8440		
	Saskatchewan resource surcharge	8441		
	<b>Crown charges</b>			
			+	

<b>Other direct costs</b>			
* Other direct costs	8450		
Equipment hire and operation	8451		
Log yard	8452		
Forestry costs	8453		
Logging road costs	8454		
Stumpage costs	8455		
Royalty costs	8456		
Freight in and duty	8457		
Inventory write down	8458		
Direct cost amortization of tangible assets	8459		
Direct cost amortization of natural resource assets	8460		
Overhead expenses allocated to cost of sales	8461		
<b>Other direct costs</b>		+	

<b>Closing inventory</b>			
* Closing inventory	8500		
Closing inventory – finished goods	8501		
Closing inventory – raw materials	8502		
Closing inventory – goods in process	8503		
<b>Closing inventory</b>		-	

<b>Cost of sales</b>	<b>8518</b>	=	<u>35,156,443</u>	<u>36,036,510</u>
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\* Generic item

# Operating Expenses

Form identifier 9367

Account	Description	GIFI	Current year	Prior year
<b>Advertising and promotion</b>				
	* Advertising and promotion	8520		
	Advertising	8521		
	Donations	8522		
	Meals and entertainment	8523		
	Promotion	8524		
	<b>Advertising and promotion</b>			
	* Amortization of intangible assets	8570	1,634,333	1,542,164
	* Goodwill impairment loss	8571		
	* Bad debt expense	8590		
<b>Loan losses</b>				
	* Loan losses	8610		
	Provision for loan losses	8611		
	<b>Loan losses</b>			
<b>Employee benefits</b>				
	* Employee benefits	8620		
	Group insurance benefits	8621		
	Employer's portion of employee benefits	8622		
	Contributions to deferred income plans	8623		
	<b>Employee benefits</b>			
	* Amortization of natural resource assets	8650		
	* Amortization of tangible assets	8670		
<b>Insurance</b>				
	* Insurance	8690		
	Life insurance on executives	8691		
	<b>Insurance</b>			
<b>Interest and bank charges</b>				
	* Interest and bank charges	8710	897,122	586,726
	Interest on short-term debt	8711		
	Interest on bonds and debentures	8712		
	Interest on mortgages	8713		
	Interest on long-term debt	8714		
	Bank charges	8715		
	Credit card charges	8716		
	Collection and credit costs	8717		
	<b>Interest and bank charges</b>		897,122	586,726

**Interest paid (financial institutions)**

* Interest paid (financial institutions)	8740		
Interest paid on deposits	8741		
Interest paid on bonds and debentures	8742		
<b>Interest paid (financial institutions)</b>		+	

**Business taxes, licences, and memberships**

* Business taxes, licences, and memberships	8760		
Memberships	8761		
Business taxes	8762		
Franchise fees	8763		
Government fees	8764		
<b>Business taxes, licences, and memberships</b>		+	

\* New Brunswick tax on large corporations 8780 +

\* Nova Scotia tax on large corporations 8790 +

**Office expenses**

* Office expenses	8810		
Office stationery and supplies	8811		
Office utilities	8812		
Data processing	8813		
<b>Office expenses</b>		+	

**Professional fees**

* Professional fees	8860		
Legal fees	8861		
Accounting fees	8862		
Consulting fees	8863		
Architect fees	8864		
Appraisal fees	8865		
Laboratory fees	8866		
Medical fees	8867		
Veterinary fees	8868		
Brokerage fees	8869		
Transfer fees	8870		
Management and administration fees	8871		
Refining and assay	8872		
Registrar and transfer agent fees	8873		
Restructuring costs	8874		
Security commission fees	8875		
Training expense	8876		
Studio and recording	8877		
<b>Professional fees</b>		+	

<b>Rental</b>			
* Rental	8910		
Real estate rental	8911		
Occupancy costs	8912		
Condominium fees	8913		
Equipment rental	8914		
Motor vehicle rentals	8915		
Moorage (boat)	8916		
Storage	8917		
Quota rental	8918		
<b>Rental</b>		+	

<b>- Repairs and maintenance</b>			
* Repairs and maintenance	8960		
Repairs and maintenance – buildings	8961		
Repairs and maintenance – vehicles	8962		
Repairs and maintenance – boats	8963		
Repairs and maintenance – machinery and equipment	8964		
<b>Repairs and maintenance</b>		+	

<b>- Other repairs and maintenance</b>			
* Other repairs and maintenance	9010		
Machine shop expense	9011		
Road costs	9012		
Security	9013		
Garbage removal	9014		
<b>Other repairs and maintenance</b>		+	

<b>- Salaries and wages</b>			
* Salaries and wages	9060		
Commissions	9061		
Crew share	9062		
Bonuses	9063		
Directors fees	9064		
Management salaries	9065		
Employee salaries	9066		
<b>Salaries and wages</b>		+	

* Sub-contracts	9110	+	
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<b>- Supplies</b>			
* Supplies	9130		
Small tools	9131		
Shop expense	9132		
Uniforms	9133		
Laundry	9134		
Food and catering	9135		
Fishing gear	9136		
Nets and traps	9137		
Salt, bait, and ice	9138		
Camp supplies	9139		
Computer-related expenses	9150		
Upgrade	9151		
Internet	9152		
<b>Supplies</b>		+	

* Property taxes	9180	+		
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<b>Travel expenses</b>				
* Travel expenses	9200			
Meetings and conventions	9201			
<b>Travel expenses</b>		+		

<b>Utilities</b>				
* Utilities	9220			
Electricity	9221			
Water	9222			
Heat	9223			
Fuel costs	9224			
Telephone et telecommunications	9225			
<b>Utilities</b>		+		

<b>Other expenses</b>				
* Other expenses	9270			
Cash over/short	9271			
Reimbursement of parent company expense	9272			
Selling expenses	9273			
Shipping and warehouse expense	9274			
Delivery, freight and express	9275			
Warranty expenses	9276			
Royalty expenses – resident	9277			
Royalty expenses – non-resident	9278			
Dumping charges	9279			
Land fill fees	9280			
Vehicle expenses	9281			
Research and development	9282			
Withholding taxes	9283			
General and administrative expenses	9284		4,848,378	3,585,861
Interdivisional expenses	9285			
Interfund transfer	9286			
<b>Other expenses</b>		+	4,848,378	3,585,861

<b>Total operating expenses</b>	<b>9367</b>	=	<u>7,379,833</u>	<u>5,714,751</u>
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\* Generic item



NOTES CHECKLIST

Corporation's name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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- This schedule should be completed from the perspective of the person who prepared or reported on the **financial statements**. This person is referred to as the "accounting practitioner", in this schedule.
- For more information, see RC4088, *Guide to the General Index of Financial Information (GIFI) for Corporations* and T4012, *T2 Corporation - Income Tax Guide*.
- Attach a copy of this schedule, along with any Notes to the financial statements, to the GIFI.

Part 1 - Accounting practitioner information

- Does the accounting practitioner have a professional designation? **095** 1 Yes  2 No
- Is the accounting practitioner connected\* with the corporation? **097** 1 Yes  2 No

\* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

**Note**  
If the accounting practitioner does not have a professional designation or is connected with the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you do have to complete Part 4.

Part 2 - Type of involvement

- Choose the option that represents the highest level of involvement of the accounting practitioner: **198**
- Completed an auditor's report ..... 1
- Completed a review engagement report ..... 2
- Conducted a compilation engagement ..... 3

Part 3 - Reservations

- If you selected option "1" or "2" under **Type of involvement** above, answer the following question:
- Has the accounting practitioner expressed a reservation? **099** 1 Yes  2 No

Part 4 - Other information

- Were notes to the financial statements prepared? **101** 1 Yes  2 No
- If Yes, complete lines 102 to 107 below:
- Are any values presented at other than cost? **102** 1 Yes  2 No
- Has there been a change in accounting policies since the last return? **103** 1 Yes  2 No
- Are subsequent events mentioned in the notes? **104** 1 Yes  2 No
- Is re-evaluation of asset information mentioned in the notes? **105** 1 Yes  2 No
- Is contingent liability information mentioned in the notes? **106** 1 Yes  2 No
- Is information regarding commitments mentioned in the notes? **107** 1 Yes  2 No
- Does the corporation have investments in joint venture(s) or partnership(s)? **108** 1 Yes  2 No
- If Yes, complete line 109 below:
- Are you filing financial statements of the joint venture(s) or partnership(s)? **109** 1 Yes  2 No

**NET INCOME (LOSS) FOR INCOME TAX PURPOSES**

**SCHEDULE 1**

Corporation's name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Net income (loss) after taxes and extraordinary items per financial statements			<u>97,729</u>	A
<b>Add:</b>				
Provision for income taxes – current	<b>101</b>	<u>683,071</u>		
Amortization of intangible assets	<b>106</b>	<u>1,634,333</u>		
Subtotal of additions		<u>2,317,404</u>	<b>2,317,404</b>	
<b>Other additions:</b>				
<b>Miscellaneous other additions:</b>				
Subtotal of other additions	<b>199</b>	<u>0</u>	<b>0</b>	
<b>Total additions</b>	<b>500</b>	<u>2,317,404</u>	<b>2,317,404</b>	
<b>Deduct:</b>				
Subtotal of deductions				
<b>Other deductions:</b>				
<b>Miscellaneous other deductions:</b>				
<b>700</b> Exempt pursuant to paragraph 149(1)(d.6)	<b>390</b>	<u>2,415,133</u>		
Total	<b>394</b>	<u>2,415,133</u>		
Subtotal of other deductions	<b>499</b>	<u>2,415,133</u>	<b>2,415,133</b>	
<b>Total deductions</b>	<b>510</b>	<u>2,415,133</u>	<b>2,415,133</b>	
<b>Net income (loss) for income tax purposes</b> – enter on line 300 of the T2 return			<u>0</u>	

\* For reference purposes only





RELATED AND ASSOCIATED CORPORATIONS

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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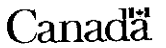
This schedule is to be completed by a corporation having one or more of the following:

- related corporation(s)
- associated corporations(s)

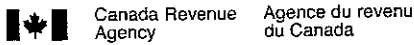
	<b>100</b>	<b>200</b>	<b>300</b>	<b>400</b>	<b>500</b>	<b>550</b>	<b>600</b>	<b>650</b>	<b>700</b>
Name	Country of residence (if other than Canada)	Business Number (Canadian corporation only) (see note 1)	Relationship code (see note 2)	Number of common shares owned	% of common shares owned	Number of preferred shares owned	% of preferred shares owned	Book value of capital stock	
1 WELLAND HYDRO-ELECTRIC HOLD.		86360 4328 RC0001	1						
2 WELLAND HYDRO ELECTRIC RETAI		86375 9494 RC0001	3						
3 CORPORATION OF CITY OF WELLA		NR	3						
4 Welland WiFi		85056 2364 RC0001	3						

Note 1: Enter "NR" if a corporation is not registered.

Note 2: Enter the code number of the relationship that applies from the following order: 1 -- Parent 2 -- Subsidiary 3 -- Associated 4 -- Related, but not associated.



**SCHEDULE 50**

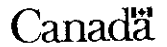


**SHAREHOLDER INFORMATION**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)	Provide only one number per shareholder			Percentage common shares	Percentage preferred shares
		Business Number <b>200</b>	Social insurance number <b>300</b>	Trust number <b>350</b>		
1	WELLAND HYDRO-ELECTRIC HOLDING CORP.	86360 4328 RC0001			100.000	
2						
3						
4						
5						
6						
7						
8						
9						
10						



## FILING INSTRUCTIONS

*Welland Hydro-Electric System Corp.*

### FEDERAL - T2-NIL

**Mailing Address:**

Tax Centre  
275 Pope Rd  
Summerside PE C1N 6A2

**Courier Address:**

*Same As Above*

**Tax Return Due Date:**

June 30, 2008

**Tax Due:**

N/A

**Tax Due Date:**

N/A

**Payable To:**

N/A

**Tax Refund:**

N/A

**Expected Tax Refund From Carry  
Back of [Non or Net] Capital Losses:**

N/A

### Signing Instruction:

One copy of the T2-Return and Schedule Information form should be signed in the certification area (on page 5 of 5), along with Form RC59 Business Consent and forwarded to the above address.

T2 CORPORATION INCOME TAX RETURN

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec, Ontario, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax services office or tax centre. You have to file the return within six months after the end of the corporation's tax year.

For more information see [www.cra.gc.ca](http://www.cra.gc.ca) or the *T2 Corporation - Income Tax Guide* (T4012).

055 Do not use this area

Identification

Business Number (BN) 001 86375 9692 RC0001

Corporation's name 002 WELLAND HYDRO ELECTRIC SYSTEM CORP.

Has the corporation changed its name since the last time you filed your T2 return? 003 1 Yes  2 No

If yes, do you have a copy of the articles of amendment? (Do not submit) 004 1 Yes  2 No

Address of head office  
Has this address changed since the last time you filed your T2 return? 010 1 Yes  2 No   
(If yes, complete lines 011 to 018)

To which tax year does this return apply?  
Tax year start 060 2007-01-01 Tax year-end 061 2007-12-31  
YYYY MM DD YYYY MM DD

011 950 EAST MAIN STREET  
012 P.O. BOX 280  
City Province, territory, or state  
015 WELLAND 016 ON  
Country (other than Canada) Postal code/Zip code  
017 018 L3B 5P6

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? 063 1 Yes  2 No   
If yes, provide the date control was acquired 065  
YYYY MM DD

Mailing address (if different from head office address)  
Has this address changed since the last time you filed your T2 return? 020 1 Yes  2 No   
(If yes, complete lines 021 to 028)

Is the date on line 061 a deemed tax year-end in accordance with subsection 249(3.1)? 066 1 Yes  2 No

021 c/o  
022  
023  
City Province, territory, or state  
025 026  
Country (other than Canada) Postal code/Zip code  
027 028

Is the corporation a professional corporation that is a member of a partnership? 067 1 Yes  2 No

Location of books and records  
Has the location of books and records changed since the last time you filed your T2 return? 030 1 Yes  2 No   
(If yes, complete lines 031 to 038)

Is this the first year of filing after:  
Incorporation? 070 1 Yes  2 No   
Amalgamation? 071 1 Yes  2 No   
If yes, complete lines 030 to 038 and attach Schedule 24.

031 950 EAST MAIN STREET  
032 P.O. BOX 280  
City Province, territory, or state  
035 WELLAND 036 ON  
Country (other than Canada) Postal code/Zip code  
037 038 L3B 5P6

Has there been a wind-up of a subsidiary under section 88 during the current tax year? 072 1 Yes  2 No   
If yes, complete and attach Schedule 24.

040 Type of corporation at the end of the tax year  
1  Canadian-controlled private corporation (CCPC) 4  Corporation controlled by a public corporation  
2  Other private corporation 5  Other corporation (specify, below)  
3  Public corporation

Is this the final tax year before amalgamation? 076 1 Yes  2 No

If the type of corporation changed during the tax year, provide the effective date of the change. 043  
YYYY MM DD

Is this the final return up to dissolution? 078 1 Yes  2 No

Is the corporation a resident of Canada?  
080 1 Yes  2 No  If no, give the country of residence on line 081 and complete and attach Schedule 97.  
081

Is the non-resident corporation claiming an exemption under an income tax treaty? 082 1 Yes  2 No   
If yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:  
085 1  Exempt under paragraph 149(1)(e) or (l)  
2  Exempt under paragraph 149(1)(j)  
3  Exempt under paragraph 149(1)(t)  
4  Exempt under other paragraphs of section 149

Do not use this area

091 092 093 094 095 096 100

**Attachments**

**Financial statement information:** Use GIFL schedules 100, 125, and 141.  
**Schedules** – Answer the following questions. For each Yes response, attach to the T2 return the schedule that applies.

	Yes	Schedule
Is the corporation related to any other corporations?	<input checked="" type="checkbox"/>	9
Is the corporation an associated CCPC?	<input checked="" type="checkbox"/>	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	<input type="checkbox"/>	49
Does the corporation have any non-resident shareholders?	<input type="checkbox"/>	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	<input type="checkbox"/>	11
If you answered yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	<input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	<input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	<input type="checkbox"/>	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	<input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	<input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ?	<input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	<input type="checkbox"/>	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	<input checked="" type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<input type="checkbox"/>	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	<input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	<input checked="" type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<input checked="" type="checkbox"/>	3
Is the corporation claiming any type of losses?	<input type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	<input type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	<input checked="" type="checkbox"/>	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	<input checked="" type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	<input checked="" type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	<input checked="" type="checkbox"/>	10
Does the corporation have any resource-related deductions?	<input type="checkbox"/>	12
Is the corporation claiming reserves of any kind?	<input checked="" type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	<input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	<input type="checkbox"/>	18
Was the corporation carrying on business in Canada as a non-resident corporation?	<input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	<input type="checkbox"/>	21
Does the corporation have any Canadian manufacturing and processing profits?	<input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	<input checked="" type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<input type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	<input checked="" type="checkbox"/>	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000?	<input checked="" type="checkbox"/>	
Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax?	<input type="checkbox"/>	36
Is the corporation claiming a surtax credit?	<input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	<input type="checkbox"/>	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	<input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	<input type="checkbox"/>	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	<input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	<input type="checkbox"/>	T1177

**Attachments – continued from page 2**

	Yes	Schedule
Is the corporation subject to Part XIII.1 tax?	<input type="checkbox"/>	92 *
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	<input type="checkbox"/>	T1134-A
Did the corporation have any controlled foreign affiliates?	<input type="checkbox"/>	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	<input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?	<input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	<input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	<input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	<input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	<input type="checkbox"/>	T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	<input checked="" type="checkbox"/>	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	<input type="checkbox"/>	T2002
Has the corporation revoked any previous election made under subsection 89(11)?	<input type="checkbox"/>	T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	<input checked="" type="checkbox"/>	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	<input type="checkbox"/>	54

\* We do not print this schedule.

**Additional information**

Is the corporation inactive?	280	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Has the major business activity changed since the last return was filed? (enter yes for first-time filers)	281	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's major business activity? (Only complete if yes was entered at line 281)	282		
If the major business activity involves the resale of goods, show whether it is wholesale or retail	283	1 Wholesale <input type="checkbox"/>	2 Retail <input type="checkbox"/>
Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	284	POWER DISTRIBUTION	285 100.000 %
	286		287 %
	288		289 %
Did the corporation immigrate to Canada during the tax year?	291	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the tax year?	292	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>

**Taxable income**

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFi.	300	2,355,899	A
<b>Deduct:</b> Charitable donations from Schedule 2	311	1,975	
Gifts to Canada, a province, or a territory from Schedule 2	312		
Cultural gifts from Schedule 2	313		
Ecological gifts from Schedule 2	314		
Gifts of medicine from Schedule 2	315		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320	1,744	
Part VI.1 tax deduction *	325		
Non-capital losses of previous tax years from Schedule 4	331		
Net capital losses of previous tax years from Schedule 4	332		
Restricted farm losses of previous tax years from Schedule 4	333		
Farm losses of previous tax years from Schedule 4	334		
Limited partnership losses of previous tax years from Schedule 4	335		
Taxable capital gains or taxable dividends allocated from a central credit union	340		
Prospector's and grubstaker's shares	350		
<b>Subtotal</b>		3,719	B
<b>Subtotal (amount A minus amount B) (if negative, enter "0")</b>		2,352,180	C
<b>Add:</b> Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355		D
<b>Taxable income (amount C plus amount D)</b>	360	2,352,180	
Income exempt under paragraph 149(1)(t)	370		
<b>Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370)</b>		2,352,180	Z

\* This amount is equal to 3 times the Part VI.1 tax payable at line 724.



**Small business deduction**

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	2,296,393	A
Taxable income from line 360, minus 10/3 of the amount on line 632*, minus 3 times the amount on line 636**, and minus any amount that, because of federal law, is exempt from Part I tax	405	2,352,180	B

**Calculation of the business limit:**

For all CCPCs, calculate the amount at line 4 below.

300,000	x	Number of days in the tax year in 2005 and in 2006	=	.....	1	
		Number of days in the tax year	365			
400,000	x	Number of days in the tax year after 2006	365	=	..... 400,000	
		Number of days in the tax year	365			
Add amounts at lines 1 and 2					400,000	4

Business limit (see notes 1 and 2 below)	410	400,000	C
--	-----	---------	---

- Notes:
- For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.
  - For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

**Business limit reduction:**

Amount C	400,000	x	415 ***	51,034	D	=	.....	1,814,542	E
				11,250					
Reduced business limit (amount C minus amount E) (if negative, enter "0")								425	F

**Small business deduction**

Amount A, B, C, or F whichever is the least	x	Number of days in the tax year before January 1, 2008	365	x	16 %	=	.....	5
		Number of days in the tax year	365					

Amount A, B, C, or F whichever is the least	x	Number of days in the tax year after December 31, 2007 and before January 1, 2009	365	x	17 %	=	.....	6
		Number of days in the tax year	365					

Amount A, B, C, or F whichever is the least	x	Number of days in the tax year after December 31, 2008	365	x	17 %	=	.....	7
		Number of days in the tax year	365					

Total of amounts 5, 6, and 7 – enter on line 9 **430** G

- \* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.  
\*\* Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporate tax reductions under section 123.4.

**\*\*\* Large corporations**

- If the corporation is not associated with any corporations in both the current and the previous tax years, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the prior year minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the current year minus \$10,000,000) x 0.225%
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

**Resource deduction**

Taxable resource income [as defined in subsection 125.11(1)]	435		H
Amount H	x	Number of days in the tax year in 2005	x 3 % =
		Number of days in the tax year	365
Amount H	x	Number of days in the tax year in 2006	x 5 % =
		Number of days in the tax year	365
Amount H	x	Number of days in the tax year in 2007	x 7 % =
		Number of days in the tax year	365
Resource deduction – total of amounts I, J and K	438		L

Enter amount L on line 10.



**Refundable portion of Part I tax**

Canadian-controlled private corporations throughout the tax year

Aggregate investment income ..... **440** 57,762 x 26 2 / 3 % = ..... 15,403 A  
(from Schedule 7)

Foreign non-business income tax credit from line 632 .....

**Deduct:**

Foreign investment income ..... **445** x 9 1 / 3 % = ..... B  
(from Schedule 7) (if negative, enter "0")

Amount A minus amount B (if negative, enter "0") ..... 15,403 C

Taxable income from line 360 ..... 2,352,180

**Deduct:**

Amount from line 400, 405, 410, or 425, whichever is the least .....

Foreign non-business  
income tax credit  
from line 632 ..... x 25 / 9 = .....

Foreign business  
income tax credit  
from line 636 ..... x 3 = .....

2,352,180  
x 26 2 / 3 % = 627,248 D

Part I tax payable minus investment tax credit refund (line 700 minus line 780) ..... 524,196

**Deduct:** Corporate surtax from line 600 ..... 26,344

Net amount ..... 497,852 E

**Refundable portion of Part I tax** – Amount C, D, or E, whichever is the least ..... **450** 15,403 F

**Refundable dividend tax on hand**

Refundable dividend tax on hand at the end of the previous tax year ..... **460** 1,037

**Deduct:** Dividend refund for the previous tax year ..... **465** 1,037

**Add the total of:**

Refundable portion of Part I tax from line 450 above ..... 15,403

Total Part IV tax payable from Schedule 3 ..... 581

Net refundable dividend tax on hand transferred from a predecessor corporation on  
amalgamation, or from a wound-up subsidiary corporation ..... **480**

15,984 H

**Refundable dividend tax on hand at the end of the tax year** – Amount G plus amount H ..... **485** 15,984

**Dividend refund**

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 of Schedule 3 ..... 600,000 x 1 / 3 ..... 200,000 I

Refundable dividend tax on hand at the end of the tax year from line 485 above ..... 15,984 J

**Dividend refund** – Amount I or J, whichever is less (enter this amount on line 784) ..... 15,984

**Part I tax**

Base amount of Part I tax – taxable income (line 360 or amount Z, whichever applies) multiplied by 38.00 % ..... **550** 893,828 A

**Corporate surtax calculation**

Base amount from line A above ..... 893,828 1  
**Deduct:**  
 10 % of taxable income (line 360 or amount Z, whichever applies) ..... 235,218 2  
 Investment corporation deduction from line 620 below ..... 3  
 Federal logging tax credit from line 640 below ..... 4  
 Federal qualifying environmental trust tax credit from line 648 below ..... 5  
 For a mutual fund corporation or an investment corporation throughout the tax year, enter amount a, b, or c below on line 6, whichever is the least:  
 28.00 % of taxable income from line 360 ..... a  
 28.00 % of taxed capital gains ..... b  
 Part I tax otherwise payable ..... c  
 (line A plus lines C and D minus line F)  
 Total of lines 2 to 6 ..... 235,218 7  
 Net amount (line 1 minus line 7) ..... 658,610 8

**Corporate surtax\***  
 Line 8 658,610 x  $\frac{\text{Number of days in the tax year before January 1, 2008}}{\text{Number of days in the tax year}}$   $\frac{365}{365}$  x 4 % = **600** 26,344 B

\* The corporate surtax is zero effective January 1, 2008.

Recapture of investment tax credit from Schedule 31 ..... **602** C

**Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income**  
 (if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 ..... 57,762 i  
 Taxable income from line 360 ..... 2,352,180  
**Deduct:**  
 Amount from line 400, 405, 410, or 425, whichever is the least ..... 2,352,180  
 Net amount ..... 2,352,180 ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii ..... **604** 3,851 D

Subtotal (add lines A, B, C, and D) ..... 924,023 E

**Deduct:**

Small business deduction from line 430 ..... 608 235,218 9  
 Federal tax abatement ..... 616  
 Manufacturing and processing profits deduction from Schedule 27 ..... 620  
 Investment corporation deduction  
 (taxed capital gains **624**) ..... 628  
 Additional deduction – credit unions from Schedule 17 ..... 632  
 Federal foreign non-business income tax credit from Schedule 21 ..... 636  
 Federal foreign business income tax credit from Schedule 21 .....  
 Resource deduction from line 438 ..... 10  
 General tax reduction for CCPCs from amount L ..... 638 160,609  
 General tax reduction from amount V ..... 639  
 Federal logging tax credit from Schedule 21 ..... 640  
 Federal political contribution tax credit ..... 644  
 Federal political contributions **646** .....  
 Federal qualifying environmental trust tax credit ..... 648  
 Investment tax credit from Schedule 31 ..... 652 4,000  
 Subtotal ..... 399,827

399,827 F

**Part I tax payable – Line E minus line F** ..... 524,196 G  
 Enter amount G on line 700.

**Summary of tax and credits**

**Federal tax**

Part I tax payable	700	524,196
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	581
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
<b>Total federal tax</b>		<b>524,777</b>

**Add provincial or territorial tax:**

Provincial or territorial jurisdiction	750	Ontario
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)		
Net provincial or territorial tax payable (except Québec, Ontario, and Alberta)	760	
Provincial tax on large corporations (New Brunswick and Nova Scotia)	765	
<b>Total tax payable</b>	<b>770</b>	<b>524,777</b> A

**Deduct other credits:**

Investment tax credit refund from Schedule 31	780	
Dividend refund	784	15,984
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	508,793
<b>Total credits</b>	<b>890</b>	<b>524,777</b> B

Refund code **894** Overpayment

Balance (line A minus line B)

**Direct deposit request**

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

Start  Change information

**910** Branch number

**914** Institution number **918** Account number

If the result is negative, you have an **overpayment**.  
If the result is positive, you have a **balance unpaid**.  
Enter the amount on whichever line applies.  
Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid

Enclosed payment **898**

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? **896** 1 Yes  2 No

**Certification**

I, **950** PEEVER **951** ROSS **954** PRESIDENT  
Last name in block letters First name in block letters Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

**955** 2008-06-26  
Date (yyyy/mm/dd)

Signature of the authorized signing officer of the corporation

**956** (905) 732-1381  
Telephone number

Is the contact person the same as the authorized signing officer? If no, complete the information below **957** 1 Yes  2 No

**958** Name in block letters

**959** Telephone number

**Language of correspondence – Langue de correspondance**

**990** Indicate your language of correspondence by entering 1 for English or 2 for French.  
Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français.

1 English / Anglais  2 Français / French



**GENERAL INDEX OF FINANCIAL INFORMATION – GIFI**

Form identifier 100

Name of corporation  WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number  86375 9692 RC0001	Tax year end Year Month Day 2007-12-31
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**Balance sheet information**

Account	Description	GIFI	Current year	Prior year
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<b>Assets</b>				
	Total current assets	<b>1599</b> +	15,020,439	16,064,204
	Total tangible capital assets	<b>2008</b> +	20,057,451	19,403,986
	Total accumulated amortization of tangible capital assets	<b>2009</b> -		
	Total intangible capital assets	<b>2178</b> +		
	Total accumulated amortization of intangible capital assets	<b>2179</b> -		
	Total long-term assets	<b>2589</b> +	137,487	301,207
	* Assets held in trust	<b>2590</b> +		
	<b>Total assets (mandatory field)</b>	<b>2599</b> =	<u>35,215,377</u>	<u>35,769,397</u>

<b>Liabilities</b>				
	Total current liabilities	<b>3139</b> +	4,716,378	5,596,695
	Total long-term liabilities	<b>3450</b> +	16,203,712	15,375,144
	* Subordinated debt	<b>3460</b> +		
	* Amounts held in trust	<b>3470</b> +		
	<b>Total liabilities (mandatory field)</b>	<b>3499</b> =	<u>20,920,090</u>	<u>20,971,839</u>

<b>Shareholder equity</b>				
	<b>Total shareholder equity (mandatory field)</b>	<b>3620</b> +	14,295,287	14,797,558

	<b>Total liabilities and shareholder equity</b>	<b>3640</b> =	<u>35,215,377</u>	<u>35,769,397</u>
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<b>Retained earnings</b>				
	<b>Retained earnings/deficit – end (mandatory field)</b>	<b>3849</b> =	<u>711,949</u>	<u>1,214,220</u>

\* Generic item

# Current Assets

Form identifier 1599

Account	Description	GIFI	Current year	Prior year
<b>Cash and deposits</b>				
	* Cash and deposits	1000	7,074,132	8,006,110
	Cash	1001		
	Deposits in Canadian banks and institutions – Canadian currency	1002		
	Deposits in Canadian banks and institutions – foreign currency	1003		
	Deposits in foreign banks – Canadian currency	1004		
	Deposits in foreign banks – foreign currency	1005		
	Credit union central deposits	1006		
	Other cash like instruments	1007		
	<b>Cash and deposits</b>		<u>7,074,132</u>	<u>8,006,110</u>
<b>Accounts receivable</b>				
	* Accounts receivable	1060	7,357,598	7,541,987
	Trade accounts receivable	1062		
	Trade accounts receivable from related parties	1064		
	Taxes receivable	1066		
	Interest receivable	1067		
	Holdbacks receivable	1068		
	Leases receivable	1069		
	Accounts receivable from employees	1071		
	Amounts receivable from members of NPOs	1073		
	<b>Accounts receivable</b>		<u>7,357,598</u>	<u>7,541,987</u>
<b>Allowance for doubtful accounts</b>				
	* Allowance for doubtful accounts	1061		
	Allowance for doubtful trade accounts receivable	1063		
	Allowance for doubtful trade accounts receivable from related parties	1065		
	Allowance for doubtful amounts contained in leases receivable	1070		
	Allowance for doubtful accounts receivable from employees	1072		
	<b>Allowance for doubtful accounts</b>			
<b>Inventories</b>				
	* Inventories	1120	502,159	470,431
	Inventory of goods for sale	1121		
	Inventory parts and supplies	1122		
	Inventory properties	1123		
	Inventory of aggregates	1124		
	Work in progress	1125		
	Raw materials	1126		
	Inventory of securities	1127		
	<b>Inventories</b>		<u>502,159</u>	<u>470,431</u>
<b>Short-term investments</b>				
	* Short-term investments	1180		35,188
	Canadian term deposits	1181		
	Canadian shares	1182		
	Canadian bonds	1183		
	Canadian treasury bills	1184		
	Securities purchased under resale agreements	1185		
	Other short-term Canadian investments	1186		
	Short-term foreign investments	1187		
	<b>Short-term investments</b>			<u>35,188</u>



<b>Loans and notes receivable</b>			
* Loans and notes receivable	1240		
Demand loans receivable	1241		
Other loans receivable	1242		
Notes receivable	1243		
Mortgages receivable	1244		
<b>Loans and notes receivable</b>		+	

<b>Due from shareholder(s)/director(s)</b>			
* Due from shareholder(s)/director(s)	1300		
Due from individual shareholder(s)	1301		
Due from corporate shareholder(s)	1302		
Due from director(s)	1303		
<b>Due from shareholder(s)/director(s)</b>		+	

* Investment in joint venture(s)/partnership(s)	1360	+	
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* Due from joint venture(s)/partnership(s)	1380	+	
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<b>Due from/investment in related parties</b>			
* Due from/investment in related parties	1400		
Demand notes from related parties	1401		
Interest receivable from related parties	1402		
Loans/advances due from related parties	1403		
<b>Due from/investment in related parties</b>		+	

* Customers' liability under acceptances	1460	+	
--	------	---	--

<b>Other current assets</b>			
* Other current assets	1480		
Future (deferred) income taxes	1481		
Accrued investment income	1482		
Taxes recoverable/refundable	1483		
Prepaid expenses	1484	86,550	10,488
Drilling advances	1485		
Security/tender deposits	1486		
<b>Other current assets</b>		+	86,550 10,488

<b>Total current assets</b>	<b>1599</b>	=	<u>15,020,439</u>	<u>16,064,204</u>
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\* Generic item

# Tangible Capital Assets and Accumulated Amortization

Form identifier 2008/2009

Account	Description	GIFI	Tangible capital assets	Accumulated amortization	Prior year
<b>Land</b>					
	* Land	1600	+		
	Land improvements	1601	+		
	Accumulated amortization of land improvements	1602		-	
	<b>Total</b>				
<b>Depletable assets</b>					
	* Depletable assets	1620	+		
	*Accumulated amortization of depletable assets	1621		-	
	Petroleum and natural gas properties	1622	+		
	Accumulated amortization of petroleum and natural gas properties	1623		-	
	Mining properties	1624	+		
	Accumulated amortization of mining properties	1625		-	
	Deferred exploration and development charges	1626	+		
	Accumulated amortization of deferred exploration and development charges	1627		-	
	Quarries	1628	+		
	Accumulated amortization of quarries	1629		-	
	Gravel pits	1630	+		
	Accumulated amortization of gravel pits	1631		-	
	Timber limits	1632	+		
	Accumulated amortization of timber limits	1633		-	
	<b>Total</b>				
<b>Buildings</b>					
	* Buildings	1680	+		
	*Accumulated amortization of buildings	1681		-	
	Manufacturing and processing plant	1682	+		
	Accumulated amortization of manufacturing and processing plant	1683		-	
	Buildings under construction	1684	+		
	<b>Total</b>				
<b>Machinery, equipment, furniture and fixtures</b>					
	* Machinery, equipment, furniture, and fixtures	1740	+		
	*Accumulated amortization of machinery, equipment, furniture, and fixtures	1741		-	
	Motor vehicles	1742	+		
	Accumulated amortization of motor vehicles	1743		-	
	Tools and dies	1744	+		
	Accumulated amortization of tools and dies	1745		-	
	Construction and excavating equipment	1746	+		
	Accumulated amortization of construction and excavating equipment	1747		-	
	Forestry and logging equipment	1748	+		
	Accumulated amortization of forestry and logging equipment	1749		-	
	Fishing gear and nets	1750	+		
	Accumulated amortization of fishing gear and nets	1751		-	
	Mining equipment	1752	+		
	Accumulated amortization of mining equipment	1753		-	
	Oil and gas systems	1754	+		

**Machinery, equipment, furniture and fixtures (continued)**

Accumulated amortization of oil and gas systems	1755	-	
Production equipment for resource industries	1756	+	
Accumulated amortization of production equipment for resource industries	1757	-	
Production equipment for other than resource industries	1758	+	
Accumulated amortization of production equipment for other than resource industries	1759	-	
Exploration equipment	1760	+	
Accumulated amortization of exploration equipment	1761	-	
Shipping equipment	1762	+	
Accumulated amortization of shipping equipment	1763	-	
Ships and boats	1764	+	
Accumulated amortization of ships and boats	1765	-	
Aircraft	1766	+	
Accumulated amortization of aircraft	1767	-	
Signs	1768	+	
Accumulated amortization of signs	1769	-	
Small tools	1770	+	
Accumulated amortization of small tools	1771	-	
Radio and communication equipment	1772	+	
Accumulated amortization of radio and communication equipment	1773	-	
Computer equipment/software	1774	+	
Accumulated amortization of computer equipment/software	1775	-	
Musical instruments	1776	+	
Accumulated amortization of musical instruments	1777	-	
Satellites	1778	+	
Accumulated amortization of satellites	1779	-	
Earth stations	1780	+	
Accumulated amortization of earth stations	1781	-	
Machinery and equipment under construction	1782	+	
Transportation equipment	1783	+	
Accumulated amortization of transportation equipment	1784	-	
Other machinery and equipment	1785	+	
Accumulated amortization of other machinery and equipment	1786	-	
Furniture and fixtures	1787	+	
Accumulated amortization of furniture and fixtures	1788	-	
<b>Total</b>			

**Other tangible capital assets**

* Other tangible capital assets	1900	+	20,057,451	19,403,986
*Accumulated amortization of other tangible capital assets	1901	-		
Logging roads	1902	+		
Accumulated amortization of logging roads	1903	-		
Asphalt and parking areas	1904	+		
Accumulated amortization of asphalt and parking areas	1905	-		
Wharves	1906	+		
Accumulated amortization of wharves	1907	-		

**Other tangible capital assets (continued)**

Fences	1908	+		
Accumulated amortization of fences	1909		-	
Capital leases – buildings	1910	+		
Accumulated amortization of capital leases – buildings	1911		-	
Capital leases – equipment	1912	+		
Accumulated amortization of capital leases – equipment	1913		-	
Capital leases – vehicles	1914	+		
Accumulated amortization of capital leases – vehicles	1915		-	
Capital leases – others	1916	+		
Accumulated amortization of capital leases – others	1917		-	
Leasehold improvements	1918	+		
Accumulated amortization of leasehold improvements	1919		-	
Other capital assets under construction	1920	+		
Campsites	1921	+		
Accumulated amortization of campsites	1922		-	
<b>Total</b>				<u>20,057,451</u>

<b>Total tangible capital assets</b>	<b>2008</b>	=	<u>20,057,451</u>	<u>19,403,986</u>
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<b>Total accumulated amortization of tangible capital assets</b>	<b>2009</b>	=	<u>                    </u>	<u>                    </u>
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\* Generic item

# Long-term Assets

Form identifier 2589

Account	Description	GIFI	Current year	Prior year
<b>Due from shareholder(s)/director(s)</b>				
	* Due from shareholder(s)/director(s)	2180		
	Due from individual shareholder(s)	2181		
	Due from corporate shareholder(s)	2182		
	Due from director(s)	2183		
	<b>Due from shareholder(s)/director(s)</b>		+	
	* Due from members	2190	+	
	* Investment in joint venture(s)/partnership(s)	2200	+	
	* Due from joint venture(s)/partnership(s)	2220	+	
<b>Due from/investment in related parties</b>				
	* Due from/investment in related parties	2240	137,487	123,716
	Due from/investment in Canadian related parties	2241		
	Shares in Canadian related corporations	2242		
	Loans/advances to Canadian related corporations	2243		
	Investment in Canadian related corporations at cost	2244		
	Investment in Canadian related corporations at equity	2245		
	Due from/investment in foreign related parties	2246		
	Shares in foreign related corporations	2247		
	Loans/advances to foreign related corporations	2248		
	Investment in foreign related corporations at cost	2249		
	Investment in foreign related corporations at equity	2250		
	<b>Due from/investment in related parties</b>		+	137,487
	* Investment in co-tenancy	2280	+	
<b>Long-term investments</b>				
	* Long-term investments	2300		
	Foreign shares	2301		
	Other types of foreign investments	2302		
	Canadian shares	2303		
	Government of Canada debt	2304		
	Canadian, provincial and municipal government debt	2305		
	Canadian corporate bonds and debentures	2306		
	Debt securities	2307		
	Equity securities	2308		
	Securities purchased under resale agreements	2309		
	Central credit union shares	2310		
	Other Canadian long-term investments	2311		
	<b>Long-term investments</b>		+	

<b>Long-term loans</b>			
* Long-term loans	2360		
Mortgages	2361		
Personal and credit card loans	2362		
Business and government loans	2363		
Line of credit	2364		
<b>Long-term loans</b>		+	

<b>Other long-term assets</b>			
* Other long-term assets	2420		177,491
Future (deferred) income taxes	2421		
Deferred pension charges	2422		
Deferred unrealized exchange losses	2423		
Other deferred items/charges	2424		
Reserve fund	2426		
Cash surrender value of life insurance	2427		
<b>Other long-term assets</b>		+	177,491

Accumulated amortization of deferred charges	2425	-	
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<b>Total long-term assets</b>	<b>2589</b>	=	<u>137,487</u>	<u>301,207</u>
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\* Generic Item

# Current Liabilities

Form identifier 3139

Account	Description	GIFI	Current year	Prior year
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	* Bank overdraft	2600	+	
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## Amounts payable and accrued liabilities

	* Amounts payable and accrued liabilities	2620		3,668,278	4,328,347
	Trade payables	2621			
	Trade payables to related parties	2622			
	Holdbacks payable	2623			
	Wages payable	2624			
	Management fees payable	2625			
	Bonuses payable	2626			
	Employee deductions payable	2627			
	Withholding taxes payable	2628			
	Interest payable	2629			
	Amounts payable to members of NPOs	2630			
	<b>Amounts payable and accrued liabilities</b>		+	<b>3,668,278</b>	<b>4,328,347</b>

	* Taxes payable	2680	+	
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## Short-term debt

	* Short-term debt	2700			
	Loans from Canadian banks	2701			
	Liability for securities sold short	2702			
	Liability for securities sold under repurchase agreements	2703			
	Gold and silver certificates	2704			
	Cheques and other items in transit	2705			
	Lien notes	2706			
	Credit card loans	2707			
	<b>Short-term debt</b>		+		

	* Deferred income	2770	+	
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## Due to shareholder(s)/director(s)

	* Due to shareholder(s)/director(s)	2780			
	Due to individual shareholder(s)	2781			
	Due to corporate shareholder(s)	2782			
	Due to director(s)	2783			
	<b>Due to shareholder(s)/director(s)</b>		+		

	* Due to joint venture(s)/partnership(s)	2840	+	
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## Due to related parties

	* Due to related parties	2860			
	Demand notes due to related parties	2861			
	Interest payable to related parties	2862			
	Advances due to related parties	2863			
	<b>Due to related parties</b>		+		

* Current portion of long-term liability	2920	+	934,760	771,534
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* Bankers' acceptances	2940	+		
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<b>Other current liabilities</b>				
* Other current liabilities	2960		113,340	496,814
Deposits received	2961			
Dividends payable	2962			
Future (deferred) income taxes	2963			
Reserves for guarantees, warranties, or indemnities	2964			
General provisions/reserves	2965			
Crew shares	2966			
<b>Other current liabilities</b>		+	<u>113,340</u>	<u>496,814</u>

<b>Total current liabilities</b>	<b>3139</b>	=	<u>4,716,378</u>	<u>5,596,695</u>
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\* Generic item



# Long-term Liabilities

Form identifier 3450

Account	Description	GIFI	Current year	Prior year
<b>Long-term debt</b>				
	* Long-term debt	3140	13,499,953	13,499,953
	Mortgages	3141		
	Farm credit corporation loan	3142		
	Chartered bank loan	3143		
	Credit Union/Caisse Populaire loan	3144		
	Provincial government loan	3145		
	Supply company loan	3146		
	Private loan	3147		
	Central, league, and federation loans	3148		
	Line of credit	3149		
	Liability for securities sold short	3150		
	Liability for securities sold under repurchase agreements	3151		
	Lien notes	3152		
	<b>Long-term debt</b>		<b>13,499,953</b>	<b>13,499,953</b>
	* Deposit liabilities of financial institutions	3200		
	* Bonds and debentures	3210		
	* Deferred income	3220		
	* Future (deferred) income taxes	3240		
<b>Due to shareholder(s)/director(s)</b>				
	* Due to shareholder(s)/director(s)	3260		
	Due to individual shareholder(s)	3261		
	Due to corporate shareholder(s)	3262		
	Due to director(s)	3263		
	<b>Due to shareholder(s)/director(s)</b>			
	* Due to members	3270		
	* Due to joint venture(s)/partnership(s)	3280		
<b>Due to related parties</b>				
	* Due to related parties	3300		
	Amounts owing to related Canadian parties	3301		
	Amounts owing to related foreign parties	3302		
	<b>Due to related parties</b>			

**Other long-term liabilities**

* Other long-term liabilities	3320	1,240,818	458,390
Long-term obligations/commitments/capital leases	3321	1,462,941	1,416,801
Reserves for guarantees, warranties, or indemnities	3322		
Provision for site restoration	3323		
Contributions to qualifying environmental trust	3324		
General provisions/reserves	3325		
Preference shares restated	3326		
Member allocations	3327		
Deferred revenue from incomplete contracts	3328		
<b>Other long-term liabilities</b>		<b>2,703,759</b>	<b>1,875,191</b>

**Total long-term liabilities**

**3450** = 16,203,712 15,375,144

\* Generic item

# Shareholder Equity

Form identifier 3620

Account	Description	GIFI	Current year	Prior year
	* Common shares	3500	12,953,180	12,953,180
	* Preferred shares	3520		
<b>Contributed and other surplus</b>				
	* Contributed and other surplus	3540	630,158	630,158
	Contributed surplus	3541		
	Appraisal surplus	3542		
	General reserve	3543		
	<b>Contributed and other surplus</b>		<u>630,158</u>	<u>630,158</u>
	* Head office account	3570		
	* Retained earnings/deficit	3600	711,949	1,214,220
	<b>Total shareholder equity</b>	<b>3620</b>	<u>14,295,287</u>	<u>14,797,558</u>

\* Generic item

# Retained Earnings/Deficit

Form identifier 3849

Account	Description	GIFI	Current year	Prior year
	* Retained earnings/deficit – start	3660	1,214,220	495,303
	* Net income/loss	3680	97,729	2,018,917
<b>Dividends declared</b>				
	* Dividends declared	3700	600,000	1,300,000
	Cash dividends	3701		
	Patronage dividends	3702		
	<b>Dividends declared</b>		<u>600,000</u>	<u>1,300,000</u>
	* Prior period adjustments	3720		
<b>Other items affecting retained earnings</b>				
	* Other items affecting retained earnings	3740		
	Share redemptions	3741		
	Special reserves	3742		
	Currency adjustments	3743		
	Unusual revenue items	3744		
	Interfund transfer	3745		
	<b>Other items affecting retained earnings</b>			
	<b>Retained earnings/deficit – end</b>	<b>3849</b>	<u>711,949</u>	<u>1,214,220</u>

\* Generic item

**GENERAL INDEX OF FINANCIAL INFORMATION - GIF**

Form identifier 125

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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**Income statement information**

Description	GIFI
Operating name	<b>0001</b>
Description of the operation	<b>0002</b>
Sequence Number	<b>0003</b> 01

Account	Description	GIFI	Current year	Prior year
<b>Income statement information</b>				
	Total sales of goods and services	<b>8089</b> +	42,460,624	42,381,705
	Cost of sales	<b>8518</b> -	35,156,443	36,036,510
	<b>Gross profit/loss</b>	<b>8519</b> =	7,304,181	6,345,195
	Cost of sales	<b>8518</b> +	35,156,443	36,036,510
	Total operating expenses	<b>9367</b> +	7,379,833	5,714,751
	<b>Total expenses (mandatory field)</b>	<b>9368</b> =	42,536,276	41,751,261
	Total revenue (mandatory field)	<b>8299</b> +	43,317,076	44,378,853
	Total expenses (mandatory field)	<b>9368</b> -	42,536,276	41,751,261
	<b>Net non-farming income</b>	<b>9369</b> =	780,800	2,627,592

<b>Farming income statement information</b>				
	Total farm revenue (mandatory field)	<b>9659</b> +		
	Total farm expenses (mandatory field)	<b>9898</b> -		
	<b>Net farm income</b>	<b>9899</b> =		

	<b>Net income/loss before taxes and extraordinary items</b>	<b>9970</b> =	780,800	2,627,592
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<b>Extraordinary items and income (linked to Schedule 140)</b>				
	Extraordinary item(s)	<b>9975</b> -		
	Legal settlements	<b>9976</b> -		
	<b>Unrealized gains/losses</b>	<b>9980</b> +		
	Unusual items	<b>9985</b> -		
	Current income taxes	<b>9990</b> -	683,071	608,675
	Deferred income tax provision	<b>9995</b> -		
	<b>Net income/loss after taxes and extraordinary items (mandatory field)</b>	<b>9999</b> =	97,729	2,018,917

# Revenue

Form identifier 8299

Account	Description	GIFI	Current year	Prior year
	* Trade sales of goods and services	8000	42,460,624	42,381,705
	* Sales of goods and services to related parties	8020		
	* Interdivisional sales	8030		
<b>Sales from resource properties</b>				
	* Sales from resource properties	8040		
	Petroleum and natural gas sales	8041		
	Petroleum and natural gas sales to related parties	8042		
	Gas marketing	8043		
	Processing revenue	8044		
	Pipeline revenue	8045		
	Seismic sales	8046		
	Mining revenue	8047		
	Coal revenue	8048		
	Oil sands revenue	8049		
	Royalty income	8050		
	Oil and gas partnership/joint venture income/loss	8051		
	Mining partnership/joint venture income/loss	8052		
	Other production revenue	8053		
	<b>Sales from resource properties</b>			
	<b>Total sales of goods and services</b>	8089	42,460,624	42,381,705
<b>Investment revenue</b>				
	* Investment revenue	8090		
	Interest from foreign sources	8091		
	Interest from Canadian bonds and debentures	8092		
	Interest from Canadian mortgage loans	8093		
	Interest from other Canadian sources	8094		
	Dividend income	8095		
	Dividends from Canadian sources	8096		
	Dividends from foreign sources	8097		
	<b>Investment revenue</b>			
<b>Interest income (financial institutions)</b>				
	* Interest income (financial institutions)	8100		
	Loan interest	8101		
	Securities interest	8102		
	Deposits with banks interest	8103		
	<b>Interest income (financial institutions)</b>			
<b>Commission revenue</b>				
	* Commission revenue	8120		
	Commission income on real estate transactions	8121		
	<b>Commission revenue</b>			

**Rental revenue**

* Rental revenue	8140		
Real estate rental revenue	8141		
Film rental revenue	8142		
<b>Rental revenue</b>		+	

* Vehicle leasing	8150	+	
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**Fishing revenue**

* Fishing revenue	8160		
Fish products	8161		
Other marine products	8162		
Fishing grants, credits, and rebates	8163		
Fishing subsidies	8164		
Compensation for loss of fishing income or property	8165		
Sharesman income	8166		
<b>Fishing revenue</b>		+	

**Realized gains/losses on disposal of assets**

* Realized gains/losses on disposal of assets	8210		
Realized gains/losses on sale of investments	8211		
Realized gains/losses on sale of resource properties	8212		
<b>Realized gains/losses on disposal of assets</b>		+	

**NPO amounts received**

* Non-Profit organizations amounts received	8220		
Membership fees	8221		
Assessments	8222		
Gifts	8223		
Gross sales and revenues from organizational activities	8224		
<b>NPO amounts received</b>		+	

