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December 10, 2008

Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli  
Board Secretary

**Subject:      Stretch Factor Rankings for 3<sup>rd</sup> Generation Incentive Regulation  
                  (EB-2007-0673)**

Dear Ms. Walli:

Haldimand County Hydro Inc. appreciates the opportunity to comment on the OEB's "*Further Consultation on Stretch Factors for 3<sup>rd</sup> Generation Incentive Regulation for Electricity Distributors*" in accordance with your letter of November 21, 2008.

Consistent with our letter of June 21, 2007 (copy attached for convenient reference) we would like to reiterate our support for the comment in the Pacific Economics Group report dated April 25, 2007 "*However, utilities in some groups have widely varying degrees of customer density. This approach should be upgraded if it is to be used in ratemaking.*" The selection of peer utilities is a most significant determinant in the analysis and it is our contention that the current groupings are fundamentally inappropriate for the intended cost comparison purpose.

#### Peer Grouping

Our previous letter referenced customer density as the significant causal factor with respect to costs. More specifically we respectfully suggest that both peer groupings and comparators based upon density as measured by customers per kilometre of line or costs per kilometre of line will intuitively result in more appropriate comparisons.

Of course it would be essential to have a rigorous definition for kilometres of line recognizing the existence of single and multi phase lines, and single and multi circuit lines. Previous attempts to ensure uniformity have resulted in reporting of both circuit kilometres of line and road kilometres of line, and examples would certainly assist with clarity to ensure more uniform reporting.

### Low Voltage Charges

We concur with the premise that costs for the use of another utility's lines or equipment, as represented by Low Voltage Charges, should be considered within the cost of operating a utility as it is a substitute for operating and maintaining your own lines. However, we are not in a position to meaningfully comment specifically on the analytical thoroughness of the presented "*Proxy for Low Voltage Charges*". Haldimand County Hydro currently pays low voltage charges to Hydro One Networks Inc. and collects low voltage charges from Norfolk Power Inc.

Three paper copies of this document are enclosed. As well, an electronic copy in searchable PDF format has been submitted today through the Board's web portal.

If there are any questions, please contact me at 905-765-5344 (ext. 2237) or [jscott@hchydro.ca](mailto:jscott@hchydro.ca) or our President & CEO Lloyd Payne (ext. 2242) or [lpayne@hchydro.ca](mailto:lpayne@hchydro.ca).

Yours truly,  
HALDIMAND COUNTY HYDRO INC.

*Original Signed by J. A. Scott*

Jacqueline A. Scott  
Finance Manager

JAS: nm



1 Greendale Drive, Caledonia, ON, N3W 2J3 Tel: (905) 765-5211 Fax: (905) 765-5316

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June 21, 2007

Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

Attention: Kirsten Walli  
Board Secretary

**Re: EB-2006-0268 Comparison of Distributor Costs**

Dear Ms. Walli:

Haldimand County Hydro Inc. appreciates the opportunity to provide input on the OEB's Comparison of Distributor Costs as presented with their letter of April 27, 2007.

Our comments are confined to the selection of peer groups as this is a most significant determinant in the "*Excess Cost Per Year*" and "*Efficiency Ranking*" conclusions highlighted in Tables 5 and 6 respectively.

Haldimand County Hydro's service territory consists of 1,252 square kilometres with electricity distribution servicing throughout (in contrast to a utility whose service territory may include large un-serviced wilderness area). This size makes it the second largest service territory in the province, to our knowledge, and twice that of Toronto Hydro at 630 square kilometres. This service territory size, combined with its relatively low customer density, differentiates it from those others in the "Southwestern Midsize Town LDCs". While it appears that rigorous mathematical modeling was applied to the data, peer selection was simplistically based upon "...company size and geographical location..." as noted in item 6.9.1. Significant efficiency conclusions were stated in the report based upon these groupings.

We certainly concur with the comment on page V of the Executive Summary which reads "*However, utilities in some groups have widely varying degrees of customer density. This approach should be upgraded if it is to be used in ratemaking.*"

Three copies of this document are enclosed. As well, an electronic copy in Adobe Acrobat (.pdf) format has been sent today to [boardsec@oeb.gov.on.ca](mailto:boardsec@oeb.gov.on.ca).

If there are any questions, please contact me at 905-765-5344 (ext. 2237) or [jscott@hchydro.ca](mailto:jscott@hchydro.ca), or our President & CEO Lloyd Payne (ext. 2242) or [lpayne@hchydro.ca](mailto:lpayne@hchydro.ca).

Yours truly,  
HALDIMAND COUNTY HYDRO INC.

*Original Signed by J. A. Scott*

Jacqueline A. Scott  
Finance Manager

JAS: nm