

Bill C.



WELLAND HYDRO-ELECTRIC SYSTEM CORP.

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RECEIVED

MAR 21 2007

March 20, 2007

Delivered by Courier and E-Mail

ONTARIO ENERGY BOARD

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

EB-2006-0330

OFFER BOARD SECRETARY	
Sub File: 5	
Received by	Neil M.
Received by	David R.
Received by	Bill C.
	AB

Dear Ms. Walli

Re: EB-2006-0330
Welland Hydro-Electric System Corp.
Multi-year Electricity Distribution Rate Setting Plan
Selection of Electricity Distributors for Rebasing

Welland Hydro-Electric System Corp. would like to submit a self-nomination to be rebased in either 2009 or 2010. The justification for self-nomination is as follows:

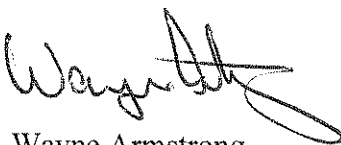
- 1) Rebasing in 2008 would require the use of 2006 results as the Historical Year. Welland Hydro-Electric System Corp. results for 2006 include two material adjustments. The first was a significant recovery of a bad debt expensed in prior years. The second represents the reversal of the provision for recovery of qualifying transition costs/pre-market energy variances. Although both could be fully explained in any roll forward analysis, the use of 2007 or 2008 as the Historical Year used for rebasing would provide a more typical base year.
- 2) The recently completed cost allocation study showed a wide range of Revenue to Cost Ratios. Only one rate category out of seven falls within 90% to 110%. As a result, significant review is required. Welland Hydro-Electric System Corp. feels that a rate rebase in 2009 or 2010 would allow the necessary time to review Cost Allocation and the possible effect on Rate Design which are both integral parts of the rebasing process.

- 3) Capital spending in 2007 is budgeted to be 50% higher than normal levels. Although rebasing in 2008 would allow for return on these projects earlier, Welland Hydro-Electric System Corp. would prefer to wait and use actual capital expenditures for 2007 for use in rebasing in 2009 or 2010 avoiding any significant shortfalls or overages to forecast.
- 4) Within the past year, Welland Hydro-Electric System Corp. has experienced significant changes in personnel in the Finance Department. Although the scheduled completion date of August 15, 2007 required for rebasing in 2008 could be met, a rebasing in 2009 or 2010 would allow staff the additional time to learn from other Distributors who were involved in the 2008 rebase. Recently, Welland Hydro-Electric System Corp. has hired a Regulatory/Business Analyst to assist with Rate Application, Smart Meter Applications, and other areas of regulatory affairs.
- 5) In early 2008 Welland Hydro-Electric System Corp. will be negotiating a new labor agreement with the union. The availability of firm labor rates for a three year period will allow for better estimates for the Bridge and Tests years during a rebasing in 2009 or 2010.

Given all of the above factors, Welland Hydro-Electric System Corp. respectfully requests a rebasing in either 2009 or 2010.

Should you have any questions or require further information, please do not hesitate to contact me at 905 732-1381 Ext 234.

Yours very truly,



Wayne Armstrong
Direct of Finance

Copies to: Ross Peever, Welland Hydro-Electric System Corp.