**Other revenue**

* Other revenue	8230	856,452	835,858
Foreign exchange gains/losses	8231		
Income/loss of subsidiaries/affiliates	8232		
Income/loss of other divisions	8233		
Income/loss of joint ventures	8234		
Income/loss of partnerships	8235		
Realization of deferred revenues	8236		1,161,290
Royalty income other than resource	8237		
Alberta royalty tax credits	8238		
Management and administration fees	8239		
Telecommunications revenue	8240		
Consulting fees	8241		
Subsidies and grants	8242		
Sale of by-products	8243		
Deposit services	8244		
Credit services	8245		
Card services	8246		
Patronage dividends	8247		
Insurance recoveries	8248		
Expense recoveries	8249		
Bad debt recoveries	8250		
<b>Other revenue</b>		+	856,452
			1,997,148

**Total revenue**

8299	=	43,317,076	44,378,853
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\* Generic item

# Cost of Sales

Form identifier 8518

Account	Description	GIFI	Current year	Prior year
<b>Opening inventory</b>				
	* Opening inventory	8300		
	Opening inventory – finished goods	8301		
	Opening inventory – raw materials	8302		
	Opening inventory – goods in process	8303		
	<b>Opening inventory</b>			
	* Purchases/cost of materials	8320	35,156,443	36,036,510
	* Direct wages	8340		
	* Benefits on direct wages	8350		
	* Trades and sub-contracts	8360		
	* Production costs other than resource	8370		
<b>Resource production costs</b>				
	* Resource production costs	8400		
	Pipeline operations	8401		
	Drilling	8402		
	Site restoration costs	8403		
	Gross overriding royalty	8404		
	Freehold royalties	8405		
	Other producing properties rental	8406		
	Prospect/geological	8407		
	Well operating, fuel and equipment	8408		
	Well abandonment and dry holes	8409		
	Other lease rentals	8410		
	Exploration expenses	8411		
	Development expenses	8412		
	<b>Resource production costs</b>			
<b>Crown charges</b>				
	* Crown charges	8435		
	Crown royalties	8436		
	Crown lease rentals	8437		
	Freehold mineral tax	8438		
	Mining taxes	8439		
	Oil sand leases	8440		
	Saskatchewan resource surcharge	8441		
	<b>Crown charges</b>			



<b>Other direct costs</b>				
* Other direct costs	8450			
Equipment hire and operation	8451			
Log yard	8452			
Forestry costs	8453			
Logging road costs	8454			
Stumpage costs	8455			
Royalty costs	8456			
Freight in and duty	8457			
Inventory write down	8458			
Direct cost amortization of tangible assets	8459			
Direct cost amortization of natural resource assets	8460			
Overhead expenses allocated to cost of sales	8461			
<b>Other direct costs</b>		+		

<b>Closing inventory</b>				
* Closing inventory	8500			
Closing inventory – finished goods	8501			
Closing inventory – raw materials	8502			
Closing inventory – goods in process	8503			
<b>Closing inventory</b>		-		

<b>Cost of sales</b>	<b>8518</b>	=	<u>35,156,443</u>	<u>36,036,510</u>
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\* Generic item

# Operating Expenses

Form identifier 9367

Account	Description	GIFI	Current year	Prior year
<b>Advertising and promotion</b>				
	* Advertising and promotion	8520		
	Advertising	8521		
	Donations	8522		
	Meals and entertainment	8523		
	Promotion	8524		
	<b>Advertising and promotion</b>			
	* Amortization of intangible assets	8570		
	* Goodwill impairment loss	8571		
	* Bad debt expense	8590		
<b>Loan losses</b>				
	* Loan losses	8610		
	Provision for loan losses	8611		
	<b>Loan losses</b>			
<b>Employee benefits</b>				
	* Employee benefits	8620		
	Group insurance benefits	8621		
	Employer's portion of employee benefits	8622		
	Contributions to deferred income plans	8623		
	<b>Employee benefits</b>			
	* Amortization of natural resource assets	8650		
	* Amortization of tangible assets	8670	1,634,333	1,542,164
<b>Insurance</b>				
	* Insurance	8690		
	Life insurance on executives	8691		
	<b>Insurance</b>			
<b>Interest and bank charges</b>				
	* Interest and bank charges	8710	897,122	586,726
	Interest on short-term debt	8711		
	Interest on bonds and debentures	8712		
	Interest on mortgages	8713		
	Interest on long-term debt	8714		
	Bank charges	8715		
	Credit card charges	8716		
	Collection and credit costs	8717		
	<b>Interest and bank charges</b>		897,122	586,726

<b>Interest paid (financial institutions)</b>			
* Interest paid (financial institutions)	8740		
Interest paid on deposits	8741		
Interest paid on bonds and debentures	8742		
<b>Interest paid (financial institutions)</b>		+	

<b>Business taxes, licences, and memberships</b>			
* Business taxes, licences, and memberships	8760		
Memberships	8761		
Business taxes	8762		
Franchise fees	8763		
Government fees	8764		
<b>Business taxes, licences, and memberships</b>		+	

* New Brunswick tax on large corporations	8780	+	
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* Nova Scotia tax on large corporations	8790	+	
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<b>Office expenses</b>			
* Office expenses	8810		
Office stationery and supplies	8811		
Office utilities	8812		
Data processing	8813		
<b>Office expenses</b>		+	

<b>Professional fees</b>			
* Professional fees	8860		
Legal fees	8861		
Accounting fees	8862		
Consulting fees	8863		
Architect fees	8864		
Appraisal fees	8865		
Laboratory fees	8866		
Medical fees	8867		
Veterinary fees	8868		
Brokerage fees	8869		
Transfer fees	8870		
Management and administration fees	8871		
Refining and assay	8872		
Registrar and transfer agent fees	8873		
Restructuring costs	8874		
Security commission fees	8875		
Training expense	8876		
Studio and recording	8877		
<b>Professional fees</b>		+	

<b>Rental</b>				
* Rental	8910			
Real estate rental	8911			
Occupancy costs	8912			
Condominium fees	8913			
Equipment rental	8914			
Motor vehicle rentals	8915			
Moorage (boat)	8916			
Storage	8917			
Quota rental	8918			
<b>Rental</b>		+		

<b>Repairs and maintenance</b>				
* Repairs and maintenance	8960			
Repairs and maintenance - buildings	8961			
Repairs and maintenance - vehicles	8962			
Repairs and maintenance - boats	8963			
Repairs and maintenance - machinery and equipment	8964			
<b>Repairs and maintenance</b>		+		

<b>Other repairs and maintenance</b>				
* Other repairs and maintenance	9010			
Machine shop expense	9011			
Road costs	9012			
Security	9013			
Garbage removal	9014			
<b>Other repairs and maintenance</b>		+		

<b>Salaries and wages</b>				
* Salaries and wages	9060			
Commissions	9061			
Crew share	9062			
Bonuses	9063			
Directors fees	9064			
Management salaries	9065			
Employee salaries	9066			
<b>Salaries and wages</b>		+		

* Sub-contracts	9110	+		
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<b>Supplies</b>				
* Supplies	9130			
Small tools	9131			
Shop expense	9132			
Uniforms	9133			
Laundry	9134			
Food and catering	9135			
Fishing gear	9136			
Nets and traps	9137			
Salt, bait, and ice	9138			
Camp supplies	9139			
Computer-related expenses	9150			
Upgrade	9151			
Internet	9152			
<b>Supplies</b>		+		

* Property taxes	9180	+		
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<b>Travel expenses</b>				
* Travel expenses	9200			
Meetings and conventions	9201			
<b>Travel expenses</b>		+		

<b>Utilities</b>				
* Utilities	9220			
Electricity	9221			
Water	9222			
Heat	9223			
Fuel costs	9224			
Telephone et telecommunications	9225			
<b>Utilities</b>		+		

<b>Other expenses</b>				
* Other expenses	9270			
Cash over/short	9271			
Reimbursement of parent company expense	9272			
Selling expenses	9273			
Shipping and warehouse expense	9274			
Delivery, freight and express	9275			
Warranty expenses	9276			
Royalty expenses – resident	9277			
Royalty expenses – non-resident	9278			
Dumping charges	9279			
Land fill fees	9280			
Vehicle expenses	9281			
Research and development	9282			
Withholding taxes	9283			
General and administrative expenses	9284		4,848,378	3,585,861
Interdivisional expenses	9285			
Interfund transfer	9286			
<b>Other expenses</b>		+	4,848,378	3,585,861

<b>Total operating expenses</b>	<b>9367</b>	=	<u>7,379,833</u>	<u>5,714,751</u>
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\* Generic item

**NOTES CHECKLIST**

Corporation's name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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- This schedule should be completed from the perspective of the person who prepared or reported on the financial statements. This person is referred to as the "accounting practitioner", in this schedule.
- For more information, see RC4088, *Guide to the General Index of Financial Information (GIFI) for Corporations* and T4012, *T2 Corporation – Income Tax Guide*.
- Attach a copy of this schedule, along with any Notes to the financial statements, to the GIFI.

**Part 1 – Accounting practitioner information**

Does the accounting practitioner have a professional designation? **095** 1 Yes  2 No

Is the accounting practitioner connected\* with the corporation? **097** 1 Yes  2 No

\* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

**Note**  
If the accounting practitioner does not have a professional designation or is connected with the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you do have to complete Part 4.

**Part 2 – Type of involvement**

Choose the option that represents the highest level of involvement of the accounting practitioner: **198**

Completed an auditor's report **1**

Completed a review engagement report **2**

Conducted a compilation engagement **3**

**Part 3 – Reservations**

If you selected option "1" or "2" under **Type of involvement** above, answer the following question:

Has the accounting practitioner expressed a reservation? **099** 1 Yes  2 No

**Part 4 – Other information**

Were notes to the financial statements prepared? **101** 1 Yes  2 No

If Yes, complete lines 102 to 107 below:

Are any values presented at other than cost? **102** 1 Yes  2 No

Has there been a change in accounting policies since the last return? **103** 1 Yes  2 No

Are subsequent events mentioned in the notes? **104** 1 Yes  2 No

Is re-evaluation of asset information mentioned in the notes? **105** 1 Yes  2 No

Is contingent liability information mentioned in the notes? **106** 1 Yes  2 No

Is information regarding commitments mentioned in the notes? **107** 1 Yes  2 No

Does the corporation have investments in joint venture(s) or partnership(s)? **108** 1 Yes  2 No

If Yes, complete line 109 below:

Are you filing financial statements of the joint venture(s) or partnership(s)? **109** 1 Yes  2 No

**NET INCOME (LOSS) FOR INCOME TAX PURPOSES**

**SCHEDULE 1**

Corporation's name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Net income (loss) after taxes and extraordinary items per financial statements ..... 97,729 A

**Add:**

Provision for income taxes – current	<b>101</b>	683,071	
Amortization of tangible assets	<b>104</b>	1,634,333	
Income or loss for tax purposes – joint ventures or partnerships	<b>109</b>	2,556	
Charitable donations and gifts from Schedule 2	<b>112</b>	1,975	
Taxable capital gains from Schedule 6	<b>113</b>	57,763	
Non-deductible meals and entertainment expenses	<b>121</b>	1,966	
Tax reserves deducted in prior year from Schedule 13	<b>125</b>	583,673	
Reserves from financial statements – balance at the end of the year	<b>126</b>	4,682,528	
Subtotal of additions		7,647,865	<u>7,647,865</u>

**Other additions:**

**Miscellaneous other additions:**

<b>600</b> Opening adj for Expenditures included in Regulatory Asset	<b>290</b>	2,898,667	
<b>603.2</b> Ontario Specified Tax Credits		5,890	
Total		5,890	
Subtotal of other additions	<b>293</b>	5,890	
Total additions	<b>199</b>	2,904,557	<u>2,904,557</u>
	<b>500</b>	10,552,422	<u>10,552,422</u>

**Deduct:**

Gain on disposal of assets per financial statements	<b>401</b>	112,263	
Capital cost allowance from Schedule 8	<b>403</b>	1,273,099	
Cumulative eligible capital deduction from Schedule 10	<b>405</b>	132,175	
Tax reserves claimed in current year from Schedule 13	<b>413</b>	170,989	
Reserves from financial statements – balance at the beginning of the year	<b>414</b>	3,415,972	
Subtotal of deductions		5,104,498	<u>5,104,498</u>

**Other deductions:**

**Miscellaneous other deductions:**

<b>700</b> Closing adj for Expenditures included in Regulatory Asset	<b>390</b>	3,145,473	
<b>701</b> Ontario capital tax	<b>391</b>	44,281	
Total		3,189,754	
Subtotal of other deductions	<b>499</b>	3,189,754	<u>3,189,754</u>
Total deductions	<b>510</b>	8,294,252	<u>8,294,252</u>

Net income (loss) for income tax purposes – enter on line 300 of the T2 return ..... 2,355,899

\* For reference purposes only

**CHARITABLE DONATIONS AND GIFTS**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2007-12-31</b>
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- For use by corporations to claim any of the following:
  - charitable donations;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- Under proposed changes, the eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- Under proposed changes, a gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation – Income Tax Guide*.

**Part 1 – Charitable donations**

Charity/Recipient	Amount (\$100 or more only)
Community Living Welland Pelham	100
Canadian Cancer Society	100
Canadian Cancer Society	100
Niagara Region Children's Safety Village	100
The Society of St. Vincent de Paul	500
Niagara Peninsula Conservation Authority	500
	<b>Subtotal 1,400</b>
	<b>Add: Total donations of less than \$100 each 575</b>
	<b>Total donations in current tax year 1,975</b>

	Federal	Quebec	Alberta
Charitable donations at the end of the previous tax year			
<b>Deduct:</b> Charitable donations expired after five tax years	<b>239</b>		
Charitable donations at the beginning of the tax year	<b>240</b>		
<b>Add:</b>			
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	<b>250</b>		
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	<b>210</b> 1,975		
Subtotal (line 250 plus line 210)	1,975	1,975	1,975
<b>Deduct:</b> Adjustment for an acquisition of control (for donations made after March 22, 2004)	<b>255</b>		
Total charitable donations available	1,975 A	1,975	1,975
<b>Deduct:</b> Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return)	<b>260</b> 1,975	1,975	1,975
Charitable donations closing balance	<b>280</b>		



**Amounts carried forward – Charitable donations**

Year of origin:		Federal	Quebec	Alberta
1 <sup>st</sup> prior year	2006			
2 <sup>nd</sup> prior year	2005			
3 <sup>rd</sup> prior year	2004			
4 <sup>th</sup> prior year	2003			
5 <sup>th</sup> prior year	2002			
6 <sup>th</sup> prior year *	2001			
<b>Total (to line A)</b>				

\* These donations expired in the current year.

**Part 2 – Calculation of the maximum allowable deduction for charitable donations**

Net income for tax purposes* multiplied by 75 %		1,766,924	B
Taxable capital gains arising in respect of gifts of capital property included in Part 1 **	<b>225</b>		C
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)	<b>227</b>		D
The amount of the recapture of capital cost allowance in respect of charitable gifts	<b>230</b>		
Proceeds of disposition, less outlays and expenses **		E	
Capital cost **		F	
Amount E or F, whichever is less	<b>235</b>		
Amount on line 230 or 235, whichever is less			G
Subtotal (add amounts C, D, and G)			H
Amount H multiplied by 25 %			I
Subtotal (amount B plus amount I)		1,766,924	J
<b>Maximum allowable deduction for charitable donations</b> (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)		1,975	K

\* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

\*\* This amount must be prorated by the following calculation: eligible amount of the gift divided by the proceeds of disposition of the gift.

**Part 3 – Gifts to Canada, a province, or a territory**

Gifts to Canada, a province, or a territory at the end of the previous tax year			
<b>Deduct:</b> Gifts to Canada, a province, or a territory expired after five tax years	<b>339</b>		
Gifts to Canada, a province, or a territory at the beginning of the tax year	<b>340</b>		
<b>Add:</b> Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	<b>350</b>		
Total current-year gifts made to Canada, a province, or a territory *	<b>310</b>		
Subtotal (line 350 plus line 310)			
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	<b>355</b>		
Total gifts to Canada, a province, or a territory available			
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 312 of the T2 return).	<b>360</b>		
Gifts to Canada, a province, or a territory closing balance	<b>380</b>		

\* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

**Part 4 – Gifts of certified cultural property**

	Federal	Quebec	Alberta
Gifts of certified cultural property at the end of the previous tax year			
<b>Deduct:</b> Gifts of certified cultural property expired after five tax years	439		
Gifts of certified cultural property at the beginning of the tax year	440		
<b>Add:</b> Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450		
Total current-year gifts of certified cultural property	410		
Subtotal (line 450 plus line 410)			
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455		
Total gifts of certified cultural property available			
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460		
Gifts of certified cultural property closing balance	480		

**Amount carried forward – Gifts of certified cultural property**

Year of origin:		Federal	Quebec	Alberta
1 <sup>st</sup> prior year	2006			
2 <sup>nd</sup> prior year	2005			
3 <sup>rd</sup> prior year	2004			
4 <sup>th</sup> prior year	2003			
5 <sup>th</sup> prior year	2002			
6 <sup>th</sup> prior year *	2001			
<b>Total</b>				

\* These donations expired in the current year.

**Part 5 – Gifts of certified ecologically sensitive land**

	Federal	Quebec	Alberta
Gifts of certified ecologically sensitive land at the end of the previous tax year			
<b>Deduct:</b> Gifts of certified ecologically sensitive land expired after five tax years	539		
Gifts of certified ecologically sensitive land at the beginning of the tax year	540		
<b>Add:</b> Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	550		
Total current-year gifts of certified ecologically sensitive land	510		
Subtotal (line 550 plus line 510)			
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	555		
Total gifts of certified ecologically sensitive land available			
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 314 of the T2 return)	560		
Gifts of certified ecologically sensitive land closing balance	580		

**Amounts carried forward – Gifts of certified ecologically sensitive land**

Year of origin:		Federal	Quebec	Alberta
1 <sup>st</sup> prior year	2006			
2 <sup>nd</sup> prior year	2005			
3 <sup>rd</sup> prior year	2004			
4 <sup>th</sup> prior year	2003			
5 <sup>th</sup> prior year	2002			
6 <sup>th</sup> prior year *	2001			
<b>Total</b>				

\* These donations expired in the current year.

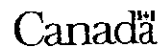
**Part 6 – Additional deduction for gifts of medicine**

	Federal	Quebec	Alberta
Additional deduction for gifts of medicine at the end of the previous tax year			
<b>Deduct:</b> Additional deduction for gifts of medicine expired after five tax years	<b>639</b>		
Additional deduction for gifts of medicine at the beginning of the tax year	<b>640</b>		
<b>Add:</b> Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary	<b>650</b>		
Additional deduction for gifts of medicine for the current year:			
Proceeds of disposition	<b>602</b>	1	1
Cost of gifts of medicine	<b>601</b>	2	2
Subtotal (line 1 minus line 2)		3	3
Line 3 multiplied by 50 %		4	4
Eligible amount of gifts	<b>600</b>	5	5
<p>Additional deduction for gifts of medicine for the current year</p> <p><b>Federal</b> A _____ x ( B _____ / C _____ ) = <b>610</b> _____</p> <p><b>Quebec</b> A _____ x ( B _____ / C _____ ) = _____</p> <p><b>Alberta</b> A _____ x ( B _____ / C _____ ) = _____</p>			
<p>where: A is the lesser of line 2 and line 4 B is the eligible amount of gifts (line 600) C is the proceeds of disposition (line 602)</p>			
Subtotal (line 650 plus line 610)			
<b>Deduct:</b> Adjustment for an acquisition of control	<b>655</b>		
Total additional deduction for gifts of medicine available			
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 315 of the T2 return)	<b>660</b>		
Additional deduction for gifts of medicine closing balance	<b>680</b>		

**Amounts carried forward – Additional deduction for gifts of medicine**

Year of origin:		Federal	Quebec	Alberta
1 <sup>st</sup> prior year	2006			
2 <sup>nd</sup> prior year	2005			
3 <sup>rd</sup> prior year	2004			
4 <sup>th</sup> prior year	2003			
5 <sup>th</sup> prior year	2002			
6 <sup>th</sup> prior year *	2001			
<b>Total</b>				

\* These donations expired in the current year.



**DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION**

**SCHEDULE 3**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid for purposes of a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in a taxation year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the sections about Schedule 3 in the *T2 Corporation Income Tax Guide*.
- "X" under column A if dividend received from a foreign source (connected corporation only).
- "X" under column B if the payer corporation is connected.
- Enter in column F1, the amount of dividends received reported in column 240 that are eligible to a 45% gross up for the purpose of the dividend tax credit for individuals.
- Under column F2, enter the code that applies to the deductible taxable dividend.

**Part 1 – Dividends received during the taxation year**

Do not include dividends received from foreign non-affiliates.

Name of payer corporation (Use only one line per corporation, abbreviating its name if necessary)	Complete if payer corporation is connected				E Non-taxable dividend under section 83
	A	B	C Business Number	D Taxation year end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends were paid YYYY/MM/DD	
<b>200</b>		<b>205</b>	<b>210</b>	<b>220</b>	<b>230</b>
1 Sun Life Financial					
2					
Total					

**Note:** If your corporation's taxation year end is different than that of the connected payer corporation, your corporation could have received dividends from more than one taxation year of the payer corporation. If so, use a separate line to provide the information for each taxation year of the payer corporation.

F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)	F1	F2	If payer corporation is not connected, leave these columns blank.		I Part IV tax before deductions F x 1 / 3 *
			G Total taxable dividends paid by connected payer corporation	H Dividend refund of the connected payer corporation	
<b>240</b>			<b>250</b>	<b>260</b>	<b>270</b>
1 1,744	1,744				581
2					
Total (enter amount of column F on line 320 of the T2 return)					
1,744	1,744				581

For dividends received from connected corporations: Part IV tax equals:  $\frac{\text{Column F} \times \text{Column H}}{\text{Column G}}$

\* Life insurers are not subject to Part IV tax on subsection 138(6) dividends.  
Public corporations (other than subject corporations) do not need to calculate Part IV tax.

**Part 2 – Calculation of Part IV tax payable**

Part IV tax before deductions (amount J in Part 1) ..... 581

**Deduct:**

Part IV.I tax payable on dividends subject to Part IV tax ..... 320

Subtotal ..... 581

**Deduct:**

Current-year non-capital loss claimed to reduce Part IV tax ..... 330

Non-capital losses from previous years claimed to reduce Part IV tax ..... 335

Current-year farm loss claimed to reduce Part IV tax ..... 340

Farm losses from previous years claimed to reduce Part IV tax ..... 345

Total losses applied against Part IV tax ..... 1350 × 1 / 3 = 450

Part IV tax payable (enter amount on line 712 of the T2 return) ..... 360 ..... 581

**Part 3 – Taxable dividends paid in the taxation year for purposes of a dividend refund**

A	B	C	D
Name of connected recipient corporation	Business Number	Taxation year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD	Taxable dividends paid to connected corporations
<b>400</b>	<b>410</b>	<b>420</b>	<b>430</b>
1 Welland Hydro-Electric Holding Corp	86360 4328 RC0001	2007-12-31	600,000
2			

**Note**

If your corporation's taxation year end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one taxation year of the recipient corporation. If so, use a separate line to provide the information for each taxation year of the recipient corporation.

Total ..... 600,000

Total taxable dividends paid in the taxation year to other than connected corporations ..... 450

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (total of column D above plus line 450) ..... 460 ..... 600,000

**Part 4 – Total dividends paid in the taxation year**

Complete this part if the total taxable dividends paid in the taxation year for purposes of a dividend refund (line 460 above) is different from the total dividends paid in the taxation year.

Total taxable dividends paid in the taxation year for the purposes of a dividend refund (from above) ..... 460 ..... 600,000

Other dividends paid in the taxation year (total of 510 to 540) ..... 500 ..... 600,000

Total dividends paid in the taxation year ..... 500 ..... 600,000

**Deduct:**

Dividends paid out of capital dividend account ..... 510

Capital gains dividends ..... 520

Dividends paid on shares described in subsection 129(1.2) ..... 530

Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year ..... 540

Subtotal ..... 1500

Total taxable dividends paid in the taxation year for purposes of a dividend refund ..... 600,000

**SUMMARY OF DISPOSITIONS OF CAPITAL PROPERTY**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2007-12-31</b>
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- For use by corporations that have disposed of capital property or claimed an allowable business investment loss, or both, in the tax year.
- Use this schedule to make a designation under paragraph 111(4)(e) of the federal *Income Tax Act*, if the control of the corporation has been acquired by a person or group of persons.

For more information, see the section called "Schedule 6, Summary of Dispositions of Capital Property" in the *T2 Corporation – Income Tax Guide*.

**Designation under paragraph 111(4)(e) of the *Income Tax Act***

Are any dispositions shown on this schedule related to deemed dispositions designated under paragraph 111(4)(e)?

**050** 1 Yes  2 No  If Yes, attach a statement specifying which properties are subject to such a designation.

**Part 1 – Shares**

No. of shares <b>100</b>	Name of corporation <b>105</b>	Class of shares <b>106</b>	Date of acquisition YYYY/MM/DD <b>110</b>	Proceeds of disposition <b>120</b>	Adjusted cost base <b>130</b>	Outlays and expenses (dispositions) <b>140</b>	Gain (or loss) (column 120 less cols. 130 and 140) <b>150</b>	Foreign source
1 2,815	Sun Life Financial			145,173	35,188		109,985	
2								
<b>Totals</b>				145,173	35,188		109,985	

Total adjustment under subsection 112(3) of the ITA to all losses identified in Part 1 ..... **160**

Actual gain or loss from the disposition of shares (total of line 150 plus line 160) ..... **109,985** A

**Part 2 – Real estate – Do not include losses on depreciable property**

Municipal address 1 = Address 1 2 = Address 2 3 = City 4 = Province, Country, Postal Code and Zip Code or Foreign Postal Code <b>200</b>	Date of acquisition YYYY/MM/DD <b>210</b>	Proceeds of disposition <b>220</b>	Adjusted cost base <b>230</b>	Outlays and expenses (dispositions) <b>240</b>	Gain (or loss) (column 220 less cols. 230 and 240) <b>250</b>	Foreign source
1						
<b>Totals</b>						B

**Part 3 – Bonds**

Face value <b>300</b>	Maturity date <b>305</b>	Name of issuer <b>307</b>	Date of acquisition YYYY/MM/DD <b>310</b>	Proceeds of disposition <b>320</b>	Adjusted cost base <b>330</b>	Outlays and expenses (dispositions) <b>340</b>	Gain (or loss) (column 320 less cols. 330 and 340) <b>350</b>	Foreign source
1								
<b>Totals</b>								C

**Part 4 – Other properties – Do not include losses on depreciable property**

Description <b>400</b>	Date of acquisition YYYY/MM/DD <b>410</b>	Proceeds of disposition <b>420</b>	Adjusted cost base <b>430</b>	Outlays and expenses (dispositions) <b>440</b>	Gain (or loss) (column 420 less cols. 430 and 440) <b>450</b>	Foreign source
1 Enerconnect LP Units		7,387			7,387	
2						
<b>Totals</b>						D

**Part 5 – Personal-use property (Do not include listed personal property)**

Description	Date of acquisition YYYY/MM/DD	Proceeds of disposition	Adjusted cost base	Outlays and expenses (dispositions)	Gain only (column 520 less cols. 530 and 540)	Foreign source
500	510	520	530	540	550	
1						
<b>Totals</b>						E

Note: Losses are not deductible

**Part 6 – Listed personal property**

Description	Date of acquisition YYYY/MM/DD	Proceeds of disposition	Adjusted cost base	Outlays and expenses (dispositions)	Gain (or loss) (column 620 less cols. 630 and 640)	Foreign source
600	610	620	630	640	650	
1						
<b>Totals</b>						

Note: Net listed personal property losses may only be applied against listed personal property gains

Subtract: Unapplied listed personal property losses from other years **655**  
Net gains (or losses)

Amount from line 655 is from line 530 in Part 5 of Schedule 4

**Part 7 – Determining allowable business investment losses**

Property qualifying for and resulting in an allowable business investment loss

Name of small business corporation	Shares, enter 1; debt, enter 2	Date of acquisition YYYY/MM/DD	Proceeds of disposition	Adjusted cost base	Outlays and expenses (dispositions)	(Loss)(column 920 less cols. 930 and 940)	Foreign source
900	905	910	920	930	940	950	
1							
<b>Totals</b>							G

Note: Properties listed in Part 7 should not be included in any other parts of Schedule 6

Allowable business investment losses ..... Amount G \_\_\_\_\_ x 50 % = \_\_\_\_\_ H  
Enter amount H on line 406 of Schedule 1

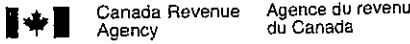
**Part 8 – Determining capital gains or losses**

Total of amounts A to F (do not include F if the amount is a loss)	117,372	I	Foreign source
Add:			
Capital gains dividend received in the year	875	J	<input type="checkbox"/>
Capital gains reserve opening balance (from Schedule 13)	880	K	
Subtotal (add amounts I, J, and K)	117,372	L	
Deduct: Capital gains reserve closing balance (from Schedule 13)	885	M	
Capital gains or losses (amount L minus amount M)	890	115,525	

**Part 9 – Determining taxable capital gains and total capital losses**

Capital gains or losses (amount from line 890 above)	115,525	N
<b>Deduct the following gains that are included in the amount N:</b>		
Gain on donation of a share, debt obligation, or right listed on a designated stock exchange and other amounts under paragraph 38(a.1) of the <i>Income Tax Act</i>		Foreign source <input type="checkbox"/>
realized prior to May 2, 2006	x 50 % =	O
realized after May 1, 2006		P
	Subtotal: O plus P	<b>895</b>
Gain on donation of ecologically sensitive land		Foreign source <input type="checkbox"/>
realized prior to May 2, 2006	x 50 % =	Q
realized after May 1, 2006		R
	Subtotal: Q plus R	<b>896</b>
Exempt portion of the gain on the donation of securities arising from the exchange of a partnership interest under paragraph 38(a.3) as proposed in federal Bill C-50		R-2
		Foreign source <input type="checkbox"/>
<b>Total: line 895 plus line 896 plus R-2</b>		S
Amount N minus amount S		<u>115,525</u> T
<b>Total capital losses:</b> If amount T is a loss, enter it on line 210 of Schedule 4		
<b>Taxable capital gains:</b> If amount T is a gain, enter it on this line and multiply	115,525 x 50 % =	<u>57,763</u> U
Enter amount U on line 113 of Schedule 1		





Canada Revenue Agency  
Agence du revenu du Canada

### CALCULATION OF AGGREGATE INVESTMENT INCOME AND ACTIVE BUSINESS INCOME

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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- This schedule is for the use of Canadian-controlled private corporations to calculate:
  - aggregate investment income and foreign investment income for the purpose of determining the refundable portion of Part I tax, as defined in subsection 129(4) of the *Income Tax Act*;
  - specified partnership income for members of one or more partnership(s); and
  - income from an active business carried on in Canada for the small business deduction.
- For more information, see the sections called "Small Business Deduction" and "Refundable Portion of Part 1 Tax" in the *T2 Corporation - Income Tax Guide*.

#### Part 1 and Part 2 - Aggregate and foreign investment income calculation

	Canadian investment income	Foreign investment income	Aggregate investment income	
Eligible portion of taxable capital gains included in the income for the year before taking into account the capital gains reserve (federal) of Schedule 13	58,686	<b>001</b>	<b>002</b>	58,686 A1
Reserve's eligible portion (addition/deduction)	-924			A2
Eligible portion of taxable capital gains included in the income for the year after taking into account the capital gains reserve (federal) of Schedule 13 (total of amounts A1 and A2)	57,762			57,762 A
Eligible portion of allowable capital losses for the year (including allowable business investment losses)		<b>009</b>	<b>012</b>	B
Net capital losses of other years claimed on line 332 on the T2 return			<b>022</b>	C
Total of amounts B and C				D
Amount A minus amount D (if negative, enter "0")	57,762			57,762 E
Total income from property (in box 32 include income from a specified investment business carried on in Canada other than income from a source outside Canada)				
Taxable dividends	1,744			1,744
Other property income				
Total income from property	1,744	<b>019</b>	<b>032</b>	1,744 F
Exempt income		<b>029</b>	<b>042</b>	G
Amounts received from NISA Fund No. 2 (AGRI) that were included in computing the corporation's income for the year			<b>052</b>	H
Taxable dividends deductible (total of Column F on Schedule 3)	1,744	<b>049</b>	<b>062</b>	1,744 I
Business income from an interest in a trust that is considered property income under paragraph 108(5)(a)		<b>059</b>	<b>072</b>	J
Total of amounts G, H, I, and J	1,744			1,744 K
Amount F minus amount K				L
Total of amount E plus amount L	57,762			57,762 M
Total losses from property (in box 82 include losses from a specified investment business carried on in Canada other than a loss from a source outside Canada)		<b>069</b>	<b>082</b>	N
Amount M minus amount N (if negative, enter "0")	57,762	<b>079</b> L	<b>092</b> O	57,762

**Note:** The aggregate investment income is the aggregate world source income.

Enter amount L, foreign investment income, on line 445 of the T2 return.

Enter amount O, aggregate investment income, on line 440 of the T2 return.

Net taxable dividends	Canadian	Foreign	Total
Taxable dividends deducted per schedule 3	1,744		1,744
Less: Expenses related to such dividends			
Total expenses	1,744		1,744
Net taxable dividends			

**Part 3 – Specified partnership income**

A				B	C
Partnership name				Total income (loss) of partnership from an active business	Corporation's share of amount in column B
200				300	310
D	E	F	G	H	I
Adjustments [add prior-year reserves under subsection 34.2(5), and deduct expenses incurred to earn partnership income, including any reserve under subsection 34.2(4)]	Corporation's income (loss) of the partnership (column C plus column D)	Number of days in the partnership's fiscal period	Prorated business limit (column C ÷ column B) × [business limit* × (column F ÷ 365)] (if column C is negative, enter "0")**	Column E minus column G (if negative, enter "0")	Lesser of columns E and G (if column E is negative, enter "0")
315	320	325	330		340
Total				385	360

Corporation's losses for the year from an active business carried on in Canada (other than as a member of a partnership) – enter as a positive amount ..... **370**

Specified partnership loss of the corporation for the year – enter as a positive amount (total of all negative amounts in column E) ..... **380**

Total of lines 370 and 380 ..... **J**

Amount at line 385 or line J, whichever is less ..... **390**

**Specified partnership income** (line 360 plus line 390) ..... **400**

\* Use one of the following business limits to calculate column G, whichever applies:

- \$250,000 if the corporation's tax year ends in 2004;
- \$300,000 if the corporation's tax year ends in 2005 or 2006; or
- \$400,000 if the corporation's tax year ends after 2006.

\*\* When a partnership carries on more than one business, one of which generates income and another of which realizes a loss, the loss is not netted against the partnership's income.

**Part 4 – Determination of partnership income**

Corporation's share of partnership income from active businesses carried on in Canada after deducting related expenses – from line 350 above (if the net amount is negative, enter "0" on line O)	_____	K
Add: Specified partnership loss (from line 380 above)	_____	L
	Subtotal	M
Deduct: Specified partnership income (from line 400 above)	_____	N
<b>Partnership income</b> (enter on line S below)	<b>450</b>	O

**Part 5 – Income from active business carried on in Canada**

Net income for income tax purposes from line 300 of the T2 return			2,355,899	P
<b>Deduct:</b> Foreign business income after deducting related expenses*	<b>500</b>			
Taxable capital gains <b>minus</b> allowable capital loss – amount A <b>minus</b> amount B* (page 1)**		57,762		
Net property income = amount F <b>minus</b> amount G, H, and N* (page 1)		1,744	Q	
Personal services business income after deducting related expenses*	<b>520</b>			
		59,506	▶	59,506
		Net amount		2,296,393
<b>Deduct:</b> Partnership income (line 450 above)				R
<b>Income from active business carried on in Canada</b> (enter on line 400 of the T2 return – if negative, enter "0")				S
				2,296,393
				T

\* If negative, **add** instead of **subtracting**.

\*\*This amount may only be negative to the extent of any allowable business investment losses.

**SCHEDULE 8**

Canada Revenue Agency  
Agence du revenu du Canada

**CAPITAL COST ALLOWANCE (CCA)**

ne of corporation	Business Number	Tax year end Year Month Day
WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	2007-12-31

For more information, see the section called "Capital Cost Allowance" in the T2 Corporation Income Tax Guide.

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes  2 No

1 Class number	Description	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year)	3 Cost of acquisitions during the year (new property must be available for use)*	4 Net adjustments**	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)***	7 Reduced undepreciated capital cost	8 CCA rate %	9 Recapture of capital cost allowance (line 107 of Schedule 1)	10 Terminal loss (line 404 of Schedule 1)	11 Capital cost allowance (column 7 multiplied by column 8; or a lower amount) (line 403 of Schedule 1)****	12 Undepreciated capital cost at the end of the year (column 6 plus column 7 minus column 11)
<b>200</b>		<b>201</b>	<b>203</b>	<b>205</b>	<b>207</b>	<b>211</b>		<b>212</b>	<b>213</b>	<b>215</b>	<b>217</b>	<b>220</b>
1	Buildings/Substation	2,595,914	183,008		0	91,504	2,687,418	4	0	0	107,497	2,671,425
1	Plant Feeders	4,902,513			0		4,902,513	4	0	0	196,101	4,706,412
1	Plant Distribution	8,500,007			0		8,500,007	4	0	0	340,000	8,160,007
1	Transformers	2,785,010			7,505		2,777,505	4	0	0	111,100	2,666,405
1	Meters	1,313,668			0		1,313,668	4	0	0	52,547	1,261,121
8	Other Equipment	288,673	151,548		0	75,774	364,447	20	0	0	72,889	367,332
10	Vehicles	252,249			0		252,249	30	0	0	75,675	176,574
45	Computer Hardware	29,803	7,161		0	3,581	33,383	45	0	0	15,022	21,942
47	Poles & Transmission Lines/Equi	2,764,148	1,748,441	-151,867	0	874,221	3,486,501	8	0	0	278,920	4,081,802
12	Software		41,442		0	20,721	20,721	100	0	0	20,721	20,721
55	Computer Hardware > 3/19/200		9,553		0	4,777	4,776	55	0	0	2,627	6,926
	<b>Total</b>	<b>23,431,985</b>	<b>2,141,153</b>	<b>-151,867</b>	<b>7,505</b>	<b>1,070,578</b>	<b>24,343,188</b>				<b>1,273,099</b>	<b>24,140,667</b>

\* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).  
 \* Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the T2 Corporation Income Tax Guide for other examples of adjustments to include in column 4.  
 \* The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, Capital Cost Allowance - General Comments.  
 \* If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the T2 Corporation Income Tax Guide for more information.

# Fixed Assets Reconciliation

Reconciliation of change in fixed assets per financial statements to amounts used per tax return.

<b>Tax return</b>			
Additions for tax purposes – Schedule 8 regular classes		2,141,153	
Additions for tax purposes – Schedule 8 leasehold improvements	+		
Operating leases capitalized for book purposes	+		
Capital gain deferred	+		
Recapture deferred	+		
Deductible expenses capitalized for book purposes – Schedule 1	+	151,867	
CDM election under 13(7.4) for prior year	+		
<b>Total additions per books</b>	=	2,293,020	2,293,020
Proceeds up to original cost – Schedule 8 regular classes		7,505	
Proceeds up to original cost – Schedule 8 leasehold improvements	+		
Proceeds in excess of original cost – capital gain	+		
Recapture deferred – as above	+		
Capital gain deferred – as above	+		
Pre V-day appreciation	+		
Rounding difference	+	-5	
<b>Total proceeds per books</b>	=	7,500	7,500
Depreciation and amortization per accounts – Schedule 1			1,634,333
Loss on disposal of fixed assets per accounts			2,278
Gain on disposal of fixed assets per accounts			
		<b>Net change per tax return</b>	= 653,465

<b>Financial statements</b>			
<b>Fixed assets (excluding land) per financial statements</b>			
Closing net book value		20,057,451	
Opening net book value		19,403,986	
		<b>Net change per financial statements</b>	= 653,465

If the amounts from the tax return and the financial statements differ, explain why below.

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**RELATED AND ASSOCIATED CORPORATIONS**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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This schedule is to be completed by a corporation having one or more of the following:

- related corporation(s)
- associated corporations(s)

	<b>100</b>	<b>200</b>	<b>300</b>	<b>400</b>	<b>500</b>	<b>550</b>	<b>600</b>	<b>650</b>	<b>700</b>
Name	Country of residence (if other than Canada)	Business Number (Canadian corporation only) (see note 1)	Relationship code (see note 2)	Number of common shares owned	% of common shares owned	Number of preferred shares owned	% of preferred shares owned	Book value of capital stock	
1. WELLAND HYDRO-ELECTRIC HOLD.		86360 4328 RC0001	1						
2. WELLAND HYDRO ENERGY SERVICI		86375 9494 RC0001	3						
3. City of Welland		NR	3						
4. Welland WiFi Corp.		85056 2364 RC0001	3						

Note 1: Enter "NR" if a corporation is not registered.

Note 2: Enter the code number of the relationship that applies from the following order: 1 -- Parent 2 -- Subsidiary 3 -- Associated 4 -- Related, but not associated.

**CUMULATIVE ELIGIBLE CAPITAL DEDUCTION**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

**Part 1 – Calculation of current year deduction and carry-forward**

<b>Cumulative eligible capital - Balance at the end of the preceding taxation year</b> (if negative, enter "0")	<b>200</b>	<u>1,888,220</u>	<b>A</b>
<b>Add:</b> Cost of eligible capital property acquired during the taxation year	<b>222</b>	_____	
Other adjustments	<b>226</b>	_____	
Subtotal (line 222 plus line 226)		_____ x 3 / 4 =	<b>B</b>
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	<b>228</b>	_____ x 1 / 2 =	<b>C</b>
amount B minus amount C (if negative, enter "0")		_____	<b>D</b>
Amount transferred on amalgamation or wind-up of subsidiary	<b>224</b>	_____	<b>E</b>
Subtotal (add amounts A, D, and E)	<b>230</b>	<u>1,888,220</u>	<b>F</b>
<b>Deduct:</b> Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	<b>242</b>	_____	<b>G</b>
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	<b>244</b>	_____	<b>H</b>
Other adjustments	<b>246</b>	_____	<b>I</b>
(add amounts G, H, and I)		_____ x 3 / 4 =	<b>248</b> <b>J</b>
<b>Cumulative eligible capital balance</b> (amount F minus amount J) (if amount K is negative, enter "0" at line M and proceed to Part 2)		<u>1,888,220</u>	<b>K</b>
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	<b>249</b>	_____	
amount K		<u>1,888,220</u>	
less amount from line 249		_____	
<b>Current year deduction</b>		<u>1,888,220</u> x 7.00 % =	<b>250</b> <u>132,175</u> *
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		<u>132,175</u>	<b>L</b> <u>132,175</u>
<b>Cumulative eligible capital - Closing balance</b> (amount K minus amount L) (if negative, enter "0")	<b>300</b>	<u>1,756,045</u>	<b>M</b>

\* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

**Part 2 - Amount to be included in income arising from disposition**

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)	.....	N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988	<b>400</b> .....	1
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)	<b>401</b> .....	2
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	<b>402</b> .....	3
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	<b>408</b> .....	4
Line 3 minus line 4 (if negative, enter "0")	.....	5
Total of lines 1, 2 and 5	.....	6
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400	.....	7
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000	.....	8
Subtotal (line 7 plus line 8)	<b>409</b> .....	9
Line 6 minus line 9 (if negative, enter "0")	.....	O
Line N minus line O (if negative, enter "0")	.....	P
	Line 5 ..... x 1 / 2 = .....	Q
Line P minus line Q (if negative, enter "0")	.....	R
	Amount R ..... x 2 / 3 = .....	S
Amount N or amount O, whichever is less	.....	T
<b>Amount to be included in income</b> (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	<b>410</b> .....	



**CONTINUITY OF RESERVES**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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- For use by corporations to provide a continuity of all reserves claimed which are allowed for tax purposes.
- References to parts, sections, subsections, paragraphs, and subparagraphs are from the federal *Income Tax Act*.
- File one completed copy of this schedule with the corporation's *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation Income Tax Guide*.

**Part 1 – Capital gains reserves**

Description of property	Balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
<b>001</b>	<b>002</b>	<b>003</b>			<b>004</b>
1 Reserve on Enerconnect dispos			1,847		1,847
2					
<b>Totals</b>	<b>008</b>	<b>009</b>	1,847		<b>010</b> 1,847

The total capital gains reserve at the beginning of the taxation year plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary should be entered on line 880, and the total capital gains reserve at the end of the taxation year, should be entered on line 885 of Schedule 6.

Part 2 - Other reserves

Description	Balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
Reserve for doubtful debts <input checked="" type="checkbox"/>	<b>110</b> 96,467	<b>115</b>	71,502	96,467	<b>120</b> 71,502
Reserve for undelivered goods and services not rendered <input type="checkbox"/>	<b>130</b> 487,206	<b>135</b>	99,487	487,206	<b>140</b> 99,487
Reserve for prepaid rent <input type="checkbox"/>	<b>150</b>	<b>155</b>			<b>160</b>
Reserve for December 31, 1995 income <input type="checkbox"/>	<b>170</b>	<b>175</b>			<b>180</b>
Reserve for refundable containers <input type="checkbox"/>	<b>190</b>	<b>195</b>			<b>200</b>
Reserve for unpaid amounts <input type="checkbox"/>	<b>210</b>	<b>215</b>			<b>220</b>
Insurance corporation policy reserves <input type="checkbox"/>					
Bank reserves <input type="checkbox"/>					
Other tax reserves <input type="checkbox"/>	<b>230</b>	<b>235</b>			<b>240</b>
<b>Totals</b>	<b>270</b> 583,673	<b>275</b>	170,989	583,673	<b>280</b> 170,989

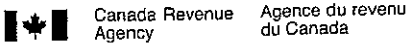
Enter "X" in the column above if the tax reserve has also been reported on the corporation's financial statements. This allows offsetting entries on Schedule 1, resulting in a zero effect on net income for tax purposes.

The amount from line 270 plus the amount from line 275 should be entered on line 125 of Schedule 1 as an addition.  
The amount from line 280 should be entered on line 413 of Schedule 1 as a deduction.

## Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)					
Description	Balance at the beginning of the year	Transfer on amalgamation or wind-up of subsidiary	Add	Deduct	Balance at the end of the year
1 PILs deferred revenue reserv	6,541				6,541
2 Pension Liability - non-current	1,416,801		1,462,941	1,416,801	1,462,941
3 Pension Liability - current	70,545				70,545
4 Smart Meter Reserve	40,359		99,487	40,359	99,487
5 Conservation Reserve	446,847			446,847	
6 Regulatory Asset Recoveries	1,338,412		2,971,512	1,338,412	2,971,512
7					
Reserves from Part 2 of Schedule 13	96,467		71,502	96,467	71,502
<b>Totals</b>	<b>3,415,972</b>		<b>4,605,442</b>	<b>3,338,886</b>	<b>4,682,528</b>

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.  
The total closing balance should be entered on line 126 of Schedule 1 as an addition.



## AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

**Column 1:** Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

**Column 2:** Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

**Column 3:** Enter the association code that applies to each corporation:  
 1 - Associated for purposes of allocating the business limit (unless code 5 applies)  
 2 - CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction  
 3 - Non-CCPC that is a "third corporation" as defined in subsection 256(2)  
 4 - Associated non-CCPC  
 5 - Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

**Column 4:** Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

**Column 5:** Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

**Column 6:** Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2004	\$225,001 to \$250,000
2005	\$250,001 to \$300,000
2006	maximum \$300,000
2007	\$300,001 to \$400,000

If the calendar year to which this agreement applies is after 2007, ensure that the total at line A does not exceed \$400,000.

### Allocating the business limit

Date filed (do not use this area) ..... **025** Year Month Day

Enter the calendar year to which the agreement applies ..... **050** Year 2007

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? ..... **075** 1 Yes  2 No

	1 Names of associated corporations	2 Business Number of associated corporations	3 Association code	4 Business limit for the year (before the allocation) \$	5 Percentage of the business limit %	6 Business limit allocated* \$
	<b>100</b>	<b>200</b>	<b>300</b>		<b>350</b>	<b>400</b>
1	WELLAND HYDRO ELECTRIC SYSTEM CORP.	86375 9692 RC0001	1	400,000	100.0000	400,000
2	WELLAND HYDRO-ELECTRIC HOLDING CORP.	86360 4328 RC0001	1	400,000		
3	WELLAND HYDRO ENERGY SERVICES CORP.	86375 9494 RC0001	1	400,000		
4	City of Welland	NR	4	400,000		
5	Welland WiFi Corp.	85056 2364 RC0001	1	400,000		
	<b>Total</b>				100.0000	400,000 A

**Business limit reduction under subsection 125(5.1) of the ITA**

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group\*\* of corporations in the current tax year, the amount at line 415 of the T2 return is equal to  $0.225\% \times (A - \$10,000,000)$  where, "A" is the total of taxable capital employed in Canada\*\*\* of each corporation in the associated group for its last tax year ending in the preceding calendar year.

\*Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's tax year is less than 51 weeks, prorate the amount in column 6 by the number of days in the tax year divided by 365, and enter the result on line 410 of the T2 return.

Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. In this case, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

\*\* The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

\*\*\* "Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the ITA.



## INVESTMENT TAX CREDIT – CORPORATIONS

### General information

- For use by a corporation that during a tax year:
  - earned an investment tax credit (ITC);
  - is claiming a deduction against its Part I tax payable;
  - is claiming a refund of credit earned during the current tax year;
  - is claiming a carryforward of credit from previous tax years;
  - is transferring a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
  - is requesting a credit carryback; or
  - is subject to a recapture of ITC.
- References to parts, sections, and subsections on this schedule are from the federal *Income Tax Act* and the federal *Income Tax Regulations*. References to interpretation bulletins and information circulars are to the latest versions.
- The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward for credits earned in tax years that end after 1997 and a ten-year carryforward for credits earned in tax years that end before 1998. The apprenticeship job creation tax credit can only be carried back to tax years that end after May 1, 2006.
- Investments or expenditures, as defined in subsection 127(9) and Part XLVI of the federal *Income Tax Regulations*, that earn the ITC are:
  - qualified property (Parts 4 to 7);
  - qualified expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). Complete and file Form T661, *Claim for Scientific Research and Experimental Development (SR&ED) Carried out in Canada*;
  - pre-production mining expenditures (Parts 18 to 20);
  - apprenticeship job creation expenditures (Parts 21 to 23); and
  - child care spaces expenditures (Parts 24 to 28).
- Attach a completed copy of this schedule with the *T2 Corporation Income Tax Return*.
- For more information on ITCs, see the section called "Investment Tax Credit" in the *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release. Also, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*.
- For information on SR&ED, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*; Information Circular 86-4, *Scientific Research and Experimental Development*; Pamphlet T4052, *An Introduction to the Scientific Research and Experimental Development Program*; and Guide T4088, *Claiming Scientific Research and Experimental Development – Guide to Form T661*.

### Detailed information

- For the purpose of this schedule, "investment" means:  
The capital cost of the property (excluding amounts added by an election under section 21), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
- An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
- Property acquired has to be "available for use" before a claim for an ITC can be made.
- Qualified expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which the expenditures or capital costs were incurred.
- Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITCs is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 of the Act is not applicable for the agreement to share any income or loss. For more information, see Interpretation Bulletin IT-151. Special rules apply to specified and limited partners.
- For SR&ED expenditures made after February 22, 2005, the expression "in Canada" includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone. For SR&ED expenditures made before February 23, 2005, the expression "in Canada" generally includes the 12 nautical mile territorial sea.

