



November 06, 2007

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

Attention: Kirsten Walli
Board Secretary

Dear Ms. Walli

Re: Application for Approval of 2008 Incentive Regulation Mechanism Distribution
Rate Adjustments - Cambridge and North Dumfries Hydro Inc.
– OEB License ED-2002-0574

Please find attached our 2008 Incentive Regulation Mechanism Distribution Rate
Application along with the supporting 2008 IRM Model for Cambridge and North
Dumfries Hydro Inc.

If you require any additional information or clarification with respect to any of the
information contained in our application, please contact David Smelsky at (519) 621-
3530 ext. 2638 or myself at (519) 621-3530 ext. 2355.

Thank you for your assistance.

Yours very truly,

Cambridge and North Dumfries Hydro Inc.

*Original Signed by
John Grotheer*

John W. Grotheer, CMA
President & CEO

IN THE MATTER of the *Ontario Energy Board, 1998, S.O. 1998, c.15, Schedule B of the Energy Competition Act, 1998;*

AND IN THE MATTER OF an Application by Cambridge and North Dumfries Hydro Inc. for an Order or Orders approving or fixing just and reasonable rates and other charges for 2008 Electricity Distribution Rates.

Applicant Name: Cambridge and North Dumfries Hydro Inc.

Applicant Address: 1500 Bishop Street
P. O. Box 1060
Cambridge, Ontario
N1R 5X6

Case Number: **EB-2007- XXXX (Not Known)**

License Number: **ED-2002-0574**

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B of the *Energy Competition Act, 1998*.

AND IN THE MATTER OF an Application by Cambridge and North Dumfries Hydro Inc. for an Order or Orders approving or fixing just and reasonable rates and other charges for 2008 Electricity Distribution Rates.

APPLICATION

1. Introduction

- 1.1 Cambridge and North Dumfries Hydro Inc., (the “Applicant”) hereby applies to the Ontario Energy Board (the “Board”) for approval of 2008 Distribution Rate Adjustments, based on the Board’s instructions dated September 28, 2007, the Cost of Capital and 2nd Generation Incentive Regulation Mechanism (the “Board Report” or the “Report”) dated December 20, 2006 and on subsequent relevant Board Decisions, with rate adjustments scheduled for May 1, 2008.

The Applicant utilized the Board’s rate model, referred to as the 2008 Incentive Regulation Mechanism Distribution IRM Model – Version 2.0 and followed the methodology set out in the guidelines in the Board Report.

The 2008 rate adjustments include:

- 1.1.1 The removal of the Regulatory Asset Recovery Rate(s); and
 - 1.1.2 The 2nd Generation IRM price cap index adjustment (fixed and variable) net of smart meter funding increment; and
 - 1.1.3 The adjustment for the transition to the common deemed capital structure of 60% debt and 40% equity, commonly referred to as the K-factor.
- 1.2 The Applicant is seeking Board approval for adjustment to the Embedded Distribution Rates - Low Voltage Wheeling Costs for “Embedded Distributors Only” in order to correct a prior error in calculation. This adjustment relates to the Embedded Distributor Rate - Waterloo North Hydro Inc. and the Embedded Distributor Rate – Hydro One Networks Inc.
- 1.3 The Applicant, in response to the Board’s October 29, 2007 directive relating to Ontario Uniform Transmission Rate Order, EB-2007-0759 and the related effect on Distributor Retail Transmission Rates, herein presents a proposal to adjust the retail transmission rates and disposition of the associated variance account balances.

2. **Distributor Profile Summary**

2.1 Description of the Distributor:

Cambridge & North Dumfries Hydro Inc., (License Number: **ED-2002-0574**), services a total area of 303 Sq.Km, as defined by the municipalities of The City of Cambridge and The Township of North Dumfries, in the Regional Municipality of Waterloo. Seventy percent of the total service area is Rural with the balance (90 Sq.Km) urban, as defined by the Municipality.

Cambridge and North Dumfries Hydro Inc. does not have any special conditions in its license, nor is Cambridge and North Dumfries Hydro Inc. exempt from any conditions of its license.

