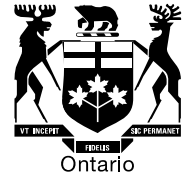


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BY E-MAIL ONLY

January 23, 2009

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

Dear Ms. Walli:

**Re: Norfolk Power Distribution Inc.
2009 Incentive Regulation Mechanism (2009 IRM) Rate Application
Board File Number EB-2008-0201**

Board staff has reviewed Norfolk Power Distribution Inc.'s 2009 IRM application and its responses to the interrogatories and has the following submission to make. For the purpose of calculating the revenue-to-cost ratio adjustments, the 2009 3rd Gen. IRM Supplementary Filing Module (the "IRM Module") allocates the low voltage charges and transformer allowance "costs" across rate classes in a way that may differ from how they were allocated in Norfolk Power Distribution Inc.'s 2008 cost of service application ("2008 CoS"). Accordingly, there may be a slight difference in the calculated revenue-to-cost ratios and the proposed adjustments that would result under each method. Board staff submits that this difference is immaterial and that Norfolk Power Distribution Inc.'s proposed revenue-to-cost ratio adjustments are reasonable and in compliance with its 2008 cost of service Decision (EB-2007-0753).

Board staff notes that the *Report of the Board on the Application of Cost Allocation for Electricity Distributors* dated November 28, 2007 indicated that a range approach for revenue-to-cost ratios was preferable given influencing factors, such as data quality. Accordingly, Board staff submits that the differences in the ratios calculated in the IRM Module and under the 2008 CoS methodology would need to be material for a revision to the proposed revenue-to-cost ratio adjustments to be warranted at this time. As stated earlier, Board staff submits that those differences are immaterial.

Board staff would like to inform interested parties that the IRM Module will be adjusted next year to enable distributors to reflect how the low voltage charges and transformer allowance "costs" were allocated for the purpose of calculating their revenue-to-cost ratios in their 2008 CoS. Accordingly, any differences in the calculation of the revenue-to-cost ratios in the 2009 IRM Module will be reverted in the 2010 IRM Module next year.

Please forward this letter to Norfolk Power Distribution Inc. and all other parties in this proceeding.

Yours truly,

Original Signed by

Sonja Reid-Weston
Analyst, Rate Applications