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2007-12-31</b>
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**Part 1 – Investments, expenditures and percentages**

	Specified percentage
<b>Investments</b>	
Qualified property acquired primarily for use in Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula, or a prescribed offshore region	10 %
<b>Expenditures</b>	
If you are a Canadian-controlled private corporation (CCPC) throughout the tax year, this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
<b>Note:</b> If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate.	
If you are a corporation that is not a CCPC throughout the current tax year that incurred qualified expenditures for SR&ED in any area in Canada after 1995	20 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures:	
• in 2004	7 %
• after 2004	10 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment after May 1, 2006	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %

**Part 2 – Determination of a qualifying corporation**

Is the corporation a qualifying corporation? **101** 1 Yes  2 No

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC throughout the current tax year and the taxable income (before any loss carrybacks) for its previous tax year cannot be more than its business limit for that previous year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than the total of their business limits for that last year.

**Note:** A CCPC calculating a refundable ITC for tax years ending before March 23, 2004, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1). For tax years ending after March 22, 2004, the association rule remains the same except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying corporation**, you will earn a **100%** refund on your share of any ITCs earned at the 35% rate on qualified **current expenditures** for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital expenditures** eligible for the 35% credit rate. They are only eligible for the 40% refund.

Some CCPCs that are not qualifying corporations may also earn a 100% refund on their share of any ITCs earned at the 35% rate on qualified current expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10. The 100% refund does not apply to qualified capital expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

- one or more persons exempt from Part I tax under section 149;
- Her Majesty in right of a province, a Canadian municipality, or any other public authority; or
- any combination of persons referred to in a) or b) above.

**Part 3 – Corporations in the farming industry**

Complete this area if the corporation is making SR&ED contributions

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? **102** 1 Yes  2 No

If **yes**, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see the *Guide to the General Index of Financial Information (GIFI) for Corporations*. Enter contributions on line 350 of Part 8.

**QUALIFIED PROPERTY**

**Part 4 – Eligible investments for qualified property from the current tax year**

CCA* class number	Description of investment	Date available for use	Location used (province)	Amount of investment
<b>105</b>	<b>110</b>	<b>115</b>	<b>120</b>	<b>125</b>

\*CCA: capital cost allowance

Total investment – enter in formula on line 240 in Part 5

**Part 5 – Calculation of current-year credit and account balances – ITC from investments in qualified property**

ITC at the end of the previous tax year .....

**Deduct:**

Credit deemed as a remittance of co-op corporations ..... **210**

Credit expired\* ..... **215**

Subtotal ..... **220**

ITC at the beginning of the tax year .....

**Add:**

Credit transferred on amalgamation or wind-up of subsidiary ..... **230**

ITC from repayment of assistance ..... **235**

Total current-year credit: total of column 125 ..... x 10 % = **240**

Credit allocated from a partnership ..... **250**

Subtotal ..... **220**

Total credit available .....

**Deduct:**

Credit deducted from Part I tax (enter on line B1 in Part 30) ..... **260**

Credit carried back to the previous year(s) (from Part 6) ..... **A**

Credit transferred to offset Part VII tax liability ..... **280**

Subtotal ..... **B**

Credit balance before refund .....

**Deduct:**

Refund of credit claimed on investments from qualified property (from Part 7) ..... **310**

ITC closing balance of investments from qualified property ..... **320**

\* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

**Part 6 – Request for carryback of credit from investments in qualified property**

	Year	Month	Day	
1st previous tax year				Credit to be applied <b>901</b>
2nd previous tax year				Credit to be applied <b>902</b>
3rd previous tax year				Credit to be applied <b>903</b>
				Total (enter on line A in Part 5)

**Part 7 – Calculation of refund for qualifying corporations on investments from qualified property**

Current-year ITCs (total of lines 240 and 250 in Part 5) ..... **C**

Credit balance before refund (amount B from Part 5) ..... **D**

Refund ( 40 % of amount C or D, whichever is less) ..... **E**

Enter amount E or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).



Name of corporation WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number 86375 9692 RC0001	Tax year-end Year Month Day 2007-12-31
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**SR&ED**

**Part 8 – Qualified expenditures for SR&ED**

Current expenditures (including contributions to agricultural organizations for SR&ED)*	350	_____
Capital expenditures	360	_____
Repayments made in the year (from line 560 on Form T661)	370	_____
<b>Total</b> (this must equal the amount from line 570 on Form T661)*	<b>380</b>	_____

\* Do not file form T661 if you are only claiming contributions made to agricultural organizations for SR&ED.

**Part 9 – Components of the SR&ED expenditure limit calculation**

Part 9 only applies if the corporation is a CCPC throughout the current tax year.

Note: A CCPC that calculates SR&ED expenditure limit for tax years ending before March 23, 2004, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1). This also applies for tax years ending after March 22, 2004, except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? **385** 1 Yes  2 No

Complete lines 390 and 395 if you answered no to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

a) Enter your taxable income for the previous tax year* (prior to any loss carry-backs applied)	<b>390</b>	1,768,079
b) Enter your reduced business limit** for the current tax year* (this amount cannot be more than the amount at line 4 on page 4 of the T2 return)	<b>395</b>	_____

\* If either of the tax years referred to at line 390 or 395 is less than 51 weeks, multiply the taxable income or the business limit by the following result: 365 divided by the number of days in these tax years. For details on the expression "Reduced business limit," see line 652 of the T2 Corporation – Income Tax Guide.

\*\* If the corporation is claiming only a portion of the business limit from line 4 on page 4 of the T2 return because of its association with other corporations, calculate your reduced business limit as if the corporation was not associated in the current tax year. Enter the result at line 395.

**Part 10 – Calculation of SR&ED expenditure limit for a CCPC throughout the current tax year**

For stand-alone corporations:

Calculation of the \$2,000,000 SR&ED expenditure limit	\$	<b>5,000,000 *</b>
Subtract: line 390 from Part 9 or \$400,000*, whichever is more	$1,768,079 \times 10 =$	<u>17,680,790</u>
Excess (if negative, enter "0")		_____ F
Line F	x	Line 395
		Line 4 on page 4 of the T2 return
		400,000
Line G1	x	Number of days before February 26, 2008
		365
		Number of days in the tax year
		365

Calculation of the \$3,000,000 SR&ED expenditure limit	\$	<b>7,000,000</b>
Subtract: line 390 from Part 9 or \$400,000, whichever is more*	$1,768,079 \times 10 =$	<u>17,680,790</u>
Excess (if negative, enter "0")		_____ G3
Line G3	x	Taxable capital used in Canada for previous tax year
		$40,000,000 - (32,681,891 - 10,000,000)$
		40,000,000
Line G4	x	Number of days after February 25, 2008
		365
		Number of days in the tax year
		365

SR&ED expenditure limit – Add lines G2 and G5

For associated corporations:

If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49	<b>400</b>	_____ **H
Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:		
Line G or H	x	Number of days in the tax year
		365 =
		_____ I

Your SR&ED expenditure limit for the year (enter the amount from line G, H, or I, whichever applies) **410** \_\_\_\_\_

\* If your tax year immediately follows a tax year that ended before 2007, the references to \$6,000,000 and \$400,000 should be \$5,000,000 and \$300,000 respectively.

\*\* Amount G or H cannot be more than \$3,000,000 (\$2,000,000 for a tax year that ended before February 26, 2008).

**Part 11 – Calculation of investment tax credits on SR&ED expenditures**

Enter whichever is less: current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10)*	<b>420</b>	x	35 %	=	_____	J
Line 350 minus line 410 (if negative, enter "0")	<b>430</b>	x	20 %	=	_____	K
Line 410 minus line 350 (if negative, enter "0")	_____	L				
Enter whichever is less: capital expenditures (line 360 from Part 8) or line L above*	<b>440</b>	x	35 %	=	_____	M
Line 360 minus line L (if negative, enter "0")	<b>450</b>	x	20 %	=	_____	N

Repayments (amount from line 370 in Part 8)

If a corporation makes a repayment of any government or non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount. Enter the amount of the repayment on the line that corresponds to the appropriate rate.	<b>460</b>	x	35 %	=	_____	
	<b>470</b>	x	30 %	=	_____	
	<b>480</b>	x	20 %	=	_____	
		Total			_____	O

Current-year SR&ED ITC (total of lines J, K, M, N, and O; enter on line 540 in Part 12)

\* For corporations that are not CCPCs throughout the year, enter "0" on lines J and M.

**Part 12 – Calculation of current-year credit and account balances – ITC from SR&ED expenditures**

ITC at the end of the previous tax year	_____
<b>Deduct:</b>	
Credit deemed as a remittance of co-op corporations	<b>510</b> _____
Credit expired*	<b>515</b> _____
	Subtotal _____
	<b>520</b> _____

ITC at the beginning of the tax year	_____
<b>Add:</b>	
Credit transferred on amalgamation or wind-up of subsidiary	<b>530</b> _____
Total current-year credit	<b>540</b> _____
Credit allocated from a partnership	<b>550</b> _____
	Subtotal _____

Total credit available	_____
<b>Deduct:</b>	
Credit deducted from Part I tax (enter on line B2 in Part 30)	<b>560</b> _____
Credit carried back to the previous year(s) (from Part 13)	_____ P
Credit transferred to offset Part VII tax liability	<b>580</b> _____
	Subtotal _____
	_____ Q

Credit balance before refund	_____
<b>Deduct:</b>	
Refund of credit claimed on expenditures of SR&ED (from Part 14 or 15, whichever applies)	<b>610</b> _____
	<b>620</b> _____

ITC closing balance on SR&ED

\* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

**Part 13 – Request for carryback of credit from SR&ED expenditures**

	Year	Month	Day		
1st previous tax year	_____	_____	_____	Credit to be applied	<b>911</b> _____
2nd previous tax year	_____	_____	_____	Credit to be applied	<b>912</b> _____
3rd previous tax year	_____	_____	_____	Credit to be applied	<b>913</b> _____
				Total (enter on line P in Part 12)	_____

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2007-12-31</b>
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**Part 14 – Calculation of refund of ITC for qualifying corporations – SR&ED**

Complete this part only if you are a qualifying corporation as determined at line 101.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? ..... **650** 1 Yes  2 No

Credit balance before refund (amount Q from Part 12) .....                      R

Current-year ITC (lines 540 plus 550 from Part 12 minus line O from Part 11) .....                      S

Refundable credits (amount R or S, whichever is less)\* .....                      T

Amount J from Part 11 .....                      U

**Subtract:** Amount T or U, whichever is less .....                      V

Net amount (if negative, enter "0") .....                      W

Amount W ..... x 40 % .....                      X

**Add:** Amount V .....                      Y

**Refund of ITC** (amounts X plus Y – enter this, or a lesser amount, on line 610 in Part 12) .....                      Z

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

\* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%.  
Claim this, or a lesser amount, as your refund of ITC on line Z.

**Part 15 – Calculation of refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED**

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined in Part 2.

Credit balance before refund (amount Q from Part 12) .....                      AA

Amount J from Part 11 .....                      BB

**Subtract:** Amount AA or BB, whichever is less .....                      CC

Net amount (if negative, enter "0") .....                      DD

Amount M from Part 11 .....                      EE

Amount DD or EE, whichever is less ..... x 40 % .....                      FF

**Add:** Amount CC above .....                      GG

**Refund of ITC** (amounts FF plus GG) .....                      HH

Enter HH, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

**RECAPTURE – SR&ED**

**Part 16 – Calculating the recapture of ITC for corporations and corporate partnerships – SR&ED**

You will have a recapture of ITC in a year when all of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997, or in any of the 10 previous tax years, if the credit was earned in a tax year ending before 1998;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

**Note**

The recapture **does not apply** if you disposed of the property to a non-arm's length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

**Calculation 1 – If you meet all of the above conditions**

Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above  <b>700</b>	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case)  <b>710</b>	Amount from column 700 or 710, whichever is less
1.		

Subtotal (enter this amount on line LL in Part 17) \_\_\_\_\_

**Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil at line JJ in Part 16.**

A  Rate percentage that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement  <b>720</b>	B  Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition  <b>730</b>	C  Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.)  <b>740</b>



**PRE-PRODUCTION MINING**

**Part 18 – Pre-production mining expenditures**

**Exploration information**

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year and after 2002.

List of minerals <b>800</b>
--------------------------------

For each of the minerals reported in column 800 above, identify each project, mineral title, and mining division where title is registered. If there is no mineral title, identify the project and mining division only.

Project name <b>805</b>	Mineral title <b>806</b>	Mining division <b>807</b>

**Pre-production mining expenditures \***

Pre-production mining expenditures that the corporation incurred in the tax year and after 2002, for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting .....	<b>810</b>		PP
Geological, geophysical, or geochemical surveys .....	<b>811</b>		QQ
Drilling by rotary, diamond, percussion, or other methods .....	<b>812</b>		RR
Trenching, digging test pits, and preliminary sampling .....	<b>813</b>		SS

Pre-production mining expenditures incurred in the tax year and after 2002 for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping .....	<b>820</b>		TT
Sinking a mine shaft, constructing an adit, or other underground entry .....	<b>821</b>		UU

Other pre-production mining expenditures incurred in the tax year and after 2002:

Description <b>825</b>	Amount <b>826</b>

Add amounts at column 826  **VV**

Total pre-production mining expenditures (add amounts PP to VV) **830**

**Deduct:** Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above **832**

Excess (line 830 minus line 832) (if negative, enter "0") **WW**

**Add:** Repayments of government and non-government assistance **835** **XX**

**Pre-production mining expenditures** (amount WW plus amount XX) **YY**

\* A pre-production mining expenditure is defined under subsection 127(9) and does not include an amount renounced under subsection 66(12.6).

Name of corporation WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number 86375 9692 RC0001	Tax year-end Year Month Day 2007-12-31
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**Part 19 – Calculation of current-year credit and account balances – ITC from pre-production mining expenditures**

ITC at the end of the previous tax year .....

**Deduct:**

Credit deemed as a remittance of co-op corporations ..... **841** \_\_\_\_\_

Credit expired\* ..... **845** \_\_\_\_\_

Subtotal ..... **850** \_\_\_\_\_

ITC at the beginning of the tax year .....

**Add:**

Credit transferred on amalgamation or wind-up of subsidiary ..... **860** \_\_\_\_\_

Expenditures from line YY, Part 18,  
incurred in 2003 ..... **865** \_\_\_\_\_ x 5 % = \_\_\_\_\_ ZZ

Expenditures from line YY, Part 18,  
incurred in 2004 ..... **867** \_\_\_\_\_ x 7 % = \_\_\_\_\_ AAA

Expenditures from line YY, Part 18,  
incurred after 2004 ..... **870** \_\_\_\_\_ x 10 % = \_\_\_\_\_ BBB

Total current-year credit (add amounts ZZ, AAA, and BBB) ..... **880** \_\_\_\_\_

Total credit available .....

**Deduct:**

Credit deducted from Part I tax (enter on line B3 in Part 30) ..... **885** \_\_\_\_\_

Credit carried back to the previous year(s) (from Part 20) ..... \_\_\_\_\_ CCC

Subtotal ..... **890** \_\_\_\_\_

ITC closing balance from pre-production mining expenditures .....

\* The credit expires after 20 tax years if it was earned in a tax year ending after 1997 and 10 tax years if it was earned in a tax year ending before 1998.

**Part 20 – Request for carryback of credit from pre-production mining expenditures**

	Year	Month	Day	
1st previous tax year				..... Credit to be applied <b>921</b> _____
2nd previous tax year				..... Credit to be applied <b>922</b> _____
3rd previous tax year				..... Credit to be applied <b>923</b> _____
				Total (enter on line CCC in Part 19) _____

### APPRENTICESHIP JOB CREATION

#### Part 21 – Calculation of total current-year credit – ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) ..... **611** 1 Yes  2 No

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice. Also enter the name of the eligible trade, the eligible salary and wages\* payable for employment after May 1, 2006, and 10% of this amount. Then enter the lesser of 10% of eligible salary and wages or \$2,000.

A Contract number (SIN or name of apprentice)	B Name of eligible trade	C Eligible salary and wages*	D Column C x 10 %	E Lesser of column D or \$ 2,000
<b>601</b>	<b>602</b>	<b>603</b>	<b>604</b>	<b>605</b>
1. 504690223	Powerline Tech	28,316	2,832	2,000
2. 526025143	Powerline Tech	27,497	2,750	2,000
3.				
Total current-year credit (enter at line 640)				4,000

\* Net of any other government or non-government assistance received or to be received.

#### Part 22 – Calculation of current-year credit and account balances – ITC from apprenticeship job creation expenditures

ITC at the end of the previous tax year .....

**Deduct:**

Credit deemed as a remittance of co-op corporations ..... **612** \_\_\_\_\_

Credit expired after 20 tax years ..... **615** \_\_\_\_\_

Subtotal ..... **625** \_\_\_\_\_

ITC at the beginning of the tax year .....

**Add:**

Credit transferred on amalgamation or wind-up of subsidiary ..... **630** \_\_\_\_\_

ITC from repayment of assistance ..... **635** \_\_\_\_\_

Total current-year credit (total of column 605) ..... **640** 4,000

Credit allocated from a partnership ..... **655** \_\_\_\_\_

Subtotal ..... **625** 4,000

Total credit available .....

**Deduct:**

Credit deducted from Part I tax (enter on line B4 in Part 30) ..... **660** 4,000

Credit carried back to the previous year(s) (from Part 23) ..... **DDD** \_\_\_\_\_

Subtotal ..... **690** 4,000

ITC closing balance from apprenticeship job creation expenditures ..... **690** \_\_\_\_\_

#### Part 23 – Request for carryback of credit from apprenticeship job creation expenditures

Carryback of this credit is restricted to tax years ending after May 1, 2006.

	Year	Month	Day	
1st previous tax year				..... Credit to be applied <b>931</b> _____
2nd previous tax year				..... Credit to be applied <b>932</b> _____
3rd previous tax year				..... Credit to be applied <b>933</b> _____
				Total (enter on line DDD in Part 22) _____



Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2007-12-31</b>
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**CHILD CARE SPACES**

**Part 24 – Eligible child care spaces expenditures**

Enter the eligible expenditures that the corporation incurred after March 18, 2007, to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation is not a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

**Cost of depreciable property from the current tax year**

CCA* class number	Description of investment	Date available for use	Amount of investment
<b>665</b>	<b>675</b>	<b>685</b>	<b>695</b>

1.

\*CCA: capital cost allowance

Cost of depreciable property from the current tax year **715** \_\_\_\_\_ EEE

Add: Specified child care start-up expenditures from the current tax year ..... **705** \_\_\_\_\_ FFF

Total gross eligible expenditures for child care spaces (line 715 plus line 705) ..... GGG

Deduct: Total of all assistance (including grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line GGG) ..... **725** \_\_\_\_\_ HHH

Excess (amount GGG minus amount HHH) (if negative, enter "0") \_\_\_\_\_ III

Add: Repayments of government and non-government assistance ..... **735** \_\_\_\_\_ JJJ

Total eligible expenditures for child care spaces (amount III plus amount JJJ) ..... **745** \_\_\_\_\_

**Part 25 – Calculation of current-year credit – ITC from child care spaces expenditures**

The credit is equal to 25% of eligible child care spaces expenditures incurred after March 18, 2007, to a maximum of \$10,000 per child care space created in a licensed child care facility.

Eligible expenditures (line 745)	_____	x	25 %	=	_____	KKK	
Number of child care spaces	<b>755</b>	x	\$ 10,000	=	_____	LLL	
ITC from child care spaces expenditures (amount KKK or LLL, whichever is less)						_____	MMM

**Part 26 – Calculation of current-year credit and account balances – ITC from child care spaces expenditures**

ITC at the end of the previous tax year	_____				
<b>Deduct:</b>					
Credit deemed as a remittance of co-op corporations	_____	<b>765</b>			
Credit expired after 20 tax years	_____	<b>770</b>			
		Subtotal	_____	▶	_____
ITC at the beginning of the tax year	_____				<b>775</b>
<b>Add:</b>					
Credit transferred on amalgamation or wind-up of subsidiary	_____	<b>777</b>			
Total current-year credit (amount MMM above)	_____	<b>780</b>			
Credit allocated from a partnership	_____	<b>782</b>			
		Subtotal	_____	▶	_____
Total credit available	_____				
<b>Deduct:</b>					
Credit deducted from Part I tax (enter on line B5 in Part 30)	_____	<b>785</b>			
Credit carried back to the previous year(s) (from Part 27)	_____				NNN
		Subtotal	_____	▶	_____
ITC closing balance from child care spaces expenditures	_____				<b>790</b>

**Part 27 – Request for carryback of credit from child care space expenditures**

	<table border="1"> <thead> <tr> <th>Year</th> <th>Month</th> <th>Day</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>12</td> <td>31</td> </tr> <tr> <td>2005</td> <td>12</td> <td>31</td> </tr> <tr> <td>2004</td> <td>12</td> <td>31</td> </tr> </tbody> </table>	Year	Month	Day	2006	12	31	2005	12	31	2004	12	31	.....	Credit to be applied	<b>941</b>	_____
Year	Month	Day															
2006	12	31															
2005	12	31															
2004	12	31															
1st previous tax year		.....	Credit to be applied	<b>942</b>	_____												
2nd previous tax year		.....	Credit to be applied	<b>943</b>	_____												
3rd previous tax year			<b>Total (enter on line NNN in Part 26)</b>		_____												

Name of corporation WELLAND HYDRO ELECTRIC SYSTEM CORP.	Business Number 86375 9692 RC0001	Tax year-end Year Month Day 2007-12-31
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**RECAPTURE – CHILD CARE SPACES**

**Part 28 – Calculating the recapture of ITC for corporations and corporate partnerships – Child care spaces**

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
  - disposed of or leased to a lessee; or
  - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) ..... ZZZ

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC .. **795** ..

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property ..... **797** ..

Amount from line 795 or line 797, whichever is less ..... 000

**Corporate partnerships**

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26 on page 13. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line PPP below.

Corporate partner's share of the excess of ITC **799** ..... PPP

Total recapture of child care spaces investment tax credit – Add lines ZZZ, 000, and PPP ..... QQQ  
Enter amount QQQ on line A2 in Part 29.

**Part 29 – Total recapture of investment tax credit**

Recaptured SR&ED ITC from line OO in Part 17 on page 8 ..... A1

Recaptured child care spaces ITC from line QQQ in Part 28 above ..... A2

Total recapture of investment tax credit – Add lines A1 and A2 ..... A3  
Enter amount A3 on line 602 on page 7 of the T2 return.

**Part 30 – Total ITC deducted from Part I tax**

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5) ..... B1

ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12) ..... B2

ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19) ..... B3

ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22) ..... 4,000 B4

ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26) ..... B5

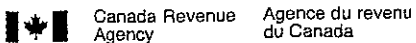
Total ITC deducted from Part I tax (add lines B1, B2, B3, B4, and B5) ..... 4,000 B6  
Enter amount B6 at line 652 on page 7 of the T2 return.

# Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers					
CCA class number <u>97</u>					
Current year	Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
	4,000	4,000			
Prior years Taxation year		ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2006-12-31					
2005-12-31					
2004-12-31					
2003-12-31					
2002-12-31					
2001-12-31					
2000-12-31					
1999-12-31					
1998-12-31					
1997-12-31					*
1996-12-31					
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1994-12-31					
1993-12-31					
1992-12-31					
1991-12-31					
1990-12-31					
1989-12-31					
1988-12-31					
1987-12-31					*
	<b>Total</b>				
<b>B+C+D+G</b>				<b>Total ITC utilized</b>	<b>4,000</b>

\* The ITC end of year includes the amount of ITC expired from the 10<sup>th</sup> preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20<sup>th</sup> preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

**SCHEDULE 50**

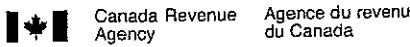


**SHAREHOLDER INFORMATION**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year end Year Month Day <b>2007-12-31</b>
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All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)	Provide only one number per shareholder			Percentage common shares	Percentage preferred shares
		Business Number	Social insurance number	Trust number		
	<b>100</b>	<b>200</b>	<b>300</b>	<b>350</b>	<b>400</b>	<b>500</b>
1	Welland Hydro-Electric Holding Corp.	86360 4328 RC0001			100.000	
2						
3						
4						
5						
6						
7						
8						
9						
10						



### GENERAL RATE INCOME POOL (GRIP) CALCULATION

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2007-12-31</b>
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On: 2007-12-31

- If you are a Canadian-controlled private corporation (CCPC) or a deposit insurance corporation (DIC), use this schedule to determine the general rate income pool (GRIP).
- When an eligible dividend was paid in the tax year, file a completed copy of this schedule with your *T2 Corporation Income Tax Return*. Do not send your worksheets with your return, but keep them in your records in case we ask to see them later.
- Subsections referred to in this schedule are from the *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool, and low rate income pool.

#### Eligibility for the various additions

Answer the following questions to determine the corporation's eligibility for the various additions:

##### 2006 addition

1. Is this the corporation's first taxation year that includes January 1, 2006?  Yes  No
2. If not, what is the date of the taxation year end of the corporation's first year that includes January 1, 2006?  
Enter the date and go directly to question 4 2006-12-31
3. During that first year, was the corporation a CCPC or would it have been a CCPC if not for the election of subsection 89(11) ITA?  Yes  No  
If the answer to question 3 is yes, complete Part 5.

##### Change in the type of corporation

4. Was the corporation a CCPC during its preceding taxation year?  Yes  No
5. Corporations that become a CCPC or a DIC  Yes  No  
If the answer to question 5 is yes, complete Part 4.

##### Amalgamation (first year of filing after amalgamation)

6. Corporations that were formed as a result of an amalgamation  Yes  No  
If the answer to question 6 is yes, answer questions 7 and 8. If the answer is no, go to question 9.
7. Was one or more of the predecessor corporations neither a CCPC nor a DIC?  Yes  No  
If the answer to question 7 is yes, complete Part 4.
8. Was one or more of the predecessor corporation a CCPC or a DIC during the taxation year that ended immediately before amalgamation?  Yes  No  
If the answer to question 8 is yes, complete Part 3.

##### Winding-up

9. Corporations that wound-up a subsidiary  Yes  No  
If the answer to question 9 is yes, answer questions 10 and 11. If the answer is no, go to Part 1.
10. Was the subsidiary neither a CCPC nor a DIC during its last taxation year?  Yes  No  
If the answer to question 10 is yes, complete Part 4.
11. Was the subsidiary a CCPC or a DIC during its last taxation year?  Yes  No  
If the answer to question 11 is yes, complete Part 3.

**Part 1 – Calculation of general rate income pool (GRIP)**

If the corporation's tax year includes January 1, 2006, complete "Part 5 – GRIP addition for 2006" and then line 050. Otherwise, complete line 100.

GRIP addition for 2006 (the greater of amount QQ from Part 5 or "0")	050		A
GRIP at the end of the previous tax year	100	1,001,405	B
Taxable income for the year (DICs enter "0")*	110	2,352,180	C
Income for the credit union deduction* (amount E in Part 3 of Schedule 17)	120		
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less*	130		
For a CCPC, the lesser of aggregate investment income (line 440 of the T2 return) and taxable income*	140	57,762	
Subtotal (add lines 120, 130, and 140)		57,762	D
Income taxable at the general corporate rate (line C minus line D)	150	2,294,418	
After-tax income (line 150 multiplied by 68 %)	190	1,560,204	E
Eligible dividends received in the tax year	200	1,744	
Dividends deductible under section 113 received in the tax year	210		
Subtotal (add lines 200 and 210)		1,744	F
GRIP addition:			
Becoming a CCPC (line PP from Part 4)	220		
Post-amalgamation (total of lines EE from Part 3 and lines PP from Part 4)	230		
Post-wind-up (total of lines EE from Part 3 and lines PP from Part 4)	240		
Subtotal (add lines 220, 230, and 240)			G
Subtotal (add lines A or B (as applicable), E, F, and G)		2,563,353	H
Eligible dividends paid in the previous tax year	300		
Excessive eligible dividend designations made in the previous tax year	310		
Note: If becoming a CCPC (subsection 89(4) applies), enter "0" on lines 300 and 310.			
Subtotal (line 300 minus line 310)			I
GRIP before adjustment for specified future tax consequences (line H minus line I) (amount can be negative)	490	2,563,353	
Total GRIP adjustment for specified future tax consequences to previous tax years (amount Y from Part 2)	560		
GRIP at the end of the year (line 490 minus line 560)	590	2,563,353	

\* Note: For lines 110, 120, 130, and 140, the income amount is the amount before considering specified future tax consequences. This phrase is defined in subsection 248(1). It includes the deduction of a loss carryback from subsequent tax years, a reduction of Canadian exploration expenses and Canadian development expenses that were renounced in subsequent tax years (e.g., flow-through share renunciations), reversals of income inclusions where an option is exercised in subsequent tax years, and the effect of certain foreign tax credit adjustments.

**Part 2 – GRIP adjustment for specified future tax consequences to previous tax years**

Complete this part if the corporation's taxable income of any of the previous three tax years took into account the specified future tax consequences defined in subsection 248(1) from the current tax year. Otherwise, enter "0" on line 560 of page 1 or leave it blank.

First previous tax year 2006-12-31

Taxable income before specified future tax consequences from the current tax year		1,768,079	J1
Enter the following amounts before specified future tax consequences from the current tax year:			
Income for the credit union deduction (amount E in Part 3 of Schedule 17)	K1		
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less	L1	300,000	
Aggregate investment income (line 440 of the T2 return)	M1		
Subtotal (add lines K1, L1, and M1)		300,000	O1
Subtotal (line J1 minus line O1) (if negative, enter "0")		1,468,079	P1

**Part 2 - GRIP adjustment for specified future tax consequences to previous tax years (continued)**

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences ..... Q1

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . R1

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . S1

Aggregate investment income (line 440 of the T2 return) . . . . . T1

Subtotal (add lines R1, S1, and T1) ..... V1

Subtotal (line Q1 minus line V1) (if negative, enter "0") ..... W1

Subtotal (line P1 minus line W1) (if negative, enter "0") ..... X1

GRIP adjustment for specified future tax consequences to first previous tax year (line X1 multiplied by 68 %) . . . **500**

Second previous tax year 2005-12-31

Taxable income before specified future tax consequences from the current tax year ..... J2

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . K2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . L2

Aggregate investment income (line 440 of the T2 return) . . . . . M2

Accelerated tax reduction (line 637 of T2 return)\* multiplied by 100/7 . . . . . N2

Subtotal (add lines K2, L2, M2, and N2) ..... O2

Subtotal (line J2 minus line O2) (if negative, enter "0") ..... P2

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences ..... Q2

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . R2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . S2

Aggregate investment income (line 440 of the T2 return) . . . . . T2

Accelerated tax reduction (line 637 of T2 return)\* multiplied by 100/7 . . . . . U2

Subtotal (add lines R2, S2, T2, and U2) ..... V2

Subtotal (line Q2 minus line V2) (if negative, enter "0") ..... W2

Subtotal (line P2 minus line W2) (if negative, enter "0") ..... X2

GRIP adjustment for specified future tax consequences to second previous tax year (line X2 multiplied by 68 %) **520**



**Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)**

Third previous tax year 2004-12-31

Taxable income before specified future tax consequences from the current tax year ..... J3

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . K3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . L3

Aggregate investment income (line 440 of the T2 return) . . . . . M3

Accelerated tax reduction (line 637 of T2 return)\* multiplied by 100/7 . . . . . N3

Subtotal (add lines K3, L3, M3, and N3) ..... O3

Subtotal (line J3 minus line O3) (if negative, enter "0") ..... P3

Future tax consequences that occur for the current year					
Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	Capital loss carry-back	Restricted farm loss carry-back	Farm loss carry-back	Other	Total carrybacks

Taxable income after specified future tax consequences ..... Q3

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . . . R3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . . S3

Aggregate investment income (line 440 of the T2 return) . . . . . T3

Accelerated tax reduction (line 637 of T2 return)\* multiplied by 100/7 . . . . . U3

Subtotal (add lines R3, S3, T3, and U3) ..... V3

Subtotal (line Q3 minus line V3) (if negative, enter "0") ..... W3

Subtotal (line P3 minus line W3) (if negative, enter "0") ..... X3

GRIP adjustment for specified future tax consequences to third previous tax year (line X3 multiplied by 68 %) . . . **540**

Total GRIP adjustment for specified future tax consequences to previous tax years: (add lines 500, 520, and 540) (if negative, enter "0") ..... Y

Enter amount Y on line 560.

\*Note: The accelerated tax reduction was available for 2001 to 2004 tax years.

**Part 3 – Worksheet to calculate the GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or DIC in its last tax year)**

nb. 1 Post amalgamation  Post wind-up

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary corporation was a CCPC or DIC in its last tax year. In the calculation below, corporation means a predecessor or a subsidiary. The last tax year for a predecessor corporation was its tax year that ended immediately before the amalgamation and for a subsidiary corporation was its tax year during which its assets were distributed to the parent on the wind-up.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for each predecessor and each subsidiary that was a CCPC or DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Corporation's GRIP at the end of its last tax year ..... AA

Eligible dividends paid by the corporation in its last tax year ..... BB

Excessive eligible dividend designations made by the corporation in its last tax year ..... CC

Subtotal (line BB minus line CC) ..... DD

GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or DIC in its last tax year) (line AA minus line DD) ..... EE

After you complete this calculation for each predecessor and each subsidiary, calculate the total of all the EE lines. Enter this total amount on:

- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

**Part 4 – Worksheet to calculate the GRIP addition post-amalgamation, post-wind-up  
(predecessor or subsidiary was not a CCPC or DIC in its last tax year),  
or the corporation is becoming a CCPC**

nb. 1 Corporation becoming a CCPC  Post amalgamation  Post wind-up

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary was not a CCPC or DIC in its last tax year. Also, use this part for a corporation becoming a CCPC. In the calculation below, corporation means a corporation becoming a CCPC, a predecessor, or a subsidiary.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for each predecessor and each subsidiary that was not a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Cost amount to the corporation of all property immediately before the end of its previous/last tax year ..... FF

The corporation's money on hand immediately before the end of its previous/last tax year ..... GG

Unused and unexpired losses at the end of the corporation's previous/last tax year:

Non-capital losses ..... \_\_\_\_\_

Net capital losses ..... \_\_\_\_\_

Farm losses ..... \_\_\_\_\_

Restricted farm losses ..... \_\_\_\_\_

Limited partnership losses ..... \_\_\_\_\_

Subtotal                      ▶                      HH

Subtotal (add lines FF, GG, and HH)                      II

All the corporation's debts and other obligations to pay that were outstanding immediately before the end of its previous/last tax year ..... JJ

Paid up capital of all the corporation's issued and outstanding shares of capital stock immediately before the end of its previous/last tax year ..... KK

All the corporation's reserves deducted in its previous/last tax year ..... LL

The corporation's capital dividend account immediately before the end of its previous/last tax year ..... MM

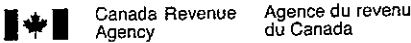
The corporation's low rate income pool immediately before the end of its previous/last tax year ..... NN

Subtotal (add lines JJ, KK, LL, MM, and NN)                      ▶                      OO

GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was not a CCPC or DIC in its last tax year), or the corporation is becoming a CCPC (line II minus line OO) (if negative, enter "0")                      PP

After you complete this worksheet for each predecessor and each subsidiary, calculate the total of all the PP lines. Enter this total amount on:

- line 220 for a corporation becoming a CCPC;
- line 230 for post-amalgamation; or
- line 240 for post-wind-up.



**PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS**

Name of corporation <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Business Number <b>86375 9692 RC0001</b>	Tax year-end Year Month Day <b>2007-12-31</b>
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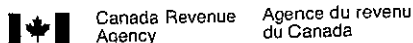
- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation*, or Schedule 54, *Low Rate Income Pool Calculation (LRIP)*; whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- Parts, subsections, and paragraphs mentioned in this schedule refer to the *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

**Part 1 – Canadian-controlled private corporations and deposit insurance corporations**

Taxable dividends paid in the tax year <b>not included</b> in Schedule 3	_____	
Taxable dividends paid in the tax year <b>included</b> in Schedule 3	_____	600,000
Total taxable dividends paid in the tax year	<b>100</b>	600,000
Total eligible dividends paid in the tax year	<b>150</b>	_____
GRIP at the end of the year (line 590 on Schedule 53) (if negative, enter "0")	<b>160</b>	2,563,353
Excessive eligible dividend designation (line 150 minus line 160)	_____	A
<b>Part III.1 tax on excessive eligible dividend designations – CCPC or DIC</b> (line A multiplied by 20%)	x 20 %	<b>190</b>
Enter the amount from line 190 at line 710 of the T2 return.		

**Part 2 – Other corporations**

Taxable dividends paid in the tax year <b>not included</b> in Schedule 3	_____	
Taxable dividends paid in the tax year <b>included</b> in Schedule 3	_____	
Total taxable dividends paid in the tax year	<b>200</b>	_____
Total excessive eligible dividend designations in the tax year (line A of Schedule 54)	_____	B
<b>Part III.1 tax on excessive eligible dividend designations – Other corporations</b> (line B multiplied by 20%)	x 20 %	<b>290</b>
Enter the amount from line 290 at line 710 of the T2 return.		



### BUSINESS CONSENT FORM

Complete this form to consent to the release of confidential information about your Business Number (BN) account(s) to the representative named below, or to cancel consent for an existing representative. **Send this completed form to your tax centre.** You can also give or cancel consent by providing the requested information online through My Business Account at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**Note: Read all instructions on the last page before completing this form.**

#### Part 1 – Business Information – Complete this part to identify your business (all fields have to be completed)

Business Name: WELLAND HYDRO ELECTRIC SYSTEM CORP.  
Business Number:  Telephone Number: (905) 732-1381

#### Part 2 – Authorize a representative

If you are giving consent for an individual, enter that person's full name or if you are giving consent to a firm, enter the name of the firm and the BN. If you want us to deal with a specific individual in that firm, enter **both** the individual's name and the name of the firm. If you do not identify an individual of the firm then you are giving us consent to deal with anyone from that firm.

Name of Individual: \_\_\_\_\_  
Name of Firm: Deloitte & Touche LLP  
Telephone Number: (519) 650-7600 Extension: \_\_\_\_\_ BN:

##### Authorize online access

You can authorize your representative to deal with us through our online services for representatives. You have to provide the ReplID of the individual or the Business Number of the firm indicated above. The name of the firm provided above must be the same name that is registered with the Represent a Client service at [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives). If the firm names differ then online access will not be granted. Our online services do not have a year specific option, so your representative will have access to all years.

ReplID:  OR BN:   
(for above individual) The BN must be registered with the Represent a Client service to be an online representative.

#### Part 3 – Which Accounts and Which Years?

i) Accounts – Select which accounts the above individual or firm is authorized to access (check only box A or B).

A.  This authorization applies to all BN accounts and all years. Note: online access is available for box A only.  
Expiry date:

Authorization level:  Disclose information only  
check one box

OR

Disclose information and make changes to your BN account(s)

OR

B.  This authorization applies only to the BN accounts and periods listed in Part 3ii.

**BUSINESS CONSENT FORM (RC59 continued)**

**ii) Details of accounts and fiscal periods** – Complete this area if you checked box "B" in Part 3 i) on the first page.

If you checked box B in part 3i, you have to provide at least one program identifier (see Instructions on the last page). You can then check the "all accounts" box for that program identifier or enter a specific account number. Provide the authorization level ("1" to disclose information or "2" to disclose information and make changes). You can also check the "All years" box to allow unlimited tax year access or enter a specific fiscal period (**specific period authorization is not available for online access**). You can also enter an expiry date to automatically cancel authorization. If additional authorizations or more than four program identifiers are needed complete another RC59.

Program identifier	All accounts	Specific account	Authorization level	All years	or	Specific fiscal period (not available for online access)	Expiry date
<input type="text"/>	<input type="checkbox"/> or	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	or	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="checkbox"/> or	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	or	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="checkbox"/> or	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	or	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="checkbox"/> or	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	or	<input type="text"/>	<input type="text"/>

**Part 4 – Cancel one or more existing authorizations** – Complete this section **only** to cancel existing authorization(s)

- A. Cancel all authorizations.
- B. Cancel authorization for the individual or firm identified below.

Name of Individual: \_\_\_\_\_

Name of Firm: \_\_\_\_\_

**Part 5 – Certification**

This form must be signed by an authorized person of the business such as a proprietor of a proprietorship, a partner of a partnership, a director of a corporation, an officer of a non profit organization or a trustee of an estate. By signing and dating this form, you authorize the CRA to deal with the individual or firm listed in Part 2 of this form and/or cancel the authorizations listed in Part 4.

First name: ROSS

Last name: PEEVER

Title: PRESIDENT

Sign here



Date 2008-06-26

**WE WILL NOT PROCESS THIS FORM UNLESS IT IS SIGNED AND DATED BY AN AUTHORIZED PERSON OF THE BUSINESS.**

## FILING INSTRUCTIONS

*Welland Hydro-Electric System Corp.*

### ONTARIO

**Mailing Address:** Ministry of Finance  
Corporations Tax Branch-Hydro PIL  
P.O. Box 642  
Oshawa ON L1H 8T1

**Courier Address:** Ministry of Finance  
305 King St W, 9<sup>th</sup> Floor  
Kitchener ON N2G 1B9

**Tax Return Due Date:** June 30, 2008

**Tax Due:** \$200,710

**Tax Due Date:** March 31, 2008

**Payable To:** *The Financial Corporation*

**Tax Refund:** N/A

**Expected Tax Refund From Carry  
Back of [Non or Net] Capital Losses:** N/A

### Signing Instruction:

One copy of the Ontario CT23 Corporations Tax and Annual Return and the T2 Corporate Income Tax Return should be signed where indicated and forwarded to the above address.

Ontario requires that the return be **received** by the filing due date or it will be considered a late filed return.



Ministry of Revenue

Corporations Tax  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

2007

# CT23 Corporations Tax and Annual Return

For taxation years commencing after December 31, 2004

Corporations Tax Act - Ministry of Finance (MOF)  
Corporations Information Act - Ministry of Government Services (MGS)

This form is a combination of the Ministry of Finance (MOF) CT23 Corporations Tax Return and the Ministry of Government Services (MGS) Annual Return. Page 1 is a common page required for both Returns. For tax purposes, depending on which criteria the corporation satisfies, it must complete either the Exempt from Filing (EFF) declaration on page 2 or file the CT23 Return on pages 3-17. Corporations that do not meet the EFF criteria but do meet the Short-Form criteria, may request and file the CT23 Short-Form Return (see page 2).

The Annual Return (common page 1 and MGS Schedule A on pages 18 and 19, and Schedule K on page 20) contains non-tax information collected under the authority of the Corporations Information Act for the purpose of maintaining a public database of corporate information. This return must be completed by Ontario share-capital corporations or Foreign-Business share-capital corporations that have an extra-provincial licence to operate in Ontario.

MGS Annual Return Required? *(Not required if already filed or Annual Return exempt. Refer to Guide)*  Yes  No **Page 1 of 20**

Corporation's Legal Name <i>(including punctuation)</i> <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>		Ontario Corporations Tax Account No. (MOF) <b>1800215</b>													
Mailing Address <b>950 EAST MAIN STREET P.O. BOX 280 WELLAND ON CA L3B 5P6</b>		This Return covers the Taxation Year Start <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>2007</td><td>01</td><td>01</td></tr></table> End <table border="1"><tr><td>year</td><td>month</td><td>day</td></tr><tr><td>2007</td><td>12</td><td>31</td></tr></table>		year	month	day	2007	01	01	year	month	day	2007	12	31
year	month	day													
2007	01	01													
year	month	day													
2007	12	31													
Has the mailing address changed since last filed CT23 Return? <input type="checkbox"/> Yes <input type="checkbox"/> No Date of Change year month day		Date of Incorporation or Amalgamation year month day <b>2000-07-01</b>													
Registered/Head Office Address <b>950 EAST MAIN STREET P.O. BOX 280 WELLAND ON CA L3B 5P6</b>		Ontario Corporation No. (MGS) <b>1426855</b>													
Location of Books and Records <b>950 EAST MAIN STREET P.O. BOX 280 WELLAND ON CA L3B 5P6</b>		Canada Revenue Agency Business No. If applicable, enter: <b>86375 9692 RC0001</b>													
Name of person to contact regarding this CT23 Return <b>ROSS PEEVER</b>	Telephone No. <b>(905) 732-1381</b>	Fax No.	Jurisdiction Incorporated <b>Ontario</b>												
Address of Principal Office in Ontario <i>(Extra-Provincial Corporations only)</i> (MGS) <b>Ontario Canada</b>		If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased: Commenced year month day Ceased year month day													
Former Corporation Name <i>(Extra-Provincial Corporations only)</i> <input checked="" type="checkbox"/> Not Applicable (MGS)		<input checked="" type="checkbox"/> Not Applicable													
Information on Directors/Officers/Administrators must be completed on MGS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MGS). <input type="checkbox"/> No Change		Preferred Language / Langue de préférence <input checked="" type="checkbox"/> English <input type="checkbox"/> French <i>anglais français</i>													
If there is no change to the Directors'/Officers'/Administrators' information previously submitted to MGS, please check (X) this box. Schedule(s) A and K are not required (MGS). <input checked="" type="checkbox"/> No Change		Ministry Use 													

### Certification (MGS)

I certify that all information set out in the Annual Return is true, correct and complete.

Name of Authorized Person *(Print clearly or type in full)*  
**ROSS PEEVER**

Title  Director  Officer  Other individuals having knowledge of the Corporation's business activities

Note: Sections 13 and 14 of the Corporations Information Act provide penalties for making false or misleading statements or omissions.

WELLAND HYDRO ELECTRIC SYSTEM CORP.

1800215

2007-12-31

# CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

Please check applicable (X) box(es) and complete required information.

## Type of corporation

- 1**  Canadian-controlled Private (CCPC) all year (Generally a private corporation of which 50% or more shares are owned by Canadian residents.) (fed.s.125(7)(b))
- Other Private
- Public
- Non-share Capital
- Other (specify) ▼

Share Capital with full voting rights owned by Canadian Residents 100 % (nearest percent)

- 2**  Family Farm corporation s.1(2)
- Family Fishing corporation s.1(2)
- Mortgage Investment corporation s.47
- Credit Union s.51
- Bank Mortgage subsidiary s.61(4)
- Bank s.1(2)
- Loan and Trust corporation s.61(4)
- Non-resident corporation s.2(2)(a) or (b)
- Non-resident corporation s.2(2)(c)
- Mutual Fund corporation s.48
- Non-resident owned Investment corporation s.49
- Non-resident ship or aircraft under reciprocal agreement with Canada s.28(b)
- Bare Trustee corporation
- Branch of Non-resident s.63(1)
- Financial institution prescribed by Regulation only
- Investment Dealer
- Generator of electrical energy for sale or producer of steam for use in the generation of electrical energy for sale
- Hydro successor, municipal electrical utility or subsidiary of either
- Producer and seller of steam for uses other than for the generation of electricity
- Insurance Exchange s.74.4
- Farm Feeder Finance Co-operative corporation
- Professional corporation (incorporated professionals only)

- This is the first year filing after incorporation or an amalgamation (If checked, attach Ontario Schedule 24.)
- Amended Return
- Taxation year end change – Canada Revenue Agency approval required
- Final taxation year up to dissolution (Note: for discontinued businesses, see guide.)
- Final taxation year before amalgamation
- The corporation has a floating fiscal year end
- There has been a transfer or receipt of asset(s) involving a corporation having a Canadian permanent establishment outside Ontario
- There was an acquisition of control to which subsection 249(4) of the federal *Income Tax Act* (ITA) applies since the previous taxation year  
If checked, date control was acquired year month day
- The corporation was involved in a transaction where all or substantially all (90% or more) of the assets of a non-arm's length corporation were received in the taxation year and subsection 85(1) or 85(2) of the federal ITA applied to the transaction (If checked, attach Ontario Schedule 44.)
- First year filing of a parent corporation after winding-up a subsidiary corporation(s) under section 88 of the federal ITA during the taxation year. (If checked, attach Ontario Schedule 24.)
- Section 83.1 of the CTA applies (redirection of payments for certain electricity corporations)

- Yes No
- Was the corporation inactive throughout the taxation year?
  - Has the corporation's Federal T2 Return been filed with the Canada Revenue Agency?

Are you requesting a refund due to:

- the Carry-back of a Loss?
- an Overpayment?
- a Specified Refundable Tax Credit?
- Are you a member of a Partnership or Joint Venture?

### Complete if applicable

Ontario Retail Sales Tax Vendor Permit no. (Use head office no.)

Ontario Employer Health Tax Account no. (Use head office no.)

Specify major business activity



**Allocation** – If you carry on a business through a permanent establishment in a jurisdiction outside Ontario, you may allocate that portion of taxable income deemed earned in that jurisdiction to that jurisdiction (s.39) (Int.B. 3008).

**DOLLARS ONLY**

Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15)	- - - - -	± From	690	2,355,899	•
Subtract: Charitable donations	- - - - -		1	1,975	•
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property (Attach schedule 2)	- - - - -		2		•
Subtract: Taxable dividends deductible, per federal Schedule 3	- - - - -		3	1,744	•
Subtract: Ontario political contributions (Attach Schedule 2A) (Int.B. 3002R)	- - - - -		4		•
Subtract: Federal Part VI.1 tax	- - - - -		5		•
Subtract: Prior years' losses applied – Non-capital losses	- - - - -	From	704		•
		From	715		•
Net capital losses (page 16) × inclusion rate 50.000000% =	- - - - -		714		•
Farm losses	- - - - -	From	724		•
Restricted farm losses	- - - - -	From	734		•
Limited partnership losses	- - - - -	From	754		•
<b>Taxable Income (Non-capital loss)</b>	- - - - -	=	10	2,352,180	•
Addition to taxable income for unused foreign tax deduction for federal purposes	- - - - -	+	11		•
<b>Adjusted Taxable Income</b> 10 + 11 (if 10 is negative, enter 11)	- - - - -	=	20	2,352,180	•

<b>Taxable Income</b>		<b>Number of Days in Taxation Year</b>	
From 10 (or 20 if applicable)	2,352,180 • × 30 100.0000 % × 12.5 % × 33 ÷ 73 365 = + 29	Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days 365
	Ontario Allocation		
From 10 (or 20 if applicable)	2,352,180 • × 30 100.0000 % × 14 % × 34 365 ÷ 73 365 = + 32 329,305	Days after Dec. 31, 2003	Total Days 365
	Ontario Allocation		
<b>Income Tax Payable</b> (before deduction of tax credits)	29 + 32 = 40 329,305		

**Incentive Deduction for Small Business Corporations (IDSBC) (s.41)**

**If this section is not completed, the IDSBC will be denied.**

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year?  Yes  No

* Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))	- - - - -	50	2,296,393	•
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+ 51	2,352,180	•	
Add: Losses of other years deducted for federal purposes (fed.s.111)	+ 52		•	
Subtract: Losses of other years deducted for Ontario purposes (s.34)	- 53		•	
	=	54	2,352,180	•
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)	- - - - -	55	400,000	•

**Ontario Business Limit Calculation**

320,000 × 31 ÷ ** 365 = + 46	
400,000 × 34 365 ÷ ** 365 = + 47 400,000	
Business Limit for Ontario purposes 46 + 47 = 44 400,000 • × 48 100.0000 % = 45 400,000	Percentage of Federal Business limit (from T2 Schedule 23). Enter 100% if not associated.
<b>Income eligible for the IDSBC</b>	From 30 100.0000 % × 56 400,000 • = 60 400,000
	***Ontario Allocation Least of 50, 54 or 45

\* Note: Modified by s.41(6) and (7) for corporations that are members of a partnership. (Refer to Guide.)  
 \*\* Note: Adjust accordingly for a floating taxation year and use 366 for a leap year.  
 \*\*\* Note: Ontario Allocation for IDSBC purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).