The Applicant is embedded at one service point with Hydro One Networks Inc. and is a Host Distributor to Waterloo North Hydro Inc. and Hydro One Networks Inc. The adjacent Distributors are:

- (a) Kitchener – Wilmot Hydro Inc.
- (b) Waterloo North Hydro Inc.
- (c) Hydro One Networks Inc.

At December 31, 2006, the Applicant had 48,611 Customers comprised of the following classes:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Residential Class	43,373	42,188	41,372
General Service Class < 50kW	4,535	4,491	4,403
General Service Class 50 to 999kW	671	635	654
General Service Class 1,000 to 4,999kW	29	29	27
Large User Class	<u>3</u>	<u>3</u>	<u>3</u>
TOTAL	<u>48,611</u>	<u>47,346</u>	<u>46,459</u>
Street Light Connections	<u>12,201</u>	<u>12,089</u>	<u>11,889</u>

The key contact information is:

Cambridge and North Dumfries Hydro Inc.
1500 Bishop Street, P.O. Box 1060
Cambridge, Ontario
N1R 5X6

John W. Grotheer, CMA
President and CEO
e-mail: jgrotheer@camhydro.com
(519) 621-3530 extension 2355
(519) 621-0383 (Facsimile)

3. **2008 IRM Model**

Utility Information Sheet (Sheet 1)

The Applicant wishes to bring to the attention of the Board, that on Sheet 1 “Utility Information Sheet”, the IRM 2008 EB Number is unknown at the time of filing this application.

2007 Tariff Sheet (Sheet 3)

The 2007 Board – Approved Tariff of Rates and Charges reflect the Decision on Motion and Order EB-2007-0513.

Smart Meter Information (Sheet 4)

The 2007 IRM Smart Meter Rate Adder adjustment reflects the Board’s approved amount of \$0.27 per month per metered customer in accordance with EB-2007-0513.

The input column for 2008 IRM Smart Meter Rate Adder is intentionally left blank. If a new value of the rate rider is levied by a subsequent decision, the Applicant anticipates that the Board Staff will adjust this application to reflect the updated smart meter adder.

Removal of Smart Meter and Conservation and Demand Management Adjustment (CDM) - (Sheet 5)

The Applicant did not receive Board approval for incremental CDM spending (over and above the 3rd tranche) in 2007 and is not requesting CDM rate adder, for monthly service charge or volumetric charge, in this application.

K-Factor Derivation (Sheet 6)

The Applicant followed the approach for calculating the K-factor as outlined in the IRM Model, based on data inputs from the Board’s approved 2006 EDR Model and the corresponding PIL’s Spreadsheet.

The Current Revenue requirement of \$21,988,936 is the Base Revenue Requirement from 2006 EDR Sheet 5-5, cell F27 plus the Transformer Ownership from 2006 EDR Sheet 6-3 Trfmr Ownership (Input), Cell R120. The resulting K-factor is -0.7%.

Price Cap Adjustment to “Basic” Distribution Rates (Sheet 7)

For the 2nd Generation IRM price cap index adjustment, the Applicant has used as a proxy the current value of 1.92% less the X-factor of 1.0%, with a further adjustment representing the calculated K-factor adjustment of -0.7%. The resulting Total Price Cap Adjustment is 0.2%. The Applicant anticipates that the Board Staff will adjust the inflation index when the final 2007 data is published by Statistics Canada in late February 2008.

Addback of Smart Meter Amounts (Sheet 8)

The Smart Meter Rate Adder Charge reflects the add back of the 2007 EDR Smart Meter Rate Adder of \$0.27 for all metered classes.

Z-Factor Rate Rider Adjustment (Sheet 9)

The Applicant is not seeking the Board’s approval for Z-Factor Rate Rider Adjustment.

