



WELLAND HYDRO-ELECTRIC SYSTEM CORP.

P.O. Box 280 950 East Main Street, Welland, Ontario L3B 5P6 Telephone 905-732-1381 Fax 905-732-0266

July 23, 2007

Delivered by Courier and E-mail

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

Re: Welland Hydro-Electric System Corp.
Application to the Ontario Energy Board for Revised
Electricity Distribution Rates and Charges effective
October 1, 2007

Attached please find three copies of Welland Hydro-Electric System Corp.'s application for revised Electricity Distribution Rates and Charges effective October 1, 2007. Also included are three copies of Current Tariff of Rates and Charges-May 1, 2007, Revised Tariff of Rates and Charges-October 1, 2007, and Customer Impact Sheets.

A electronic version containing the above files and revised copies of the 2006 OEB model, 2006 EDR model, and 2007 IRM model have also been provided.

Please forward all correspondence and orders pertaining to this proceeding 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

Yours very truly,

Welland Hydro-Electric System Corp.

Copies to: Mr. Keith Ritchie, Ontario Energy Board



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July 23, 2007

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

Dear Ms Walli

Re: Welland Hydro-Electric System Corp.
Request for recovery of 2007 PILs expense

On June 14, 2007 Welland Hydro-Electric System Corp. ("Welland Hydro") presented an application to the Ontario Energy Board through legal council Borden, Ladner, & Gervais requesting recovery of 2007 PILs expenses. Please be advised that Welland Hydro wishes to amend this application at this time.

As indicated in the June 14th application, Welland Hydro's current rates do not provide for full recovery of PILs expenses resulting in a revenue short fall of \$353,832. This was the result of a \$733,628 Non-Capital Loss carry forward being used to reduce PILs expense in the 2006 electricity distribution rate ("EDR") application (RP 2005-0020/EB-2005-0428). Although it was appropriate to provide this benefit to Welland Hydro's customers at that time, it now presents an unfair situation for the utility going forward. For the 2007 electricity rate application (EB-2007-0586) Welland Hydro was required to use 2006 approved rates as a base to calculate new rates effective May 1, 2007. These base rates were inappropriate for use in the 2007 rate application as they contained a "one time" PILs benefit which in fact has been eliminated in its entirety in 2006.

As a result, Welland Hydro is requesting the OEB to consider the following revised actions:

- 1) Recalculate the Tax Provision for the 2006 EDR Model Rate Recovery with the Non-Capital Tax Loss carry forward eliminated.
- 2) Calculate adjusted 2006 base rates going forward using the revised Tax Provision for the 2006 EDR Model Rate Recovery.
- 3) Revise current distribution rates for Welland Hydro by inputting the adjusted 2006 base rates into the 2007 IRM model.

As forecasted revenues and expenses used in the 2006 EDR are a matter of record, Welland Hydro should not be required to provide a 2007 Cost of Service application.

Copies (3) of the current and revised Welland Hydro Tariff of Rates and Charges have been provided with along with a computer disk containing revised 2006 OEB Tax, 2006 EDR, 2007 IRM, and Customer Impact files.

Customer impact documents attached (3 copies) indicate that the revised rates will result in a 1.2% increase in the total monthly bill for residential customers. All other customer classes will see equal or less percentage impacts to their monthly bills. In order to reduce the impact to customers during the current rate year, Welland Hydro is requesting that the revised 2007 rates become effective October 1, 2007.

Thank you for your assistance in this matter. Should you have any questions or require further information, please do not hesitate to contact me.

Yours very truly,

Wayne Armstrong
Director of Finance
Welland Hydro-Electric System Corp.

cc: Mr. Keith Ritchie
Ontario Energy Board
Electricity Rate Application Group
Project Advisor