**Income Tax** *continued from Page 4*

**Calculation of IDSBC Rate**

		7 %	x	<table border="1"> <tr><th colspan="2">Number of Days in Taxation Year</th></tr> <tr><td>Days after Dec. 31, 2002 and before Jan. 1, 2004</td><td>Total Days</td></tr> <tr><td>31</td><td>365</td></tr> </table>	Number of Days in Taxation Year		Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days	31	365	= +	89	
Number of Days in Taxation Year													
Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days												
31	365												
		8.5 %	x	<table border="1"> <tr><th colspan="2">Number of Days in Taxation Year</th></tr> <tr><td>Days after Dec. 31, 2003</td><td>Total Days</td></tr> <tr><td>34 365</td><td>73 365</td></tr> </table>	Number of Days in Taxation Year		Days after Dec. 31, 2003	Total Days	34 365	73 365	= +	90	8,500
Number of Days in Taxation Year													
Days after Dec. 31, 2003	Total Days												
34 365	73 365												
IDSBC Rate for Taxation Year	89 + 90				=	78	8,500						
Claim	From 60	400,000	x	From 78	8.5000 %	=	70	34,000					

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount 400,000 in 114 below.

**Surtax on Canadian-controlled Private Corporations (s.41.1)**

*Applies* if you have claimed the Incentive Deduction for Small Business Corporations.

**Associated Corporation** - The Taxable Income of associated corporations is the taxable income for the taxation year ending on or before the date of this corporation's taxation year end.

\*Taxable Income of the corporation From 10 (or 20 if applicable) + 80 2,352,180

If you are a member of an associated group (X) 81  (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	* Taxable Income (if loss, enter nil)
See schedule			+ 82
			+ 83
			+ 84
Aggregate Taxable Income	80 + 82 + 83 + 84, etc.		= 85 2,352,180

**Number of Days in Taxation Year**

320,000 x	<table border="1"> <tr><th colspan="2">Number of Days in Taxation Year</th></tr> <tr><td>Days after Dec. 31, 2002 and before Jan. 1, 2004</td><td>Total Days</td></tr> <tr><td>31</td><td>365</td></tr> </table>	Number of Days in Taxation Year		Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days	31	365	= +	115	
Number of Days in Taxation Year										
Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days									
31	365									
400,000 x	<table border="1"> <tr><th colspan="2">Number of Days in Taxation Year</th></tr> <tr><td>Days after Dec. 31, 2003</td><td>Total Days</td></tr> <tr><td>34 365</td><td>73 365</td></tr> </table>	Number of Days in Taxation Year		Days after Dec. 31, 2003	Total Days	34 365	73 365	= +	116	400,000
Number of Days in Taxation Year										
Days after Dec. 31, 2003	Total Days									
34 365	73 365									
	115 + 116	=		400,000						
(If negative, enter nil)				- 114 400,000						
				= 86 1,952,180						

**Calculation of Specified Rate for Surtax**

		4.6670 %	x	<table border="1"> <tr><th colspan="2">Number of Days in Taxation Year</th></tr> <tr><td>Days after Dec. 31, 2002</td><td>Total Days</td></tr> <tr><td>38 365</td><td>73 365</td></tr> </table>	Number of Days in Taxation Year		Days after Dec. 31, 2002	Total Days	38 365	73 365	= +	97	4,6670
Number of Days in Taxation Year													
Days after Dec. 31, 2002	Total Days												
38 365	73 365												
From 86	1,952,180	x	From 97	4.6670 %	=	87	91,108						
From 87	91,108	x	From 60	400,000	÷	From 114	400,000						
Surtax Lesser of 70 or 88					=	100	34,000						

\* Note: Short Taxation Years - Special rules apply where the taxation year is less than 51 weeks for the corporation and/or any corporation associated with it.

Additional Deduction for Credit Unions (s.51(4)) (Attach schedule 17) - - - - - 110

**Manufacturing and Processing Profits Credit (M&P) (s.43)**

*Applies to Eligible Canadian Profits from manufacturing and processing, farming, mining, logging and fishing carried on in Canada, as determined by regulations.*

Eligible Canadian Profits from mining are the "resource profits from the mining operations", as determined for Ontario depletion purposes, after deducting depletion and resource allowances but excluding amounts from sale of Canadian resource property, rentals or royalties. If you are claiming this credit, attach a copy of Ontario schedule 27.

The whole of the active business income qualifies as Eligible Canadian Profits if: a) your active business income from sources other than manufacturing and processing, mining, farming, logging or fishing is 20% or less of the total active business income and b) the total active business income is \$250,000 or less.

Eligible Canadian Profits	+	<span style="border: 1px solid black; padding: 2px;">120</span>	
Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)	-	From <span style="border: 1px solid black; padding: 2px;">56</span>	400,000
Add: Adjustment for Surtax on Canadian-controlled private corporations			
$\frac{\text{From } 100}{34,000} \div \frac{\text{From } 30}{100,000\%} \div \frac{\text{From } 78}{8.5000\%} = \text{From } 121 \quad 400,000$ <p style="text-align: center;">*Ontario Allocation</p>			
Lesser of <span style="border: 1px solid black; padding: 2px;">56</span> or <span style="border: 1px solid black; padding: 2px;">121</span>	+	<span style="border: 1px solid black; padding: 2px;">122</span>	400,000
<span style="border: 1px solid black; padding: 2px;">120</span> - <span style="border: 1px solid black; padding: 2px;">56</span> + <span style="border: 1px solid black; padding: 2px;">122</span>	=	<span style="border: 1px solid black; padding: 2px;">130</span>	
<b>Taxable Income</b>	+	From <span style="border: 1px solid black; padding: 2px;">10</span>	2,352,180
Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)	-	From <span style="border: 1px solid black; padding: 2px;">56</span>	400,000
Add: Adjustments for Surtax on Canadian-controlled private corporations	+	From <span style="border: 1px solid black; padding: 2px;">122</span>	400,000
Subtract: Taxable Income <span style="border: 1px solid black; padding: 2px;">10</span> 2,352,180 X Allocation % to jurisdictions outside Canada	-	<span style="border: 1px solid black; padding: 2px;">140</span>	
Subtract: Amount by which Canadian and foreign investment income exceeds net capital losses	-	<span style="border: 1px solid black; padding: 2px;">141</span>	57,762
<span style="border: 1px solid black; padding: 2px;">10</span> - <span style="border: 1px solid black; padding: 2px;">56</span> + <span style="border: 1px solid black; padding: 2px;">122</span> - <span style="border: 1px solid black; padding: 2px;">140</span> - <span style="border: 1px solid black; padding: 2px;">141</span>	=	<span style="border: 1px solid black; padding: 2px;">142</span>	2,294,418

**Claim**

	<table border="1" style="font-size: small;"> <tr> <th colspan="2">Number of Days in Taxation Year</th> </tr> <tr> <td>Days after Dec. 31, 2002 and before Jan. 1, 2004</td> <td style="text-align: right;">Total Days</td> </tr> <tr> <td style="text-align: center;">33</td> <td style="text-align: center;">73</td> </tr> <tr> <td colspan="2" style="text-align: center;">365</td> </tr> <tr> <td colspan="2">Days after Dec. 31, 2003</td> </tr> <tr> <td style="text-align: center;">34</td> <td style="text-align: center;">365</td> </tr> <tr> <td colspan="2" style="text-align: center;">73</td> </tr> <tr> <td colspan="2" style="text-align: center;">365</td> </tr> </table>	Number of Days in Taxation Year		Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days	33	73	365		Days after Dec. 31, 2003		34	365	73		365	
Number of Days in Taxation Year																	
Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days																
33	73																
365																	
Days after Dec. 31, 2003																	
34	365																
73																	
365																	
$\frac{143}{\text{Lesser of } 130 \text{ or } 142} \times \text{From } 30 \times 100,000\% \times 1.5\% \times \frac{33}{73} = + 154$ <p style="text-align: center;">Ontario Allocation</p>	= + <span style="border: 1px solid black; padding: 2px;">154</span>																
$\frac{143}{\text{Lesser of } 130 \text{ or } 142} \times \text{From } 30 \times 100,000\% \times 2\% \times \frac{34}{73} = + 156$ <p style="text-align: center;">Ontario Allocation</p>	= + <span style="border: 1px solid black; padding: 2px;">156</span>																
M&P claim for taxation year <span style="border: 1px solid black; padding: 2px;">154</span> + <span style="border: 1px solid black; padding: 2px;">156</span>	=	<span style="border: 1px solid black; padding: 2px;">160</span>															

\* Note: Ontario Allocation for M&P Credit purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.43(1))

Manufacturing and Processing Profits Credit for Electrical Generating Corporations = 161

Manufacturing and Processing Profits Credit for Corporations that Produce and Sell Steam for uses other than the Generation of Electricity = 162

**Credit for Foreign Taxes Paid (s.40)**

*Applies if you paid tax to a jurisdiction outside Canada on foreign investment income (Int.B. 3001R). (Attach schedule)* = 170

**Credit for Investment in Small Business Development Corporations (SBDC)**

*Applies if you have an unapplied, previously approved credit from prior years' investments in new issues of equity shares in Small Business Development Corporations. Any unused portion may be carried forward indefinitely and applied to reduce subsequent years' income taxes. (Refer to the former Small Business Development Corporations Act)*

Eligible Credit 175 Credit Claimed 180

**Subtotal of Income Tax** 40 - 70 + 100 - 110 - 160 - 161 - 162 - 170 - 180 = 190 329,305

**Income Tax** *continued from Page 6*

**Specified Tax Credits** *(Refer to Guide)*

**Ontario Innovation Tax Credit (OITC) (s.43.3)** *Applies to scientific research and experimental development in Ontario.*  
 Eligible Credit From 5820 OITC Claim Form *(Attach original Claim Form)* - - - - - + 191 .....

**Co-operative Education Tax Credit (CETC) (s.43.4)** *Applies to employment of eligible students.*  
 Eligible Credit From 5798 CT23 Schedule 113 *(Attach Schedule 113)* - - - - - + 192 .....

**Ontario Film & Television Tax Credit (OFTTC) (s.43.5)**  
*Applies to qualifying Ontario labour expenditures for eligible Canadian content film and television productions.* Name of Production: 204  
 Eligible Credit From 5850 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)  
*(Attach the original Certificate of Eligibility)* - - - - - + 193 .....

**Graduate Transitions Tax Credit (GTTC) (s.43.6)** No. of Graduates From 6596  
*Applies to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005.* 194  
 Eligible Credit From 6598 CT23 Schedule 115 *(Attach Schedule 115)* - - - - - + 195 .....

**Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)**  
*Applies to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.*  
 Eligible Credit From 6900 OBPTC Claim Form *(Attach both the original Claim Form and the Certificate of Eligibility)* - - - - - + 196 .....

**Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)**  
*Applies to labour relating to computer animation and special effects on an eligible production.*  
 Eligible Credit From 6700 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)  
*(Attach the original Certificate of Eligibility)* - - - - - + 197 .....

**Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)**  
*Applies to qualifying R&D expenditures under an eligible research institute contract.*  
 Eligible Credit From 7100 OBRITC Claim Form *(Attach original Claim Form)* - - - - - + 198 .....

**Ontario Production Services Tax Credit (OPSTC) (s.43.10)**  
*Applies to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.*  
 Eligible Credit From 7300 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)  
*(Attach the original Certificate of Eligibility)* - - - - - + 199 .....

**Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)**  
*Applies to qualifying labour expenditures of eligible products for the taxation year.*  
 Eligible Credit From 7400 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)  
*(Attach the original Certificate of Eligibility)* - - - - - + 200 .....

**Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)**  
*Applies to qualifying expenditures in respect of eligible Canadian sound recordings.*  
 Eligible Credit From 7500 OSRTC Claim Form *(Attach both the original Claim Form and the Certificate of Eligibility)* - - - - - + 201 .....

**Apprenticeship Training Tax Credit (ATTC) (s.43.13)** No. of Apprentices From 5896  
*Applies to employment of eligible apprentices.* 202 ..... 2  
 Eligible Credit From 5898 CT23 Schedule 114 *(Attach Schedule 114)* - - - - - + 203 ..... 5,890  
 Other (specify) \_\_\_\_\_ - - - - - + 203.1 .....

**Total Specified Tax Credits** 191 + 192 + 193 + 195 + 196 + 197 + 198 + 199 + 200 + 201 + 203 + 203.1 = 220 ..... 5,890

**Specified Tax Credits Applied to reduce Income Tax** - - - - - = 225 ..... 5,890

**Income Tax** 190 - 225 OR Enter NIL if reporting Non-Capital Loss *(amount cannot be negative)* - - - - - = 230 ..... 323,415

To determine if the Corporate Minimum Tax (CMT) is applicable to your Corporation, see **Determination of Applicability** section for the CMT on Page 8. If CMT is not applicable, transfer amount in 230 to Income Tax in **Summary** section on Page 17.

OR

If CMT is not applicable for the current taxation year but your corporation has CMT Credit Carryovers that you want to apply to reduce income tax otherwise payable, then proceed to and complete the **Application of CMT Credit Carryovers** section part B, on Page 8.

**Corporate Minimum Tax (CMT)**

**DOLLARS ONLY**

Total Assets of the corporation - - - - - + 240 35,215,377.  
 Total Revenue of the corporation - - - - - + 241 43,317,076.

The above amounts include the corporation's and associated corporations' share of any partnership(s) / joint venture(s) total assets and total revenue.

If you are a member of an associated group (X)  242  (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Total Assets	Total Revenue
			+ <u>243</u>	+ <u>244</u>
			+ <u>245</u>	+ <u>246</u>
			+ <u>247</u>	+ <u>248</u>
Aggregate Total Assets	<u>240</u> + <u>243</u> + <u>245</u> + <u>247</u> , etc.		= <u>249</u> 35,215,377.	
Aggregate Total Revenue	<u>241</u> + <u>244</u> + <u>246</u> + <u>248</u> , etc.			= <u>250</u> 43,317,076.

**Determination of Applicability**

Applies if either Total Assets 249 exceeds \$5,000,000 or Total Revenue 250 exceeds \$10,000,000.

**Short Taxation Years** – Special rules apply for determining total revenue where the taxation year of the corporation or any associated corporation or any fiscal period of any partnership(s) / joint venture(s) of which the corporation or associated corporation is a member, is less than 51 weeks.

**Associated Corporation** – The total assets or total revenue of associated corporations is the total assets or total revenue for the taxation year ending on or before the date of the claiming corporation's taxation year end.

If CMT is applicable to current taxation year, complete section Calculation: CMT below and Corporate Minimum Tax Schedule 101.

**Calculation: CMT (Attach Schedule 101.)**

Gross CMT Payable - - CMT Base From Schedule 101 2136 779,056. × From 30 100.0000 % X 4 % = 276 31,162.  
 If negative, enter zero Ontario Allocation

Subtract: Foreign Tax Credit for CMT purposes (Attach Schedule) - - - - - 277

Subtract: Income Tax - - - - - From 190 329,305.

**Net CMT Payable** (if negative, enter Nil on Page 17.) - - - - - = 280 -298,143.

If 280 is less than zero and you do not have a CMT credit carryover, transfer 230 from Page 7 to Income Tax Summary, on Page 17.

If 280 is less than zero and you have a CMT credit carryover, complete A & B below.

If 280 is greater than or equal to zero, transfer 230 to Page 17 and transfer 280 to Page 17, and to Part 4 of Schedule 101: Continuity of CMT Credit Carryovers.

CMT Credit Carryover available From Schedule 101 - - - - - From 2333

**Application of CMT Credit Carryovers**

**A.** Income Tax (before deduction of specified credits) - - - - - + From 190 329,305.  
 Gross CMT Payable - - - - - + From 276 31,162.  
 Subtract: Foreign Tax Credit for CMT purposes - - - - - From 277  
 If 276 - 277 is negative, enter NIL in 290 = 31,162. → - 290 31,162.  
**Income Tax eligible for CMT Credit** - - - - - = 300 298,143.

**B.** Income Tax (after deduction of specified credits) - - - - - + From 230 323,415.  
 Subtract: CMT credit used to reduce income taxes - - - - - 310  
**Income Tax** - - - - - = 320 323,415.  
 Transfer to page 17

If A & B apply, 310 cannot exceed the lesser of 230, 300 and your CMT credit carryover available 2333.

If only B applies, 310 cannot exceed the lesser of 230 and your CMT credit carryover available 2333.

WELLAND HYDRO ELECTRIC SYSTEM CORP.

1800215

2007-12-31

DOLLARS ONLY

**Capital Tax** (Refer to Guide and Int.B. 3011R)

If your corporation is a Financial Institution (s.58(2)), complete lines 480 and 430 on page 10 then proceed to page 13.

If your corporation is not a member of an associated group and/or partnership and the Gross Revenue and Total Assets as calculated on page 10 in 480 and 430 are both \$3,000,000 or less, your corporation is exempt from Capital Tax for the taxation year, except for a branch of a non-resident corporation. A corporation that meets these criteria should disregard all other Capital Tax items (including the calculation of Taxable Capital). Enter NIL in 550 on page 12 and complete the return from that point. All other corporations must compute their Taxable Capital in order to determine their Capital Tax payable.

Members of a partnership (limited or general) or a joint venture, must attach all financial statements of each partnership or joint venture of which they are a member. The Paid-up Capital of each corporate partner must include its share of liabilities that would otherwise be included if the partnership were a corporation. If Investment Allowance is claimed, Total Assets must be

adjusted by adding the corporation's share of the partnership's Total Assets and by deducting investments in the partnership as it appears on the corporation's balance sheet, in addition to any other required adjustments (s.61(5)). Special rules apply to limited partnerships (Int.B. 3017R).

Any Assets and liabilities of a corporation that are being utilized in a joint venture must be included along with the corporation's other Assets and liabilities when calculating its Taxable Paid-up Capital.

Special rules and rates apply to Non-Resident corporations (s.63, s.64 and s.69(3)).

**Paid-up Capital of Non-resident:** Paid-up capital employed in Canada of a non-resident subject to tax by virtue of s.2(2)(a) or 2(2)(b), and whose business is not carried on solely in Canada is deemed to be the greater of (1) taxable Income in Canada divided by 8 percent or (2) total assets in Canada minus certain indebtedness in accordance with the provisions of s.63(1)(a) (Int.B. 3010).

**Paid-up Capital**

Paid-up capital stock (Int.B. 3012R and 3015R)	- - - - -	+ 350	12,953,180 .
Retained earnings (if deficit, deduct) (Int.B. 3012R)	- - - - -	+ 351	711,949 .
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	- - - - -	+ 352	630,158 .
Loans and advances (Attach schedule) (Int.B. 3013R)	- - - - -	+ 353	14,790,903 .
Bank loans (Int.B. 3013R)	- - - - -	+ 354	.
Bankers acceptances (Int.B. 3013R)	- - - - -	+ 355	.
Bonds and debentures payable (Int.B. 3013R)	- - - - -	+ 356	.
Mortgages payable (Int.B. 3013R)	- - - - -	+ 357	.
Lien notes payable (Int.B. 3013R)	- - - - -	+ 358	.
Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations tax) (Int.B. 3013R)	- - - - -	+ 359	4,611,025 .
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	- - - - -	+ 360	.
Other reserves not allowed as deductions for income tax purposes (Attach schedule) (Int.B. 3012R)	- - - - -	+ 361	.
Share of partnership(s) or joint venture(s) paid-up capital (Attach schedule(s)) (Int.B. 3017R)	- - - - -	+ 362	.
<b>Subtotal</b>	- - - - -	= 370	<b>33,697,215 .</b>
Subtract: Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)	- - - - -	- 371	2,532,605 .
Deductible R & D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	- - - - -	- 372	.
<b>Total Paid-up Capital</b>	- - - - -	= 380	<b>31,164,610 .</b>
Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	- - - - -	- 381	.
<b>Electrical Generating Corporations Only</b> – All amounts with respect to electrical generating assets, except to the extent that they have been deducted by the corporation in computing its income for income tax purposes for the current or any prior taxation year, that are deductible by the corporation under clause 11(10)(a) of the Corporations Tax Act, and the assets are used both in generating electricity from a renewable or alternative energy source and are qualifying property as prescribed by regulation	- - - - -	- 382	.
<b>Net Paid-up Capital</b>	- - - - -	= 390	<b>31,164,610 .</b>

**Eligible Investments** (Refer to Guide and Int.B. 3015R)

Attach computations and list of corporation names and investment amounts. Short-term investments (bankers acceptances, commercial paper, etc.) are eligible for the allowance only if issued for a term of and held for 120 days or more prior to the year end of the investor corporation.

Bonds, lien notes and similar obligations, (similar obligations, e.g. stripped interest coupons, applies to taxation years ending after October 30, 1998)	- - - - -	+ 402	.
Mortgages due from other corporations	- - - - -	+ 403	.
Shares in other corporations (certain restrictions apply) (Refer to Guide)	- - - - -	+ 404	.
Loans and advances to unrelated corporations	- - - - -	+ 405	14,144 .
Eligible loans and advances to related corporations (certain restrictions apply) (Refer to Guide)	- - - - -	+ 406	3,200 .
Share of partnership(s) or joint venture(s) eligible investments (Attach schedule)	- - - - -	+ 407	.
<b>Total Eligible Investments</b>	- - - - -	= 410	<b>17,344 .</b>

Capital Tax *continued from Page 9*

DOLLARS ONLY

<b>Total Assets</b> (Int.B. 3015R)		+ 420	35,215,377
Total Assets per balance sheet		+ 421	
Mortgages or other liabilities deducted from assets		+ 422	
Share of partnership(s)/joint venture(s) total assets ( <i>Attach schedule</i> )		- 423	
Subtract: Investment in partnership(s)/joint venture(s)		= 430	35,215,377
<b>Total Assets as adjusted</b>		+ 440	
Amounts in 360 and 361 (if deducted from assets)		- 441	2,532,605
Subtract: Amounts in 371, 372 and 381		- 442	
Subtract: Appraisal surplus if booked		+ 443	
Add or Subtract: Other adjustments (specify on an attached schedule)		= 450	32,682,772
<b>Total Assets</b>			

<b>Investment Allowance</b> (410 ÷ 450) × 390	Not to exceed 410	= 460	16,538
<b>Taxable Capital</b> 390 - 460		= 470	31,148,072

<b>Gross Revenue</b> (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)	480	43,317,076
<b>Total Assets</b> (as adjusted)	From 430	35,215,377

**Calculation of Capital Tax for all Corporations except Financial Institutions**

*Note: This version (2007) of the CT23 may only be used for a taxation year that commenced after December 31, 2004. Financial Institutions use calculations on page 13.*

- Important:** If the corporation is a family farm corporation, family fishing corporation or a credit union that is not a Financial Institution, complete only Section A below.
- OR** If the corporation is **not** a member of an associated group and/or partnership, complete Section B below, then review only the Capital Tax calculations in Section C on page 11, selecting and completing the one specific subsection (e.g. C3) that applies to the corporation.
- OR** If the corporation **is** a member of an associated group and/or partnership, complete Section B below and Section D on page 11, and if applicable, complete Section E or Section F on page 12. *Note: if the corporation is a member of a connected partnership, please refer to the CT23 Guide for additional instructions before completing the Capital Tax section.*

**SECTION A**

This section applies only if the corporation is a family farm corporation, a family fishing corporation or a credit union that is not a Financial Institution (Int.B. 3018). Enter NIL in 550 on page 12 and complete the return from that point.

**SECTION B**

**B1. Calculation of Taxable Capital Deduction (TCD)**

		Number of Days in Taxation Year			
		Days after Dec. 31, 2004 and before Jan. 1, 2006	Total Days		
7,500,000	×	36	÷ 73	365	= + 501
10,000,000	×	37	÷ 73	365	= + 502
12,500,000	×	38	÷ 73	365	= + 504
15,000,000	×	39	÷ 73	365	= + 505
<b>Taxable Capital Deduction (TCD)</b> 501 + 502 + 504 + 505					= 503
					12,500,000

**B2. This section applies to corporations to calculate the prorated capital tax rate.**

Calculation of Capital Tax Rate

		Number of Days in Taxation Year			
		Days before Jan. 1, 2007	Total Days		
0.3 %	×	556	÷ 73	365	= + 511 %
0.285 %	×	557	÷ 73	365	= + 512
<b>Capital Tax Rate</b> 511 + 512					= 516
					0.2850 %

**Capital Tax Calculation** *continued from Page 10*

**SECTION C**

This section applies if the corporation is **not** a member of an associated group and/or partnership.

**C1.** If  and  on page 10 are both \$3,000,000 or less, enter NIL in  on page 12 and complete the return from that point.

**C2.** If Taxable Capital in  is equal to or less than the TCD in , enter NIL in  on page 12 and complete the return from that point.

**C3.** If Taxable Capital in  exceeds the TCD in , complete the following calculation and transfer the amount from  to  on page 12, and complete the return from that point.

$$\begin{array}{r}
 + \text{ From } \boxed{470} \\
 - \text{ From } \boxed{503} \\
 = \boxed{471}
 \end{array}
 \times \text{ From } \boxed{30} \text{ Ontario Allocation } 100.0000\%
 \times \text{ From } \boxed{516} \text{ Capital Tax Rate } 0.2850\%
 \times \frac{\text{Days in taxation year } \boxed{365}}{\boxed{365} \text{ (366 if leap year)}}
 = + \boxed{523}$$

*If floating taxation year, refer to Guide. Transfer to  on page 12 and complete the return from that point*

**SECTION D**

This section applies **ONLY** to a corporation that is a member of an associated group (excluding Financial Institutions and corporations exempt from Capital Tax) and/or partnership. You must check either  or  and complete this section before you can calculate your Capital Tax Calculation under either Section E or Section F.

**D1.**   (X if applicable) All corporations that you are associated with do **not** have a permanent establishment in Canada.  
 If Taxable Capital  on page 10 is equal to or less than the TCD  on page 10, enter NIL in  on page 12 and complete the return from that point.  
 If Taxable Capital  on page 10 exceeds the TCD  on page 10, proceed to Section E, enter the TCD amount in  in Section E, and complete Section E and the return from that point.

**D2.**   (X if applicable) One or more of the corporations that you are associated with **maintains** a permanent establishment in Canada.  
 You and your associated group may continue to allocate the TCD by completing the Calculation below. Or, the associated group may file an election under subsection 69(2.1) of the *Corporations Tax Act*, whereby total assets are used to allocate the TCD among the associated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (portion is henceforth referred to as **Net Deduction**) of the capital tax effect relating to the TCD to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.  
 The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.  
 In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on what ever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

D2. Calculation is on next page



Capital Tax Calculation *continued from Page 11*

DOLLARS ONLY

**D2. Calculation** Do not complete this calculation if ss.69(2.1) election is filed

Taxable Capital From 470 on page 10 + From 470

**Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) and/or partnership having a permanent establishment in Canada**

Names of associated corporations (excluding Financial Institutions and corporations exempt from Capital Tax) having a permanent establishment in Canada (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Taxable Capital
			+ <u>531</u>
			+ <u>532</u>
			+ <u>533</u>
Aggregate Taxable Capital <u>470</u> + <u>531</u> + <u>532</u> + <u>533</u> , etc.			= <u>540</u>

If 540 above is equal to or less than the TCD 503 on page 10, the corporation's Capital Tax for the taxation year, is NIL.

Enter NIL in 523 in section E below, as applicable.

If 540 above is greater than the TCD 503 on page 10, the corporation must compute its share of the TCD below in order to calculate its Capital Tax for the taxation year under Section E below.

From 470 ÷ From 540 × From 503 = 541  
 Transfer to 542 in Section E below

**Ss.69(2.1) Election Filed**

591 (X if applicable) Election filed. Attach a copy of Schedule 591 with this CT23 Return. Proceed to Section F below.

**SECTION E**

This section applies if the corporation is a member of an associated group and/or partnership whose total aggregate Taxable Capital 540 above, exceeds the TCD 503 on page 10.

Complete the following calculation and transfer the amount from 523 to 543, and complete the return from that point.

+ From 470  
 - 542  
 = 471 × From 30 100.0000% × From 516 0.2850% ×  $\frac{\text{Days in taxation year } \underline{555}}{365}$  = + 523  
Ontario Allocation Capital Tax Rate \* 365 (366 if leap year)  
 Transfer to 543 and complete the return from that point

**SECTION F**

This section applies if a corporation is a member of an associated group and the associated group has filed a ss.69(2.1) election

+ From 470 31,148,072 × From 30 100.0000% × From 516 0.2850% = + 561 88,772  
Ontario Allocation Capital Tax Rate  
 - Capital tax deduction from 995 relating to your corporation's Capital Tax deduction, on Schedule 591 = From 995 31,998  
 = 562 56,774  
Total Capital Tax for the taxation year  
 Capital Tax 562 56,774 ×  $\frac{\text{Days in taxation year } \underline{555}}{365}$  = 563 56,774  
\* 365 (366 if leap year)  
 Transfer to 543 and complete the return from that point

\* If floating taxation year, refer to Guide.

Capital Tax before application of specified credits = 543 56,774  
 Subtract: Specified Tax Credits applied to reduce capital tax payable (Refer to Guide) - 546  
**Capital Tax** 543 - 546 (amount cannot be negative) = 550 56,774  
Transfer to Page 17

**Capital Tax** *continued from Page 12*

**Calculation of Capital Tax for Financial Institutions**

**1.1 Credit Unions only**

For taxation years commencing after May 4, 1999 enter NIL in [550] on page 12, and complete the return from that point.

**1.2 Other than Credit Unions**

(Retain details of calculations for amounts in boxes [565] and [570]. Do not submit with this tax return.)

[565] x [567] % x From [30] [100.0000] % x [555] [365] - - - - = + [569]

Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1  
 Capital Tax Rate (1) (Refer to Guide)  
 Ontario Allocation \* 365 (366 if leap year)

[570] x [571] % x From [30] [100.0000] % x [555] [365] - - - - = + [574]

Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount  
 Capital Tax Rate (2) (Refer to Guide)  
 Ontario Allocation \* 365 (366 if leap year)

Capital Tax for Financial Institutions – other than Credit Unions (before Section 2) [569] + [574] - - = [575]

\* If floating taxation year, refer to Guide.

**2. Small Business Investment Tax Credit**

(Retain details of eligible investment calculation and, if claiming an investment in CSBIF, retain the original letter approving the credit issued in accordance with the Community Small Business Investment Fund Act. Do not submit with this tax return.)

Allowable Credit for Eligible Investments - - - - - [585]

Financial Institutions: Claiming a tax credit for investment in Community Small Business Investment Fund (CSBIF)? (X)  Yes

Capital Tax - Financial Institutions [575] - [585] - - - - - = [586]  
 Transfer to [543] on Page 12

**Premium Tax (s.74.2 & 74.3) (Refer to Guide)**

(1) Uninsured Benefits Arrangements - - - - - [587] x 2% - - = [588]  
*Applies to Ontario-related uninsured benefits arrangements.*

(2) Unlicensed Insurance (enter premium tax payable in [588] and attach a detailed schedule of calculations. If subject to tax under (1) above, add both taxes together and enter total tax in [588].)  
*Applies to Insurance Brokers and other persons placing insurance for persons resident or property situated in Ontario with unlicensed insurers.*

Deduct: Specified Tax Credits applied to reduce premium tax (Refer to Guide) - - - - - [589]

Premium Tax [588] - [589] - - - - - = [590]  
 Transfer to page 17

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1 ± [600] 2,355,899 •  
Transfer to Page 15

Add:

Federal capital cost allowance	+ [601]	1,273,099 •
Federal cumulative eligible capital deduction	+ [602]	132,175 •
Ontario taxable capital gain	+ [603]	57,763 •
Federal non-allowable reserves. Balance beginning of year	+ [604]	3,415,972 •
Federal allowable reserves. Balance end of year	+ [605]	170,989 •
Ontario non-allowable reserves. Balance end of year	+ [606]	4,682,528 •
Ontario allowable reserves. Balance beginning of year	+ [607]	583,673 •
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE)	+ [608]	•
Federal resource allowance (Refer to Guide)	+ [609]	•
Federal depletion allowance	+ [610]	•
Federal foreign exploration and development expenses	+ [611]	•
Crown charges, royalties, rentals, etc. deducted for Federal purposes (Refer to Guide)	+ [617]	•
Management fees, rents, royalties and similar payments to non-arms' length non-residents ▼		

Number of Days in Taxation Year

[612] • x 5 / 12.5 x 

Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
[33]	[73] 365

 = + [633] •

[612] • x 5 / 14 x 

Days after Dec. 31, 2003	Total Days
[34]	[73] 365

 = + [634] •

Total add-back amount for Management fees, etc. [633] + [634] = + [613] •

Federal Scientific Research Expenses claimed in year from line [480] of fed. form T661 excluding any negative amount in [473] from Ont. CT23 Schedule 161 + [615] •

Add any negative amount in [473] from Ont. CT23 Schedule 161 + [616] •

Federal allowable business investment loss + [620] •

Total of other items not allowed by Ontario but allowed federally (Attach schedule) + [614] •

**Total of Additions** [601] to [611] + [617] + [613] + [615] + [616] + [620] + [614] = 10,316,199 • [640] 10,316,199 •  
Transfer to Page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under [675])	+ [650]	1,273,099 •
Ontario cumulative eligible capital deduction	+ [651]	132,175 •
Federal taxable capital gain	+ [652]	57,763 •
Ontario non-allowable reserves. Balance beginning of year	+ [653]	3,415,972 •
Ontario allowable reserves. Balance end of year	+ [654]	170,989 •
Federal non-allowable reserves. Balance end of year	+ [655]	4,682,528 •
Federal allowable reserves. Balance beginning of year	+ [656]	583,673 •
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) (Retain calculations. Do not submit.)	+ [657]	•
Ontario depletion allowance	+ [658]	•
Ontario resource allowance (Refer to Guide)	+ [659]	•
Ontario current cost adjustment (Attach schedule)	+ [661]	•
CCA on assets used to generate electricity from natural gas, alternative or renewable resources.	+ [675]	•

Subtotal of deductions for this page [650] to [659] + [661] + [675] [681] 10,316,199 •  
Transfer to Page 15

**Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ**  
*continued from Page 14*

Net Income (loss) for federal income tax purposes, per federal Schedule 1	From ±	600	2,355,899	•
Total of Additions on page 14	From =	640	10,316,199	•
Sub Total of deductions on page 14	From =	681	10,316,199	•

**Deduct:**

**Ontario New Technology Tax Incentive (ONTTI) Gross-up**  
*(Applies only to those corporations whose Ontario allocation is less than 100% in the current taxation year.)*

Capital Cost Allowance (Ontario) (CCA) on prescribed qualifying intellectual property deducted in the current taxation year

ONTTI Gross-up deduction calculation:

Gross-up of CCA

$$\left[ \begin{array}{l} \text{From} \\ 662 \end{array} \right] \times \frac{100}{\left[ \begin{array}{l} \text{From} \\ 30 \end{array} \right] \frac{100.0000}{\text{Ontario Allocation}}} - \text{From } 662 = 663$$

**Workplace Child Care Tax Incentive (WCCT)**  
*(Applies to eligible expenditures incurred prior to January 1, 2005.)*

Qualifying expenditures:  $\left[ 665 \right] \times 30\% \times \frac{100}{\left[ 30 \right] \frac{100.0000}{\text{Ontario allocation}}} = 666$

**Workplace Accessibility Tax Incentive (WATI)**  
*(Applies to eligible expenditures incurred prior to January 1, 2005.)*

Qualifying expenditures:  $\left[ 667 \right] \times 100\% \times \frac{100}{\left[ 30 \right] \frac{100.0000}{\text{Ontario allocation}}} = 668$

Number of Employees accommodated: 669

**Ontario School Bus Safety Tax Incentive (OSBSTI)**  
*(Applies to the eligible acquisition of school buses purchased after May 4, 1999 and before January 1, 2006.) (Refer to Guide)*

Qualifying expenditures:  $\left[ 670 \right] \times 30\% \times \frac{100}{\left[ 30 \right] \frac{100.0000}{\text{Ontario allocation}}} = 671$

**Educational Technology Tax Incentive (ETTI)**  
*(Applies to eligible expenditures incurred prior to January 1, 2005.)*

Qualifying expenditures:  $\left[ 672 \right] \times 15\% \times \frac{100}{\left[ 30 \right] \frac{100.0000}{\text{Ontario allocation}}} = 673$

Ontario allowable business investment loss + 678

Ontario Scientific Research Expenses claimed in year in 477 from Ont. CT23 Schedule 161 + 679

Amount added to income federally for an amount that was negative on federal form T661, line 454 or 455 (if filed after June 30, 2003) + 677

Total of other deductions allowed by Ontario (Attach schedule) + 664

**Total of Deductions** 681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664 = 10,316,199 ▶ 680 10,316,199

**Net income (loss) for Ontario Purposes** 600 + 640 - 680 = 690 2,355,899

DOLLARS ONLY

Continuity of Losses Carried Forward

	Non-Capital Losses (1)	Total Capital Losses	Farm Losses	Restricted Farm Losses	Listed Personal Property Losses	Limited Partnership Losses (6)
<b>Balance at Beginning of Year</b>	700 (2)	710 (2)	720 (2)	730	740	750
<b>Add:</b>						
Current year's losses (7)	701	711	721	731	741	751
Losses from predecessor corporations (3)	702	712	722	732		752
<b>Subtotal</b>	703	713	723	733	743	753
<b>Subtract:</b>						
Utilized during the year to reduce taxable income	704 (2)	715 (2) (4)	724 (2)	734 (2) (4)	744 (4)	754 (4)
Expired during the year	705		725	735	745	
Carried back to prior years to reduce taxable income (5)	706 (2) to Page 17	716 (2) to Page 17	726 (2) to Page 17	736 (2) to Page 17	746	
<b>Subtotal</b>	707	717	727	737	747	757
<b>Balance at End of Year</b>	709 (8)	719	729	739	749	759

Analysis of Balance at End of Year by Year of Origin

Year of Origin (oldest year first) year month day	Non-Capital Losses	Non-Capital Losses of Predecessor Corporations	Total Capital Losses from Listed Personal Property only	Farm Losses	Restricted Farm Losses
800 9th preceding taxation year 1998-12-31	817 (9)	860 (9)		850	870
801 8th preceding taxation year 1999-12-31	818 (9)	861 (9)		851	871
802 7th preceding taxation year 2000-12-31	819 (9)	862 (9)		852	872
803 6th preceding taxation year 2001-12-31	820	830	840	853	873
804 5th preceding taxation year 2002-12-31	821	831	841	854	874
805 4th preceding taxation year 2003-12-31	822	832	842	855	875
806 3rd preceding taxation year 2004-12-31	823	833	843	856	876
807 2nd preceding taxation year 2005-12-31	824	834	844	857	877
808 1st preceding taxation year 2006-12-31	825	835	845	858	878
809 Current taxation year 2007-12-31	826	836	846	859	879
<b>Total</b>	829	839	849	869	889

Notes:

- (1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.
- (2) Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.
- (3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.
- (4) To the extent of applicable gains/income/at-risk amount only.
- (5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.
- (6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.
- (7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.
- (8) Amount in 709 must equal total of 829 + 839.
- (9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

**Request for Loss Carry-Back (s.80(16))**

*Applies to corporations requesting a reassessment of the return of one or more previous taxation years under s.80(16) with respect to one or more types of losses carried back.*

- If, after applying a loss carry-back to one or more previous years, there is a balance of loss available to carry forward to a future year, it is the corporation's responsibility to claim such a balance for those years following the year of loss within the limitations of fed.s.111, as made applicable by s.34.
- Where control of a corporation has been acquired by a person or group of persons, certain restrictions apply to the carry-forward and carry-back provisions of losses under fed.s.111(4) through 111(5.5), as made applicable by s.34.
- Refunds arising from the loss carry-back adjustment may be applied by the Minister of Finance to amounts owing under any Act administered by the Ministry of Finance.

- Any late filing penalty applicable to the return for which the loss is being applied will not be reduced by the loss carry-back.
- The application of a loss carry-back will be available for interest calculation purposes on the day that is the latest of the following:
  - the first day of the taxation year after the loss year,
  - the day on which the corporation's return for the loss year is delivered to the Minister, or
  - the day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.
- If a loss is being carried back to a predecessor corporation, enter the predecessor corporation's account number and taxation year end in the spaces provided under Application of Losses below.

**Application of Losses**

	Non-Capital Losses	Total Capital Losses	Farm Losses	Restricted Farm Losses
Total amount of loss	910	920	930	940
Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income				
Predecessor Ontario Corporation's Tax Account No. (MOF)	Taxation Year Ending year month day			
i) 3 <sup>rd</sup> preceding 901	2004-12-31 911	921	931	941
ii) 2 <sup>nd</sup> preceding 902	2005-12-31 912	922	932	942
iii) 1 <sup>st</sup> preceding 903	2006-12-31 913	923	933	943
Total loss to be carried back	From 706	From 716	From 726	From 736
Balance of loss available for carry-forward	919	929	939	949

**Summary**

Income Tax	- - - - -	+ From 230 or 320	323,415	•
Corporate Minimum Tax	- - - - -	+ From 280		•
Capital Tax	- - - - -	+ From 550	56,774	•
Premium Tax	- - - - -	+ From 590		•
<b>Total Tax Payable</b>	- - - - -	= 950	380,189	•
Subtract: Payments	- - - - -	- 960	688,272	•
Capital Gains Refund (s.48)	- - - - -	- 965		•
Qualifying Environmental Trust Tax Credit (Refer to Guide)	- - - - -	- 985		•
Specified Tax Credits (Refer to Guide)	- - - - -	- 955		•
Other, specify Alloc from Fed	- - - - -	-	-508,793	•
<b>Balance</b>	- - - - -	= 970	200,710	•
If payment due	- - - - -	Enclosed * 990	200,710	•
If overpayment: Refund (Refer to Guide)	- - - - -	= 975		•
Apply to	year month day	980		•

(Includes credit interest)

**Certification**

I am an authorized signing officer of the corporation. I certify that this CT23 return, including all schedules and statements filed with or as part of this CT23 return, has been examined by me and is a true, correct and complete return and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the Corporations Tax Act. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.

Name (please print) \_\_\_\_\_  
 ROSS PEEVER  
 Title \_\_\_\_\_  
 PRESIDENT  
 Full Residence Address \_\_\_\_\_  
 Signature \_\_\_\_\_ Date 2008-06-26

\* Make your cheque (drawn on a Canadian financial institution) or a money order in Canadian funds, payable to the Minister of Finance and print your Ontario Corporation's Tax Account No. (MOF) on the back of cheque or money order. (Refer to Guide for other payment methods.)

Note: Section 76 of the Corporations Tax Act provides penalties for making false or misleading statements or omissions.

# Attached Schedule with Total

Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations

Title Supplement to CT23 line 359

Description	Amount
Employee Benefits - Current	70,545 00
Employee Benefits - Long-Term	1,462,941 00
Adjustment for recovery of payment in lieu of tax	6,540 00
Other reserves	3,070,999 00
<b>Total</b>	<b>4,611,025 00</b>

# Attached Schedule with Total

Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)

Title Supplement to CT23 line 371

Description	Amount
Regulatory Asset Deductions in Excess of Book	3,145,473 00
Cumulative Book Depreciation (py 7,607,312 + cy 1,634,333)	-9,241,645 00
Cumulative CCA claimed (py 6,349,105 + cy 1,273,099)	7,622,204 00
Cumulative CEC claimed (py 874,398 + cy 132,175)	1,006,573 00
<b>Total</b>	<b>2,532,605 00</b>



# Attached Schedule with Total

Eligible loans and advances to related corporations (certain restrictions apply)

Title Supplement to CT23 line 406

Description	Amount
Due From Related Company	3,200 00
<b>Total</b>	<b>3,200 00</b>

# Attached Schedule with Total

Loans and advances to unrelated corporations

Title Supplement to CT23 line 405

Description	Amount
Eligible advances included in prepaid accounts	14,144 00
<b>Total</b>	<b>14,144 00</b>

**Corporate Minimum Tax (CMT)**

**CT23 Schedule 101**

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
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**Part 1: Calculation of CMT Base**

**Banks** – Net income/loss as per report accepted by Superintendent of Financial Institutions (SFI) under the Bank Act (Canada), adjusted so consolidation/equity methods are not used.

**Life Insurance corporations** – Net income/loss before Special Additional Tax as determined under s.57.1(2)(c) or (d) ± 2100 **97,729**

Net Income/Loss (unconsolidated, determined in accordance with GAAP) .....

**Subtract (to the extent reflected in net income/loss):**

Provision for recovery of income taxes / benefit of current income taxes	+	2101			
Provision for deferred income taxes (credits) / benefit of future income taxes	+	2102			
Equity income from corporations	+	2103			
Share of partnership(s)/joint venture(s) income	+	2104			
Dividends received/receivable deductible under fed.s.112	+	2105		1,744	
Dividends received/receivable deductible under fed.s.113	+	2106			
Dividends received/receivable deductible under fed.s.83(2)	+	2107			
Dividends received/receivable deductible under fed.s.138(6)	+	2108			
Federal Part VI.1 tax paid on dividends declared and paid, under fed.s.191.1(1)			x 3	+	2109
				=	1,744
<b>Subtotal</b>				-	2110
					1,744

**Add (to extent reflected in net income/loss):**

Provision for current taxes / cost of current income taxes	+	2111		683,071	
Provision for deferred income taxes (debits) / cost of future income taxes	+	2112			
Equity losses from corporations	+	2113			
Share of partnership(s)/joint venture(s) losses	+	2114			
Dividends that have been deducted to arrive at net income per Financial Statements s.57.4(1.1) (excluding dividends under fed.s.137(4.1))	+	2115		683,071	
<b>Subtotal</b>				+	2116
					683,071

**Add/Subtract:**

Amounts relating to s.57.9 election/regulations for disposals etc. of property for current/prior years					
** Fed.s.85	+	2117	or -	2118	
** Fed.s.85.1	+	2119	or -	2120	
** Fed.s.97	+	2121	or -	2122	
** Amounts relating to amalgamations (fed.s.87) as prescribed in regulations for current/prior years	+	2123	or -	2124	
** Amounts relating to wind-ups (fed.s.88) as prescribed in regulations for current/prior years	+	2125	or -	2126	
** Amounts relating to s.57.10 election/regulations for replacement re fed.s.13(4), 14(6) and 44 for current/prior years	+	2127	or -	2128	
Interest allowable under ss.20(1)(c) or (d) of ITA to the extent not otherwise deducted in determining CMT adjusted net income	-	2150			
Capital gains on eligible donations of publicly-listed securities and ecologically sensitive land made after May 1, 2006 (to the extent reflected in net income/loss)	-	2155			

<b>Subtotal (Additions)</b>	=				
<b>Subtotal (Subtractions)</b>	=				

** Other adjustments					
<b>Subtotal</b>	±	2100	-	2110	+
				2116	+
				2129	-
				2130	±
				2131	=
				2132	779,056
				2133	±
				2134	779,056

Adjusted net income (loss) (if loss, transfer to <b>2202</b> in Part 2: Continuity of CMT Losses Carried Forward.)					
Deduct: * CMT losses: pre-1994 Loss	+	2210			
* CMT losses: other eligible losses	+	2211			
	=				-
				2135	

\* CMT losses applied cannot exceed adjusted net income or increase a loss  
 \*\* Retain calculations. Do not submit with this schedule.

<b>CMT Base</b>					
	=	2136		779,056	

**Corporate Minimum Tax (CMT)**

**CT23 Schedule 101**

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
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**Part 2: Continuity of CMT Losses Carried Forward**

Balance at Beginning of year NOTES (1), (2)	+ 2201	
Add: Current year's losses	+ 2202	
Losses from predecessor corporations on amalgamation NOTE (3)	+ 2203	
Losses from predecessor corporations on wind-up NOTE (3)	+ 2204	
Amalgamation (X) 2205 <input type="checkbox"/> Yes Wind-up (X) 2206 <input type="checkbox"/> Yes	=	
<b>Subtotal</b>	+ 2207	
Adjustments (attach schedule)	± 2208	
<b>CMT losses available</b> 2201 + 2207 ± 2208	= 2209	
Subtract: Pre-1994 loss utilized during the year to reduce adjusted net income	+ 2210	
Other eligible losses utilized during the year to reduce adjusted net income NOTE (4)	+ 2211	
Losses expired during the year	+ 2212	
<b>Subtotal</b>	=	
<b>Balances at End of Year</b> NOTE (5) 2209 - 2213	= 2214	

**Notes:**

- (1) Pre-1994 CMT loss (see s.57.1(1)) should be included in the balance at beginning of the year. Attach schedule showing computation of pre-1994 CMT loss.
- (2) Where acquisition of control of the corporation has occurred, the utilization of CMT losses can be restricted. (see s.57.5(3) and a 57.5(7))
- (3) Include and indicate whether CMT losses are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.57.5(8) and s.57.5(9))
- (4) CMT losses must be used to the extent of the lesser of the adjusted net income 2134 and CMT losses available 2209.
- (5) Amount in 2214 must equal sum of 2270 + 2290.

**Part 3: Analysis of CMT Losses Year End Balance by Year of Origin**

For a pre-1994 loss, use the date of the last taxation year end before your corporation's first taxation year commencing after 1993.

	Year of Origin (oldest year first) year month day	CMT Losses of Corporation	CMT Losses of Predecessor Corporations
2240	9th preceding taxation year 1998-12-31	2260	2280
2241	8th preceding taxation year 1999-12-31	2261	2281
2242	7th preceding taxation year 2000-12-31	2262	2282
2243	6th preceding taxation year 2001-12-31	2263	2283
2244	5th preceding taxation year 2002-12-31	2264	2284
2245	4th preceding taxation year 2003-12-31	2265	2285
2246	3rd preceding taxation year 2004-12-31	2266	2286
2247	2nd preceding taxation year 2005-12-31	2267	2287
2248	1st preceding taxation year 2006-12-31	2268	2288
2249	Current taxation year 2007-12-31	2269	2289
<b>Totals</b>		2270	2290

The sum of amounts 2270 + 2290 must equal amount in 2214.

**Corporate Minimum Tax (CMT)  
CT23 Schedule 101**

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
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**Part 4: Continuity of CMT Credit Carryovers**

Balance at Beginning of year NOTE (1) ..... + 2301 [ ]

Add: Current year's CMT Credit ([280] on page 8 of the CT23  
or [347] on page 6 of the CT8. If negative, enter NIL) + From [280] or [347] [ ]

Gross Special Additional Tax NOTE (2) [312] on page 5 of CT8.  
(Life Insurance corporations only.  
Others enter NIL.) + From [312] [ ]

Subtract Income Tax  
([190] on page 6 of the CT23 or  
page 4 of the CT8) ..... - From [190] [ ]

Subtotal (If negative, enter NIL) ... = [2305] [ ]

Current year's CMT credit (If negative, enter NIL) [280] or [347] - [2305] ... = [2310] [ ]

CMT Credit Carryovers from predecessor corporations NOTE (3) ..... + [2325] [ ]

Amalgamation (X) [2315]  Yes Wind-up (X) [2320]  Yes

Subtotal [2301] + [2310] + [2325] ..... = [2330] [ ]

Adjustments (Attach schedule) ..... ± [2332] [ ]

CMT Credit Carryover available [2330] ± [2332] ..... = [2333] [ ]

*Transfer to Page 8 of the CT23 or Page 6 of the CT8*

Subtract: CMT Credit utilized during the year to reduce income tax  
([310] on page 8 of the CT23 or [351] on page 6 of the CT8.) + From [310] or [351] [ ]  
CMT Credit expired during the year ..... + [2334] [ ]

Subtotal ..... = [2335] [ ]

Balance at End of Year NOTE (4) [2333] - [2335] ..... = [2336] [ ]

**Notes:**

- (1) Where acquisition of control of the corporation has occurred, the utilization of CMT credits can be restricted. (see s.43.1(5))
- (2) The CMT credit of life insurance corporations can be restricted (see s.43.1(3)(b)).
- (3) Include and indicate whether CMT credits are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.43.1(4))
- (4) Amount in [2336] must equal sum of [2370] + [2390].