4. ***Embedded Distributor Rates – Low Voltage Wheeling Costs***

- 4.1 The Applicant is seeking the Board’s approval for rate adjustment to the Embedded Distributor Rates, to correct two errors subsequently discovered in the EDR 2006 EB-2005-0343.
- 4.2 Calculation #1: The yearly line capacity or station capacity (Box 10) used to provide Low Voltage services (kW) were noted to have been “inter-changed” between Waterloo North Hydro’s line capacity and Hydro One’s line capacity.
- 4.3 Calculation #2: The monthly calculated rate (Box 16) was inherently divided by 12 in error.
- 4.4 The correct monthly rates associated with the delivery of Low Voltage Services – Embedded Distributors (Only) are:

Embedded Distributor – Waterloo North Hydro	= \$0.90 / kW
Embedded Distributor – Hydro One Networks	= \$2.60 / kW

As the Applicant is not able to over-ride the protected cells in the 2008 IRM Model – Sheet 10, the Applicant is requesting Board Staff to modify the Embedded Distributor Rate – Waterloo North Hydro and Embedded Distributor Rate – Hydro One Networks, prior to finalizing the Tariff of Rates and Charges.

Embedded Distribution Low Voltage Charges - Waterloo North Hydro

						<i>percent</i>
Waterloo Border	Waterloo North Hydro	Distributor debt rate (deemed)				6.01%
		Distributor return on equity before tax (utilized in formula)				9.00%
		Distributor tax rate				38.00%
		Distributor return before tax				7.51%
		deemed debt share				50.00%
		deemed equity share				50.00%
1	2	3	4	5	6	
Asset Class	Total annual OM&A costs of asset class providing LV services (\$)	Original cost of asset class providing LV services	Accumulative amortization on asset class providing LV services	Annual amortization on asset class providing LV services	NBV of asset class providing LV services	
Primary feeders						
Distribution Stations						
Low Voltage lines	\$1,893,724	\$43,132,918	\$17,508,524	\$1,726,547	\$25,624,394	
		7	8	9	10	11
		<i>Share of facilities</i>		<i>Share of facilities</i>		
		<i>kW or kVA</i>	<i>kW or kVA</i>	<i>kW or kVA</i>	<i>kW or kVA</i>	<i>percent</i>
Asset Class	Total line length or station capacity in asset class (KM)	Line length providing LV services (KM)	line capacity providing LV services (kW)	line capacity or station capacity used to provide LV services (kW)	Utilization factor (3 Divided by 2)	
Primary feeders						
Distribution Stations						
Low Voltage lines	727	8.4	132,868	76,261	1.16%	
		12	13	14	15	16
		\$	\$	\$	\$	<i>\$/kW or \$/kVA</i>
Asset Class	return on assets used to provide LV Services	Annual Amortization on assets used to provide LV Services	OM & A cost associated with assets used to provide LV Services	Total annual cost associated with assets used to provide LV Services	Monthly Rate associated with the delivery of LV Services	
Primary feeders						
Distribution Stations						
Low Voltage lines	\$26,647.00	\$19,949.00	\$21,880.72	\$68,476.72	\$0.90	
Total Monthly Charge					\$5,719.58	

Embedded Distribution Low Voltage Charges - Hydro One

Sheffield	Hydro One		<i>percent</i>
		Distributor debt rate (deemed)	6.01%
		Distributor return on equity before tax (utilized in formula)	9.00%
		Distributor tax rate	38.00%
		Distributor return before tax	7.51%

deemed debt share	50.00%
deemed equity share	50.00%

1	2	3	4	5	6
Asset Class	Total annual OM&A costs of asset class providing LV services (\$)	Original cost of asset class providing LV services	Accumulative amortization on asset class providing LV services	Annual amortization on asset class providing LV services	NBV of asset class providing LV services
Primary feeders					
Distribution Stations					
Low Voltage lines	\$1,893,724	\$43,132,918	\$17,508,524	\$1,726,547	\$25,624,394

	7	8	9	10	11
	<i>Share of facilities</i>		<i>Share of facilities</i>		
	<i>kW or kVA</i>	<i>kW or kVA</i>	<i>kW or kVA</i>	<i>kW or kVA</i>	<i>percent</i>
Asset Class	Total line length or station capacity in asset class (KM)	Line length providing LV services (KM)	line capacity providing LV services (kW)	line capacity or station capacity used to provide LV services (kW)	Utilization factor (3 Divided by 2)
Primary feeders					
Distribution Stations					
Low Voltage lines	727	8.6	121,536	27,005	1.18%