**Part 5: Analysis of CMT Credit Carryovers Year End Balance by Year of Origin**

	Year of Origin (oldest year first) year month day	CMT Credit Carryovers of Corporation	CMT Credit Carryovers of Predecessor Corporation(s)
[2340]	9th preceding taxation year 1998-12-31	[2360]	[2380]
[2341]	8th preceding taxation year 1999-12-31	[2361]	[2381]
[2342]	7th preceding taxation year 2000-12-31	[2362]	[2382]
[2343]	6th preceding taxation year 2001-12-31	[2363]	[2383]
[2344]	5th preceding taxation year 2002-12-31	[2364]	[2384]
[2345]	4th preceding taxation year 2003-12-31	[2365]	[2385]
[2346]	3rd preceding taxation year 2004-12-31	[2366]	[2386]
[2347]	2nd preceding taxation year 2005-12-31	[2367]	[2387]
[2348]	1st preceding taxation year 2006-12-31	[2368]	[2388]
[2349]	Current taxation year 2007-12-31	[2369]	[2389]
<b>Totals</b>		[2370]	[2390]

The sum of amounts [2370] + [2390]  
must equal amount in [2336].

**Corporate Minimum Tax (CMT)  
CT23 Schedule 101 – Supporting Schedule**

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
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**CMT Losses Carried Forward Workchart**

**(i) Continuity of Pre-1994 CMT Losses**

	Corporation's Pre-1994 Loss	Predecessors' Pre-1994 Loss Amalgamation	Predecessors' Pre-1994 Loss Wind-Up
Date of the last tax year end before the corp's 1st tax year commencing after 1993 .....			
Pre-1994 Loss (per schedule) .....	_____	_____	_____
Less: Claimed in prior taxation years commencing after 1993 .....	_____	_____	_____
Pre-1994 Loss available for the current year .....	_____	_____	_____
Less: Deducted in the current year .....	_____	_____	_____
(max. = adj. net income for the year)			
Expired after 10 years .....	_____	_____	_____
Pre-1994 Loss Carryforward .....	_____	_____	_____

**(ii) Continuity of Other Eligible CMT Losses – Filing Corporation  
(for losses occurring in tax years commencing after 1993)**

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1997-12-31					
9th Prior Year	1998-12-31					
8th Prior Year	1999-12-31					
7th Prior Year	2000-12-31					
6th Prior Year	2001-12-31					
5th Prior Year	2002-12-31					
4th Prior Year	2003-12-31					
3rd Prior Year	2004-12-31					
2nd Prior Year	2005-12-31					
1st Prior Year	2006-12-31					
<b>Total</b>						

**– Predecessor Corporations Only – Amalgamation**

Indicate the amounts of eligible CMT losses from predecessor corporations. Do not include these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
2006-12-31						
<b>Total</b>						

**Corporate Minimum Tax (CMT)  
CT23 Schedule 101 – Supporting Schedule**

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
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**CMT Losses Carried Forward Workchart (continued)**

**– Predecessor Corporations Only – Wind-Up**

Indicate the amounts of eligible CMT losses from predecessor corporations. Do not include these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
2006-12-31						
<b>Total</b>						

**Corporate Minimum Tax (CMT)  
CT23 Schedule 101 – Supporting Schedule**

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
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**CMT Credit Carryovers Workchart**

**Filing Corporation**

	Year of Origin YYYY/MM/DD	Opening Balance	Adjustment	Deduction	Expired	Closing Balance
10th Prior Year	1997-12-31					
9th Prior Year	1998-12-31					
8th Prior Year	1999-12-31					
7th Prior Year	2000-12-31					
6th Prior Year	2001-12-31					
5th Prior Year	2002-12-31					
4th Prior Year	2003-12-31					
3rd Prior Year	2004-12-31					
2nd Prior Year	2005-12-31					
1st Prior Year	2006-12-31					
	<b>Total</b>					

**Predecessor Corporations Only – Amalgamation**

Indicate the amounts of CMT credit carryovers from predecessor corporations. Do not include these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
2006-12-31						
	<b>Total</b>					

**Predecessor Corporations Only – Wind-Up**

Indicate the amounts of CMT credit carryovers from predecessor corporations. Do not include these amounts in the 'opening balance' of the Filing Corporation.

Year of Origin YYYY/MM/DD	Opening Balance	Add	Adjustment	Deduction	Expired	Closing Balance
1997-12-31						
1998-12-31						
1999-12-31						
2000-12-31						
2001-12-31						
2002-12-31						
2003-12-31						
2004-12-31						
2005-12-31						
2006-12-31						
	<b>Total</b>					





Ministry of Revenue  
 Corporations Tax  
 33 King Street West  
 PO Box 620  
 Oshawa ON L1H 8E9

## Surtax on Canadian-Controlled Private Corporations

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
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Name of Associated Corporation (Canadian and Foreign)	Corporations Tax Number	Taxation Year End	Taxation Income (if loss, enter nil)
WELLAND HYDRO-ELECTRIC HOLDING CORP.	1800213	2007-12-31	+
WELLAND HYDRO ENERGY SERVICES CORP.	1800214	2007-12-31	+
City of Welland		2007-12-31	+
Welland WiFi Corp.	1800401	2007-12-31	+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
			+
<b>Total</b>			=

Transfer to 85 of the CT23





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Ontario Charitable Donations and Gifts  
Schedule 2

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
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- For use by a corporation to claim any of the following:
  - Charitable donations;
  - Gifts to Her Majesty in right of Ontario, to Ontario crown agencies, or to Ontario Crown foundations;
  - Gifts to Canada or a province;
  - Gifts of certified cultural property; or
  - Gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five year carry-forward.
- Use this schedule to show a credit transfer following an amalgamation or wind-up of subsidiary as described under subsection 87(1) and 88(1) of the federal *Income Tax Act* (Canada).

- For donations and gifts made after March 22, 2004, subsection 34(1.1) of the *Corporations Tax Act* parallels subsection 110.1(1.2) of the *Income Tax Act* and provides as follows:
  - where a particular corporation has undergone a change of control, for taxation years that end on or after the change of control, no corporation can claim a deduction for a gift made by a particular corporation to a qualified donee before the change of control;
  - if a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the change of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- File one completed copy of this schedule with your CT23.

**Part 1 – Charitable Donations**

Charitable Donations at end of preceding taxation year	.....	+	<input type="text"/>	A
<b>Deduct:</b> Donations expired after 5 taxation years	.....	-	<input type="text"/>	B
Charitable donations at beginning of taxation year	.....	=	<input type="text"/>	C
<b>Add:</b> Donations transferred on amalgamation or wind-up of subsidiary	.....	+	<input type="text"/>	D
Total current year charitable donations made	.....	+	<input type="text" value="1,975"/>	E
<b>Subtotal D + E</b>	.....	=	<input type="text" value="1,975"/>	F
<b>Deduct:</b> Adjustment for an acquisition of control (for donations made after March 22, 2004)	.....	-	<input type="text"/>	G
Total donations available <b>C + F - G</b>	.....	=	<input type="text" value="1,975"/>	H
<b>Deduct:</b> Amount applied against taxable income (amount U, Part 2)	.....	-	<input type="text" value="1,975"/>	U
<b>Charitable donations closing balance</b>	.....	=	<input type="text"/>	I

**Part 2 – Maximum Deduction Calculation for Donations**

Ontario net income for tax purposes multiplied by 75%	.....	=	<input type="text" value="1,766,924"/>	J
<b>Note:</b> For credit unions the Ontario net income for tax purposes is the amount before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.				
Ontario taxable capital gains arising in respect of gifts of capital property	.....	+	<input type="text"/>	K
Ontario taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01) ITA	.....	+	<input type="text"/>	L
<b>Add the lesser of:</b>				
1. The amount of the recapture of capital cost allowance in respect of charitable gifts	.....		<input type="text"/>	M
2. <b>The lesser of:</b>				
2a. Proceeds of dispositions less outlays and expenses	<input type="text"/>		<input type="text"/>	N
2b. The capital cost	<input type="text"/>		<input type="text"/>	O
The lesser of N and O	.....	▶	<input type="text"/>	P
The lesser of M and P	.....	+	<input type="text"/>	Q
<b>Subtotal K + L + Q</b>	.....	=	<input type="text"/>	R
25% X <input type="text" value="1,975"/>	.....	=	<input type="text"/>	S
<b>Maximum deduction allowable J + S</b>	.....	=	<input type="text" value="1,766,924"/>	T
<b>Claim for charitable donations</b> (not exceeding the lesser of H from Part 1, T and net income for tax purposes)	.....	=	<input type="text" value="1,975"/>	U

**Ontario Charitable Donations and Gifts**

**Schedule 2**

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
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**Part 3 – Gifts to Her Majesty in right of Ontario**

For use by a corporation claiming gifts to Her Majesty in right of Ontario, to Ontario Crown Agencies, or to Ontario Crown Foundations.

Gifts to Ontario Crown Agency or Ontario Crown Foundation at end of the preceding taxation year	.....	+	
<b>Deduct:</b> Gifts expired after 5 years	.....	-	
Gifts to Ontario Crown Agency or Ontario Crown Foundation at the beginning of the taxation year	.....	=	
<b>Add:</b> Gifts transferred on amalgamation or wind-up of a subsidiary	.....	+	
Total current year gifts	.....	+	
<b>Subtotal</b>	.....	=	
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	.....	-	
Total gifts available	.....	=	
<b>Deduct:</b> Amount applied against taxable income <input type="text" value="2"/> of the CT23	.....	-	
Gifts to Ontario Crown Agency or Ontario Crown Foundation closing balance	.....	=	

Foundation Name	Date of Donation	Amount \$
<b>Total gifts to Her Majesty in right of Ontario</b>	.....	=

**Part 4 – Maximum Deduction Calculation for Gifts to Her Majesty in Right of Ontario**

Deduction is the lesser of:

1. Ontario Net Income before deductions of gifts after deducting charitable donations and gifts to Her Majesty in right of Canada or a province other than Ontario	.....		<input type="text" value="2,353,924"/>	<b>V</b>
2. Lesser of:				
2a. Ontario Net Income for the taxation year	.....	<input type="text" value="2,355,899"/>	<b>W</b>	
2b. Gifts made in the taxation year or any of the five preceding taxation years to Her Majesty in Right of Ontario, an Ontario Crown Agency or an Ontario Crown Foundation	.....	<input type="text" value="X"/>	<b>X</b>	
The lesser of <b>W</b> and <b>X</b>	.....			<b>Y</b>
<b>Maximum deduction allowable the lesser of V and Y</b>	.....			<b>Z</b>

Transfer to  of the CT23

**Part 5 – Gifts to Canada or a province other than Ontario**

Gifts to Canada or a province other than Ontario at the end of the preceding year	.....	+	
<b>Deduct:</b> Gifts to Canada or a province other than Ontario expired after five taxation years	.....	-	
Gifts to Canada or a province other than Ontario at the beginning of the taxation year	.....	=	
<b>Add:</b> Gifts to Canada or a province other than Ontario transferred on amalgamation or wind-up of a subsidiary	.....	+	
Total current year Gifts to Canada or a province other than Ontario (Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date.)	.....	+	
<b>Subtotal</b>	.....	=	
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	.....	-	
Total gifts to Canada or a province other than Ontario available	.....	=	
<b>Deduct:</b> Amount applied against taxable income	.....	-	
Gifts to Canada or a province other than Ontario closing balance	.....	=	

**Ontario Charitable Donations and Gifts**

**Schedule 2**

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
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**Part 6 – Gifts of certified cultural property**

Gifts of certified cultural property at the end of the preceding taxation year	.....	+	<input type="text"/>
<b>Deduct:</b> Gifts of certified cultural property expired after five years	.....	-	<input type="text"/>
<b>Gifts of certified cultural property at the beginning of the taxation year</b>	.....	=	<input type="text"/>
<b>Add:</b> Gifts of certified cultural property transferred on amalgamation or wind-up of a subsidiary	.....	+	<input type="text"/>
Total current year gifts of certified cultural property	.....	+	<input type="text"/>
<b>Subtotal</b>	.....	=	<input type="text"/> ▶ <input type="text"/>
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	.....	-	<input type="text"/>
Total gifts of certified cultural property available	.....	=	<input type="text"/>
<b>Deduct:</b> Amount applied against taxable income	.....	-	<input type="text"/>
<b>Gifts of certified cultural property closing balance</b>	.....	=	<input type="text"/>

**Part 7 – Gifts of certified ecologically sensitive land**

Gifts of certified ecologically sensitive land at the end of the preceding taxation year	.....	+	<input type="text"/>
<b>Deduct:</b> Gifts of certified ecologically sensitive land expired after five years	.....	-	<input type="text"/>
<b>Gifts of certified ecologically sensitive land at the beginning of the taxation year</b>	.....	=	<input type="text"/>
<b>Add:</b> Gifts of certified ecologically sensitive land transferred on amalgamation or wind-up of a subsidiary	.....	+	<input type="text"/>
Total current year gifts of certified ecologically sensitive land	.....	+	<input type="text"/>
<b>Subtotal</b>	.....	=	<input type="text"/> ▶ <input type="text"/>
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	.....	-	<input type="text"/>
Total gifts of certified ecologically sensitive land available	.....	=	<input type="text"/>
<b>Deduct:</b> Amount applied against taxable income	.....	-	<input type="text"/>
<b>Gifts of certified ecologically sensitive land closing balance</b>	.....	=	<input type="text"/>

**Part 8 – Analysis of balance by year of origin**

Year of origin	Charitable donations	Gifts to Her Majesty in right of Ontario	Gifts to Canada or a province other than Ontario	Gifts of certified cultural property	Gifts of certified ecologically sensitive land
2006-12-31					
2005-12-31					
2004-12-31					
2003-12-31					
2002-12-31					
2001-12-31					
<b>Totals</b>					



Ministry of Revenue  
Corporations Tax  
33 King Street West  
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**Ontario Summary of Dispositions  
of Capital Property**  
*2005 and later taxation years*  
**Schedule 6**

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
--	--	--

- For a corporation that has disposed of capital property or claimed an allowable business investment loss, or both, in the taxation year.
- This schedule may be used to make a designation under section 34(10) of the *Corporations Tax Act* provided the corporation has made a designation under paragraph 111(4) (e) of the *Income Tax Act* (Canada), if control of the corporation has been acquired by a person or group of persons.

**Part A: Designation under section 34(10) of the *Corporations Tax Act***

Complete part A if there are any dispositions shown on this schedule related to deemed dispositions designated under paragraph 111(4)(e) of the *Income Tax Act* (Canada) or section 34(10) of the *Corporations Tax Act*.

Property	Class #	Date of disposition YYYY/MM/DD	Proceeds of disposition	Adjusted cost base	Other adjustments	Designated amount	Gain or loss

**Part B: Inter-provincial asset transfers**

Complete part B if there was any disposition shown on the schedule as a result of a federal election under section 85 of the *Income Tax Act* (Canada) that transferred assets to a non-arm's length corporation with a permanent establishment in another Canadian jurisdiction.

Property	Class #	Corporation name of transferee/or	Date of disposition YYYY/MM/DD	Cost of asset in other jurisd.	Name of other jurisdiction	Allocation ratio to other jurisdictions	Ontario elected amount	Gain or loss
						%		
						%		
						%		
						%		

**Part 1 – Shares**

	1 Types of capital property			2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario gain or (loss) (col. 4 less cols. 5 & 6)
	No. of shares	Name of corporation	Class of shares						
1	2,815	Sun Life Financia				145,173	35,188		109,985
2									
<b>Totals</b>									<b>109,985<sup>A</sup></b>

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
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1 Types of capital property	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario gain or (loss) (col. 4 less cols. 5 & 6)
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**Part 2 – Real Estate** (Do not include losses on depreciable property)

1 Municipal address	2	3	4	5	6	7
Totals						B

**Part 3 – Bonds**

1 Face value	Maturity date YYYY/MM/DD	Name of issuer	2	3	4	5	6	7
Totals								C

**Part 4 – Other properties** (Do not include losses on depreciable property)

1 Description	2	3	4	5	6	7
Enerconnect LP Units			7,387			7,387
Totals						7,387 <sup>D</sup>

**Part 5 – Personal-use property**

1 Description of capital property	2	3	4	5	6	7
Net gain or (loss)						E

Note: Losses are not deductible

**Part 6 – Listed personal property**

1 Description	2	3	4	5	6	7

Deduct: Unapplied listed personal property losses from other years

Note: Net listed personal property losses may only be applied against personal property gains.

Net gain or (loss)

F

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
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**Part 7 – Property qualifying for and resulting in an allowable business investment loss**

1 Name of small business corporation	Shares – enter 1 Debt – enter 2	2 Date of acquisition YYYY/MM/DD	3 Date of disposition YYYY/MM/DD	4 Proceeds of disposition	5 Ontario adjusted cost base	6 Outlays and expenses	7 Ontario loss (col. 4 less cols. 5 & 6)	
<b>Note: Properties listed in Part 7 should not be included in any other Part of Schedule 6.</b>								
<b>Totals</b>								
							Net Loss	G

Allowable business investment loss ..... G x 50 % = G1  
 Transfer to 678 of the CT23 or CT8

**Determining capital gains and capital losses**

Total of A to F (Do not include F if it is a loss)	117,372
Add: Amount (if any) of capital gain reserve opening balance from Schedule 13	+
Capital gain dividend received in the year	+
Subtotal	= 117,372
Deduct: Amount (if any) of capital gain reserve closing balance from Schedule 13	-
Gain or Loss (excluding Allowable Business Investment Losses)	= 115,525 H

**Determining taxable capital gains**

Gain or Loss (excluding Allowable Business Investment Losses)	<span style="border: 1px solid black; padding: 2px;">115,525</span> H
<b>Deduct:</b>	
Gain on donations (made to charities other than private foundations) of securities listed on a prescribed stock exchange	
realized prior to May 2, 2006	[ ] x 50 % -
realized after May 1, 2006	-
Gain on donation of ecologically sensitive land	
realized prior to May 2, 2006	[ ] x 50 % -
realized after May 1, 2006	-
Gains or Loss	<span style="border: 1px solid black; padding: 2px;">115,525</span> I
	Include 100% of the losses in box <span style="border: 1px solid black; padding: 2px;">711</span> of the CT23 or CT8
Taxable capital gains	<span style="border: 1px solid black; padding: 2px;">115,525</span> I x 50 % = <span style="border: 1px solid black; padding: 2px;">57,763</span> J
	Transfer to <span style="border: 1px solid black; padding: 2px;">603</span> of the CT23 or CT8



# Ontario Capital Cost Allowance Schedule 8

Ontario  
 Ministry of Revenue  
 Corporations Tax  
 33 King Street West  
 PO Box 620  
 Oshawa ON L1H 8E9

Corporation's Legal Name: **ELLAND HYDRO ELECTRIC SYSTEM CORP.**  
 Ontario Corporations Tax Account No. (MOF): **1800215**  
 Taxation Year End: **2007-12-31**

1	2	3	4	5	6	7	8	9	10	11	12	13
Class number	Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	Cost of acquisitions during the year (new property must be available for use) See note 1 below	Net adjustments (show negative amounts in brackets)	Proceeds of dispositions during the year (amount not to exceed the capital cost)	Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	Reduced undepreciated capital cost (column 6 minus column 7)	CCA rate %	Recapture of capital cost allowance	Terminal loss	Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
1	2,595,914	183,008		0	2,778,922	91,504	2,687,418	4	0	0	107,497	2,671,425
1	4,902,513			0	4,902,513		4,902,513	4	0	0	196,101	4,706,412
1	8,500,007			0	8,500,007		8,500,007	4	0	0	340,000	8,160,007
1	2,785,010			7,505	2,777,505		2,777,505	4	0	0	111,100	2,666,405
1	1,313,668			0	1,313,668		1,313,668	4	0	0	52,547	1,261,121
8	288,673	151,548		0	440,221	75,774	364,447	20	0	0	72,889	367,332
10	252,249			0	252,249		252,249	30	0	0	75,675	176,574
45	29,803	7,161		0	36,964	3,581	33,383	45	0	0	15,022	21,942
47	2,764,148	1,748,441	-151,867	0	4,360,722	874,221	3,486,501	8	0	0	278,920	4,081,802
Include		50,995			50,995	25,498	25,497				23,348	27,647
Totals	23,431,985	2,141,153	-151,867	7,505	25,413,766	1,070,578	24,343,188				1,273,099	24,140,667

Enter in boxes  . . . . .  . . . . .  on the CT23.

1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act* (Canada).

2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

3. If the taxation year is shorter than 365 days, prorate the CCA claim.

4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.

**Ontario Capital Cost Allowance  
Schedule 8**

Corporation's Legal Name		Ontario Corporations Tax Account No. (MOF)		Taxation Year End								
ELLAND HYDRO ELECTRIC SYSTEM CORP.		1800215		2007-12-31								
1 Class Number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use)  See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)  See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
12		41,442		0	41,442	20,721	20,721	100	0	0	20,721	20,721
55		9,553		0	9,553	4,777	4,776	55	0	0	2,627	6,926
<b>Totals</b>		50,995			50,995	25,498	25,497				23,348	27,647



Ministry of Revenue  
Corporations Tax  
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Ontario Cumulative Eligible Capital Deduction  
Schedule 10 Page 1 of 2

For taxation years 2002 and later

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
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- For use by a corporation that has eligible capital property.
- A separate cumulative eligible capital account must be kept for each business.

**Part 1 – Calculation of current year deduction and carry-forward**

Ontario Cumulative eligible capital – balance at end of preceding taxation year (if negative, enter zero)		= +	<u>1,888,220</u>	<b>A</b>
Add: Cost of eligible capital property acquired during the taxation year	+ _____	<b>B</b>		
Other adjustments	+ _____	<b>C</b>		
<b>B + C</b>	= _____	x 3 / 4 =	_____	<b>D</b>
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	_____	x 1 / 2 = -	_____	<b>E</b>
<b>D minus E (if negative, enter zero)</b>		= _____	▷ +	_____ <b>F</b>
Amount transferred on amalgamation or wind-up of subsidiary			+ _____	<b>G</b>
<b>Subtotal A + F + G</b>			=	<u>1,888,220</u> <b>H</b>
Deduct: Ontario proceeds of sales (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	+ _____	<b>I</b>		
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) of the Income Tax Act (Canada)	+ _____	<b>J</b>		
Other adjustments	+ _____	<b>K</b>		
<b>I + J + K</b>	= _____	x 3 / 4	= -	_____ <b>L</b>
<b>Ontario cumulative eligible capital balance H minus L</b>			=	<u>1,888,220</u> <b>M</b>
<i>If M is negative, enter zero at line Q and proceed to Part 2, page 2.</i>				
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business				<b>N</b>
	From <b>M</b>	<u>1,888,220</u>		
	From <b>N</b>	- _____		
<b>Current year deduction M minus N</b>	=	<u>1,888,220</u> x 7 % = +	<u>132,175</u> <b>O</b>	
<b>N + O</b>		=	<u>132,175</u> ▷ -	<u>132,175</u> <b>P</b>
<b>Note:</b> The maximum current year deduction is 7%. Any amount up to the maximum deduction of 7% may be claimed. For taxation years starting after December 21, 2000, the deduction may not exceed the maximum amount prorated for the number of days in the taxation year divided by 365 or 366 days.				Enter amount in box <u>651</u> of the CT23
<b>Ontario cumulative eligible capital - closing balance M minus P (if negative, enter zero)</b>			=	<u>1,756,045</u> <b>Q</b>

See page 2 - Part 2

**Ontario Cumulative Eligible Capital Deduction  
Schedule 10 Page 2 of 2**

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
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**Part 2 – Amount to be included in income arising from disposition**

*Complete this part only if the amount at line M is negative.*

Amount from line M above. <i>Show this as a positive amount; not negative.</i>	.....			_____ R
Total cumulative eligible capital deductions from income for taxation years beginning after June 30, 1988	.....	+	_____ 1	
Total of all amounts which reduced cumulative eligible capital in the current or prior years under subsection 80(7) of the ITA	.....	+	_____ 2	
Total of cumulative eligible capital deductions claimed for taxation years beginning before July 1, 1988	.....	+	_____ 3	
Negative balances in the cumulative eligible capital account that were included in income for taxation years beginning before July 1, 1988	.....	-	_____ 4	
Deduct line 4 from line 3 ( <i>if negative, enter zero</i> )	.....	=	_____ 5	
<b>Total lines 1 + 2 + 5</b>	.....	=	_____ 6	
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 1	.....		_____ 7	
Amounts at Line Z from Ontario Schedule 10 of previous taxation years ending after February 27, 2000 <i>(This will be Line T in earlier versions of this schedule.)</i>	.....	+	_____ 8	
<b>Total lines 7 + 8</b>	.....	=	_____ 9	
Deduct line 9 from line 6 ( <i>if negative, enter zero</i> )	.....	=	_____ S	
<b>R minus S (<i>if negative, enter zero</i>)</b>	.....	=	_____ T	
From Line 5	..... x 1 / 2	=	_____ U	
<b>T minus U (<i>if negative, enter zero</i>)</b>	.....	=	_____ V	
From V	..... x 2 / 3	=	_____ W	
Lesser of R and S	.....	=	_____ Z	
<b>Amount to be included in income W + Z</b>	.....	=	_____	



Ministry of Revenue  
Corporations Tax  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

## Ontario Continuity of Reserves Schedule 13

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
--	--	--

**For use by a corporation to provide a continuity of all reserves claimed which are allowed for tax purposes.**

### Part 1 – Capital gains reserves

Description of property	Ontario balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add	Deduct	Ontario balance at the end of the year \$
1 Reserve on Enerconnect disposition			1,847		1,847
2					
<b>Totals</b>	<b>A</b>	<b>B</b>	1,847		<b>C</b> 1,847

The total capital gains reserve at the beginning of the taxation year A plus the total capital gains reserve transfer on amalgamation or wind-up of subsidiary B, should be entered on Schedule 6; and the total capital gains reserve at the end of the taxation year C, should also be entered on Schedule 6.

### Part 2 – Other reserves

Description	Ontario balance at the beginning of the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Add	Deduct	Ontario balance at the end of the year \$
Reserve for doubtful debts	96,467		71,502	96,467	71,502
Reserve for undelivered goods and services not rendered	487,206		99,487	487,206	99,487
Reserve for prepaid rent					
Reserve for December 31, 1995 income					
Reserve for refundable containers					
Reserve for unpaid amounts					
Other tax reserves					
<b>Totals</b>	<b>D</b> 583,673	<b>E</b>	170,989	583,673	<b>F</b> 170,989

The amount from D plus the amount from E should be entered in 607 of the CT23.

The amount from F should be entered in 654 of the CT23.

### Part 3 – Continuity of non-deductible reserves

Reserve	Ontario opening balance	Transfers	Ontario additions	Ontario deductions	Other adjustments	Ontario closing balance
PILs deferred revenue reserv	6,541					6,541
Pension Liability - non-current	1,416,801		1,462,941	1,416,801		1,462,941
Pension Liability - current	70,545					70,545
See schedule	1,825,618		3,070,999	1,825,618		3,070,999
Reserves from Part 2	96,467		71,502	96,467		71,502
<b>Totals</b>	3,415,972		4,605,442	3,338,886		4,682,528

Enter in box 653 of the CT23

Enter in box 606 of the CT23

**Ontario Continuity of Reserves  
Schedule 13**

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
--	--	--

**Part 3 – Continuity of non-deductible reserves**

Reserve	Ontario opening balance	Transfers	Ontario additions	Ontario deductions	Other adjustments	Ontario closing balance
Smart Meter Reserve	40,359		99,487	40,359		99,487
Conservation Reserve	446,847			446,847		
Regulatory Asset Recoveries	1,338,412		2,971,512	1,338,412		2,971,512
<b>Totals</b>	<b>1,825,618</b>		<b>3,070,999</b>	<b>1,825,618</b>		<b>3,070,999</b>



Ministry of Revenue  
Corporations Tax  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

2007

Capital Tax Election of Associated Group Agreement for Allocation of Taxable Capital Deduction (TCD)

CT23 SCHEDULE 591

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
--	---	---------------------------------

The following associated group of corporations includes all the corporations in this associated group (excluding financial institutions and corporations exempt from capital tax) having a permanent establishment in Canada and are hereby making an election under subsection 69(2.1) of the *Corporation Tax Act* to allocate the tax effect of the group's taxable capital deduction (TCD) as calculated in section B1 on page 10 of the CT23 for all taxation years which end in the 2007 calendar year, based on each corporation's total assets and Ontario allocation factor from each corporation's last taxation year ending in the 2006 calendar year.

*Applies to taxation years ending in the 2007 calendar year.*

Corporation having a permanent establishment in Canada	Last taxation year ending in 2006 calendar year	Ontario Allocation A	Total Assets T	Net Deduction A x TE x (T+X) ND	Allocation of Net Deduction AND
Corporation Tax Account Number (if applicable) 1800215	YEAR MONTH DAY 2006-12-31	100.0000	35,769,397	35,625	995 31,998
Corporation Name WELLAND HYDRO ELECTRIC SYSTEM CORP.					
Tax Effect (TE) of Taxable Capital Deduction From CT23, Page 10, Section B: TCD <u>503</u> 12,500,000 x Capital Tax Rate <u>516</u> 0.285 = TE 35,625					
Corporation Tax Account Number (if applicable) 1800213	YEAR MONTH DAY 2006-12-31				995 3,555
Corporation Name WELLAND HYDRO-ELECTRIC HOLDING CORP.					
Tax Effect (TE) of Taxable Capital Deduction From CT23, Page 10, Section B: TCD <u>503</u> 12,500,000 x Capital Tax Rate <u>516</u> 0.285 = TE 35,625					
Corporation Tax Account Number (if applicable) 1800214	YEAR MONTH DAY 2006-12-31				995 36
Corporation Name WELLAND HYDRO ENERGY SERVICES CORP.					
Tax Effect (TE) of Taxable Capital Deduction From CT23, Page 10, Section B: TCD <u>503</u> 12,500,000 x Capital Tax Rate <u>516</u> 0.285 = TE 35,625					
Corporation Tax Account Number (if applicable) See Schedule	YEAR MONTH DAY				995 36
Corporation Name					
Tax Effect (TE) of Taxable Capital Deduction From CT23, Page 10, Section B: TCD <u>503</u> x Capital Tax Rate <u>516</u> = TE					

If insufficient space, attach list.

Total Assets of Associated Group having permanent establishments in Canada X 35,769,397 959

Total Net Deductions of Associated Group having permanent establishments in Canada ... TND 35,625 994

Total Allocated Net Deductions of Associated Group having permanent establishments in Canada ..... TAND 35,625

2007

Capital Tax Election of Associated Group Agreement for Allocation of Taxable Capital Deduction (TCD)

CT23 SCHEDULE 591

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
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Corporation having a permanent establishment in Canada	Last taxation year ending in 2006 calendar year	Ontario Allocation A	Total Assets T	Net Deduction A x TE x (T+X) ND	Allocation of Net Deduction AND
Corporation Tax Account Number (if applicable)	YEAR MONTH DAY 2006-12-31				995

Corporation Name  
City of Welland

**Tax Effect (TE) of Taxable Capital Deduction**  
From CT23, Page 10, Section B:

TCD  12,500,000 x  $\frac{\text{Capital}}{\text{Tax Rate}}$   0.285 = TE 35,625

Corporation Tax Account Number (if applicable) 1800401	YEAR MONTH DAY 2006-12-31				995	36
---	------------------------------	--	--	--	-----	----

Corporation Name  
Welland WiFi Corp.

**Tax Effect (TE) of Taxable Capital Deduction**  
From CT23, Page 10, Section B:

TCD  12,500,000 x  $\frac{\text{Capital}}{\text{Tax Rate}}$   0.285 = TE 35,625

Total Assets of Associated Group having permanent establishments in Canada X

Total Net Deductions of Associated Group having permanent establishments in Canada ... TND

Total Allocated Net Deductions of Associated Group having permanent establishments in Canada ..... TAND





Ministry of Revenue  
Corporations Tax  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

# Apprenticeship Training Tax Credit (ATTC)

CT23 Schedule 114

Corporation's Legal Name <b>WELLAND HYDRO ELECTRIC SYSTEM CORP.</b>	Ontario Corporations Tax Account No. (MOF) <b>1800215</b>	Taxation Year End <b>2007-12-31</b>
--	--	--

## Instructions for completing the ATTC Claim Form

- Enter the relevant details for each eligible apprentice, including the amount of tax credit.
- Your total tax credit for the taxation year is equal to the sum of the tax credits for each eligible apprentice.
- Enter the total tax credit claimed on line **203**, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
- Enter the total number of apprentices hired on line **202**, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
- Corporations are eligible for a 25% (30% in the case of corporations with payroll not exceeding \$400,000) refundable tax credit on wages and salaries paid or payable for services performed after May 18, 2004 by an eligible apprentice during the first 36 months of an apprenticeship.
- The maximum amount of credit that can be claimed in respect of each eligible apprentice is \$5,000 per year to a maximum of \$15,000 over the first 36 months of the apprenticeship. The maximum annual tax credit of \$5,000 is pro-rated for the number of days the apprentice was employed during the taxation year.
- The credit is *considered government assistance* and is therefore *to be included in income* in the year the credit is claimed.

## Summary of Apprenticeship Training Tax Credit Claimed

Complete a separate entry for each eligible apprentice that is in a qualifying skilled trade and hired before January 1, 2008. This credit applies to **salaries and wages paid after May 18, 2004 and before January 1, 2011** to eligible apprentices during the first 36 months of an apprenticeship.

Example: A taxpayer, with a December 31, 2004 taxation year end, hires an otherwise eligible apprentice on June 1, 2004 at a salary of \$3,500 per month. The taxpayer's salaries and wages in the preceding taxation year were \$700,000. The credit claimed is the lesser of **(1)** 25% of salaries paid to the apprentice during the period of employment (25% x \$3,500 x 7 = \$6,125), and **(2)** \$5,000 multiplied by the number of days the apprentice was employed during the taxation year, divided by the total number of days in the calendar year (\$5,000 x 214/366 = \$2,923). Hence, the credit claimed in the 2004 taxation year is \$2,923.

## Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed (see notes below)
434a	Lineworker	Name Christopher Turpko SIN 504 690 223	2007-05-31	10638	From 2007-05-31 To 2007-12-31	28,316	2,945
434a	Lineworker	Name Adrian Van Zeyl SIN 526 025 143	2007-05-31	10637	From 2007-05-31 To 2007-12-31	27,497	2,945
		Name  SIN			From  To		
<b>Totals</b>						<b>5874</b> 55,813	<b>5898</b> 5,890

If insufficient space, attach schedule

Corporation's salaries & wages paid in the preceding taxation year **A** \$ **600,000**

Transfer to **203** on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8

- If **A** is \$600,000 or greater use 25%.
- If **A** is \$400,000 or less use 30%.
- If **A** is over \$400,000 but less than \$600,000 use the following formula to calculate the specified percentage:  
Specified percentage = .30 - [.05 ( From **A** **600,000** - \$400,000 ) ÷ \$200,000 ]

Indicated specified percentage used **25.0000 %**

\* Credit claimed equals lesser of:

- EE multiplied by the specified percentage, and
- \$5,000 x number of days the apprentice was employed in the taxation year  
365 (366 if leap year)

Total Number of Apprentices

= **5898** **2**  
Transfer to **202** on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8



Ministry of Revenue  
Corporations Tax  
33 King St. West  
PO Box 622  
Oshawa ON L1H 8H6

## Authorizing or Cancelling a Representative

Complete this form to:

- authorize the release of confidential information about the Corporations Tax, Mining Tax or Electricity Act account(s) to the representative named below.
- cancel an existing authorization.

Corporation's Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Ontario Corporations Tax Account No. (MOF) 1800215	Taxation Year End 2007-12-31
---	---	---------------------------------

### Part 1 Client Information

Legal Name WELLAND HYDRO ELECTRIC SYSTEM CORP.	Phone number (905) 732-1381	This authorization applies to the following statute(s) and account number(s). <input checked="" type="checkbox"/> Corporations Tax Act 1800215 <input type="checkbox"/> Mining Tax Act <input type="checkbox"/> Electricity Act
Mailing address Apt./Suite/Unit no. Street number and name / PO Box, RR 950 EAST MAIN STREET P.O. BOX 280	Postal code L3B 5P6	
City WELLAND	Province/Territory ON	

### Part 2 Authorize the release of information to a representative

Name of representative (If a firm, name of firm.) Last First Deloitte & Touche LLP	Phone number (519) 650-7600	Fax number (519) 650-7601
Mailing address Apt./Suite/Unit no. Street number and name / PO Box, RR 4210 King Street E	Postal code N2P 2G5	
City Kitchener	Province/Territory ON CA	

If your representative is a firm, and you want a specific person in the firm to represent you, state their name and title.  
If you do not identify a specific individual in the firm, you are authorizing the Ministry of Finance to deal with anyone from that firm.

Name of person in firm Last First	Title
--------------------------------------	-------

### Part 3 Authorization scope and applicable years

<input checked="" type="checkbox"/> Representative to deal fully on your behalf with the Ministry of Finance. or <input type="checkbox"/> Representative to deal in a limited manner on your behalf, for matters specified here. (e.g., account inquiry, applications, annual returns, payments, etc.) ▼	<input checked="" type="checkbox"/> Representative to act for all years, including all previous and future years. or <input type="checkbox"/> Representative to act for specific year or years (describe). ▼
--	--

### Part 4 Cancel the release of information to a representative

Name of representative (If a firm, name of firm.) Last First	
Name of person in firm Last First	Title

### Part 5 Signature *This form will not be accepted unless it is completed fully, signed and dated.*

- I authorize the Ministry of Finance to:
- release confidential information about the tax accounts specified in Part 1 and to deal with the representative named in Part 2 in the manner described in Part 3; and/or
  - cancel an existing authorization as described in Part 4.

Name Last First PEEVER ROSS	Title / Relationship to Corporation PRESIDENT	Phone number (905) 732-1381
Signature 	Date 2008-06-26	

1 **DEPARTMENTAL AND CORPORATE OM&A ACTIVITIES:**

2 **OPERATIONS & MAINTENANCE**

3 The expenses for this department include all costs relating to the operation (5000-5095)  
4 and maintenance (5105-5195) of the Welland Hydro electrical system. This includes both  
5 direct labor costs and non-capital material spending to support both scheduled and reactive  
6 maintenance events. In addition, costs are allocated from support departments to cover the  
7 costs of Labour Burden, Engineering, Stores, Administration, IT, Garage, and Service  
8 Center.

9 Welland Hydro's maintenance strategy is, to the extent possible, to minimize reactive and  
10 emergency-type work through an effective planned maintenance program (including  
11 predictive and preventative actions).

12 Welland Hydro's customer responsiveness and system reliability are monitored continually  
13 to ensure that its maintenance strategy is effective. This effort is coordinated with Welland  
14 Hydro's capital project work, so that where maintenance programs have identified matters  
15 the correction of which require capital investments, Welland Hydro may adjust its capital  
16 spending priorities to address those matters.

17 **Predictive Maintenance:**

18 Predictive maintenance activities involve the testing of elements of the Welland Hydro  
19 distribution system. These activities include infrared thermography testing, transformer oil  
20 analysis, planned visual inspections and pole testing. These evaluation tools are all  
21 administered using a grid system with appropriate frequency levels. Any identified  
22 deficiencies found are prioritized and addressed within a suitable time frame.

23 **Preventative Maintenance:**

24 Preventative maintenance activities include inspection, servicing and repair of network  
25 components. This includes overhead and pad-mounted load break switch maintenance,

1 insulator washing and cleaning/inspection of underground vaults. Also included are  
2 regular inspection and repair of substation components, relays, and ancillary equipment.  
3 The work is performed using a combination of time and condition based methodologies.

4 **Emergency Maintenance:**

5 This item includes unexpected system repairs to the electrical system that must be  
6 addressed immediately. The costs include those related to repairs caused by storm damage,  
7 emergency tree trimming and on-call premiums. Welland Hydro constantly evaluates its  
8 maintenance data to adjust predictive and preventative actions. The ultimate objective is to  
9 reduce this emergency maintenance.

10 **Service Work:**

11 The majority of costs related to this work pertain to service upgrades requested by  
12 customers, and requests to provide safety coverage for work (overhead line cover ups).  
13 This includes service disconnections and reconnections by Welland Hydro for all service  
14 classes; assisting pre-approved contractors; the making of final connections after Electrical  
15 Safety Authority (“ESA”) inspection for service upgrades; and changes of service  
16 locations.

17 **Network Control Operations:**

18 Network operating costs are related to the 24-hour monitoring and operation of the  
19 distribution system through Welland Hydro’s control room in Welland. The control room  
20 in Welland is staffed only on weekdays, during regular business hours. An answering  
21 service company has been contracted to contact “on call” lineperson and supervisory staff  
22 in the event of service problems after normal business hours. The control room is linked to  
23 the distribution system by a data communication network and information is processed by a  
24 Supervisory Control and Data Acquisition (“SCADA”) system. Real-time breaker status,  
25 and voltage and current readings from the Hydro One transformer stations and Welland  
26 Hydro substations, are sent to the control room and displayed on the SCADA system. The

1 control room operators continuously monitor the system and dispatch repair crews to  
2 manage equipment failures and provide work protection for the crews doing work on the  
3 system.

4 **Metering:**

5 This department is responsible for the installation, testing, and commissioning of new and  
6 existing simple and complex metering installations. Testing of complex metering  
7 installations ensures the accuracy of the installation and verifies meter multipliers for  
8 billing purposes.

9 Revenue Protection is another key activity performed by Metering, by proactively  
10 investigating potential diversion and theft of power.

11 This department also provides an underground locate service to anyone requesting  
12 verification of underground cable locations.

13 **Substation Services:**

14 Substation services activities address the maintenance of all equipment at Welland Hydro's  
15 14 substations. This includes both labor costs and non-capital material spending to support  
16 both scheduled and emergency maintenance events. As with the maintenance activities,  
17 Welland Hydro's substation maintenance strategy focuses on minimizing, to the extent  
18 possible, emergency-type work by improving the effectiveness of Welland Hydro's planned  
19 maintenance program (including predictive and preventative actions) for its substations.

20 **ENGINEERING DEPARTMENT**

21 Engineering is responsible for keeping asset related data up to date on a recently purchased  
22 electronic Geographic Information System ("GIS"). This system will be used for asset  
23 management activities, troubleshooting system problems in the control room, delivering  
24 underground utility locating services for excavating contractors and for design and  
25 construction activities including new capital projects and customer connections.

1 Engineering also delivers drafting services to the design technicians for capital projects and  
2 provides distribution system asset information to many departments within Welland Hydro.  
3 Engineering costs are allocated to operations, maintenance, capital, and Third Party  
4 receivable accounts based on direct labor costs. A standard overhead percentage is set at  
5 the beginning of the year and adjusted to actual at year end.

#### 6 **STORES/WAREHOUSE**

7 Stores staff is accountable for managing the procurement, control, and movement of  
8 materials within Welland Hydro's service centre. This would include monitoring inventory  
9 levels, issuing material receipts, material issues, and material returns as required. The cost  
10 of the stores department is allocated to all departmental, capital, Welland Energy  
11 receivable, and Third Party receivable accounts as an overhead cost based on direct  
12 material costs. A standard overhead percentage is set at the beginning of the year and  
13 adjusted to actual at year end.

#### 14 **GARAGE/TRANSPORTATION FLEET**

15 The Transportation group supports the maintenance and control of approximately 20 fleet  
16 vehicles. Its objectives include maintenance of vehicle reliability and safety, and the  
17 minimization of vehicle down time. Vehicle costs are allocated to operations,  
18 maintenance, capital, Welland Energy receivable, and Third Party receivable accounts  
19 based on number of hours used. A standard hourly cost/hr is set for all vehicles within the  
20 fleet. Costs are adjusted to actual at year end.

#### 21 **SERVICE CENTER**

22 This department collects the cost of operating and maintaining the service center. Costs are  
23 allocated out based on a square footage. A budget amount is charged to departments throughout  
24 the year and then adjusted to actual at year end. Costs include items such as repairs to the  
25 service center, grass cutting and snow removal, and property taxes.

1    **LABOUR BURDEN/SAFETY AND HEALTH**

2    This department collects the cost of all employee benefits and payroll taxes such as EI, CPP,  
3    EHT, WSIB, and group insurances. Costs are allocated to all departments, capital, Welland  
4    Energy receivable and Third Party receivable amounts based on direct labour. An overhead rate  
5    is set at the beginning of each year and adjusted to actual at year end.

6    In addition, the cost of Safety and Health is included in this department. Costs include Health &  
7    Safety program supplies as well labour costs associated with safety meetings. Welland Hydro is  
8    committed to maximizing productivity and reducing risk of injury by initiating safety and health  
9    measures that focus on preventative actions. The commitment to safety and health is significant,  
10   and involves documenting unsafe behaviors, monitoring conformance to established standards  
11   and policies, determining the effectiveness of safety training and monitoring the resolution of  
12   safety recommendations/audits; commitment to continuous improvement in training; and  
13   identifying and correcting root causes for system deficiencies. Welland Hydro was recently  
14   award the Silver Medal for safety by E&USA in the quest for zero lost time accidents.

15   **CUSTOMER SERVICE**

16   The Customer Service group is responsible for the customer care activities for the  
17   approximately 22,000 customers in Welland Hydro's service area. These activities include  
18   meter reading, billing, call centre, collections, and other back office functions. Welland  
19   Hydro aspires to achieve customer service excellence in its processes and customer  
20   programs. The costs associated with the Customer Service department are collected in  
21   accounts 5305 to 5515.

22   **Meter Reading:**

23   Meter reading services are contracted out to a non-affiliated third party under a service  
24   contract agreement. On average the contractor reads 14,000 electric service meters per  
25   month. The meter contract was negotiated in February 2003 after the completion of a  
26   competitive bid process. The initial contract was a three year term with a provision for a

1 further two year extension upon mutual agreement. In addition, the agreement was recently  
2 extended for an additional two year period through 2009 at current rates plus an adjustment  
3 for escalating gasoline prices.

4 **Billing:**

5 With a mix of bi-monthly and monthly billing, Welland Hydro issues 150,000 invoices  
6 annually to customers. On average this total includes 3,500 final bills for customers  
7 moving within or outside of Welland Hydro's service territory. An annual billing schedule  
8 is created based on the meter reading schedule to ensure timely billing of services. The  
9 billing functions include the VEE processes; EBT and retailer settlement functions for  
10 3,700 retailer accounts; account adjustments; processing meter changes; and other various  
11 account related field service orders and mailing services. Welland Hydro offers customers  
12 a number of billing and payment options including an equal payment plan, electronic  
13 billing, and a preauthorized payment plan.

14 **Collections:**

15 Collections involve a combination of activities, including the collection of overdue active  
16 accounts, security deposits and final bills for service termination. Credit risk is a concern  
17 for Welland Hydro with 2009 credit loss forecast at \$59,650 and is based on approximately  
18 0.13% of 2009 Test Year gross billings of approximately \$45,000,000. In an effort to  
19 minimize credit losses, Welland Hydro enforces a prudent credit policy in accordance with  
20 the Distribution System Code. Active overdue accounts are collected by in-house staff  
21 through notices, letters and direct telephone contact. Final bill collections are turned over  
22 to a collection agency 30 days after the final due date.

23 **Customer Contact Centre:**

24 The Customer Contact Centre is responsible for such activities as payment processing;  
25 move in and out requests; and call centre activities for Welland Hydro's service territory.  
26 On average call volumes continue to increase annually. Welland Hydro's customer service



1 department handles over 61,000 inquires per year. With time-of-use billing and smart  
2 meter installations, Welland Hydro anticipates an increase in call volume activity.

3 **Community Relations:**

4 Welland Hydro is committed to providing consumer information and responses, in a timely  
5 and proactive manner, on electricity distribution and related issues. Welland Hydro  
6 maintains a presence in the communities it serves, where Welland Hydro staff is available  
7 to answer customer questions in a friendly environment.

8 Since LDCs are the “face-to-the-customer” for the electricity industry, Welland Hydro has  
9 an important role to play in educating the public about electricity safety and energy  
10 conservation.

11 **Education – Electricity Safety:**

12 Welland Hydro supports elementary schools in Welland by providing Electricity Safety and  
13 Conservation sessions for students in grades one through eight. These highly interactive  
14 one-hour sessions educate children in the dangers of electricity. Welland Hydro uses the  
15 Electrical Safety & Conservation Company to assist in the presentations.

16 **Education – Energy Conservation:**

17 Building a conservation culture in Welland continues to be an important objective for  
18 Welland Hydro. Welland Hydro is very active in the community promoting conservation  
19 initiatives, attending a number of community events each year, distributing compact  
20 florescent light bulbs and energy conservation handbooks. Welland Hydro continues to  
21 participate with the OPA in administering programs directed at Energy Conservation.

22

1 **ADMINISTRATIVE AND GENERAL EXPENSES**

2 Administrative and general expenses include expenses incurred in connection with the general  
3 administration of the utility's operations. Within Welland Hydro, the following functional areas  
4 are considered to be part of general administration and, as such, all expenses incurred within  
5 these functional areas are accounted for as administrative and general expenses:

- 6 • Executive Management (5605);
- 7 • Finance and Regulatory Services (5610);
- 8 • Information Technology Services (5615);

9 **Executive Salaries and Expenses: 5605**

10 The President & Chief Executive Officer is responsible for all aspects of Welland Hydro. Also  
11 included in this category is the Executive Assistant to the President. Expenses include salaries  
12 and all related expenses for all employees within the above noted functional areas.

13 **Management Salaries and Expenses: 5610**

14 **Financial Services:**

15 The Finance department is responsible for the preparation of statutory, management and Board  
16 of Directors financial reporting in accordance with GAAP; all daily accounting functions,  
17 including accounts payable, accounts receivable, and general accounting; treasury functions  
18 including cash management, risk management, accounting systems and internal control  
19 processes; preparation of consolidated budgets and forecasts; and supporting tax compliance.  
20 Expenses include salaries and all related expenses associated with the Director of Finance,  
21 Accounts Payable Clerk, and Payroll/Accounting Assistant.

22

1 **Regulatory Services:**

2 The Regulatory Services department is responsible for all regulatory reporting and compliance  
3 with applicable codes and legislation governing Welland Hydro. Regulatory reporting includes  
4 development and preparation of rate filings, performance reporting, and compliance. Expenses  
5 include salary and related costs associated with the Regulatory Analyst.

6 **General Administrative Salaries and Expenses: 5615**

7 **Information Technology Services:**

8 The Information Technology department is responsible for the development, operation,  
9 maintenance and security of all business system applications utilized by the utility in its  
10 operations. These include the customer information, financial management and work  
11 management systems. Expenses include salaries and all related costs associated with the Director  
12 of Information System, Systems Analyst, and Billing Clerk.

13 **Administrative Expense Transferred: 5625**

14 Welland Hydro charges a 10% Administrative and 10% IT overhead for all labour charged to  
15 Operations & Maintenance, Capital, and Third Party billings.

16 **Outside Service Employed: 5630**

17 Outside Services Employed include, but are not limited to, consulting and professional fees of  
18 accountants and auditors, actuaries, legal services, public relations counsel and tax consultants.

19 **Employee Post-Retirement Benefits: 5645**

20 Employee Post-Retirement Benefits include annual expenses for post-retirement benefits  
21 provided to eligible Welland Hydro employees in accordance with company policy and as  
22 provided in the collective bargaining agreement between Welland Hydro and its union. The  
23 annual expense and liability are determined in accordance with Section 3461 of the CICA  
24 Handbook and supported by an actuarial valuation that is completed every three years.

1 **Regulatory Expenses: 5655**

2 Regulatory Expenses include those expenses incurred in connection with Decisions and Orders  
3 on Cost Awards for hearings, proceedings, technical sessions, and other matters before the OEB  
4 or other regulatory bodies, including annual assessment fees paid to a regulatory body. Annual  
5 fees assessed by the OEB are included in this expenditure category.

6 **Miscellaneous General Expense: 5665**

7 Miscellaneous General Expense includes the labour and all related expenses of the Board of  
8 Directors of Welland Hydro. Also included in this category are Bank Service Charges and other  
9 miscellaneous costs.

10 **Electrical Safety Authority Fees: 5680**

11 Expenses under Electrical Safety Authority (“ESA”) fees include all annual charges from the  
12 ESA.

**OM&A Cost Table**

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	Ref	2007 Actual	Variance from 2006 Actual	Ref	2008 Bridge	Variance from 2007 Actual	Ref	2009 Test	Variance from 2008 Bridge	Ref
<b>Operation</b>													
5005-Operation Supervision and Engineering	66,497	54,188	(12,309)		65,475	11,287		83,862	18,387		86,349	2,487	
5010-Load Dispatching	66,097	58,569	(7,528)		74,914	16,345		76,867	1,953		79,101	2,234	
5012-Station Buildings and Fixtures Expense	5,696	5,122	(574)		11,787	6,665		11,973	186		12,268	295	
5014-Transformer Station Equipment - Operation Labour	0	0	0		0	0		0	0		0	0	
5015-Transformer Station Equipment - Operation Supplies and Expenses	0	0	0		0	0		0	0		0	0	
5016-Distribution Station Equipment - Operation Labour	8,050	8,698	648		11,993	3,295		15,552	3,559		17,676	2,124	
5017-Distribution Station Equipment - Operation Supplies and Expenses	112,220	106,991	(5,229)		110,129	3,138		112,565	2,436		115,650	3,085	
5020-Overhead Distribution Lines and Feeders - Operation Labour	74,734	55,838	(18,896)		67,768	11,930		87,931	20,163		99,596	11,665	
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	70,979	48,917	(22,062)		155,733	106,816	A	168,573	12,840		181,766	13,193	
5030-Overhead Subtransmission Feeders - Operation	55,829	58,947	3,117		61,256	2,309		76,052	14,796		85,777	9,725	
5035-Overhead Distribution Transformers- Operation	607	11,328	10,721		12,018	690		13,853	1,835		14,131	278	
5040-Underground Distribution Lines and Feeders - Operation Labour	113,288	101,693	(11,596)		106,693	5,000		138,440	31,747		157,335	18,895	
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	(2,282)	26,172	28,454		29,396	3,224		26,409	(2,987)		27,295	886	
5050-Underground Subtransmission Feeders - Operation	16,867	29,219	12,352		34,319	5,100		42,382	8,063		47,806	5,424	
5055-Underground Distribution Transformers - Operation	11,350	8,152	(3,198)		12,741	4,590		13,200	459		13,444	244	
5065-Meter Expense	258,153	283,635	25,482		310,752	27,117		312,698	1,946		339,287	26,589	
5070-Customer Premises - Operation Labour	2,077	1,317	(759)		5,865	4,547		7,606	1,741		8,644	1,038	
5075-Customer Premises - Materials and Expenses	0	210	210		0	(210)		0	0		0	0	
5085-Miscellaneous Distribution Expense	225,446	241,338	15,892		136,512	(104,826)	B	167,742	31,230		188,506	20,764	
5095-Overhead Distribution Lines and Feeders - Rental Paid	19,649	22,349	2,701		6,230	(16,119)		21,966	15,736		22,405	439	
5096-Other Rent	0	0	0		0	0		0	0		0	0	
<b>Sub-Total</b>	<b>1,105,257</b>	<b>1,122,683</b>	<b>17,426</b>		<b>1,213,581</b>	<b>90,898</b>		<b>1,377,671</b>	<b>164,090</b>		<b>1,497,036</b>	<b>119,365</b>	

**OM&A Cost Table**

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	Ref	2007 Actual	Variance from 2006 Actual	Ref	2008 Bridge	Variance from 2007 Actual	Ref	2009 Test	Variance from 2008 Bridge	Ref
<b>Maintenance</b>													
5105-Maintenance Supervision and Engineering	54,830	58,199	3,369		69,212	11,013		85,144	15,932		95,673	10,529	
5110-Maintenance of Buildings and Fixtures - Distribution Stations	17,214	20,307	3,093		15,607	(4,699)		18,022	2,415		18,933	911	
5114-Maintenance of Distribution Station Equipment	13,417	12,875	(543)		23,550	10,675		16,627	(6,923)		18,397	1,770	
5120-Maintenance of Poles, Towers and Fixtures	29,640	60,648	31,008		38,262	(22,386)		45,281	7,019		50,587	5,306	
5121-Maintenance of Subtrans	0	10,834	10,834		12,003	1,169		11,980	(23)		13,469	1,489	
5125-Maintenance of Overhead Conductors and Devices	119,353	151,279	31,926		131,592	(19,687)		162,406	30,814		180,518	18,112	
5126-Maintenance of Overhead Subtrans	0	33,077	33,077		54,597	21,520		66,512	11,915		74,124	7,612	
5130-Maintenance of Overhead Services	93,402	150,522	57,120	A	155,952	5,430		181,594	25,642		199,717	18,123	
5135-Overhead Distribution Lines and Feeders - Right of Way	186,526	94,131	(92,395)	B	146,128	51,997	C	204,588	58,460	A	209,200	4,612	
5145-Maintenance of Underground Conduit	778	21	(757)		21,141	21,120		22,548	1,407		23,977	1,429	
5150-Maintenance of Underground Conductors and Devices	49,771	67,675	17,904		132,448	64,774	D	143,766	11,318		158,122	14,356	
5151-Maintenance Emergencies	55,974	12,743	(43,231)		16,331	3,588		20,728	4,397		22,969	2,241	
5155-Maintenance of Underground Services	0	46,848	46,848		50,744	3,896		56,898	6,154		62,433	5,535	
5160-Maintenance of Line Transformers	36,031	17,826	(18,205)		50,399	32,573		91,046	40,647		93,606	2,560	
5175-Maintenance of Meters	11,048	3,237	(7,811)		4,242	1,005		3,701	(541)		3,813	112	
5195-Maintenance of Other Installations on Customer Premises	0	286	286		3,851	3,565		4,994	1,143		5,676	682	
<b>Sub-Total</b>	<b>667,983</b>	<b>740,507</b>	<b>72,525</b>		<b>926,058</b>	<b>185,551</b>		<b>1,135,835</b>	<b>209,777</b>		<b>1,231,214</b>	<b>95,379</b>	

OM&A Cost Table

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	Ref	2007 Actual	Variance from 2006 Actual	Ref	2008 Bridge	Variance from 2007 Actual	Ref	2009 Test	Variance from 2008 Bridge	Ref
<b>Billing and Collections</b>													
5305-Supervision	0	0	0		0	0		0	0		0	0	
5310-Meter Reading Expense	103,121	115,615	12,493		132,170	16,555		129,563	(2,607)		132,554	2,991	
5315-Customer Billing	404,682	364,572	(40,110)		395,966	31,394		397,246	1,280		409,365	12,119	
5320-Collecting	299,130	292,756	(6,374)		329,920	37,165		332,691	2,771		345,711	13,020	
5325-Collecting- Cash Over and Short	29	169	140		32	(137)		12	(20)		50	38	
5335-Bad Debt Expense	36,000	(434,303)	(470,303)	C	48,263	482,566	E	58,480	10,217		59,650	1,170	
5340-Miscellaneous Customer Accounts Expenses	33,199	0	(33,199)		0	0		0	0		0	0	
5350-Retail Billing	0	28,602	28,602		29,365	763		28,781	(584)		30,725	1,944	
5360-Retail STR	0	3,640	3,640		1,988	(1,652)		2,059	71		2,119	60	
<b>Sub-Total</b>	<b>876,162</b>	<b>371,051</b>	<b>(505,111)</b>		<b>937,705</b>	<b>566,654</b>		<b>948,832</b>	<b>11,127</b>		<b>980,174</b>	<b>31,342</b>	
<b>Community Relations</b>													
5405-Supervision	70,453	34,719	(35,734)		38,239	3,521		39,613	1,374		40,800	1,187	
5410-Community Relations - Sundry	24,363	8,334	(16,029)		5,356	(2,978)		4,978	(378)		5,536	558	
5415-Energy Conservation	0	95,392	95,392	D	95,904	512		15,000	(80,904)	B	95,274	80,274	A
5420-Community Safety Program	4,637	7,274	2,637		5,783	(1,491)		7,290	1,507		6,500	(790)	
5425-Miscellaneous Customer Service and Informational Expenses	3,383	621	(2,762)		80	(541)		111	31		100	(11)	
5510-Demonstrating and Selling Expense	0	0	0		0	0		0	0		0	0	
5515-Advertising Expense	12,652	6,512	(6,140)		9,548	3,036		10,502	954		11,457	955	
5520-Miscellaneous Sales Expense	0	0	0		0	0		0	0		0	0	
<b>Sub-Total</b>	<b>115,488</b>	<b>152,851</b>	<b>37,363</b>		<b>154,910</b>	<b>2,059</b>		<b>77,494</b>	<b>(77,416)</b>		<b>159,667</b>	<b>82,173</b>	





1 **VARIANCE ANALYSIS ON OM&A COSTS:**

2 Welland Hydro has provided a detailed OM&A cost table covering the periods from 2006 Board  
 3 Approved, 2006 Actual, 2007 Actual, 2008 Bridge Year and 2009 Test Year including the  
 4 variances year over year in Exhibit 4, Tab 2, Schedule 2, above. Before moving to a variance  
 5 analysis for each account that exceeds the materiality threshold, a summary of total OM&A  
 6 expenses (excluding depreciation) is presented below along with an analysis of the total  
 7 movement from 2006 Actual to 2009 Test Year.

Welland Hydro  
 OM & A Analysis

	2006 Board Approved	2006 Full Yr Actual	2007 Full Yr Actual	2008 Bridge Yr Forecast	2009 Test Yr Forecast	Increase From 2006 to 2009	
						\$	%
Actual OM & A Expenses	\$4,054,059	\$3,521,084	\$4,510,311	\$4,726,832	\$5,113,936		
Depreciation Adjustment	-220,964						
Bad Debt Adjustment		492,555					
Adjusted OM & A Expenses	\$3,833,095	\$4,013,639	\$4,510,311	\$4,726,832	\$5,113,936		
OM & A Wages & Benefits		\$2,366,991	\$2,783,103	\$3,035,991	\$3,313,407	\$946,416	40.0%
OM & A Expenses		1,646,648	1,727,208	1,690,841	1,800,529	153,881	9.3%
Adjusted OM & A Expenses		\$4,013,639	\$4,510,311	\$4,726,832	\$5,113,936	\$1,100,297	27.4%

Analysis of Increase in OM & A Wages & Benefits 2006 to 2009

<b>New Positions - Wages &amp; Benefits</b>		
Regulatory Analyst	\$109,053	4.6%
Conservation & Demand Analyst	80,274	3.4%
GIS Analyst	74,534	3.1%
3 Lineman	220,201	13.4%
<b>Total New Positions - Wages &amp; Benefits</b>	<b>\$484,062</b>	<b>20.5%</b>
<b>Decrease in Amounts Charged 3rd Party</b>		
Decrease in Amounts Charged Associates	28,254	1.2%
Decrease in Amounts Charged to Capital	3,727	0.2%
Adjustment 2006 Pension Costs	23,667	1.0%
	55,539	2.3%
<b>Total Increase Before Inflation</b>	<b>\$595,249</b>	<b>25.1%</b>
<b>Wages &amp; Benefits Inflation</b>	<b>351,167</b>	<b>14.8%</b>
<b>Total Increase OM &amp; A Wages &amp; Benefits</b>	<b>\$946,416</b>	<b>40.0%</b>

8

9 The 2006 Board Approved numbers must be adjusted to reflect that prior to 2006 part of the  
 10 depreciation expense was charged directly to OM&A expenses. Adjusting for depreciation  
 11 allows for better comparison of actual expenses from year to year. It also better explains the  
 12 increases in depreciation which are exclusively related to capital spending. The 2006 Actual  
 13 expenditures need to be adjusted to reflect the abnormal recovery of a previously written off bad

1 debt. The adjustment brings bad debt expense up to actual write offs without the large recovery.  
2 Since 2006 Actual OM&A expenses were in line with 2006 Board approved amounts when  
3 inflation is taken into account, no analysis of this difference is being provided and emphasis will  
4 be placed on the difference between 2006 Actual and 2009 Test Year expenditures.

5 As can be seen from the analysis above Welland Hydro is requesting an increase in OM&A  
6 spending in 2009 of \$1,110,297 or 27.4% compared with 2006 Actual. This amount is broken  
7 into \$946,416 (40.0%) for wages & benefits and \$153,881 (9.4%) for outside purchases. The  
8 increase in outside purchases is partially attributed to costs associated with filing this  
9 Application. Account 5655 Regulatory Expenses has been increased by \$20,000 to cover one  
10 third of estimated intervenor and OEB charges of \$60,000. Account 5630 has been increased by  
11 \$10,000 to cover one third of estimated consulting costs of \$30,000. The balance of the increase  
12 of \$123,881 (7.5%) represents approximately 2.5% per year with the majority of the increase  
13 related to tree trimming (5135) which is detailed in the year by year analysis which follows.  
14 Given the fact that the increase in outside purchase expenditures is relatively small taking into  
15 account tree trimming and inflation, Welland Hydro will focus on detailing the increase in wages  
16 and benefits.

17 The increase in wages and benefits has been broken down into increase in employees, adjustment  
18 to accounts charged, and wage increases.

19 In 2006 Welland Hydro had 36 full time equivalent (“FTE”) employees which are the same as  
20 included in the 2006 Board Approved rates. Welland Hydro has had actual increases to  
21 headcount in both 2007 and 2008 and plans further increases in 2009. Details of the increase in  
22 the number of employees are provided in Exhibit 4, Tab 2, Schedule 6. The increase in  
23 personnel accounts for \$484,062 (20.5%) or just over half of the total OM&A increase required.

24 The adjustments show actual decreases in labour charged to receivable accounts and capitalized  
25 assets since 2006. The reduction in capitalized assets is mainly due to no longer capitalizing  
26 improvements to software made by IT personnel. The adjustment for pension represents the  
27 amount charged to Deferred Account 1508 between January and April 2006. Only eight months

1 of pension expense was charged to OM&A expense in 2006. Adjustments account for \$111,187  
2 (4.7%) of the total increase required.

3 Wage and Benefit increases account for \$351,167 or 14.8%. This equals approximately 4.7%  
4 per year. Although the contract increases have been 3% per year during this time frame, there  
5 are other items which account for the 1.7% balance. The number of linepersons on standby after  
6 business hours and on weekends was increased from one to two late in 2007 for safety and  
7 service reasons. The apprentice linepersons hired in 2007 and 2008 will receive increases as  
8 they change class levels when their education and training are completed. Welland Hydro  
9 concluded a Management Performance and Compensation study in 2006 in which pay levels for  
10 salaried employees was compared to other LDCs in the province of Ontario with the help of an  
11 outside consulting firm. The increases recommended by this study were phased in over the 2007  
12 and 2008 years.

### 13 **Variance Analysis:**

14 As mentioned above, the variance that triggers the required analysis is \$50,632 representing 1%  
15 of Welland Hydro's total distribution expenses before PILs and Interest Expense. Welland  
16 Hydro has reviewed the variance of each OEB USoA account to determine where explanations  
17 are necessary. An identification reference has been assigned for each variance exceeding the  
18 threshold and an explanation of each variance is presented in the following section.

### 19 **2006 ACTUAL VERSUS 2006 BOARD APPROVED:**

#### 20 **Ref A: 5130 Maintenance of Overhead Services**

21 Maintenance of Overhead Services costs increased by \$57,120 compared to 2006 Board  
22 Approved amount. In 2006 Welland Hydro added a 20% overhead charge to direct labour to  
23 cover Administration cost. This accounts for \$17,528 of the increase. Outside material costs  
24 account for only \$24,395 of the total \$150,522 spent in 2006. The balance represents inside  
25 labour and equipment charges which can vary from year to year based on the work necessary to  
26 be completed in the year.

1    **Ref B: 5135 Maintenance Overhead Distribution Lines and Feeders Right of Way**

2    This account collects costs associated with the clearing of overhead distribution lines. The main  
3    expense involves tree trimming performed by both internal manpower and outside contractors.  
4    Welland Hydro's tree trimming is scheduled by designated areas in a revolving three year plan.  
5    As areas are not of equal size, costs can vary from year to year. The \$92,395 decrease in 2006 is  
6    offset by increases of \$51,997 in 2007 and \$58,460 in 2008.

7    **Ref C: 5335 Billings and Collections Bad Debt Expense**

8    The 2006 actual Bad Debt expense of (\$434,303) was the result of the recovery of an amount  
9    written off in previous years. The actual dollar value of the accounts written off was \$58,252.

10   **Ref D: 5415 Community Relations Energy Conservation**

11   This account records the cost of expenses approved as part of the Third Tranche Conservation  
12   and Demand program. An offsetting amount was recorded as income in 2006.

13

1 **Ref E/F/G/H: 5605 Executive Salaries and Expenses, 5610 Management Salaries and**  
 2 **Expenses, 5615 General Admin Salaries and Expenses, 5620 Office Supplies**  
 3 **and Expenses**

4 A change in accounting process was made part way through 2006 to better reflect actual cost  
 5 within each classification. As a result, no charges were made to 5620 in 2006 and future years.  
 6 A sub account for office supplies has been set up within each department to collect these costs.  
 7 In order to compare costs between the 2006 Board Approved amounts and actual 2006 results,  
 8 the total of all four accounts should be compared. Results are as follows:

	2006	2006
	<u>Board</u>	<u>Actual</u>
11 5605 Executive	\$295,529	\$228,724
12 5610 Management	27,885	243,200
13 5615 General Admin	216,388	318,686
14 5620 Office	<u>250,585</u>	<u>0</u>
15 Total Expenses	\$790,387	\$790,610

16 There was no increase in 2006 Actual versus 2006 Board Approved despite two years of  
 17 inflation as the Director of Finance position was vacant for a period of approximately three  
 18 months in 2006. This will have an effect on the comparison of 2006 Actual versus 2007 Actual  
 19 detailed later in this section.

20 **Ref I: 5625 Administrative Expenses Transferred Credit**

21 Prior to the 2006 year there was no method of allocating Administrative and IT cost to  
 22 operations, maintenance, third party billings, and capital accounts. As a result, an overhead is  
 23 now being applied based on actual labour costs incurred which will increase costs in those areas  
 24 and decrease the total overall amounts charged as Administrative Expense.

25

1 **Ref J: 5655 Regulatory Expenses**

2 Detailed expenses charged to this account are as follows:

	2006	2006	
	<u>Board</u>	<u>Actual</u>	<u>Variance</u>
5 OEB Assessment	\$25,257	\$34,134	\$8,877
6 OEB Annual Reg.	800	800	0
7 Write off Transition Costs	0	43,942	43,992
8 EDA Expense	<u>0</u>	<u>7,812</u>	<u>7,812</u>
9 Total Regulatory	\$26,057	\$86,738	\$60,680

10 The write off of Transition Costs is related to market opening and Welland Hydro's election to  
 11 recover 90% of costs in the Regulatory Asset rate rider instead of 100% which would have  
 12 required a detailed audit and a more complex proceeding. This is a one time expense. The EDA  
 13 costs were incorrectly charged to this account and should have been charged to 5630 Outside  
 14 Services as it represented the cost for the actuarial report on retiree benefit liabilities which is  
 15 performed every three years.

16 **Ref K: 5705 Amortization Expense**

17 Actual depreciation expense in 2006 was \$311,245 over the 2006 Board Approved levels. The  
 18 2006 Board Approved amount is based on 2004 Actual. In 2004, actual depreciation expense  
 19 was \$1,451,613 with \$220,694 of this amount being charged directly to operations, maintenance,  
 20 customer service, and administration accounts. This accounting procedure was changed in 2006  
 21 to charge all depreciation to account 5705 and not charge depreciation directly to other accounts.  
 22 The balance of the variance in depreciation expenses of \$90,551 relates to 2005 and 2006 actual  
 23 capital spending.

24

1 **2007 ACTUAL VERSUS 2006 ACTUAL:**

2 **Ref A/B: 5025 Overhead Distribution Lines & Feeders-Supplies and Expenses,**

3 **5085 Miscellaneous Distribution Expenses**

4 Expenses in account 5025 increased by \$106,816 while account 5085 decreased by \$104,826.  
5 An effort was made to try and reduce the amount charged as "Miscellaneous" to get a better  
6 understanding of where linepersons are spending their actual time.

7 **Ref C: 5135 Overhead Distribution Lines & Feeders-Right of Way**

8 As indicated in the analysis for 2006 Board Approved versus 2006 Actual, expenses for tree  
9 trimming vary from year to year based on the areas being cleared. The increase in both 2007  
10 (\$51,997) and 2008 (58,460) offsets the decrease in 2006 Actual (\$92,395) compared to Board  
11 Approved. The actual expenditures for both 2007 and 2008 are consistent with Board Approved  
12 amounts (2004 expenses) when inflation is taken into account.

13 **Ref D: 5150 Maintenance of Underground Conductors and Devices**

14 Total expenses increased by \$64,774 in 2007 compared to 2006 Actual. Material costs increased  
15 by \$17,678 in 2007 as a result of a major repair required. Material costs for 2008 Bridge Year  
16 were reduced by \$5,802 compared to 2007 to reflect an average yearly amount over the two  
17 years.

18 **Ref E: 5335 Bad Debt Expense**

19 As indicated in the analysis of 2006 Board Approved versus 2006 Actual expenses, the 2006  
20 Actual bad debt expenses were affected by the recovery of significant bad debt which had been  
21 expensed in previous years. The actual write off in 2006 of \$58,252 was decreased to \$48,263 in  
22 2007. Both years remain over the Board approved level of \$36,000 and remain a concern for  
23 future years.

24

1 **Ref F/G: 5605 Executive Salaries and Expenses, 5610 Management Salaries and Expenses**

2 As indicated in the analysis of 2006 Board Approved to 2006 Actual a change in accounting  
 3 procedures resulted in reclassification of labor expenses among accounts 5605, 5610, 5615, and  
 4 5620. The change was made part way through and once again the total cost for all of these  
 5 accounts should be used for comparison.

	2006	2007
	<u>Actual</u>	<u>Actual</u>
8 5605 Executive	\$228,724	\$350,871
9 5610 Management	243,200	391,994
10 5615 General Admin	<u>318,686</u>	<u>286,265</u>
11 Total Expenses	\$790,610	\$1,029,130

12  
 13 The total expenses increased by \$238,510 from 2006 to 2007. The following breakdown  
 14 provides details of the increase:

16 Addition of Regulatory Analyst	\$57,458	(Wages and Benefits)
17 Reduction in Capitalized Labor	34,364	(IT Labor and Benefits)
18 Full Year Effect 2006 Vacancy	26,680	(Wages and Benefits)
19 Vacation Payout	34,982	(Wages and Benefits)
20 Expenses	22,141	(Computer Support/Travel & Conference)
21 Finance Summer Student	6,886	
22 Pension Increase	18,329	(12 months OMERS vs. 8 months)
23 Wage and Benefits Increase	<u>37,670</u>	(\$20,016 Wages/\$17,654 Benefits)
24	\$238,510	



1 The addition of the Regulatory analyst is detailed in Exhibit 4, Tab 2, Schedule 6. The decision  
2 to not capitalize IT labor as in previous years is based on the fact that the work performed would  
3 not extend the life of the current software and a possible change in financial software in the next  
4 few years. The full year effect of the 2006 vacancy is related to the Director of Finance position.  
5 As a result of the increased work load personnel were unable to take available vacation and were  
6 given payment in lieu thereof.

7 This cost was not included in the 2008 Bridge Year or 2009 Test Year wages. The pension  
8 increase is the result of no longer deferring actual premiums for OMERS effective May 1, 2006.

9 **Ref H: 5630 Outside Service Employed**

10 The Regulatory Analyst hired in 2007 was working on a contract basis during 2006 and the costs  
11 were charged to account 5630. Since joining Welland Hydro staff in 2007 these costs have been  
12 charged to account 5610 resulting in a decrease in Outside Service costs within account 5630.

13 **Ref I: 5705 Amortization Expense**

14 The increase in depreciation expense is related to the 2007 Capital Expenditures.

15 **2008 BRIDGE YEAR VERSUS 2007 ACTUAL:**

16 **Ref A: 5135 Overhead Distribution Lines & Feeders-Right of Way**

17 As indicated in the analysis for 2006 Board Approved versus 2006 Actual expenses, tree  
18 trimming expenses vary from year to year based on the areas being cleared. The increase in both  
19 2007 (\$51,997) and 2008 (\$58,460) offsets the decrease in 2006 Actual (\$92,395) compared to  
20 Board Approved. The actual expenditures for both 2007 and 2008 are in line with Board  
21 Approved amounts (2004 expenses) when inflation is taken into account.

1 **Ref B: 5415 Energy Conservation**

2 The 2006 and 2007 expenditures (excluding capital) for the Third Tranche Conservation and  
3 Demand Management were charged to account 5415. The expenditures related to the Third  
4 Tranche were spent prior to September 1, 2007. Welland Hydro has not asked for any additional  
5 related CDM spending. Welland Hydro is committed to supporting CDM within its service area  
6 and has budgeted \$15,000 in expenditures in 2008. The result is a reduction in spending of  
7 \$80,904 (\$95,904-\$15,000).

8 **Ref C: 5705 Amortization Expense**

9 The increase in depreciation expense is the result of 2008 Capital Expenditures.

10 **2009 TEST YEAR VERSUS 2008 BRIDGE YEAR:**

11 **Ref A: 5415 Energy Conservation**

12 As indicated in Exhibit 4, Tab 2, Schedule 6 the 2009 Test Year includes the addition of a  
13 Conservation and Demand Analyst at a total cost of \$80,274 for wages and benefits. The  
14 importance of and demands related to CDM require Welland Hydro to add this position. The  
15 implementation of time of use rates and smart meters will only add to the workload of current  
16 staff.

17 **Ref B: 5705 Amortization Expense**

18 The increase in depreciation expense is the result of 2009 Capital Expenditures.

1 **CHARGES TO AFFILIATES FOR SERVICES PROVIDED:**

2 **Introduction:**

3 A summary of charges to affiliates for services provided in 2006 Actual and 2007 Actual,  
4 together with the projections for the 2008 Bridge Year and 2009 Test Year, are shown in  
5 the following Table 3.

6 Welland Energy currently performs streetlight maintenance for the City of Welland. In  
7 addition, Welland Energy is also involved in Sentinel Light rentals to third party  
8 customers. Welland Hydro provides certain services to Welland Energy in respect of these  
9 activities. Actual cost including labour, labour burden, stores material and burden, along  
10 with vehicle costs are charged to Welland Hydro Energy Services. In addition, billings to  
11 the City of Welland include a 10% profit mark up. The mark up is split 7% to Welland  
12 Hydro and 3% to Welland Hydro Energy Services.

13 As a result of recent changes to the Affiliate Relationships Code, Welland Hydro is  
14 reviewing its provision of services to Welland Energy in respect of street light maintenance  
15 and sentinel light maintenance.

16 There are currently no shared services with the Corporation of the City of Welland other than the  
17 rental of a small section of Welland Hydro's service center to the Welland Fire Department.  
18 Revenue from the rental agreement is included Other Operating Revenue-Rent from Electric  
19 Property (4210) and detailed in Exhibit 3, Tab 3, Schedules 1 & 2.

20

1 **Summary of Charges to Affiliates for Services Provided:**

2  
3

**TABLE 3**  
**WELLAND HYDRO'S CHARGES TO AFFILIATES**

<b>ACTIVITY</b>	<b>2006 Actual</b>	<b>2007 Actual</b>	<b>2008 Forecast</b>	<b>2009 Forecast</b>
Street Light Maintenance				
Direct Labor	\$46,669	\$45,013	\$42,409	\$45,237
Labor Burden	25,116	21,156	21,182	22,377
Stores Burden	9,713	7,074	7,320	7,532
Garage Vehicle Charge	22,433	20,684	20,275	21,018
Total Street Light Maintenance	\$103,931	\$93,927	\$91,186	\$96,164
Sentinel Light Maintenance				
Direct Labor	\$5,081	\$4,379	\$5,127	\$5,469
Labor Burden	2,708	2,058	2,561	2,705
Stores Burden	854	738	757	779
Garage Vehicle Charge	2,743	2,024	2,197	2,278
Total Sentinel Light Maintenance	\$11,386	\$9,199	\$10,642	\$11,231
<b>TOTAL</b>	<b>\$115,317</b>	<b>\$103,126</b>	<b>\$101,828</b>	<b>\$107,395</b>

4

1 **Purchase of Products and Services from Non-Affiliates:**

2 Like other distributors, Welland Hydro purchases many services and products from third parties.  
 3 The two tables below illustrate Welland Hydro's expenditures on purchased products and  
 4 services in 2006 (Table 4) and in 2007 (Table 5). The tables disclose expenditures for suppliers  
 5 where total purchases were greater than \$100,000 in either of 2006 or 2007.

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**Table 4**  
**2006 Supplier List >\$100,000**

NAME	ACTIVITY	PRICED BY	2006
Dundas Power	Construction Services	RFQ	\$568,272.11
Great West Life	Benefits	Contract	\$271,400.17
Ground Aerial Maintenance	Construction Services	RFQ	\$253,929.11
HD Supply Utilities	Cable, Line Hardware	RFQ	\$167,250.89
VA Tech Transformers(Siemens)	Transformers	RFQ	\$121,783.20
Westburne Ruddy	Cable, Line Hardware	RFQ	\$88,044.16
Collective Utility	Meter Reading	Contract	\$87,600.94
<u>Tree Trimming Expenses</u>			
Davey's Tree Service		RFQ	\$29,403.00
Lucas Tree Experts		RFQ	58,850.00
Total Tree Trimming			<u>\$88,253.00</u>

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**Table 5**  
**2007 Supplier List >\$100,000**

<b>NAME</b>	<b>ACTIVITY</b>	<b>PRICED BY</b>	<b>2007</b>
Canadian Electrical Services	Transformers	RFQ	\$338,104.62
Great West Life	Benefits	Contract	\$261,322.74
Ground Aerial Maintenance	Construction Services	RFQ	\$257,896.94
Dundas Power	Construction Services	RFQ	\$191,385.12
VA Tech Transformers(Siemens)	Transformers	RFQ	\$185,203.20
Survalent Technology	Scada System	RFQ	\$176,661.58
HD Supply Utilities	Cable, Line Hardware	RFQ	\$159,189.16
Westburne Ruddy	Cable, Line Hardware	RFQ	\$122,720.14
Collective Utility	Meter Reading	Contract	\$102,939.77
<u>Tree Trimming Expenses</u>			
Davey's Tree Service		RFQ	\$42,106.00
Lucas Tree Experts		RFQ	87,329.92
Total Tree Trimming Expenses			<u>\$129,435.92</u>

5

1 **EMPLOYEE COMPENSATION, INCENTIVE PLAN EXPENSES, PENSION EXPENSE**  
 2 **AND POST RETIREMENT BENEFITS:**

3 **Overview:**

4 Welland Hydro is facing the same challenges as other LDCs throughout the electricity  
 5 distribution sector. In the next five years, 23.1% of Welland Hydro's employees will be eligible  
 6 for retirement, and an additional 15.4% will be eligible within 10 years. Welland Hydro's total  
 7 employee average age is 46.8 years, with a skilled trade average age at 44.1 years, consistent  
 8 with the national electricity distribution sector at 43.0 years.

9 The challenge Welland Hydro faces is effectively bridging the gap in maintaining sufficient  
 10 talent to meet the current needs of the utility while planning for the 'new' future. Table 6 below  
 11 illustrates Welland Hydro's current employee demographics by employee type.

12 **Table 6**  
 13 **Welland Hydro Employee Demographics**

**Unionized Workforce**

<b>Department</b>	<b>Avg. Age</b>	<b>Avg. Length of Service</b>
Customer Service	53.0	26.6
Lineman	45.1	16.2
Apprentice Linemen	26.5	1.0
Engineering	42.0	16.8
Fleet Mechanics	51.5	5.5
Finance	55.0	19.0
IT	30.0	6.0
Meter	40.0	11.0
Stores	46.0	18.0
<b>Totals</b>	<b>44.5</b>	<b>14.9</b>

1

**Salaried (Non-Union) Workforce**

<b>Dept.</b>	<b>Avg. Age</b>	<b>Avg. Length of Service</b>
Executive	57.0	35.0
Directors	50.3	18.0
Supervisors	48.8	11.3
General & Admin	59.5	14.0
<b>Total</b>	<b>51.5</b>	<b>15.6</b>

2

**Skilled Trades/Engineering  
(Union and Management)**

<b>Dept.</b>	<b>Avg. Age of Service</b>	<b>Avg. Length of Service</b>
Engineering PEng/Technicians	45.0	19.7
Linemen	45.1	16.2
<b>Sub Totals</b>	<b>45.1</b>	<b>17.9</b>
Meter Technicians	40.0	11.0
<b>Totals</b>	<b>44.1</b>	<b>16.6</b>

3

4 Effective workforce planning will be a significant initiative going forward. Welland Hydro  
 5 recognized the need to develop a strategy to replace linepersons as a result of two retirements in  
 6 2008 and an aging workforce. As a result of the required four year training program, these  
 7 apprentice positions must be introduced on a timely basis. Welland Hydro hired two apprentice  
 8 linepersons in early 2007. As pointed out in the above tables, the average age of the two new  
 9 line apprentices is 26 years of age. An additional apprentice lineperson has been included in  
 10 each of the 2008 Bridge Year and 2009 Test Year.

11 **Change In Workforce Year Over Year:**

12 Table 7 in Exhibit 4, Tab 2, Schedule 6 shows Welland Hydro's FTE headcount for 2006 Actual  
 13 (36), 2007 Actual (37), 2008 Bridge Year (40), and 2009 Test Year (42).

14



1    **2007 Actual versus 2006 Actual**

2    The FTE employees increased from 36 to 37 in 2007. The increase of two apprentice  
3    linepersons in 2007 was offset by significant long term absences from existing linemen due to  
4    illness and rehabilitation after surgeries. This was an additional factor in Welland Hydro's  
5    decision to implement two apprentice lineperson positions despite the fact that the expenses were  
6    not covered in current rates. The actual increase in employees was the result of hiring a  
7    Regulatory Analyst to work in the accounting department. This person was on contract during  
8    2006 and expenses were included in account 5630 Outside Services Employed. Before the  
9    introduction of this position, the accounting department consisted of the Director, an Accounts  
10   Payable clerk, and a Payroll/Accounting Assistant. Welland Hydro determined that the skill  
11   level in the accounting department needed to be upgraded to deal with accounting developments  
12   (IFRS), regulatory issues as well as the increased work load.

13   **2008 Bridge Year versus 2007 Actual**

14   The FTE employees increased from 37 to 40 in 2008. Two of the three increases are related to  
15   linepersons as follows:

16   2007 Apprentices (no extended absences budgeted)	2
17   2008 New Lineman-Certified	1
18   2008 New Apprentice Lineman	1
19   2008 Retirees-Certified Linemen	<u>(2)</u>
20   Net Increase Linemen	2

21   As indicated previously, Welland Hydro must continue to move forward with the training of new  
22   linemen in order to have a skilled workforce in place prior to retirement of certified linemen in  
23   the next five years. The third addition to headcount in 2008 is the addition of a GIS Design  
24   Technician/Inspector in the Engineering Department. This position was added to move forward  
25   with the plan to map the current distribution system using GIS technologies.

1     **2009 Test Year versus 2008 Bridge Year**

2     The FTE employees will increase from 40 to 42 in 2009. A fourth apprentice lineperson will be  
3     added as part of the plan to replace Welland Hydro's existing skilled force. This plan will be  
4     reviewed in 2011 to determine if any additional changes are required. In addition, a  
5     Conservation and Demand analyst will be added in 2009. CDM will play a key part in meeting  
6     Ontario's electricity requirements in the future along with the implementation of smart meters.  
7     Currently, Welland Hydro is working with the Niagara Erie Power Alliance ("NEPA") group of  
8     distributors to implement conservation programs offered through the OPA. The Director of  
9     Customer Service is currently responsible for coordinating Conservation and Demand activities  
10    at Welland Hydro with assistance from the accounting and IT departments. The importance of  
11    Conservation and Demand and the increased work load involved require the dedication of a full  
12    time position.

13    **Net Increase in FTE Employees**

14    The following outlines the increase in employees since the 2006 Board Approved EDR:

15    FTE 2006 Actual/Board Approved	36
16    Net Increase in Apprentice/Linemen (Union)	3
17    GIS Technician Engineering (Union) 2008	1
18    Regulatory/Accounting Analyst (Salary) 2007	1
19    Conservation & Demand Analyst (Salary) 2009	<u>1</u>
20    FTE 2009 Test Year	42

21

1 **Welland Hydro's Compensation/Performance System**

2 **Union**

3 Welland Hydro's unionized staff is represented by the IBEW Local 636. A formal set of  
4 contract negotiations was recently conducted and resulted in a new three year collective  
5 agreement effective April 1, 2008. The settlement included annual wage increases of 3% per  
6 year beginning in 2008 and improvements to the benefits package. Welland Hydro's pay rates  
7 are competitive with other LDCs in the Niagara Region.

8 **Executive/Management**

9 In April 2006, Welland Hydro implemented a new Management Performance & Compensation  
10 Plan for all salaried employees. The plan was developed by the Compensation Committee was  
11 the assistance of an outside consulting firm, DONCO Resources. Finalized job descriptions were  
12 evaluated using the MEA/Hay Evaluation Plan and placed in pay bands ensuring internal equity.  
13 Pay market data was collected from Ontario's LDCs and National/Regional Salary Surveys. A  
14 draft pay grid was developed from the available information and approved by the Compensation  
15 Committee.

16 Individual job performance is aligned with the Welland Hydro's vision, mission, and goals. A  
17 Management Performance Plan with quarterly and annual targets is developed as part of the  
18 annual business plan. Actual performance compared to target is reviewed by senior management  
19 and the Board of Directors on a quarterly basis and used by the Compensation Committee as a  
20 basis for management compensation.

21 **Benefits**

22 A comprehensive and competitive benefits package exists which includes medical insurance, life  
23 insurance, vacation and a company-sponsored retirement plan. The plans are designed to address  
24 the health and welfare needs of the employee population with similar plans for both union and  
25 management employees.

1 **Employee Compensation and Benefits:**

2 Welland Hydro's employee complement, compensation and benefits are set out in Table 7,  
 3 below.

4 Table 7

5 Welland Hydro – Employee Complement and Compensation

<b>Number of Employees (FTEs)</b>	2006	2007	2008	2009
Executive	1	1	1	1
Management	11	12	12	13
Non-Union	0	0	0	0
Union	24	24	27	28
Total	36	37	40	42
<b>Number of Part Time Employees</b>	2006	2007	2008	2009
Executive	0	0	0	0
Management	0	0	0	0
Non-Union	1	1	1	1
Union	0	0	0	0
Total	1	1	1	1
<b>Total Compensation</b>	2006	2007	2008	2009
Executive/Management-Base	951,334	1,090,544	1,140,550	1,237,378
Executive/Management-Overtime	6,113	10,747	0	0
Executive/Management-Benefits	194,985	246,065	251,634	273,498
Non Union-Base	18,485	31,526	35,902	36,802
Non Union-Overtime	0	0	0	0
Non Union-Benefits	1,583	2,936	3,408	3,574
Union-Base	1,320,841	1,372,664	1,545,656	1,688,863
Union-Overtime	70,033	70,681	77,585	94,529
Union-Benefits	334,586	370,270	430,471	454,084
Total	2,897,960	3,195,433	3,485,206	3,788,728
<b>Compensation - Average Yearly Base Wages</b>	2006	2007	2008	2009
Executive/Management-Base	79,278	83,888	87,735	88,384
Non-Union	18,485	31,526	35,902	36,802
Union	55,035	57,194	57,247	60,317
Total	61,910	65,651	66,393	68,908

Table 7

Welland Hydro – Employee Complement and Compensation

<b>Compensation - Average Yearly Overtime</b>	2006	2007	2008	2009
Executive/Management-Base	509	827	0	0
Non-Union	0	0	0	0
Union	2,918	2,945	2,874	3,376
Total	2,058	2,143	1,892	2,198
<b>Compensation - Average Yearly Incentive</b>	2006	2007	2008	2009
Executive/Management-Base				
Non-Union				
Union				
<b>Compensation - Average Yearly Benefits</b>	2006	2007	2008	2009
Executive/Management-Base	16,249	18,928	19,356	19,536
Non-Union	1,583	2,936	3,408	3,574
Union	13,941	15,428	15,943	16,217
Total	14,356	16,297	16,720	17,004
<b>Total Compensation</b>	2006	2007	2008	2009
Salary, Wages & Benefits Charged to OM&A	2,366,991	2,783,103	3,035,991	3,313,407
Salary, Wages & Benefits Charged to Third Party	154,261	131,429	120,363	126,007
Salary, Wages & Benefits Charged to Associates	78,920	72,040	70,722	75,193
Salary, Wages & Benefits Charged to Capital	297,788	208,861	258,130	274,121
Total	2,897,960	3,195,433	3,485,206	3,788,728

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4

1 **OMERS Pension Expense and Post Retiree Benefits:**

2 **OMERS Pension Expense:**

3 Welland Hydro's employees are members of the Ontario Municipal Employees Retirement  
 4 System ("OMERS"). Accordingly, Welland Hydro has provided the OMERS pension premium  
 5 information for 2006 Actual, 2007 Actual, 2008 Bridge Year, and the 2009 Test Year in Table 8  
 6 below. OMERS pension premiums from January 1, 2006 to April 30, 2006 were deferred to  
 7 account 1508 for recovery at a later date have been recorded as an adjustment.

8  
 9 **Table 8**  
 10 **Pension Premium Information**

11

<u>Pension</u>	<u>2006 Actual</u>	<u>2007 Actual</u>	<u>2008 Bridge Yr</u>	<u>2009 Test Yr</u>
Premiums Paid	\$172,261	\$186,017	\$201,084	\$219,763
Adjustments	<u>-55,539</u>	<u>0</u>	<u>0</u>	<u>0</u>
Pension Expense	<u>\$116,722</u>	<u>\$186,017</u>	<u>\$201,084</u>	<u>\$219,763</u>

12  
 13

14 **Post-Retirement Benefits - Liability:**

15 Welland Hydro has provided post-retirement benefits accounting information as required and has  
 16 included the change in Post-Retirement expense for 2006 Actual, 2007 Actual, 2008 Bridge  
 17 Year, and 2009 Test Year, in Table 9 below.

18

1 **Post-Retirement Benefits - Premiums:**

2 Welland Hydro pays certain health, dental, and life insurance benefits on behalf of its retired  
 3 employees. Actual premiums paid for 2006 Actual, 2007 Actual, 2008 Bridge Year, and 2009  
 4 Test Year, are shown in Table 9 below.

5  
 6  
 7

**Table 9**  
**Post-Retirement Benefit Information**

<b><u>Post Retirement Benefits</u></b>	<b><u>2006 Actual</u></b>	<b><u>2007 Actual</u></b>	<b><u>2008 Bridge Yr</u></b>	<b><u>2009 Test Yr</u></b>
Premiums Paid	\$69,927	\$66,547	\$64,924	\$71,160
Change in Liability Account	<u>45,264</u>	<u>46,140</u>	<u>46,140</u>	<u>46,140</u>
Post Retirement Benefit Expense	<u>\$115,191</u>	<u>\$112,687</u>	<u>\$111,064</u>	<u>\$117,300</u>

8

1 **DEPRECIATION, AMORTIZATION AND DEPLETION:**

2 Amortization on capital assets is calculated as follows:

- 3 • Welland Hydro uses the pooling of assets for all fixed assets with the exception of Computer  
4 Equipment/Software, Automotive Equipment, Furniture & Equipment, Communication  
5 Equipment, and Capital Tools. Amortization is calculated on a straight line basis over the  
6 estimated remaining useful life of the assets at the end of the previous year; plus:
- 7 • Normally a full year's amortization is taken on capital additions during the current year. For  
8 this rate application Welland Hydro used the half year rule for calculating depreciation  
9 expense for the 2009 Test Year.
- 10 • Depreciation rates are in line with rates set out in the APH. A summary of those rates is as  
11 follows:

12	Buildings	2.0%
13	Substations	3.3%
14	Poles, Towers, Fixtures	4.0%
15	Overhead Conductors	4.0%
16	Underground Conduit	4.0%
17	Metering	4.0%
18	Furniture & Equipment	10.0%
19	Computer Hardware/Software	20.0%
20	Automotive Equipment	12.5%
21	Contributed Capital	4.0%

22

23 Details of Welland Hydro's depreciation by account number are provided in the Fixed Asset  
24 Continuity Schedule in Exhibit 2, Tab 2, Schedule 1.



1 **DETERMINATION OF LOSS ADJUSTMENT FACTORS:**

2 **Total Loss Factor:**

3 Welland Hydro has calculated the total loss factor to be applied to customers' consumption based  
 4 on the average wholesale and retail kWh for the years 2005 to 2007. The calculations are  
 5 summarized in Table 10 below.

6 **Table 10**  
 7 **Total Loss Factor Calculations**

Calculation for distribution loss adjustment factors

	Description	2005	2006	2007	Total
A	"Wholesale" kWh IESO plus Load Transfers	521,053,330	488,648,547	494,226,850	1,503,928,727
B	"Wholesale" kWh for Large Use customer(s)	126,436,506	107,352,708	86,680,919	320,470,133
C	Net "Wholesale" kWh (A)-(B)	394,616,824	381,295,839	407,545,931	1,183,458,594
D	"Retail" kWh (Distributor)	500,161,172	474,256,215	471,579,463	1,445,996,850
E	"Retail" kWh for Large Use Customer(s)	125,172,141	106,279,181	85,814,110	317,265,432
F	Net "Retail" kWh (D)-(E)	374,989,031	367,977,034	385,765,353	1,128,731,418
G	Loss Factor [(C)/(F)]	105.23%	103.62%	105.65%	104.85%
H	Distribution Loss Adjustment Factor (3 year avg.)				<b>104.85%</b>
	Supply Facility Loss Factor	100.45%	100.45%	100.45%	100.45%
	Supply Facility Loss Adjustment Factor (3 year avg.)				<b>100.45%</b>
	Total Loss Factor				<b>1.0532</b>

8  
 9  
 10 **Supply Facility Loss Factor:**

11 The supply facility loss factor (the "SFLF") calculation is shown in Table 11 and represents the  
 12 losses on supply to Welland Hydro. The SFLF is calculated on the measured quantities between  
 13 the transformer stations and the wholesale meter points. The SFLF is used in the calculations of  
 14 the total loss factor above.

15

**Table 11**  
**Supply Facility Loss Factor**

Description	Full Year	Full Year	Full Year	Total
	2005	2006	2007	
"Wholesale" kWh IMO With Losses	521,053,330	488,648,547	494,226,850	1,503,928,727
"Wholesale" kWh IMO No Losses	518,719,094	486,459,479	492,012,792	1,497,191,366
Supply Facility Loss Factor	0.00450	0.00450	0.00450	0.00450

**Total Loss Factor by Class:**

Table 12 sets out the class-specific Loss Factors used by Welland Hydro in the calculation of commodity and other non-distribution charges.

**Table 12**  
**Total Loss Factor by Class**

Total Utility Loss Adjustment Factor		LAF
<b>Supply Facility Loss Factor</b>		1.0045
<b>Distribution Loss Factor</b>		
Distribution Loss Factor - Secondary Metered Customer < 5,000kW		1.0485
Distribution Loss Factor - Primary Metered Customer < 5,000kW		1.0380
<b>Total Loss Factor</b>		
Total Loss Factor - Secondary Metered Customer < 5,000kW		1.0532
Total Loss Factor - Secondary Metered Customer > 5,000kW		1.0145
Total Loss Factor - Primary Metered Customer < 5,000kW		1.0427
Total Loss Factor - Primary Metered Customer > 5,000kW		1.0045

1 **Materiality Analysis on Distribution Losses:**

2 Welland Hydro's Distribution Loss Adjustment factor is 4.85%. Pursuant to the Filing  
3 Requirements, as the Distribution Loss Adjustment factor is less than 5%, Welland Hydro is not  
4 required to provide a explanation of, or justification for, its loss adjustment factor. However,  
5 Welland Hydro would like to point out that this is a significant reduction from the Distribution  
6 Loss Adjustment factor of 5.52% incorporated into its current rates.