	12	13	14	15	16
	\$	\$	\$	\$	<i>\$/kW or \$/kVA</i>
Asset Class	return on assets used to provide LV Services	Annual Amortization on assets used to provide LV Services	OM & A cost associated with assets used to provide LV Services	Total annual cost associated with assets used to provide LV Services	Monthly Rate associated with the delivery of LV Services
Primary feeders					
Distribution Stations					
Low Voltage lines	\$27,281.00	\$20,424.00	\$22,401.69	\$70,106.69	\$2.60

Total Monthly Charge	\$5,851.08
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5. Ontario Uniform Transmission Rate Order, EB-2007-0759

5.1 With reference to the Board's E-Mail dated October 29, 2007, the basis of adjusting the retail transmission rates and disposition of the associated variance account balances is a function of the following trending analysis for Retail Transmission Variance Account Balances:

5.1 (Cont'd)

Cambridge and North Dumfries Hydro Inc.
Trending Analysis of Retail Transmission Variance Account Balances

Connection:

	Cost (3 year Average)	Cost less Price reduction (-6.9175%)	Projected Revenue	Net		
Sep-07					\$	(1,939,266)
Oct-07	\$ 561,705		\$ 601,560	\$ (39,855)	\$	(1,979,121)
Nov-07	\$ 572,355	\$ 532,762	\$ 576,579	\$ (43,817)	\$	(2,022,938)
Dec-07	\$ 640,326	\$ 596,031	\$ 530,395	\$ 65,636	\$	(1,957,302)
Jan-08	\$ 611,712	\$ 569,397	\$ 644,905	\$ (75,508)	\$	(2,032,810)
Feb-08	\$ 590,368	\$ 549,529	\$ 591,122	\$ (41,593)	\$	(2,074,403)
Mar-08	\$ 598,917	\$ 557,486	\$ 614,444	\$ (56,958)	\$	(2,131,361)
Apr-08	\$ 514,803	\$ 479,191	\$ 563,017	\$ (83,826)	\$	(2,215,187)
Refund/Rebate over 24 Months - Amount per Month					\$	(92,299)
Average Revenue per Month					\$	664,580
Rate Reduction to adjust Variance Account Disposition over 24 months						-13.888%

Network:

	Cost (3 year Average)	Cost less Price reduction (-18.3746%)	Projected Revenue	Net		
Sep-07					\$	(143,888)
Oct-07	\$ 714,289		\$ 752,717	\$ (38,428)	\$	(182,316)
Nov-07	\$ 709,883	\$ 579,477	\$ 713,442	\$ (133,965)	\$	(316,281)
Dec-07	\$ 737,525	\$ 602,042	\$ 652,092	\$ (50,050)	\$	(366,331)
Jan-08	\$ 753,584	\$ 615,151	\$ 750,322	\$ (135,171)	\$	(501,502)
Feb-08	\$ 684,773	\$ 558,980	\$ 719,155	\$ (160,175)	\$	(661,677)
Mar-08	\$ 741,550	\$ 605,327	\$ 731,858	\$ (126,531)	\$	(788,208)
Apr-08	\$ 692,235	\$ 565,071	\$ 679,571	\$ (114,500)	\$	(902,708)
Refund/Rebate over 24 Months - Amount per Month					\$	(37,613)
Average Revenue per Month					\$	774,093
Rate Reduction to adjust Variance Account Disposition over 24 months						-4.859%

5.2 The Applicant proposes adjusting the Retail Transmission rates as follows:

- (i) Reduce the Connection rate by 13.888% to reflect the disposition of the variance account over 24 months and an additional 6.917% decrease relating to the Ontario Uniform Transmission Rate Order, EB-2007-0759.
- (ii) Reduce the Network rate by 4.859% to reflect the disposition of the variance account over 24 months and an additional 18.375% decrease relating to the Ontario Uniform Transmission Rate Order, EB-2007-0759.

Retail Transmission Rate per kWh								
Retail Transmission Rate \$/kWh			Variance Account - Disposition Adjustment over 24 months		Average Adjustment, as per OEB EB-2007-0759		Adjusted Retail Transmission Rate \$/kWh	
			-4.859%	-13.888%	-18.375%	-6.917%		
Network	Connection	Total	Network	Connection	Network	Connection		
Residential	0.0048	0.0039	0.0087	(0.0002)	(0.0005)	(0.0009)	(0.0003)	0.0068
General Service Less Than 50 kW	0.0043	0.0035	0.0078	(0.0002)	(0.0005)	(0.0008)	(0.0002)	0.0061
General Service 50 to 999 kW								
General Service 1,000 to 4,999 kW								
Large Use (> 5000 kW)								
Unmetered Scattered Load	0.0043	0.0035	0.0078	(0.0002)	(0.0005)	(0.0008)	(0.0002)	0.0061
Street Lighting								

Retail Transmission Rate per kW								
Retail Transmission Rate \$/kW			Variance Account - Disposition Adjustment over 24 months		Average Adjustment, as per OEB EB-2007-0759		Adjusted Retail Transmission Rate \$ per kW	
			-4.859%	-13.888%	-18.375%	-6.917%		
Network	Connection	Total	Network	Connection	Network	Connection		
Residential								
General Service Less Than 50 kW								
General Service 50 to 999 kW	2.7517	2.2119	4.9636	(0.1337)	(0.3072)	(0.5056)	(0.1530)	3.8641
General Service 1,000 to 4,999 kW	2.0900	1.7360	3.8260	(0.1016)	(0.2411)	(0.3840)	(0.1201)	2.9792
Large Use (> 5000 kW)	1.9804	1.7671	3.7475	(0.0962)	(0.2454)	(0.3639)	(0.1222)	2.9197
Unmetered Scattered Load								
Street Lighting	1.3827	1.1116	2.4943	(0.0672)	(0.1544)	(0.2541)	(0.0769)	1.9418

5.3 The table below is the resulting proposed summary of Retail Transmission Rates by customer class:

Proposed Retail Transmission Rates						
		<u>Network</u>	<u>% Change</u>		<u>Connection</u>	<u>% Change</u>
Residential	\$/kWh	0.0037	-23.167%		0.0031	-20.763%
General Service Less Than 50 kW	\$/kWh	0.0033	-23.259%		0.0028	-20.917%
General Service 50 to 999 kW	\$/kW	2.1124	-23.234%		1.7517	-20.805%
General Service 1,000 to 4,999 kW	\$/kW	1.6044	-23.234%		1.3748	-20.805%
Large Use (> 5000 kW)	\$/kW	1.5202	-23.234%		1.3995	-20.805%
Unmetered Scattered Load	\$/kWh	0.0033	-23.259%		0.0028	-20.917%
Street Lighting	\$/kW	1.0614	-23.234%		0.8804	-20.805%

6. Rate Adjustments Applied For

6.1 2008 Tariff Sheet (Sheet 10)

With the exception of the requested correction to the Embedded Distribution rates, this application is completed on the basis consistent with the Board's filing requirements for the 2nd Generation IRM utilizing the Board's IRM Model. The application of the Price Cap Index is applied uniformly across all customer classes and to both the monthly service charge and volumetric rate, including taxes.

There is no change to Specific Service Charges. Specific Service Charges are in accordance with the EB-2006-0100 Board Approved Rate Schedule.

In general, the ranges of impact on distribution rate change, by customer class:

	<u>Impact Range</u>
Residential Class	-1.9% to -1.0%
General Service Class < 50kW	-0.5% to -0.5%
General Service Class 50 to 999kW	-0.1% to -0.1%
General Service Class 1,000 to 4,999kW	-0.3% to -0.1%
Large User Class	+0.4% to +0.5%

This impact analysis assumes:

- (i) Current RPP prices that are subject to change when expected RPP change is released, in mid-April 2008.
- (ii) Current 2007 EDR Smart Meter Rate Adder of \$0.27 for all metered classes.

This impact analysis does not take into consideration the proposed Retail Transmission Rates resulting from the Ontario Uniform Transmission Rate Order, EB-2007-0759.

Dated at Cambridge, Ontario, this 06th day of November 2007.

Original Signed by
John Grotheer

Cambridge & North Dumfries Hydro Inc.

John W. Grotheer, CMA
President and Chief Executive Officer