1 **TAX CALCULATIONS:**

2 Welland Hydro's detailed tax calculations using the most recent tax rates are provided in the  
 3 following Table 13.

4 **Table 13**  
 5 **Tax Calculations**  
 6

Description	2006 Board Approved	2008 Bridge	2009 Test
<b>Determination of Taxable Income</b>			
Utility Income Before Taxes	1,473,721	423,857	1,573,127
Book to Tax Adjustments			
<b>Additions to Accounting Income:</b>			
Depreciation and amortization	1,503,391	1,718,187	1,721,827
Income or Loss for tax Purposes-joint ventures or partnerships	3,653	0	0
Loss on disposal of assets	26,000	0	0
Charitable donations	2,000	12,000	12,000
Ontario Tax credits	321	0	0
Employee Benefit Plans - accrued, not paid	0	0	0
Meals & entertainment / Mileage	3,000	2,500	2,600
Non-deductible club fees and dues	0	0	0
Taxable Capital Gains	0	0	0
Tax reserves beginning of year	672,871	170,989	173,154
Reserves from financial statements -balance at year end	110,680	1,586,167	1,632,307
Regulatory asset write-downs and recoveries	0	0	0
Excess Interest Expense	0	599	0
Debt financing expenses for book purposes	0	0	0
<b>Total Additions</b>	<b>2,321,916</b>	<b>3,490,442</b>	<b>3,541,888</b>
<b>Deductions from Accounting Income:</b>			
Capital Cost Allowance	1,081,850	1,431,404	1,590,579
Gain on disposal of assets per financial statements	0	0	0
Cumulative eligible capital deduction	155,563	123,623	114,970
Tax reserves end of year	617,871	173,154	173,154
Reserves from financial statements balance at beginning of year	564,474	1,540,027	1,586,167
Amortization of Capitalized Fleet Depreciation	0	0	0
Deductible expenses capitalized for accounting purposes	72,682	0	0
ITC Booked in Accounting Income	0	0	0

<b>Total Deductions</b>	<b>2,492,440</b>	<b>3,268,208</b>	<b>3,464,869</b>
<b>Deductions from Accounting Income:</b>			
Charitable donations from Schedule 2		<b>(12,000)</b>	<b>(12,000)</b>
Ontario Capital Tax Paid		<b>(25,792)</b>	<b>(27,730)</b>
<b>Regulatory Taxable Income</b>	<b>1,303,197</b>	<b>608,299</b>	<b>1,610,416</b>
Corporate Income Tax Rate	30.2335%	33.5000%	33.0000%
<b>Regulatory Income Tax</b>	<b>394,002</b>	<b>203,780</b>	<b>531,437</b>
<b>Calculation of Utility Income Taxes</b>			
Income Taxes	394,002	203,780	531,437
Large Corporation Tax	0	0	0
Ontario Capital Tax	57,116	25,792	27,730
<b>Total Taxes</b>	<b>451,118</b>	<b>229,572</b>	<b>559,167</b>
<b>Tax Rates</b>			
Federal Tax	22.120%	19.500%	19.000%
Federal Surtax	0.000%	0.000%	0.000%
Provincial Tax	8.114%	14.000%	14.000%
<b>Total Tax Rate</b>	<b>30.234%</b>	<b>33.500%</b>	<b>33.000%</b>
<b>Calculation of Large Corporation Tax</b>			
Total Rate Base	30,129,999	26,462,961	27,324,488
<b>Less:</b> Exemption	<b>50,000,000</b>	<b>50,000,000</b>	<b>50,000,000</b>
<b>Taxable Capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
LCT Rate	0.125%	0.000%	0.000%
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>
Federal Surtax	0	0	0
<b>Large Corporation Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Calculation of Ontario Capital Tax</b>			
Total Rate Base	29,038,562	26,462,961	27,324,488
Less Exemption	10,000,000	15,000,000	15,000,000
<b>Taxable Capital /Deemed taxable capital</b>	<b>19,038,562</b>	<b>11,462,961</b>	<b>12,324,488</b>
OCT Rate	0.300%	0.225%	0.225%

<b>Ontario Capital Tax</b>	<b>57,116</b>	<b>25,792</b>	<b>27,730</b>
<b>Summary of Income Taxes</b>			
<b>Description</b>	<b>2006 Board Approved</b>	<b>2008 Bridge</b>	<b>2009 Test</b>
Income Taxes	394,002	203,780	531,437
Large Corporation Tax	0	0	0
Ontario Capital Tax	57,116	25,792	27,730
<b>Total Taxes</b>	<b>451,118</b>	<b>229,572</b>	<b>559,167</b>

1 **INTEREST EXPENSE:**

2 Welland Hydro has calculated interest expense in accordance with the Filing Requirements.  
 3 Table 14 below summarizes the interest calculations based on Welland Hydro's deemed  
 4 debt/equity ratios and deemed interest rates.

5 **Table 14**  
 6 **Deemed Interest Expense**

	2006 Board Approved (\$)	2006 Full Yr Actual (\$)	2007 Full Yr Actual (\$)	2008 Bridge Year (\$)	2009 Test Year (\$)
Long Term Debt Deemed Percentage	50.0%	50.0%	50.0%	53.3%	52.7%
Short Term Debt Deemed Percentage	0.0%	0.0%	0.0%	0.0%	4.0%
Equity Deemed Percentage	50.0%	50.0%	50.0%	46.7%	43.3%
Long Term Debt Deemed	11,979,675	12,557,269	12,840,366	14,104,758	14,400,005
Short Term Debt Deemed	0	0	0	0	1,092,980
Equity Deemed	11,979,675	12,557,269	12,840,366	12,358,203	11,831,503
Utility Rate Bases	23,959,349	25,114,538	25,680,732	26,462,961	27,324,488
Long Term Debt Return %	6.25%	6.25%	6.25%	6.25%	6.25%
Short Term Debt Return %	0.00%	0.00%	0.00%	0.00%	4.47%
Long Term Debt Regulated Return	748,730	784,829	802,523	881,547	900,000
Short Term Debt Regulated Return	0	0	0	0	48,856
Deemed Interest Expense	748,730	784,829	802,523	881,547	948,857

1 **CAPITAL COST ALLOWANCE:**

- 2 Welland Hydro is providing Capital Cost Allowance continuity schedules for the 2008 Bridge  
3 Year (Table 14) and the 2009 Test Year (Table 15) as follows:



1 **2008 Bridge Year Capital Cost Allowance: Table 14**  
 2

Class	Class Description	UCC Prior Year Ending Balance	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	UCC Bridge Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	19,465,370	0	0	19,465,370	0	0	19,465,370	0	19,465,370	4%	778,615	18,686,755
2	Distribution System - pre 1988	0	0	0	0	0	0	0	0	0	6%	0	0
6	Buildings (No footings below ground)	0	0	0	0	0	0	0	0	0	10%	0	0
8	General Office/Stores Equip	367,332	0	0	367,332	354,370	0	721,702	177,185	544,517	20%	108,903	612,799
10	Computer Hardware/ Vehicles	176,574	0	0	176,574	210,000	0	386,574	105,000	281,574	30%	84,472	302,102
10.1	Certain Automobiles	0	0	0	0	0	0	0	0	0	30%	0	0
12	Computer Software	20,721	0	0	20,721	49,000	0	69,721	24,500	45,221	100%	45,221	24,500
13.1	Lease # 1	0	0	0	0	-	0	0	0	0	20%	0	0
13.2	Lease #2	0	0	0	0	0	0	0	0	0		0	0
13.3	Lease # 3	0	0	0	0	0	0	0	0	0		0	0
13.4	Lease # 4	0	0	0	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Hardware acq'd post Mar 22/04	21,942	0	0	21,942	0	0	21,942	0	21,942	45%	9,874	12,068
55	Computers & Systems Hardware acq'd post Mar 19/07	6,926	0	0	6,926	40,600	0	47,526	20,300	27,226	55%	14,974	32,552
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	4,081,802	0	0	4,081,802	1,570,000	0	5,651,802	785,000	4,866,802	8%	389,344	5,262,458
	<b>SUB-TOTAL - UCC</b>	<b>24,140,667</b>	<b>0</b>	<b>0</b>	<b>24,140,667</b>	<b>2,223,970</b>	<b>0</b>	<b>26,364,637</b>	<b>1,111,985</b>	<b>25,252,652</b>		<b>1,431,404</b>	<b>24,933,233</b>
CEC	Goodwill	0	0	0	0								
CEC	Land Rights	0	0	0	0								
CEC	FMV Bump-up	1,766,045	0	0	1,766,045								
	<b>SUB-TOTAL - CEC</b>	<b>1,766,045</b>	<b>0</b>	<b>0</b>	<b>1,766,045</b>								

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4  
5

1 **2008 Bridge Year Capital Cost Allowance: Table 14**  
 2

<b>Cumulative Eligible Capital Calculation</b>			
<b>Cumulative Eligible Capital</b>			1,766,045
<b>Additions:</b>			
Cost of Eligible Capital Property Acquired during the year	0		
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday December 31, 2002	0 x 1/2 =	0	
		0	1,766,045
Amount transferred on amalgamation or wind-up of subsidiary	0		0
	<b>Subtotal</b>		1,766,045
<b>Deductions:</b>			
Projected proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during the year			
Other Adjustments	0		
	<b>Subtotal</b>	0 x 3/4 =	0
		0	1,766,045
<b>Cumulative Eligible Capital Balance</b>			1,766,045
<b>CEC Deduction</b>	7%		123,623
<b>Cumulative Eligible Capital - Closing Balance</b>			1,642,422

3  
4



1 **2009 Test Year Capital Cost Allowance: Table 15**

2

<b>Cumulative Eligible Capital Calculation</b>		
<b>Cumulative Eligible Capital</b>		1,642,422
<b><u>Additions:</u></b>		
Cost of Eligible Capital Property Acquired during the year	0	
Other Adjustments	0	
Subtotal	0 x 3/4 =	0
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday December 31, 2002	0 x 1/2 =	0
		0 1,642,422
Amount transferred on amalgamation or wind-up of subsidiary	0	0
	<b>Subtotal</b>	<b>1,642,422</b>
<b><u>Deductions:</u></b>		
Projected proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during the year		
Other Adjustments	0	
	<b>Subtotal</b>	0 1,642,422
<b>Cumulative Eligible Capital Balance</b>		<b>1,642,422</b>
<b>CEC Deduction</b>	<b>7%</b>	<b>114,970</b>
<b>Cumulative Eligible Capital - Closing Balance</b>		<b>1,527,452</b>

3

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>5 – Deferral and Variance Accounts</b>	1	1		Description of Deferral and Variance Accounts & Balances
			2	Accounts Requested for Disposition by way of a Deferral and Variance Account Rate Rider
			3	Methods of Disposition of Accounts
			4	Proposed Rates and Bill Impacts

1 **DESCRIPTION OF DEFERRAL AND VARIANCE ACCOUNTS & BALANCES:**

2 This Schedule contains descriptions of Deferral and Variance Accounts (“DVAs”) currently used  
3 by Welland Hydro and their balances as at December 31, 2007.

4 **RSVA/RCVA ACCOUNTS**

5 **1588 Retail Settlement Variance Account – Power**

6 Description: This account is used to recover the net difference between the energy  
7 amount billed to customers and the energy charge to Welland Hydro using the settlement  
8 invoice from the Independent Electricity System Operator (“IESO”).

9 **1588 Retail Settlement Variance Account - Power, Sub-account Global Adjustments**

10 Description: This account is used to recover the net difference between the provincial  
11 benefit amount billed to customers and the global adjustment charge to Welland Hydro  
12 using the settlement invoice from the IESO.

13 **1580 Retail Settlement Variance Account - Wholesale Market Service Charges**

14 Description: This account is used to record the net of the amount charged by the IESO  
15 based on the settlement invoice for the operation of the IESO-administered markets and  
16 the operation of the IESO-controlled grid, and the amount billed to customers using the  
17 OEB-approved Wholesale Market Service Rate.

18 **1582 Retail Settlement Variance Account - One-time Wholesale Market Service**

19 Description: This account is used to record the net of non-recurring amounts not included  
20 in the Wholesale Market Service Rate charged by the IESO based on the settlement  
21 invoice and the amount charged to customers for the same services using the OEB-  
22 approved rate.

1 **1584 Retail Settlement Variance Account - Retail Transmission Network Charges**

2 Description: This account is used to record the net of the amount charged by the IESO,  
3 based on the settlement invoice for transmission network services, and the amount billed  
4 to customers using the OEB-approved Transmission Network Charge.

5 **1586 Retail Settlement Variance Account - Retail Transmission Connection Charges**

6 Description: This account is used to record the net of the amount charged by the IESO,  
7 based on the settlement invoice for transmission connection services, and the amount  
8 billed to customers using the OEB-approved Transmission Connection Charge.

9

10 **NON RSVA/RCVA ACCOUNTS**

11

12 **1508 Other Regulatory Assets**

13 Description: This account includes amounts of regulatory-created assets, not included in  
14 other accounts, resulting from the ratemaking actions of the OEB.

15 **1508 Other Regulatory Assets - Sub-account OEB Cost Assessments**

16 Description: This account includes amounts paid for OEB Cost Assessment for the period  
17 January 1, 2004 to April 30, 2006 in excess of amounts previously included in rates  
18 (1999 OEB costs).

19 **1508 Other Regulatory Assets - Sub-account Pension Contributions**

20 Description: This account includes amounts paid for OMERS pension expense for the  
21 period January 1, 2004 to April 30, 2006 not included in rates.

22 **1525 Miscellaneous Deferred Debits**

23 Description: This account includes all debits not elsewhere provided for which will  
24 benefit future periods are carried forward and charged to expense over the term of the  
25 benefit. Specifically, Customer Information System expenses with respect to Ontario  
26 Price Credit ("OPC") rebate cheques are tracked in this account.

1 **1555 Smart Meter Capital and Recovery Offset Variance**

2 Description: This account records the net of the amounts paid for capitalized direct costs  
3 related to the smart meter program and the amounts charged to customers using the OEB-  
4 approved smart meter rate rider.

5 **1556 Smart Meter OM&A Variance**

6 Description: This account records the incremental operating, maintenance, amortization  
7 and administrative expenses directly related to smart meters.

8 **1562 Deferred Payments in Lieu of Taxes**

9 Description: This account records the amount resulting from the OEB-approved PILs  
10 methodology for determining the 2001 deferral account allowance and the PILs proxy  
11 amount determined for 2002 and subsequent periods ending April 30, 2006.

12 **1574 Deferred Rate Impact Amounts**

13 Description: As authorized by the OEB in its decision in EB-2007-0663 (PILs), this  
14 account shall be used to record the difference between the revised Distribution Rates and  
15 actual Distribution Rates charged to customers for the period October 1, 2007 to January  
16 31, 2008. As this amount was not known for year end there was no balance in this  
17 account as at December 31, 2007. An entry was made in June 2008 to record \$124,132 in  
18 deferred revenue.

19 **1590 Recovery of Regulatory Asset Balances**

20 Description: This account records the net of amounts collected from customers from the  
21 2006 EDR Regulatory Asset filing. This Regulatory Asset rate rider is being removed  
22 from Distribution Rates effective May 1, 2008. Separate sub-accounts are maintained for  
23 expenses, interest, and recovery amounts. Welland Hydro is currently forecasting that  
24 this account will have a minimal balance once invoicing is completed for power  
25 consumed up to April 30, 2008.



1    **1589   Regulatory Asset Allowance**

2           This account was set up by Welland Hydro to reserve for the balance in Utility Deferral  
3           Accounts until decisions were made concerning similar accounts at other Distributors  
4           who filed 2008 rate applications. This reserve was reversed in 2008.

5

1 **ACCOUNT BALANCES**

2 The following Table 1 contains account balances from the 2007 Audited Financial Statements as  
 3 at December 31, 2007.

**Welland Hydro Electric System Corp.**  
**December 31, 2007 Regulatory Assets**  
**Table 1**

Account Description	Account Number	Principal Amounts as of Dec-31 2007	Interest to Dec31-07	Total Principal & Interest
<b>RSVA/RCVA</b>				
RSVA - Power	1588-0	\$ (903,150)	\$ (19,272)	\$ (922,423)
RSVA - Power Global Adjustment	1588-1	\$ (18,626)	\$ (40,460)	\$ (59,086)
RSVA - Wholesale Market Service Charge	1580	\$ (868,191)	\$ (16,333)	\$ (884,524)
RSVA - One-time Wholesale Market Service	1582	\$ 37,163	\$ 3,735	\$ 40,898
RSVA - Retail Transmission Network Charge	1584	\$ 392,602	\$ 31,599	\$ 424,201
RSVA - Retail Transmission Connection Charge	1586	\$ 174,980	\$ 10,549	\$ 185,529
<b>Total RSVA Variance Accounts &amp; Interest</b>		<b>\$ (1,185,223)</b>	<b>\$ (30,182)</b>	<b>\$ (1,215,405)</b>
<b>NON RSVA/RCVA</b>				
Other Regulatory Assets - OEB Cost Assessments	1508-1	\$ 27,095	\$ 6,943	\$ 34,038
Other Regulatory Assets - Pensions	1508-2	\$ 206,737	\$ 18,279	\$ 225,016
Miscellaneous Deferred Debits	1525	\$ 11,871	\$ 707	\$ 12,578
Smart Meters Revenue and Capital	1555	\$ (109,992)	\$ (3,565)	\$ (113,557)
Smart Meter Expenses	1556	\$ 14,070	\$ -	\$ 14,070
Deferred Payments in Lieu of Taxes	1562	\$ (2,757)	\$ 4,965	\$ 2,208
Deferred Rate Impact Amounts	1574	\$ -	\$ -	\$ -
Recovery of Regulatory Asset Balances	1590	\$ 360,323	\$ 45,326	\$ 405,649
Regulatory Asset Allowance	1589	\$ (271,632)	\$ -	\$ (271,632)
<b>Total RSVA Variance Accounts &amp; Interest</b>		<b>\$ 235,714</b>	<b>\$ 72,656</b>	<b>\$ 308,370</b>
<b>Total Regulatory Assets</b>		<b>\$ (949,509)</b>	<b>\$ 42,474</b>	<b>\$ (907,035)</b>

1 **ACCOUNTS REQUESTED FOR DISPOSITION BY WAY OF A DEFERRAL AND**  
2 **VARIANCE ACCOUNT RATE RIDER:**

3 The OEB has indicated in the decision for Norfolk Power (EB-2007-0753) and other distributors  
4 that the OEB is of the view that it is appropriate to defer the disposition of RSVA and RCVA  
5 accounts until the completion of the announced generic review of these accounts.

6 As a result, Welland Hydro is requesting only the disposition of the following non-  
7 RSVA/RCVA Accounts:

8 **1508 Other Regulatory Assets - Sub-account OEB Cost Assessments**

9 Disposal of balances as at April 30, 2009 over a three-year period is requested.

10 Method of recovery: Allocation to rate classes on basis of distribution revenue.

11 **1508 Other Regulatory Assets - Sub-account Pension Costs**

12 Disposal of balances as at April 30, 2009 over a three-year period is requested.

13 Method of recovery: Allocation to rate classes on basis of distribution revenue.

14 **1525 Miscellaneous Deferred Debits**

15 Disposal of balances as at April 30, 2009 over a three-year period is requested.

16 Method of Recovery: Allocation to rate classes on basis of distribution revenue.

17 **1574 Deferred Revenue**

18 Disposal of balances recorded in June 2008 over a three-year period is requested.

19 Method of Recovery: Allocation to rate classes on basis of distribution revenue.

20 The balances as of December 31, 2007 (1574 June/08) and the forecasted interest through April  
21 30, 2009 are presented in the following table. The Annual Interest Rate of 4.29% is based on the  
22 average quarterly actual and forecasted rates between January 1, 2008 and April 30, 2009. The  
23 first quarter of 2008 was at 5.19% with the four remaining quarters forecast at 4.08%. The total  
24 amount the of variance requested for disposition is \$416,929.

**Welland Hydro Electric System Corp.  
 Accounts Requested for Disposition  
 Table 2**

Account Description	Account Number	Principal Amounts as of Dec-31 2007	Interest to Dec31-07	Interest Jan-1 to Dec31-08	Interest Jan-09 to Apr30-09	Total Claim
RSVA - Wholesale Market Service Charge	1580	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - One-time Wholesale Market Service	1582	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Retail Transmission Network Charge	1584	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Retail Transmission Connection Charge	1586	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Power	1588	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA/RCVA Sub-Totals		\$ -	\$ -	\$ -	\$ -	\$ -
Other Regulatory Assets - OEB Assessments	1508	\$ 27,095	\$ 6,943	\$ 1,163	\$ 388	\$ 35,589
Other Regulatory Assets - Pension	1508	\$ 206,737	\$ 18,279	\$ 8,873	\$ 2,958	\$ 236,847
Deferred Regulatory	1525	\$ 11,871	\$ 707	\$ 509	\$ 170	\$ 13,257
Retail Cost Variance Account - STR	1548	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meters Revenue and Capital	1555	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meter Expenses	1556	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	1574	\$ 124,132	\$ -	\$ 5,328	\$ 1,776	\$ 131,236
Other Deferred Credits	2425	\$ -	\$ -	\$ -	\$ -	\$ -
NON RSVA/RCVA Sub-Totals		\$ 369,834	\$ 25,930	\$ 15,873	\$ 5,291	\$ 416,929
Totals per column		\$ 369,834	\$ 25,930	\$ 15,873	\$ 5,291	\$ 416,929

Jan 1 08 - April 09

Annual interest rate:

4.29%

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

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

1 **METHODS OF DISPOSITION OF ACCOUNTS:**

2 The following Table shows the details and calculations of the proposed deferral and variance account rate rider by customer  
 3 classification.

4 **TABLE 3 - METHOD OF DISPOSITION OF ACCOUNTS**

Deferral and Variance Accounts:	Amount	ALLOCATOR	GS < 50					USL	Sentinel Lighting	Street Lighting	Total
			Residential	KW	GS 50-4999	Large Use					
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	
<b>Subtotal - Non RSVA, Variable</b>	<b>\$ 416,929</b>		<b>\$ 296,534</b>	<b>\$ 42,574</b>	<b>\$ 47,233</b>	<b>\$ 27,658</b>	<b>\$ 1,241</b>	<b>\$ 297</b>	<b>\$ 1,391</b>	<b>\$ 416,929</b>	
<b>Total to be Recovered</b>	<b>\$ 416,929</b>		<b>\$ 296,534</b>	<b>\$ 42,574</b>	<b>\$ 47,233</b>	<b>\$ 27,658</b>	<b>\$ 1,241</b>	<b>\$ 297</b>	<b>\$ 1,391</b>	<b>\$ 416,929</b>	
<hr/>											
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	3										
Number of years for Fixed (Smart Meters)	3										
Balance to be collected or refunded per year, Variable	\$ 138,976		\$ 98,845	\$ 14,191	\$ 15,744	\$ 9,219	\$ 414	\$ 99	\$ 464	\$ 138,976	

Class	GS < 50					Sentinel Lighting	Street Lighting
	Residential	KW	GS 50-4999	Large Use	USL		
<b>Deferral and Variance Account Rate Riders, Variable</b>	\$ 0.0006	\$ 0.0003	\$ 0.0357	\$ 0.0359	\$ 0.0004	\$ 0.0365	\$ 0.0354
<b>Billing Determinants</b>	kWh	kWh	kW	kW	kWh	kW	kW

1 **PROPOSED RATES AND BILL IMPACTS:**

2 The proposed rates and bill impacts that result from the disposal of the balances, as requested,  
3 are set out in Table 4 below.

4 **TABLE 4**

5 **PROPOSED RATES AND BILL IMPACTS**

<b>RATE CLASS</b>	<b>PROPOSED RATE</b>	<b>BILL IMPACTS</b>
Residential	\$0.0006/kWh	0.52%
GS<50 kW	\$0.0003/kWh	0.28%
GS 50 to 4,999 kW	\$0.0357/kW	0.12%
Large Use	\$0.0359/kW	0.09%
Street Lighting	\$0.0354/kW	0.08%
Sentinel Lighting	\$0.0365/kW	0.08%
Unmetered Scattered Load	\$0.0004/kWh	0.28%

6

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>6 – Cost of Capital and Rate of Return</b>	1	1		Overview
		2		Capital Structure Deemed & Actual
		3		Analysis

1 **OVERVIEW:**

2 The purpose of this evidence is to summarize the method and cost of financing capital  
3 requirements for the 2009 test years.

4 **Capital Structure:**

5 Welland Hydro has a current deemed capital structure of 53.3% debt with a return of 6.25%, and  
6 46.7% equity with a return of 9% as approved in the 2008 IRM rate decision EB-2007-0855.

7 Welland Hydro has prepared this rate application with a deemed capital structure of 52.7% Long  
8 Term Debt, 4% Short Term Debt, and 43.3% Equity to comply with the Report of the Board on  
9 Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario Electricity Distributors  
10 dated December 20, 2006 (the “Cost of Capital Report”).

11 **Return on Equity:**

12 Welland Hydro is requesting a return on equity (“ROE”) for the 2009 Test year of 8.57% in  
13 accordance with the Cost of Capital Parameter Updates for 2008 Cost of Service Applications  
14 issued by the OEB on March 7, 2008. Welland Hydro understands that the OEB will be  
15 finalizing the ROE for 2009 rates based on January 2009 market interest rate information.  
16 Welland Hydro’s use of an ROE of 8.57% is without prejudice to any revised ROE that may be  
17 adopted by the OEB in early 2009.

18 **Cost of Debt: Long Term**

19 Welland Hydro is requesting a return on Long Term Debt for the 2009 Test Year of 6.25% which  
20 is the rate currently paid on an existing Long Term Loan (\$13,499,453) with its shareholder the  
21 City of Welland. In the Cost of Capital Report the OEB determined “that for embedded debt the  
22 rate approved in prior Board decisions shall be maintained for the life of each active instrument,  
23 unless a new rate is negotiated, in which case it will be treated as new debt”.



1 **Cost of Debt: Short Term**

2 Welland Hydro is requesting a return on Short Term Debt for the 2009 Test year of 4.47% in  
3 accordance with the Cost of Capital Parameter Updates for 2008 Cost of Service Applications  
4 issued by the OEB on March 7, 2008. Welland Hydro understands that the OEB will be  
5 finalizing the return on short term debt for 2009 rates based on January 2009 market interest rate  
6 information. Welland Hydro's use of a Return on Short Term Debt of 4.47% is without  
7 prejudice to any revised ROE that may be adopted by the OEB in early 2009.

8 **Rate Base and Rate of Return**

9 Exhibit 6, Tab 1, Schedule 2 details Welland Hydro's rate base, deemed debt/equity ratios,  
10 deemed rate of return, actual debt/equity ratios and actual rates of returns for 2006 Board  
11 Approved, 2006 Actual, 2007 Actual, 2008 Bridge Year Forecast, and 2009 Test Year Forecast.

1 **TABLE 1 - CAPITAL STRUCTURE DEEMED & ACTUAL**

**2006 Board Approved-Rate Base**

Elements	Deemed Dollars	Deemed Return Rate (%)	Deemed Return \$	Actual Dollars	Debt to Equity (%)	Actual Cost Rate (%)
Long-term debt – 50%	11,979,674	6.25%	748,730			
Short-term debt						
Common equity - 50%	11,979,675	9.00%	1,078,170			
<b>Total Rate Base</b>	<b>23,959,349</b>	<b>7.625%</b>	<b>1,826,900</b>			

**2006 Actual-Rate Base**

Elements	Deemed Dollars	Deemed Return Rate (%)	Deemed Return \$	Actual Dollars	Debt to Equity (%)	Actual Cost Rate (%)
Long-term debt – 50%	12,557,269	6.25%	784,829	13,499,453	46.2%	6.25%
Customer Deposit-Long Term				451,851	1.5%	Prime-2%
Short-term debt (Customer Deposit)				465,927	1.6%	Prime-2%
Common equity - 50%	12,557,269	9.00%	1,130,154	14,797,561	50.7%	
<b>Total Rate Base</b>	<b>25,114,538</b>	<b>7.625%</b>	<b>1,914,893</b>	<b>29,214,792</b>	<b>100.0%</b>	
Actual Return-Income Statement				2,018,918		
Actual Rate of Return on Equity				13.644%		

**2007 Actual-Rate Base**

Elements	Deemed Dollars	Deemed Return Rate (%)	Deemed Return \$	Actual Dollars	Debt to Equity (%)	Actual Cost Rate (%)
Long-term debt – 50%	12,840,366	6.25%	802,523	13,499,453	46.8%	6.25%
Customer Deposit-Long Term				426,735	1.5%	Prime-2%
Short-term debt (Customer Deposit)				602,582	2.1%	Prime-2%
Common equity - 50%	12,840,366	9.00%	1,155,633	14,295,286	49.6%	
<b>Total Rate Base</b>	<b>25,680,732</b>	<b>7.625%</b>	<b>1,958,156</b>	<b>28,824,056</b>	<b>100.0%</b>	
Actual Return-Income Statement				97,725		
Actual Rate of Return on Equity				0.684%		

**2008 Bridge-Rate Base  
(Current Rates)**

Elements	Deemed Dollars	Deemed Return Rate (%)	Deemed Return \$	Forecast Dollars	Debt to Equity (%)	Actual Cost Rate (%)
Long-term debt – 53.3%	14,104,758	6.25%	881,547	13,499,453	46.7%	6.25%
Customer Deposit-Long Term				426,735	1.5%	Prime-2%
Short-term debt (Customer Deposit)				602,582	2.1%	Prime-2%
Common equity – 46.7%	12,358,203	9.00%	1,112,239	14,348,604	49.7%	
<b>Total Rate Base</b>	<b>26,462,961</b>	<b>7.53%</b>	<b>1,993,786</b>	<b>28,877,392</b>	<b>100.0%</b>	
Actual Return-Income Statement				453,318		
Actual Rate of Return on Equity				3.159%		

**2009 Test –Rate Base  
 (Current Rates)**

<b>Elements</b>	<b>Deemed Dollars</b>	<b>Deemed Return Rate (%)</b>	<b>Deemed Return \$</b>	<b>Forecast Dollars</b>	<b>Debt to Equity (%)</b>	<b>Actual Cost Rate (%)</b>
<b>Long-term debt – 52.7%</b>	14,400,005	6.25%	900,000	13,499,453	47.5%	6.25%
<b>Customer Deposit-Long Term</b>				426,735	1.5%	Prime-2%
<b>Short-term debt – 4%(Cust. Deposit)</b>	1,092,980	4.47%	48,856	602,582	2.1%	Prime-2%
<b>Common equity – 43.3%</b>	11,381,503	8.57%	1,013,960	13,939,710	48.9%	
<b>Total Rate Base</b>	27,324,488	7.18%	1,962,816	28,468,480	100.0%	
<b>Actual Return-Income Statement</b>				(8,894)		
<b>Actual Rate of Return</b>				(0.0312%)		

1 **ANALYSIS**

2 **Actual Rate of Return**

3 The Actual ROE for 2006 requires adjustment for the reversal of a Regulatory Asset provision as  
4 follows:

5	Net Income per Statement	\$2,018,918
6	Adjustment for Provision	<u>(1,161,290)</u>
7	Revised Income for ROE	\$ 857,628
8	Revised Return on Equity	5.8%

9 As a result, Welland Hydro's ROE in both 2006 (5.8%) and 2007 (0.7%) were well below the  
10 allowed deemed ROE. Other items affecting returns during this time period were increased  
11 payment of PILs due to Regulatory Asset Recovery, recovery of a previously written off large  
12 bad debt, and the sharing of loss carry forwards in rates which were eliminated in 2006. These  
13 loss carry forwards were the result of taxable income timing differences relating to Regulatory  
14 Assets and should not have been shared with customers. The interim rate increase as of October  
15 1, 2007 addressed this issue but had no impact on 2007 Actual results.

16 The ROE using current rates is projected at 2008 (3.2%) and 2009 (-0.03%) and are also well  
17 below the allowed deemed ROE.

18 **Capital Structure**

19 Welland Hydro's current Debt to Equity ratio is in line with the previous deemed rate of 50%  
20 Debt and 50% Equity. The deemed ratio was changed to 53.3% Debt and 46.7% Equity for the  
21 2008 IRM rate setting process. The deemed ratio for this Application was set at 56.7% Debt and  
22 43.3% Equity. For 2010, the deemed ratio will be set at 60.0% Debt and 40.0% Equity. Welland

- 1 Hydro is currently evaluating options to bring the actual debt to equity ratio in line with the new
- 2 deemed rate in 2010.

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>7 – Calculation of Revenue Deficiency or Surplus</b>	1	1		Revenue Deficiency - Overview

1 **REVENUE DEFICIENCY - OVERVIEW:**

2 Welland Hydro has provided detailed calculations supporting its 2009 revenue deficiency.  
3 Welland Hydro's net revenue deficiency is \$1,077,564 and when grossed up for PILs Welland  
4 Hydro's revenue deficiency is \$1,608,305. Table 1 on the following page provides the revenue  
5 deficiency calculations for the 2009 Test Year at Existing 2008 OEB-approved rates and the  
6 2009 Test Year Revenue Requirement.

7

**Table 1**  
**Calculation of Revenue Deficiency or Surplus**

	2009 Test Existing Rates	2009 Test Proposed Rates
<b>Revenue</b>		
Suff/ Def From Below.		\$1,608,305
Distribution Revenue	\$7,093,092	\$7,093,092
Other Operating Revenue (Net)	\$656,350	\$656,350
<b>Total Revenue</b>	<b>\$7,749,442</b>	<b>\$9,357,747</b>
<b>Distribution Costs</b>		
Operation, Maintenance, and Administration	\$5,113,936	\$5,113,936
Depreciation & Amortization	\$1,721,827	\$1,721,827
Property & Capital Taxes	\$27,730	\$27,730
Interest- Deemed Interest	\$948,857	\$948,857
<b>Total Costs and Expenses</b>	<b>\$7,812,350</b>	<b>\$7,812,350</b>
Less OCT Included Above	\$27,730	\$27,730
<b>Total Costs and Expenses Net of OCT</b>	<b>\$7,784,620</b>	<b>\$7,784,620</b>
Utility Income Before Income Taxes	-\$35,178	\$1,573,127
<b>Income Taxes</b>		
Corporate Taxes	\$697	\$531,437
Ontario Capital Tax	\$27,730	\$27,730
<b>Total Income Taxes</b>	<b>\$28,427</b>	<b>\$559,167</b>
<b>Utility Net Income</b>	<b>-\$63,604</b>	<b>\$1,013,960</b>
<b>Rate Base</b>	<b>\$27,324,488</b>	<b>\$27,324,488</b>
<b>Return on Equity</b>	<b>8.57%</b>	<b>8.57%</b>
<b>Equity Rate Base%</b>	<b>43.30%</b>	<b>43.30%</b>
<b>Expected Return on Equity</b>	<b>1,013,960</b>	<b>1,013,960</b>
<b>Revenue Deficiency After Tax</b>	<b>1,077,564</b>	
<b>Revenue Deficiency Before Tax</b>	<b>1,608,305</b>	



<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>8 – Cost Allocation</b>	1	1		Summary of Results and Proposed Changes
		2		Proposed Adjustments to Cost Allocation

1 **SUMMARY OF RESULTS AND PROPOSED CHANGES:**

2 **Results of the Cost Allocation Study:**

3 Welland Hydro filed its cost allocation on February 27, 2007. The results of this study have  
4 been used to address the issue of cross subsidization in this rate application. The data used in the  
5 Model was consistent with Welland Hydro's cost data that supported its 2006 OEB-approved  
6 distribution rates. Consistent with the Guidelines, Welland Hydro's assets were broken out into  
7 primary and secondary distribution functions. The breakout of assets, capital contributions,  
8 depreciation, accumulated depreciation, customer data and load data by primary, line transformer  
9 and secondary categories were developed from the best data available to Welland Hydro: its  
10 engineering records, and its customer and financial information systems.

11 The results of a cost allocation study are typically presented in the form of revenue-to-cost ratios.  
12 The ratio is shown by rate classification and is the percentage of distribution revenue collected  
13 by rate classification compared to the costs allocated to the classification. The percentage shows  
14 the rate classifications that are being subsidized and those that are over-contributing. A  
15 percentage of less than 100% means the rate classification is under-contributing and is being  
16 subsidized by other classes of customers. A percentage of greater than 100% indicates the rate  
17 classification is over-contributing and is subsidizing other classes of customers.

18 The following Table 1 outlines the revenue-to-cost ratios and revenue over/under contributions  
19 by rate class from the cost allocation informational filing submitted by Welland Hydro. The  
20 calculations are based on Welland Hydro's revised OEB-approved 2006 (EB-2007-0663)  
21 electricity distribution rates. The additional PILs related expenses have been added to each class  
22 in the same proportion as additional revenue in order to maintain revenue-to-cost ratios close to  
23 the original cost allocation filing.

1

**Table 1**

**WELLAND HYDRO ELECTRIC SYSTEM CORP  
 COST ALLOCATION ANALYSIS - 2006 FILING  
 REVISED EB-2007-0663**

	Total	Residential	GS < 50	GS 50 - 4999	Large Use	Street Light	Sentinnel Light	Unmetered
Distribution Revenue 2006 Cost Allocation Monthly	3,998,909	2,786,883	356,642	450,726	360,807	13,590	2,999	27,262
Distribution Revenue 2006 Cost Allocation Volume	2,706,053	1,884,678	289,009	321,962	191,490	9,355	1,703	7,856
2007 PILS Increase - EB-2007-0663	353,832	246,527	34,072	40,776	29,145	1,211	248	1,853
Distribution Revenue Revised Cost Allocation	7,058,794	4,918,088	679,723	813,464	581,442	24,156	4,950	36,971
Revenue Offsets	806,790	469,656	122,480	124,753	53,929	25,820	3,772	6,380
<b>Total Revenue Cost Allocation</b>	<b>7,865,584</b>	<b>5,387,744</b>	<b>802,203</b>	<b>938,217</b>	<b>635,371</b>	<b>49,976</b>	<b>8,722</b>	<b>43,351</b>
Total Expenses 2006 Cost Allocation	6,433,582	3,474,354	910,838	1,171,067	464,823	341,068	38,701	32,731
2007 PILS Increase - EB-2007-0663	353,832	246,527	34,072	40,776	29,145	1,211	248	1,853
Total Expenses Revised Cost Allocation	6,787,414	3,720,881	944,910	1,211,843	493,968	342,279	38,949	34,584
Allocated Net Income 2006 Cost Allocation	1,078,170	513,531	121,786	226,657	137,026	68,348	7,674	3,148
<b>Total Expense and Allocated Income</b>	<b>7,865,584</b>	<b>4,234,412</b>	<b>1,066,696</b>	<b>1,438,500</b>	<b>630,994</b>	<b>410,627</b>	<b>46,623</b>	<b>37,732</b>
Revenue to Expense %		127.24%	75.20%	65.22%	100.69%	12.17%	18.71%	114.89%
Existing Revenue Minus Allocated Costs		1,153,332	-264,493	-500,283	4,377	-360,651	-37,901	5,619
Revenue-to-cost Ratios Ranges EB-2007-0667		85% to 115%	80% to 120%	80% to 180%	85% to 115%	70% to 120%	70% to 120%	80% to 120%

2

1 **PROPOSED ADJUSTMENT TO COST ALLOCATION:**

2 On November 28, 2007, the OEB issued its “Report on Application of Cost Allocation for  
3 Electricity Distributors” (the “Cost Allocation Report”). In the Cost Allocation Report, the OEB  
4 established what it considered to be the appropriate ranges of revenue-to-cost ratios which are  
5 summarized in Table 2 below along with the result for Welland Hydro from the cost allocation  
6 Model. As can be seen from the table, the cost allocation results for Welland Hydro show that  
7 only Large Use and Unmetered Scattered Load customers fall within the revenue-to-cost ratio  
8 ranges established by the OEB.

9 **Table 2**  
10 **OEB Revenue to Cost Ratio Ranges & Welland Hydro Results**

<b>Customer Class</b>	<b>Low</b>	<b>High</b>	<b>Welland Hydro</b>
<b>Residential</b>	85%	115%	127.24%
<b>GS &lt;50 kW</b>	80%	120%	75.20%
<b>GS&gt;50 kW</b>	80%	180%	65.22%
<b>Large Use &gt;5MW</b>	85%	115%	100.69%
<b>Street Lighting</b>	70%	120%	12.17%
<b>Sentinel Lighting</b>	70%	120%	18.71%
<b>Unmetered Scattered Load</b>	80%	120%	114.89%

11  
12 Welland Hydro is proposing to re-align its revenue-to-cost ratios in this Application by adjusting  
13 the allocations of revenue among the rate classes in order to reduce the cross-subsidization.

14 In order to begin applying the results of Welland Hydro’s cost allocation study and set the frame  
15 work for the design of future distribution rates, Welland Hydro first reviewed the percentage of  
16 distribution revenues by rate classification assuming all rate classifications were moved to a  
17 revenue-to-cost ratio of 100%, that is, assuming no cross-subsidization. Welland Hydro then  
18 calculated the percentage of distribution revenue by rate classification for 2009 based on current  
19 rates and forecasted volumes. The following Table 3 compares the proportionate share of  
20 Welland Hydro’s 2009 revenue requirement that would be required from each customer class by

1 moving to a 100% revenue-to-cost ratio the (“Cost Allocation”) column with the percentage by  
 2 rate class using existing rates and forecasted volumes the (“Existing Rates”) column.

3

4

**Table 3**

**2009 Test Year Class Revenue Design**

Customer Class	Outstanding Base Revenue Requirement %			Outstanding Base Revenue Requirement \$			Total Base Revenue Requirement
	Cost Allocation	Existing Rates	Rate Application	Cost Allocation	Existing Rates	Rate Application	
Residential	55.82%	73.79%	<b>64.53%</b>	4,857,185.93	6,420,851.71	5,615,011.48	5,615,011.48
GS <50 kW	14.02%	10.65%	<b>11.90%</b>	1,220,188.65	926,420.96	1,035,466.24	1,035,466.24
GS>50 kW	17.43%	8.79%	<b>14.59%</b>	1,516,973.36	765,151.61	1,269,533.82	1,269,533.82
Large Use >5MW	6.02%	5.90%	<b>6.02%</b>	523,868.90	513,785.56	523,824.10	523,824.10
Street Light	5.60%	0.35%	<b>2.15%</b>	487,066.13	30,200.13	187,080.04	187,080.04
Sentinel	0.63%	0.07%	<b>0.33%</b>	54,618.31	6,438.18	28,714.61	28,714.61
Unmetered Scattered Load	0.48%	0.44%	<b>0.48%</b>	41,495.72	38,548.85	41,766.71	41,766.71
Back-up/Standby Power	0.00%	0.00%	<b>0.00%</b>	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>8,701,397.00</b>	<b>8,701,397.00</b>	<b>8,701,397.00</b>	<b>8,701,397.00</b>

5

6

7 As a means of mitigating potential bill impacts arising from this cost allocation-related  
 8 adjustment, Welland Hydro is proposing to implement a partial shift towards full cost of service  
 9 by applying the percentages outlined in the column “Rate Application”. The corresponding  
 10 distribution revenue by rate class has also been presented for each method.

11 Welland Hydro’s proposed revenue percentages by rate classification will result in revised  
 12 revenue-to-cost ratios and is summarized in Table 4 below. As evidenced in this table, Welland  
 13 Hydro’s customer classes will fall within the ranges established by the OEB in the 2009 Test  
 14 Year with the exception of the Street Light and Sentinel Light classes.

15

1  
2

**Table 4**  
**Proposed Revenue to Cost Ratio**

Customer Class	Revenue to Cost Ratios Per C.A. Study	Revenue to Cost Ratios Per 2009 Test Year Filing	Target Ranges	
			Low	High
Residential	127.24%	114.46%	85.00%	115.00%
GS <50 kW	75.20%	86.00%	80.00%	120.00%
GS>50 kW	65.22%	85.64%	80.00%	180.00%
Large Use >5MW	100.69%	99.99%	85.00%	115.00%
Street Light	12.17%	40.96%	70.00%	120.00%
Sentinel	18.71%	55.10%	70.00%	120.00%
Unmetered Scattered Load	114.89%	100.58%	80.00%	120.00%

3  
4

5 The adjustments made to bring GS<50 kW and GS 50 to 4,999 kW within targeted revenue to  
 6 cost ranges have allowed Welland Hydro to make reductions to both Residential and Unmetered  
 7 Scattered Load ratios. As a result, the Residential class is now within the targeted revenue to  
 8 cost ratios with a further adjustment to be made in 2010 when additional adjustments are made to  
 9 the Street Light and Sentinel Light classes.

10 Welland Hydro has set targeted revenue-to-cost ratios for Street Lights at 70% and Sentinel  
 11 Lights at 90% respectively which would result in revenue requirements of \$340,946 for Street  
 12 Lights and \$49,156 for Sentinel Lights. Welland Hydro is proposing to move to the OEB's  
 13 targeted revenue-to-cost ratio ranges over a two year period. The proposed increase in 2009 for  
 14 Street Lights revenue of \$156,880 (\$187,080-\$30,200) represents 50.5% of the required increase  
 15 of \$310,746 (\$340,946-\$30,200) to reach a revenue-to-cost ratio of 70%. The proposed increase  
 16 in 2009 for Sentinel Lights revenue of \$22,277 (\$28,715-\$6,438) represents 52.1% of the  
 17 required increase of \$42,718 (\$49,156-\$6,438) to reach a revenue-to-cost ratio of 90%. The  
 18 increases in distribution revenue in Year Two for Street Lights and Sentinel Lights will be offset  
 19 by a corresponding reduction to Residential distribution revenues in 2010.

1 As a result, after a one year period, revenue-to-cost ratios for each of Welland Hydro's rate  
2 classes will fall within the target range for each class.

3 Welland Hydro acknowledges the OEB's general concerns, expressed at Section 2.1 of its Cost  
4 Allocation Report that a revenue-to-cost ratio of one may not be achievable or desirable and that  
5 certain issues, such as the quality of data, need to be addressed before moving to an appropriate  
6 specific revenue-to-cost ratio.

7 **Cost Allocation Summary:**

8 The discussion and tables above support Welland Hydro's proposed reallocation of distribution  
9 costs across customer classes, in order to begin moving to target revenue-to-cost ranges set out  
10 by the OEB. Welland Hydro submits that the proposed reallocation of distribution revenue is  
11 fair and reasonable for the following reasons:

- 12 • Customer class revenues will more closely reflect the actual costs of providing  
13 distribution service to that class;
- 14 • Rate impacts on total bill will be mitigated across all classes; and
- 15 • Partial reallocation provides time for further refinement of the cost allocation model and  
16 movement between classes

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>9 – Rate Design</b>	1	1		Rate Design Overview
		2		Rate Mitigation
		3		Other Electricity Charges
		4		Existing Rate Classes
		5		Existing Rate Schedule
		6		Schedule of Proposed Rates and Charges
		7		Reconciliation of Rate Class Revenue
		8		Rate and Bill Impacts
				A



1 **RATE DESIGN OVERVIEW:**

2 This Exhibit documents the calculation of Welland Hydro's proposed distribution rates by rate  
3 class for the 2009 test year, based on rate design as proposed in this Exhibit.

4 Welland Hydro has determined its total 2009 service revenue requirement to be \$9,357,747. The  
5 total revenue offsets in the amount of \$656,350 reduce Welland Hydro's total service revenue  
6 requirement to a base revenue requirement to \$8,701,397 which is used to determine the  
7 proposed distribution rates. The base revenue requirement is derived from Welland Hydro's  
8 2009 capital and operating forecasts, weather normalized usage, forecasted customer counts, and  
9 Welland Hydro's regulated return on rate base. The revenue requirements are summarized  
10 below in Table 1:

11 **Table 1**

12 **Calculation of Base Revenue Requirement**

OM&A Expenses	5,113,936
Amortization Expenses	<u>1,721,827</u>
Total Distribution Expenses	6,835,763
Regulated Return On Capital	1,962,816
PILs (with gross-up)	<u>559,168</u>
Service Revenue Requirement	9,357,747
Less: Revenue Offsets	<u>(656,350)</u>
<b>Base Revenue Requirement</b>	<b>8,701,397</b>

13 The outstanding base revenue requirement is allocated to the various rate classes using the  
14 following proposed apportionment of revenue as outlined in Exhibit 8 – Cost Allocation.

15

1 **Table 2**

2 **Proposed Apportionment of Revenue to Rate Classes**

<b>Rate Classification</b>	<b>Proposed Proportion of Revenue</b>
Residential	64.53%
General Service Less Than 50 kW	11.90%
General Service Greater Than 50 kW	14.59%
Large Use >5MW	6.02%
Street Lights	2.15%
Sentinel Lights	0.33%
Unmetered Scattered Load	0.48%
<b>Total</b>	<b>100.0%</b>

3 The following Table 3 outlines the results of this allocation.

4 **Table 3**

5 **Allocation of Outstanding Base Revenue Requirement**

<b>Rate Classification</b>	<b>Proposed Revenue</b>
Residential	\$5,615,011
General Service Less Than 50 kW	\$1,035,466
General Service Greater Than 50 kW	\$1,374,404
Transformer Credit	(\$104,868)
Large Use > 5MW	\$704,157
Transformer Credit	(\$180,333)
Street Lights	\$187,080
Sentinel Lights	\$28,715
Unmetered Scattered Load	\$41,767
<b>Total</b>	<b>\$8,701,397</b>

6 **Determination of Monthly Fixed/Volumetric Charges:**

7 Welland Hydro's current OEB-approved (2008 IRM) volumetric and monthly fixed charges are  
 8 summarized in Table 4 and Table 5 as follows.

9

1 **Table 4**

2 **Current Monthly Fixed Charges (Excludes Smart Meter)**

<b>Rate Class</b>	<b>Current Monthly Fixed Charge</b>
Residential	\$12.88
General Service Less Than 50 kW	\$19.13
General Service Greater Than 50 kW	\$191.82
Large Use > 5MW	\$10,646.26
Street Lights	\$0.18
Sentinel Lights	\$0.36
Unmetered Scattered Load	\$9.71

3

4 **Table 5**

5 **Current Monthly Volumetric Charges**

<b>Rate Class</b>	<b>Current Monthly Volumetric Charge</b>
Residential	\$0.0130/kwh
General Service Less Than 50 kW	\$0.0067/kwh
General Service Greater Than 50 kW	\$0.8047/kw
Large Use > 5MW	\$0.7183/kw
Street Lights	\$0.7688/kw
Sentinel Lights	\$0.8231/kw
Unmetered Scattered Load	\$0.0067/kwh

6

7 Using the existing approved fixed charges applied to the forecasted number of customers for  
8 2009 and the approved volumetric charge applied to the forecasted volumetric billing  
9 determinants, the following Table 6 outlines the current split between fixed and variable  
10 distribution revenue.

11

1 **Table 6**

2 **Fixed and Variable Proportion**

<b>Rate Class</b>	<b>Fixed Revenue Proportion</b>	<b>Variable Revenue Proportion</b>
Residential	58.52%	41.48%
General Service Less Than 50 kW	51.52%	48.48%
General Service Greater Than 50kW	56.55%	43.45%
Large Use > 5MW	63.97%	36.03%
Street Lights	58.58%	41.42%
Sentinel Lights	59.35%	40.65%
Unmetered Scattered Load	77.13%	22.87%

3 Welland Hydro submits that it is appropriate for 2009 to maintain the same fixed/variable  
4 proportions assumed in the current rates for all customer classifications with the exception of  
5 General Service 50 to 4999 kW.

6 In its November 28, 2007 Report on Application of Cost Allocation for Electricity Distributors,  
7 referred to in Exhibit 8 above, the OEB addressed a number of "Other Rate Matters", including  
8 the treatment of the fixed rate component (the Monthly Service Charge, or "MSC") of the bill.  
9 At page 12 of the Report, the OEB determined that the floor amount for the MSC should be the  
10 avoided costs, as that term is defined in the September 29, 2006 report of the OEB entitled "Cost  
11 Allocation: Board Directions on Cost Allocation Methodology for Electricity Distributors".  
12 Welland Hydro's MSCs exceed that floor amount. With respect to the upper bound for the MSC,  
13 the OEB considered it to be inappropriate to make changes to the MSC ceiling at this time, given  
14 the number of issues that remain to be examined within the scope of the OEB's Rate Review  
15 proceeding (EB-2008-0031). The OEB indicated that for the time being, it does not expect  
16 distributors to make changes to the MSC that result in a charge that is greater than the ceiling as  
17 defined in the Methodology for the MSC; and that distributors that are currently above that value  
18 are not required to make changes to their current MSC to bring it to or below that level at this  
19 time.

20 Until the OEB's Rate Review proceeding (EB-2008-0031) is completed and consistent with  
21 Norfolk Power Distribution Inc. 2008 Rate Decision (EB-2007-0753), Welland Hydro submits

1 that an MSC ceiling has not been established and that it is appropriate for the purposes of setting  
 2 rates in this Application to maintain the current fixed and variable proportions of its rates with  
 3 the exception of General Service 50 to 4999 kW. Welland Hydro is recommending that the fixed  
 4 portion of this customer classification be reduced from the current 56.55% to 51.16%.  
 5 Customers at the low end of this rate classification (50kW to 100kW) would be subject to higher  
 6 bill impact percentages at the current fixed rate proportion. Consideration should be given to  
 7 reducing the large kW range within this classification by introducing a new customer class at  
 8 some point in the future. All other changes in MSCs are due solely to changes in the total base  
 9 revenue requirement attributable to each customer class. The following Table 7 provides  
 10 Welland Hydro's calculations of its proposed monthly fixed distribution charges for the 2009  
 11 Test Year assuming the fixed/variable split supporting the current approved rates.

12 **Table 7**

13 **Proposed Fixed Distribution Charge**

Customer Class	Total Base Revenue Requirement	Fixed Revenue Proportion	2009 Test Year Customers	Proposed Fixed Distribution Charge
Residential	\$5,615,011	58.52%	19,818	\$13.82
General Service Less Than 50 kW	\$1,035,466	51.52%	1,695	\$26.23
General Service Greater Than 50 kW	\$1,374,404	51.16%	179	\$327.34
Transformer Credit	(\$104,868)			
Large Use	\$704,157	63.97%	3	\$12,512.04
Transformer Credit	(\$180,333)			
Street Lights	\$187,080	58.58%	6677	\$1.37
Sentinel Lights	\$28,715	59.35%	721	\$1.97
Unmetered Scatter Load	\$41,767	77.13%	208	\$12.91
Total	\$8,701,397		29,301	

14 **Proposed Volumetric Charges:**

15 The variable distribution charge is calculated by dividing the variable distribution portion of the  
 16 base revenue requirement by the appropriate 2009 Test Year usage, kWh or kW, as the class  
 17 charge determinant.

1 The following Table 8 provides Welland Hydro's calculations of its proposed variable  
 2 distribution charges for the 2009 Test Year assuming the same fixed/variable split used in  
 3 designing the current approved rates with the exception of the GS 50 to 4,999 kW class.

4 **Table 8**

5 **Variable Distribution Charge Calculation**

<b>Customer Class</b>	<b>Total Base Revenue Requirement</b>	<b>Variable Revenue Proportion</b>	<b>2009 Test Volumetric Billing Determinant</b>	<b>Proposed Volumetric Distribution Charge</b>
Residential	\$5,615,011	41.48%	166,999,701 kWh	\$0.0139
General Service Less Than 50 kW	\$1,035,466	48.48%	54,639,337 kWh	\$0.0092
General Service Greater Than 50 kW	\$1,374,404	48.84%	393,395 kW	\$1.7064
Transformer Allowance	(\$104,868)		174,780 kW	(\$0.60)
Large Use	\$704,157	36.03%	300,555 kW	\$0.8442
Transformer Allowance	(\$180,333)		300,555 kW	(\$0.60)
Street Lights	\$187,080	41.42%	13,262 kW	\$5.8294
Sentinel Lights	\$28,715	40.65%	2,592 kW	\$4.5024
Unmetered Scattered Load	\$41,767	22.87%	1,072,774 kWh	\$0.0089
<b>Total</b>	<b>\$8,701,397</b>			

6

7 **Adjustment to Transformer Allowance:**

8 Currently, Welland Hydro provides a Transformer Allowance to those customers that own their  
 9 transformation facilities. Welland Hydro proposes to maintain the current approved transformer  
 10 ownership allowance of \$0.60 per kW. The Transformer Allowance is intended to reflect the  
 11 costs to a distributor of providing step down transformation facilities to the customer's utilization  
 12 voltage level. Since the distributor provides electricity at utilization voltage, the cost of this  
 13 transformation is captured in and recovered through the distribution rates. Therefore, when a  
 14 customer provides its own step down transformation from primary to secondary, it should  
 15 receive a credit of these costs already included in the distribution rates.

16

1 **Proposed Distribution Rates:**

2 The following Table 9 sets out Welland Hydro's proposed 2009 electricity distribution rates  
 3 based on the foregoing calculations, including adjustments for the recovery of transformer  
 4 allowance and the smart meter rate adder of \$.27/month:

5 **Table 9**

6 **Proposed 2009 Electricity Distribution Rates**

Customer Class	Customer	Connection	kWh	kW
Residential	\$14.09		\$0.0139	
General Service Less Than 50 kW	\$26.50		\$0.0092	
General Service 50 to 4999 kW	\$327.61			\$1.7064
Large Use	\$12,512.31			\$0.8442
Street Lights		\$1.37		\$5.8294
Sentinel Lights		\$1.97		4.5024
Unmetered Scattered Load		\$12.91	\$.0089	
Transformer Allowance				(\$0.60)

7

1 **RATE MITIGATION:**

- 2 Welland Hydro submits that the bill impacts of its proposed 2009 electricity distribution rates are  
3 not so significant as to warrant any mitigation measures.



1 **OTHER ELECTRICITY CHARGES:**

2 Welland Hydro proposes to leave rates for Retail Transmission – Network Service, Retail  
3 Transmission Line and Transformation Connection Service, Wholesale Market Service, Rural  
4 Rate Protection Charge, and Standard Supply Service – Administrative Charge at rates approved  
5 by the OEB in EB-2007-0855 (2008 rates). Retail Transmission rates are subject to any  
6 modifications as a result of an OEB decision on Hydro One Networks’ 2009 Uniform  
7 Transmission Rate Adjustment Application (OEB File EB-2008-0113).

8 Both the Network Service and Line and Transformation Connection rates were revised in the  
9 2008 IRM rate setting process to reflect the reduced Uniform Transmission Rates (EB-2007-  
10 0759) as of November 1, 2007.

1 **EXISTING RATE CLASSES:**

2 **Residential:**

3 This classification refers to the supply of electrical energy to residential customers in detached or  
4 semi-detached units, as defined in the local zoning by-law.

5 **General Service Less than 50 kW:**

6 This classification refers to the supply of electrical energy to commercial buildings taking  
7 electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to  
8 be less than, 50 kW. Commercial buildings are defined as buildings, which are used for  
9 purposes other than residential dwellings.

10 **General Service 50 to 4999 kW:**

11 This classification refers to the supply of electrical energy to commercial buildings whose  
12 monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater  
13 than, 50 kW but less than 5,000 kW. Commercial buildings are defined as buildings, which are  
14 used for purposes other than residential dwellings.

15 **Large Use:**

16 This classification refers to an account whose monthly average peak demand is equal to or  
17 greater than, or is forecast to be equal to or greater than, 5,000 kW.

18 **Unmetered Scattered Load:**

19 This classification refers to an account taking electricity at 750 volts or less whose monthly  
20 average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is  
21 unmetered. Unmetered or flat connections are permitted with the approval of Welland Hydro's  
22 Engineering Department. Flat rate connects may include, but are not limited to, Traffic Lights,  
23 Street Lights, Bus Shelters, and Signs. Energy consumption is determined by information  
24 provided by the customer and/or load measurement taken by Welland Hydro following  
25 connection of the flat service.

26

1 **Sentinel Lighting:**

2 This classification refers to an account for roadway lighting not classified as unmetered or street  
3 lighting. The consumption for the customer will be based on the calculated connected load times  
4 a twelve hour day times the applicable billing period.

5 **Street Lighting:**

6 This classification refers to the Street Lighting system owned by the City of Welland.

## EXISTING RATE SCHEDULE:

### MONTHLY RATES AND CHARGES

#### Residential

Service Charge	\$	13.15
Distribution Volumetric Rate	\$/kWh	0.0130
Regulatory Asset Recovery	\$/kWh	0.0000
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0056
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0047
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### General Service Less than 50 kW

Service Charge	\$	19.40
Distribution Volumetric Rate	\$/kWh	0.0067
Regulatory Asset Recovery	\$/kWh	0.0000
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### General Service 50 to 4,999 kW

Service Charge	\$	192.09
Distribution Volumetric Rate	\$/kW	0.8047
Regulatory Asset Recovery	\$/kW	0.0000
Retail Transmission Rate – Network Service Rate	\$/kW	1.7011
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4490
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.6874
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.7356
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### Large Use

Service Charge	\$	10,646.53
Distribution Volumetric Rate	\$/kW	0.7183
Regulatory Asset Recovery	\$/kW	0.0000
Retail Transmission Rate – Network Service Rate	\$/kW	1.2364
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9274
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### Unmetered Scattered Load

Service Charge (per connection)	\$	9.71
Distribution Volumetric Rate	\$/kWh	0.0067
Regulatory Asset Recovery	\$/kWh	0.0000
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Sentinel Lighting**

Service Charge (per connection)	\$	0.36
Distribution Volumetric Rate	\$/kW	0.8231
Regulatory Asset Recovery	\$/kW	0.0000
Retail Transmission Rate – Network Service Rate	\$/kW	1.5844
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3496
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Street Lighting**

Service Charge (per connection)	\$	0.18
Distribution Volumetric Rate	\$/kW	0.7688
Regulatory Asset Recovery	\$/kW	0.0000
Retail Transmission Rate – Network Service Rate	\$/kW	1.5809
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3466
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Specific Service Charges**

Customer Administration		
Arrears certificate	\$	15.00
Statement of Account	\$	15.00
Request for other billing information	\$	15.00
Easement Letter	\$	15.00
Account history	\$	15.00
Returned Cheque (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special metered reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect at meter - during Regular Hours	\$	65.00
Install / Remove load control device – during regular hours	\$	65.00
Disconnect/Reconnect at meter - after regular hours	\$	185.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Meter upgrade requested by customer plus installation – per month	\$	10.00
		plus installation on a time and materials basis.
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

**Retail Service Charges (if applicable)**

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Request (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

**Loss Factor**

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0599
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0493
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045

## SCHEDULE OF PROPOSED RATES AND CHARGES:

### MONTHLY RATES AND CHARGES

#### Residential

Service Charge	\$	14.09
Distribution Volumetric Rate	\$/kWh	0.0139
Regulatory Asset Recovery	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0056
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0047
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### General Service Less Than 50 kW

Service Charge	\$	26.50
Distribution Volumetric Rate	\$/kWh	0.0092
Regulatory Asset Recovery	\$/kWh	0.0003
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### General Service 50 to 4,999 kW

Service Charge	\$	327.61
Distribution Volumetric Rate	\$/kW	1.7064
Regulatory Asset Recovery	\$/kW	0.0357
Retail Transmission Rate – Network Service Rate	\$/kW	1.7011
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4490
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.6874
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.7356
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### Large Use

Service Charge	\$	12,512.31
Distribution Volumetric Rate	\$/kW	0.8442
Regulatory Asset Recovery	\$/kW	0.0359
Retail Transmission Rate – Network Service Rate	\$/kW	1.2364
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9274
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### Unmetered Scattered Load

Service Charge (per connection)	\$	12.91
Distribution Volumetric Rate	\$/kWh	0.0089
Regulatory Asset Recovery	\$/kWh	0.0004
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Sentinel Lighting**

Service Charge (per connection)	\$	1.97
Distribution Volumetric Rate	\$/kW	4.5024
Regulatory Asset Recovery	\$/kW	0.0365
Retail Transmission Rate – Network Service Rate	\$/kW	1.5844
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3496
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Street Lighting**

Service Charge (per connection)	\$	1.37
Distribution Volumetric Rate	\$/kW	5.8294
Regulatory Asset Recovery	\$/kW	0.0354
Retail Transmission Rate – Network Service Rate	\$/kW	1.5809
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3466
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Specific Service Charges**

<b>Customer Administration</b>		
Arrears certificate	\$	15.00
Statement of Account	\$	15.00
Request for other billing information	\$	15.00
Easement Letter	\$	15.00
Account history	\$	15.00
Returned Cheque (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special metered reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
<b>Non-Payment of Account</b>		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect at meter - during Regular Hours	\$	65.00
Install / Remove load control device – during regular hours	\$	65.00
Disconnect/Reconnect at meter - after regular hours	\$	185.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Meter upgrade requested by customer plus installation – per month	\$	10.00 plus installation on a time and materials basis.
<b>Allowances</b>		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)



**Retail Service Charges (if applicable)**

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Request (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

**Loss Factor**

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0532
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0427
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045

1 RECONCILIATION OF RATE CLASS REVENUE:

**2009 Test Year Distribution Revenue Reconciliation**

Customer Class	Fixed Distribution Revenue	Variable Distribution Revenue	Transformer Allowance Credit	Total Distribution Revenue	Expected
Residential	\$ 3,286,617	\$ 2,321,296		\$ 5,607,913	\$ 5,615,011
GS <50 kW	\$ 533,518	\$ 502,682		\$ 1,036,200	\$ 1,035,466
GS>50 kW	\$ 703,126	\$ 671,289	(\$104,868.00)	\$ 1,269,548	\$ 1,269,534
Large Use >5MW	\$ 450,433	\$ 253,729	(\$180,333.00)	\$ 523,829	\$ 523,824
Street Light	\$ 109,770	\$ 77,310		\$ 187,079	\$ 187,080
Sentinel	\$ 17,044	\$ 11,670		\$ 28,715	\$ 28,715
Unmetered Scattered Load	\$ 32,223	\$ 9,548		\$ 41,771	\$ 41,767
Back-up/Standby Power	\$ -	\$ -		\$ -	\$ -
<b>Total</b>	<b>\$ 5,132,733</b>	<b>\$ 3,847,523</b>	<b>(\$285,201.00)</b>	<b>\$ 8,695,055</b>	<b>\$ 8,701,397</b>

Difference Due to Rate Rounding

\$ 6,342

1 **RATE AND BILL IMPACTS:**

2 Appendix A to this Schedule presents the results of the assessment of customer total bill impacts  
3 by customer rate class.

4 Effective May 1, 2008 most customer classifications will experience reduced total bills as a  
5 result of reductions in Retail Transmission Charges and the elimination of the previous  
6 Regulatory Asset rate rider. As a result of these reductions, Welland Hydro believes that the best  
7 method of displaying rate impacts is to present total bills for each of the 2007, 2008, and 2009  
8 years and analyzing the total increase over a two year period.

9 Impacts are derived using the applicable May 1, 2007 rates, the applicable May 1, 2008 rates, the  
10 proposed 2009 distribution rates, the proposed new deferral and variance account rate rider, and  
11 the proposed revised loss factors. Electricity rates for Residential and General Service < 50 kW  
12 are the rates effective May 1, 2008 for Rate Protection Plan customers. Electricity rates for other  
13 classes are the forecasted rates for 2009 of \$.0593/kwh.

14 The total bill impacts are calculated for each rate class at various levels of consumption. The  
15 rate impacts are assessed on the basis of moving to the proposed distribution rates.

16 A comparison has also been made between Welland Hydro's current 2008 rates and other LDCs  
17 for each customer classification.

**APPENDIX A**  
**TABLE OF RATE AND BILL IMPACTS**

RESIDENTIAL - BILL IMPACTS (Monthly Consumptions)										
WELLAND HYDRO COMPARISON 2007 - 2009										
		2007 BILL			2008 BILL			2009 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			13.15			13.15			14.09
<b>1,000 kWh</b>	Distribution (kWh)	1,000	0.0130	13.00	1,000	0.0130	13.00	1,000	0.0139	13.90
	<b>Distributor</b>			<b>26.15</b>			<b>26.15</b>			<b>27.99</b>
	Regulatory Assets (kWh)	1,000	0.0030	3.00			0.00	1,000	0.0006	0.60
<b>Loss Factor</b>	Retail Transmisson (kWh)	1,060	0.0108	11.45	1,060	0.0103	10.92	1,053	0.0103	10.85
<b>1.0599 2007/8</b>	Wholesale & Rural (kWh)	1,060	0.0062	6.57	1,060	0.0062	6.57	1,053	0.0062	6.53
<b>1.0532 2009</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
	Debt Retirement	1,000	0.0070	7.00	1,000	0.0070	7.00	1,000	0.0070	7.00
	Cost of Power Commodity (kWh)	600	0.0500	30.00	600	0.0500	30.00	600	0.0500	30.00
	"	460	0.0590	27.13	460	0.0590	27.13	453	0.0590	26.74
	<b>Sub Total</b>			<b>111.55</b>			<b>108.02</b>			<b>109.96</b>
	G.S.T.		6.0%	6.69		5.0%	5.40		5.0%	5.50
	<b>Total Bill</b>			<b>118.25</b>			<b>113.42</b>			<b>115.45</b>
									Increase over 2008	1.79%
									Increase over 2007	-2.36%

2008 COMPARISON TO OTHER DISTRIBUTION COMPANIES										
		Niagara Falls			Grimsby			N.O.T.L.		
		2008 BILL			2008 BILL			2008 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			16.49			15.43			17.71
<b>1,000 kWh</b>	Distribution (kWh)	1,000	0.0138	13.80	1,000	0.0093	9.30	1,000	0.0123	12.30
	<b>Distributor</b>			<b>30.29</b>			<b>24.73</b>			<b>30.01</b>
	Regulatory Assets (kWh)	1,000	0.0000	0.00	1,000	0.0000	0.00	1,000	0.0000	0.00
<b>Loss Factor</b>	Retail Transmisson (kWh)	1,057	0.0092	9.73	1,050	0.0098	10.29	1,050	0.0067	7.04
<b>1.0572 NF</b>	Wholesale & Rural (kWh)	1,057	0.0062	6.55	1,050	0.0062	6.51	1,050	0.0062	6.51
<b>1.0502 GR</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
<b>1.0501 NOTL</b>	Debt Retirement	1,000	0.0070	7.00	1,000	0.0070	7.00	1,000	0.0070	7.00
	Cost of Power Commodity (kWh)	600	0.0500	30.00	600	0.0500	30.00	600	0.0500	30.00
	"	457	0.0590	26.97	450	0.0590	26.56	450	0.0590	26.56
	<b>Sub Total</b>			<b>110.80</b>			<b>105.35</b>			<b>107.36</b>
	G.S.T.		5.0%	5.54		5.0%	5.27		5.0%	5.37
	<b>Total Bill</b>			<b>116.34</b>			<b>110.61</b>			<b>112.73</b>

<b>GENERAL SERVICE &lt; 50 - BILL IMPACTS (Monthly Consumptions)</b>											
<b>WELLAND HYDRO COMPARISON 2007 - 2009</b>											
		<b>2007 BILL</b>			<b>2008 BILL</b>			<b>2009 BILL</b>			
		<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	
<b>Consumption</b>	Monthly Service Charge			19.40			19.40			26.50	
<b>3,000 kWh</b>	Distribution (kWh)	3,000	0.0067	20.10	3,000	0.0067	20.10	3,000	0.0092	27.60	
	<b>Distributor</b>			<b>39.50</b>			<b>39.50</b>			<b>54.10</b>	
	Regulatory Assets (kWh)	3,000	0.0020	6.00			0.00	3,000	0.0003	0.90	
<b>Loss Factor</b>	Retail Transmisson (kWh)	3,180	0.0097	30.84	3,180	0.0092	29.25	3,160	0.0092	29.07	
<b>1.0599 2007/8</b>	Wholesale & Rural (kWh)	3,180	0.0062	19.71	3,180	0.0062	19.71	3,160	0.0062	19.59	
<b>1.0532 2009</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25	
	Debt Retirement	3,000	0.0070	21.00	3,000	0.0070	21.00	3,000	0.0070	21.00	
	Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	750	0.0500	37.50	
	"	2,430	0.0590	143.35	2,430	0.0590	143.35	2,410	0.0590	142.17	
	<b>Sub Total</b>			<b>298.16</b>			<b>290.57</b>			<b>304.57</b>	
	G.S.T.		6.0%	17.89		5.0%	14.53		5.0%	15.23	
	<b>Total Bill</b>			<b>316.05</b>			<b>305.10</b>			<b>319.80</b>	
										Increase over 2008	4.82%
										Increase over 2007	1.19%

<b>2008 COMPARISON TO OTHER DISTRIBUTION COMPANIES</b>										
		<b>Niagara Falls</b>			<b>Grimsby</b>			<b>N.O.T.L.</b>		
		<b>2008 BILL</b>			<b>2008 BILL</b>			<b>2008 BILL</b>		
		<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>
<b>Consumption</b>	Monthly Service Charge			48.30			25.91			40.11
<b>3,000 kWh</b>	Distribution (kWh)	3,000	0.0102	30.60	3,000	0.0106	31.80	3,000	0.0120	36.00
	<b>Distributor</b>			<b>78.90</b>			<b>57.71</b>			<b>76.11</b>
	Regulatory Assets (kWh)	3,000	0.0000	0.00	3,000	0.0000	0.00	3,000	0.0000	0.00
<b>Loss Factor</b>	Retail Transmisson (kWh)	3,172	0.0083	26.32	3,151	0.0090	28.36	3,150	0.0062	19.53
<b>1.0572 NF</b>	Wholesale & Rural (kWh)	3,172	0.0062	19.66	3,151	0.0062	19.53	3,150	0.0062	19.53
<b>1.0502 GR</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
<b>1.0501 NOTL</b>	Debt Retirement	3,000	0.0070	21.00	3,000	0.0070	21.00	3,000	0.0070	21.00
	Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	750	0.0500	37.50
	"	2,422	0.0590	142.87	2,401	0.0590	141.64	2,400	0.0590	141.62
	<b>Sub Total</b>			<b>326.51</b>			<b>305.98</b>			<b>315.54</b>
	G.S.T.		5.0%	16.33		5.0%	15.30		5.0%	15.78
	<b>Total Bill</b>			<b>342.84</b>			<b>321.28</b>			<b>331.32</b>

GENERAL SERVICE 50 TO 4,999 KW - BILL IMPACTS (Monthly Consumptions)										
WELLAND HYDRO COMPARISON 2007 - 2009										
		2007 BILL			2008 BILL			2009 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			192.09			192.09			327.61
<b>9,840 kWh</b>	Distribution (kW)	62	0.8047	49.89	62	0.8047	49.89	62	1.7064	105.80
<b>62 Kw</b>	<b>Distributor</b>			<b>241.98</b>			<b>241.98</b>			<b>433.41</b>
	Regulatory Assets (kW)	62	0.5337	33.09			0.00	62	0.0357	2.21
<b>Loss Factor</b>	Retail Transmission (kW)	66	3.3291	218.77	66	3.1501	207.01	65	3.1501	205.70
<b>1.0599 2007/8</b>	Wholesale & Rural (kWh)	10,429	0.0062	64.66	10,429	0.0062	64.66	10,363	0.0062	64.25
<b>1.0532 2009</b>	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	10,429	0.0593	618.46	10,363	0.0593	614.55
	<b>Sub Total</b>			<b>1,246.10</b>			<b>1,201.24</b>			<b>1,389.26</b>
	G.S.T.		6.0%	74.77		5.0%	60.06		5.0%	69.46
	<b>Total Bill</b>			<b>1,320.86</b>			<b>1,261.31</b>			<b>1,458.72</b>
										Increase over 2008 15.65%
										Increase over 2007 10.44%

2008 COMPARISON TO OTHER DISTRIBUTION COMPANIES										
		Niagara Falls			Grimsby			N.O.T.L.		
		2008 BILL			2008 BILL			2008 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			284.91			165.87			463.72
<b>9,840 kWh</b>	Distribution (kWh)	62	3.0608	189.77	62	1.7051	105.72	62	3.4654	214.85
<b>62 Kw</b>	<b>Distributor</b>			<b>474.68</b>			<b>271.59</b>			<b>678.57</b>
	Regulatory Assets (kWh)	62	0.0000	0.00	62	0.0000	0.00	62	0.0000	0.00
<b>Loss Factor</b>	Retail Transmission (kWh)	66	3.3626	220.41	65	3.5913	233.84	65	2.4755	161.17
<b>1.0572 NF</b>	Wholesale & Rural (kWh)	10,403	0.0062	64.50	10,334	0.0062	64.07	10,333	0.0062	64.06
<b>1.0502 GR</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
<b>1.0501 NOTL</b>	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)	10,403	0.0593	616.89	10,334	0.0593	612.80	10,333	0.0593	612.75
	<b>Sub Total</b>			<b>1,445.60</b>			<b>1,251.43</b>			<b>1,585.69</b>
	G.S.T.		5.0%	72.28		5.0%	62.57		5.0%	79.28
	<b>Total Bill</b>			<b>1,517.88</b>			<b>1,314.00</b>			<b>1,664.97</b>

GENERAL SERVICE 50 TO 4,999 KW - BILL IMPACTS (Monthly Consumptions)										
WELLAND HYDRO COMPARISON 2007 - 2009										
		2007 BILL			2008 BILL			2009 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			192.09			192.09			327.61
<b>75,000 kWh</b>	Distribution (kW)	250	0.8047	201.18	250	0.8047	201.18	250	1.7064	426.60
<b>250 Kw</b>	<b>Distributor</b>			<b>393.27</b>			<b>393.27</b>			<b>754.21</b>
	Regulatory Assets (kW)	250	0.5337	133.43			0.00	250	0.0357	8.93
<b>Loss Factor</b>	Retail Transmission (kW)	265	3.3291	882.13	265	3.1501	834.70	263	3.1501	829.42
<b>1.0599 2007/8</b>	Wholesale & Rural (kWh)	79,493	0.0062	492.85	79,493	0.0062	492.85	78,990	0.0062	489.74
<b>1.0532 2009</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
	Debt Retirement	75,000	0.0070	525.00	75,000	0.0070	525.00	75,000	0.0070	525.00
	Cost of Power Commodity (kWh)	79,493	0.0593	4,713.91	79,493	0.0593	4,713.91	78,990	0.0593	4,684.11
	<b>Sub Total</b>			<b>7,140.83</b>			<b>6,959.97</b>			<b>7,291.65</b>
	G.S.T.		6.0%	428.45		5.0%	348.00		5.0%	364.58
	<b>Total Bill</b>			<b>7,569.28</b>			<b>7,307.97</b>			<b>7,656.23</b>
										Increase over 2008 4.77%
										Increase over 2007 1.15%

2008 COMPARISON TO OTHER DISTRIBUTION COMPANIES										
		Niagara Falls			Grimsby			N.O.T.L.		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			284.91			165.87			463.72
<b>75,000 kWh</b>	Distribution (kWh)	250	3.0608	765.20	250	1.7051	426.28	250	3.4654	866.35
<b>250 Kw</b>	<b>Distributor</b>			<b>1,050.11</b>			<b>592.15</b>			<b>1,330.07</b>
	Regulatory Assets (kWh)	250	0.0000	0.00	250	0.0000	0.00	250	0.0000	0.00
<b>Loss Factor</b>	Retail Transmission (kWh)	264	3.3626	888.74	263	3.5913	942.90	263	2.4755	649.88
<b>1.0572 NF</b>	Wholesale & Rural (kWh)	79,290	0.0062	491.60	78,765	0.0062	488.34	78,758	0.0062	488.30
<b>1.0502 GR</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
<b>1.0501 NOTL</b>	Debt Retirement	75,000	0.0070	525.00	75,000	0.0070	525.00	75,000	0.0070	525.00
	Cost of Power Commodity (kWh)	79,290	0.0593	4,701.90	78,765	0.0593	4,670.76	78,758	0.0593	4,670.32
	<b>Sub Total</b>			<b>7,657.59</b>			<b>7,219.40</b>			<b>7,663.82</b>
	G.S.T.		5.0%	382.88		5.0%	360.97		5.0%	383.19
	<b>Total Bill</b>			<b>8,040.47</b>			<b>7,580.37</b>			<b>8,047.01</b>



GENERAL SERVICE 50 TO 4,999 KW - BILL IMPACTS (Monthly Consumptions)										
WELLAND HYDRO COMPARION 2007 - 2009										
		2007 BILL			2008 BILL			2009 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			192.09			192.09			327.61
<b>1,600,000 kWh</b>	Distribution (kW)	4,000	0.8047	3,218.80	4,000	0.8047	3,218.80	4,000	1.7064	6,825.60
<b>4,000 Kw</b>	Transformer	4,000	(0.6000)	-2,400.00	4,000	(0.6000)	-2,400.00	4,000	(0.6000)	-2,400.00
	<b>Distributor</b>			<b>1,010.89</b>			<b>1,010.89</b>			<b>4,753.21</b>
	Regulatory Assets (kW)	4,000	0.5337	2,134.80			0.00	4,000	0.0357	142.80
<b>Loss Factor</b>	Retail Transmisson (kW)	4,197	3.5965	15,095.23	4,197	3.4230	14,367.02	4,171	3.4230	14,276.65
<b>1.0493 2007/8</b>	Wholesale & Rural (kWh)	1,678,880	0.0062	10,409.06	1,678,880	0.0062	10,409.06	1,668,320	0.0062	10,343.58
<b>1.0427 2009</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
	Debt Retirement	1,600,000	0.0070	11,200.00	1,600,000	0.0070	11,200.00	1,600,000	0.0070	11,200.00
	Cost of Power Commodity (kWh)	1,678,880	0.0593	99,557.58	1,678,880	0.0593	99,557.58	1,668,320	0.0593	98,931.38
	<b>Sub Total</b>			<b>139,407.81</b>			<b>136,544.80</b>			<b>139,647.87</b>
	G.S.T.		6.0%	8,364.47		5.0%	6,827.24		5.0%	6,982.39
	<b>Total Bill</b>			<b>147,772.28</b>			<b>143,372.04</b>			<b>146,630.26</b>
							Increase over 2007			2.27%
							Increase over 2008			-0.77%

2008 COMPARISION TO OTHER DISTRIBUTION COMPANIES										
		Niagara Falls			Grimsby			N.O.T.L.		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			284.91			165.07			463.72
<b>1,600,000 kWh</b>	Distribution (kWh)	4,000	3.0608	12,243.20	4,000	1.7051	6,820.40	4,000	3.4654	13,861.60
<b>4,000 Kw</b>	<b>Distributor</b>			<b>12,528.11</b>			<b>6,985.47</b>			<b>14,325.32</b>
	Regulatory Assets (kWh)	4,000	0.0000	0.00	4,000	0.0000	0.00	4,000	0.0000	0.00
	Transformer	4,000	(0.6000)	-2,400.00	4,000	(0.6000)	-2,400.00	4,000	(0.6000)	-2,400.00
<b>Loss Factor</b>	Retail Transmisson (kWh)	4,186	3.3626	14,077.19	4,159	3.7102	15,429.98	4,158	3.5434	14,734.87
<b>1.0466 NF</b>	Wholesale & Rural (kWh)	1,674,560	0.0062	10,382.27	1,663,520	0.0062	10,313.82	1,663,360	0.0062	10,312.83
<b>1.0397 GR</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
<b>1.0396 NOTL</b>	Debt Retirement	1,600,000	0.0070	11,200.00	1,600,000	0.0070	11,200.00	1,600,000	0.0070	11,200.00
	Cost of Power Commodity (kWh)	1,674,560	0.0593	99,301.41	1,663,520	0.0593	98,646.74	1,663,360	0.0593	98,637.25
	<b>Sub Total</b>			<b>145,089.23</b>			<b>140,176.26</b>			<b>146,810.52</b>
	G.S.T.		5.0%	7,254.46		5.0%	7,008.81		5.0%	7,340.53
	<b>Total Bill</b>			<b>152,343.69</b>			<b>147,185.07</b>			<b>154,151.05</b>

LARGE USE - BILL IMPACTS (Monthly Consumptions)										
WELLAND HYDRO COMPARISON 2007 - 2009										
		2007 BILL			2008 BILL			2009 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			10,646.53			10,646.53			12,512.31
<b>2,400,000 kWh</b>	Distribution (kW)	5,400	0.7183	3,878.82	5,400	0.7183	3,878.82	5,400	0.8442	4,558.68
<b>5,400 Kw</b>	Transformer	5,400	(0.6000)	-3,240.00	5,400	(0.6000)	-3,240.00	5,400	(0.6000)	-3,240.00
	<b>Distributor</b>			<b>11,285.35</b>			<b>11,285.35</b>			<b>13,830.99</b>
	Regulatory Assets (kW)	5,400	0.1004	542.16			0.00	5,400	0.0359	193.86
<b>Loss Factor</b>	Retail Transmisson (kW)	5,424	3.2821	17,803.10	5,424	3.1638	17,161.40	5,424	3.1638	17,161.40
<b>1.0045 2007-9</b>	Wholesale & Rural (kWh)	2,410,800	0.0062	14,946.96	2,410,800	0.0062	14,946.96	2,410,800	0.0062	14,946.96
	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
	Debt Retirement	2,400,000	0.0070	16,800.00	2,400,000	0.0070	16,800.00	2,400,000	0.0070	16,800.00
	Cost of Power Commodity (kWh)	750	0.0593	44.48	750	0.0593	44.48	750	0.0593	44.48
	Cost of Power Commodity (kWh)	2,410,050	0.0593	142,915.97	2,410,050	0.0593	142,915.97	2,410,050	0.0593	142,915.97
	<b>Sub Total</b>			<b>204,338.26</b>			<b>203,154.40</b>			<b>205,893.90</b>
	G.S.T.		6.0%	12,260.30		5.0%	10,157.72		5.0%	10,294.70
	<b>Total Bill</b>			<b>216,598.55</b>			<b>213,312.12</b>			<b>216,188.60</b>
							Increase over 2008			1.35%
							Increase over 2009			-0.19%

2008 COMPARISON TO OTHER DISTRIBUTION COMPANIES										
		Kitchener			Cambridge			Sarnia		
		2008 BILL			2008 BILL			2008 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			14,184.10			4,385.25			18,021.42
<b>2,400,000 kWh</b>	Distribution (kWh)	5,400	1.4304	7,724.16	5,400	1.8342	9,904.68	5,400	1.1431	6,172.74
<b>5,400 Kw</b>	<b>Distributor</b>			<b>21,908.26</b>			<b>14,289.93</b>			<b>24,194.16</b>
	Regulatory Assets (kWh)	5,400	0.0000	0.00	5,400	0.0000	0.00	5,400	0.0000	0.00
	Transformer	5,400	(0.6000)	-3,240.00	5,400	(0.6000)	-3,240.00	5,400	(0.6000)	-3,240.00
<b>Loss Factor</b>	Retail Transmisson (kWh)	5,429	2.5292	13,730.07	5,428	3.2612	17,702.05	5,424	4.1757	22,650.25
<b>1.0053 KIT</b>	Wholesale & Rural (kWh)	2,412,720	0.0062	14,958.86	2,412,480	0.0062	14,957.38	2,410,800	0.0062	14,946.96
<b>1.0052 CAM</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
<b>1.0045 SAR</b>	Debt Retirement	2,400,000	0.0070	16,800.00	2,400,000	0.0070	16,800.00	2,400,000	0.0070	16,800.00
	Cost of Power Commodity (kWh)	2,412,720	0.0593	143,074.30	2,412,480	0.0593	143,060.06	2,410,800	0.0593	142,960.44
	<b>Sub Total</b>			<b>207,231.74</b>			<b>203,569.67</b>			<b>218,312.06</b>
	G.S.T.		5.0%	10,361.59		5.0%	10,178.48		5.0%	10,915.60
	<b>Total Bill</b>			<b>217,593.32</b>			<b>213,748.16</b>			<b>229,227.66</b>

LARGE USE - BILL IMPACTS (Monthly Consumptions)										
WELLAND HYDRO COMPARISON 2007 - 2009										
		2007 BILL			2008 BILL			2009 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			10,646.53			10,646.53			12,512.31
<b>4,700,000 kWh</b>	Distribution (kW)	13,900	0.7183	9,984.37	13,900	0.7183	9,984.37	13,900	0.8442	11,734.38
<b>13,900 Kw</b>	Transformer	13,900	(0.6000)	-8,340.00	13,900	(0.6000)	-8,340.00	13,900	(0.6000)	-8,340.00
	<b>Distributor</b>			<b>12,290.90</b>			<b>12,290.90</b>			<b>15,906.69</b>
	Regulatory Assets (kW)	13,900	0.1004	1,395.56			0.00	13,900	0.0359	499.01
<b>Loss Factor</b>	Retail Transmisson (kW)	13,963	3.2821	45,826.49	13,963	3.1638	44,174.72	13,963	3.1638	44,174.72
<b>1.0045 2007-9</b>	Wholesale & Rural (kWh)	4,721,150	0.0062	29,271.13	4,721,150	0.0062	29,271.13	4,721,150	0.0062	29,271.13
	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
	Debt Retirement	4,700,000	0.0070	32,900.00	4,700,000	0.0070	32,900.00	4,700,000	0.0070	32,900.00
	Cost of Power Commodity (kWh)	4,721,150	0.0593	279,964.20	4,721,150	0.0593	279,964.20	4,721,150	0.0593	279,964.20
	<b>Sub Total</b>			<b>401,648.52</b>			<b>398,601.19</b>			<b>402,715.99</b>
	G.S.T.		6.0%	24,098.91		5.0%	19,930.06		5.0%	20,135.80
	<b>Total Bill</b>			<b>425,747.43</b>			<b>418,531.25</b>			<b>422,851.79</b>
							Increase over 2008			1.03%
							Increase over 2007			-0.68%

2008 COMPARISON TO OTHER DISTRIBUTION COMPANIES										
		Kitchener			Cambridge			Sarnia		
		2008 BILL			2008 BILL			2008 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			14,184.10			4,385.25			18,021.42
<b>4,700,000 kWh</b>	Distribution (kWh)	13,900	1.4304	19,882.56	13,900	1.8342	25,495.38	13,900	1.1431	15,889.09
<b>13,900 Kw</b>	<b>Distributor</b>			<b>34,066.66</b>			<b>29,880.63</b>			<b>33,910.51</b>
	Regulatory Assets (kWh)	13,900	0.0000	0.00	13,900	0.0000	0.00	13,900	0.0000	0.00
	Transformer	13,900	(0.6000)	-8,340.00	13,900	(0.6000)	-8,340.00	13,900	(0.6000)	-8,340.00
<b>Loss Factor</b>	Retail Transmisson (kWh)	13,974	2.5292	35,342.21	13,972	3.2612	45,566.40	13,963	4.1757	58,303.42
<b>1.0053 KIT</b>	Wholesale & Rural (kWh)	4,724,910	0.0062	29,294.44	4,724,440	0.0062	29,291.53	4,721,150	0.0062	29,271.13
<b>1.0052 CAM</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
<b>1.0045 SAR</b>	Debt Retirement	4,700,000	0.0070	32,900.00	4,700,000	0.0070	32,900.00	4,700,000	0.0070	32,900.00
	Cost of Power Commodity (kWh)	4,724,910	0.0593	280,187.16	4,724,440	0.0593	280,159.29	4,721,150	0.0593	279,964.20
	Cost of Power Commodity (kWh)	0	0.0593	0.00	0	0.0593	0.00	0	0.0593	0.00
	<b>Sub Total</b>			<b>403,450.72</b>			<b>409,458.10</b>			<b>426,009.51</b>
	G.S.T.		5.0%	20,172.54		5.0%	20,472.90		5.0%	21,300.48
	<b>Total Bill</b>			<b>423,623.26</b>			<b>429,931.00</b>			<b>447,309.98</b>

<b>UNMETERED SCATTERED - BILL IMPACTS (Monthly Consumptions)</b>										
<b>WELLAND HYDRO COMPARISON 2007 - 2009</b>										
		<b>2007 BILL</b>			<b>2008 BILL</b>			<b>2009 BILL</b>		
		<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>
<b>Consumption</b>	Monthly Service Charge			9.71			9.71			12.91
<b>500 kWh</b>	Distribution (kWh)	500	0.0067	3.35	500	0.0067	3.35	500	0.0089	4.45
	<b>Distributor</b>			<b>13.06</b>			<b>13.06</b>			<b>17.36</b>
	Regulatory Assets (kWh)	500	0.0020	1.00			0.00	500	0.0004	0.20
<b>Loss Factor</b>	Retail Transmission (kWh)	530	0.0097	5.14	530	0.0092	4.88	527	0.0092	4.84
<b>1.0599 2007/8</b>	Wholesale & Rural (kWh)	530	0.0062	3.29	530	0.0062	3.29	527	0.0062	3.26
<b>1.0532 2009</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
	Debt Retirement	500	0.0070	3.50	500	0.0070	3.50	500	0.0070	3.50
	Cost of Power Commodity (kWh)	530	0.0500	26.50	530	0.0500	26.50	527	0.0500	26.33
	<b>Sub Total</b>			<b>52.74</b>			<b>51.47</b>			<b>55.75</b>
	G.S.T.		6.0%	3.16		5.0%	2.57		5.0%	2.79
	<b>Total Bill</b>			<b>55.90</b>			<b>54.04</b>			<b>58.54</b>
										Increase over 2008 8.31%
										Increase over 2007 4.72%

<b>2008 COMPARISON TO OTHER DISTRIBUTION COMPANIES</b>										
		<b>Niagara Falls</b>			<b>Grimsby</b>			<b>N.O.T.L.</b>		
		<b>2008 BILL</b>			<b>2008 BILL</b>			<b>2008 BILL</b>		
		<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>
<b>Consumption</b>	Monthly Service Charge			24.03			12.82			39.87
<b>500 kWh</b>	Distribution (kWh)	500	0.0102	5.10	500	0.0106	5.30	500	0.0120	6.00
	<b>Distributor</b>			<b>29.13</b>			<b>18.12</b>			<b>45.87</b>
	Regulatory Assets (kWh)	500	0.0000	0.00	500	0.0000	0.00	500	0.0000	0.00
<b>Loss Factor</b>	Retail Transmission (kWh)	529	0.0083	4.39	525	0.0090	4.73	525	0.0062	3.26
<b>1.0572 NF</b>	Wholesale & Rural (kWh)	529	0.0062	3.28	525	0.0062	3.26	525	0.0062	3.26
<b>1.0502 GR</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
<b>1.0501 NOTL</b>	Debt Retirement	500	0.0070	3.50	500	0.0070	3.50	500	0.0070	3.50
	Cost of Power Commodity (kWh)	529	0.0500	26.43	525	0.0500	26.26	525	0.0500	26.25
	<b>Sub Total</b>			<b>66.97</b>			<b>56.11</b>			<b>82.38</b>
	G.S.T.		5.0%	3.35		5.0%	2.81		5.0%	4.12
	<b>Total Bill</b>			<b>70.32</b>			<b>58.91</b>			<b>86.50</b>

SENTINEL LIGHTS - BILL IMPACTS (Monthly Consumptions)										
WELLAND HYDRO COMPARISON 2007 - 2009										
		2007 BILL			2008 BILL			2009 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			0.36			0.36			1.97
<b>134.55 kWh</b>	Distribution (kW)	0.30	0.8231	0.25	0.30	0.8231	0.25	0.30	4.5024	1.35
<b>0.30 Kw</b>	<b>Distributor</b>			<b>0.61</b>			<b>0.61</b>			<b>3.32</b>
	Regulatory Assets (kW)	0.30	1.2981	0.39			0.00	0.30	0.0365	0.01
<b>Loss Factor</b>	Retail Transmisson (kW)	0.32	3.1007	0.99	0.32	2.9340	0.93	0.32	2.9340	0.93
<b>1.0599 2007/8</b>	Wholesale & Rural (kWh)	143	0.0062	0.88	143	0.0062	0.88	142	0.0062	0.88
<b>1.0532 2009</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
	Debt Retirement	135	0.0070	0.94	135	0.0070	0.94	135	0.0070	0.94
	Cost of Power Commodity (kWh)	143	0.0500	7.13	143	0.0500	7.13	142	0.0500	7.09
	<b>Sub Total</b>			<b>11.19</b>			<b>10.75</b>			<b>13.41</b>
	G.S.T.		6.0%	0.67		5.0%	0.54		5.0%	0.67
	<b>Total Bill</b>			<b>11.86</b>			<b>11.28</b>			<b>14.09</b>
Increase over 2008										24.83%
Increase over 2007										18.76%

2008 COMPARISON TO OTHER DISTRIBUTION COMPANIES										
		Niagara Falls			Grimsby			N.O.T.L.		
		2008 BILL			2008 BILL			2008 BILL		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$
<b>Consumption</b>	Monthly Service Charge			1.12			0.00			2.92
<b>134.55 kWh</b>	Distribution (kWh)	0.30	4.1487	1.24	0.30	0.0000	0.00	0.30	5.8909	1.77
<b>0.30 Kw</b>	<b>Distributor</b>			<b>2.36</b>			<b>0.00</b>			<b>4.69</b>
	Regulatory Assets (kWh)	0.30	0.0000	0.00	0.30	0.0000	0.00	0.30	0.0000	0.00
<b>Loss Factor</b>	Retail Transmisson (kWh)	0.32	2.5977	0.82	0.32	0.0000	0.00	0.32	1.8969	0.60
<b>1.0572 NF</b>	Wholesale & Rural (kWh)	142	0.0062	0.88	141	0.0000	0.00	141	0.0062	0.88
<b>1.0502 GR</b>	Standard Supply	1	0.2500	0.25	1	0.0000	0.00	1.00	0.2500	0.25
<b>1.0501 NOTL</b>	Debt Retirement	135	0.0070	0.94	135	0.0000	0.00	135	0.0070	0.94
	Cost of Power Commodity (kWh)	142	0.0500	7.11	141	0.0000	0.00	141	0.0530	7.49
	<b>Sub Total</b>			<b>12.37</b>			<b>0.00</b>			<b>14.84</b>
	G.S.T.		5.0%	0.62		5.0%	0.00		5.0%	0.74
	<b>Total Bill</b>			<b>12.99</b>			<b>0.00</b>			<b>15.58</b>

**STREET LIGHTS - BILL IMPACTS (Monthly Consumptions)**

<b>WELLAND HYDRO COMPARISON 2007 - 2009</b>										
		<b>2007 BILL</b>			<b>2008 BILL</b>			<b>2009 BILL</b>		
		<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>
<b>Consumption</b>	Monthly Service Charge	6677	0.18	1,201.86	6677	0.18	1,201.86	6677	1.37	9,147.49
<b>417,140 kWh</b>	Distribution (kW)	1,106.00	0.7688	850.29	1106.00	0.7688	850.29	1,106.00	5.8294	6,447.32
<b>1,106.00 Kw</b>	<b>Distributor</b>			<b>2,052.15</b>			<b>2,052.15</b>			<b>15,594.81</b>
	Regulatory Assets (kW)	1,106.00	0.0477	52.76			0.00	1,106.00	0.0354	39.15
<b>Loss Factor</b>	Retail Transmisson (kW)	1,172.25	3.0939	3,626.82	1172.25	2.9275	3,431.76	1,164.84	2.9275	3,410.07
<b>1.0599 2007/8</b>	Wholesale & Rural (kWh)	442,127	0.0062	2,741.19	442,127	0.0062	2,741.19	439,332	0.0062	2,723.86
<b>1.0532 2009</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
	Debt Retirement	417,140	0.0070	2,919.98	417,140	0.0070	2,919.98	417,140	0.0070	2,919.98
	Cost of Power Commodity (kWh)	442,127	0.0500	22,106.33	442,127	0.0500	22,106.33	439,332	0.0500	21,966.59
	<b>Sub Total</b>			<b>33,499.48</b>			<b>33,251.66</b>			<b>46,654.71</b>
	G.S.T.		6.0%	2,009.97		5.0%	1,662.58		5.0%	2,332.74
	<b>Total Bill</b>			<b>35,509.45</b>			<b>34,914.25</b>			<b>48,987.44</b>
										<b>Increase over 2008 40.31%</b>
										<b>Increase over 2007 37.96%</b>

<b>2008 COMPARISON TO OTHER DISTRIBUTION COMPANIES</b>										
		<b>Niagara Falls</b>			<b>Grimsby</b>			<b>N.O.T.L.</b>		
		<b>2008 BILL</b>			<b>2008 BILL</b>			<b>2008 BILL</b>		
		<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>	<b>Volume</b>	<b>RATE \$</b>	<b>CHARGE \$</b>
<b>Consumption</b>	Monthly Service Charge	6677	0.33	2,203.41	6677	0.66	4,406.82	6677	1.10	7,344.70
<b>417,140 kWh</b>	Distribution (kWh)	1,106.00	1.7192	1,901.44	1106.00	3.4653	3,832.62	1,106.00	4.3107	4,767.63
<b>1,106.00 Kw</b>	<b>Distributor</b>			<b>4,104.85</b>			<b>8,239.44</b>			<b>12,112.33</b>
	Regulatory Assets (kWh)	1,106.00	0.0000	0.00	1106.00	0.0000	0.00	1,106.00	0.0000	0.00
<b>Loss Factor</b>	Retail Transmisson (kWh)	1,169.26	2.5655	2,999.74	1161.52	2.7418	3,184.66	1,161.41	1.8793	2,182.64
<b>1.0572 NF</b>	Wholesale & Rural (kWh)	441,000	0.0062	2,734.20	438,080	0.0062	2,716.10	438,039	0.0062	2,715.84
<b>1.0502 GR</b>	Standard Supply	1	0.2500	0.25	1	0.2500	0.25	1.00	0.2500	0.25
<b>1.0501 NOTL</b>	Debt Retirement	417,140	0.0070	2,919.98	417,140	0.0070	2,919.98	417,140	0.0070	2,919.98
	Cost of Power Commodity (kWh)	441,000	0.0500	22,050.02	438,080	0.0500	21,904.02	438,039	0.0500	21,901.94
	<b>Sub Total</b>			<b>34,809.04</b>			<b>38,964.45</b>			<b>41,832.98</b>
	G.S.T.		5.0%	1,740.45		5.0%	1,948.22		5.0%	2,091.65
	<b>Total Bill</b>			<b>36,549.50</b>			<b>40,912.67</b>			<b>43,924.63</b>

**Welland Hydro Electric System Corp.**  
**Bill Impacts by Consumption**

Class	Consumption kWh	Consumption kW	2008 Bill	2009 Bill	Difference \$	Bill Impact %	Max	Min
Residential	100	0	\$23.57	\$24.67	\$1.10	4.66%	4.66%	1.54%
	250	0	\$37.82	\$39.09	\$1.26	3.34%		
	500	0	\$61.57	\$63.11	\$1.54	2.50%		
	600	0	\$71.41	\$73.03	\$1.61	2.26%		
	750	0	\$87.17	\$88.94	\$1.77	2.03%		
	1,000	0	\$113.42	\$115.45	\$2.03	1.79%		
	1,500	0	\$165.94	\$168.49	\$2.55	1.54%		
General Service Less Than 50 kW	2,000	0	\$207.91	\$220.20	\$12.29	5.91%	5.91%	2.97%
	3,000	0	\$305.10	\$319.80	\$14.70	4.82%		
	10,000	0	\$985.39	\$1,017.01	\$31.62	3.21%		
	12,500	0	\$1,228.35	\$1,266.01	\$37.66	3.07%		
	15,000	0	\$1,471.31	\$1,515.01	\$43.70	2.97%		
General Service 50 to 4,999 kW	9,840	62	\$1,261.31	\$1,458.72	\$197.41	15.65%	15.65%	2.32%
	75,000	250	\$7,307.97	\$7,656.23	\$348.26	4.77%		
	200,000	500	\$18,426.21	\$18,957.41	\$531.19	2.88%		
	800,000	2,000	\$73,098.99	\$74,796.87	\$1,697.88	2.32%		
General Service 50 to 4,999 kW Includes Transformer Credit	1,600,000	4,000	\$143,372.04	\$146,630.26	\$3,258.23	2.27%		
Large Use	2,400,000	5,400	\$213,312.12	\$216,188.60	\$2,876.48	1.35%	1.35%	1.03%
	3,100,000	7,500	\$274,084.68	\$277,317.93	\$3,233.24	1.18%		
	4,200,000	10,000	\$366,815.51	\$370,473.48	\$3,657.97	1.00%		
	4,700,000	13,900	\$418,531.25	\$422,851.79	\$4,320.54	1.03%		
Unmetered Scattered Load	250		\$32.25	\$36.18	\$3.93	12.18%	12.18%	8.32%
	500		\$54.04	\$58.54	\$4.49	8.32%		