

## **Wellington North Power Inc.**

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February 12, 2009

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

Dear Ms. Walli:

**Wellington North Power Inc. - OEB License ED-2002-0511  
2009 Incentive Regulation Mechanism (IRM) Rate Application  
Board File No. EB-2008-0217**

Wellington North Power Inc. has reviewed the comments of Board Staff and Vulnerable Energy Consumers Coalition (VECC) and respectfully submits the following response to those submissions.

Wellington North Power Inc. is confident the Ontario Energy Board will address the many interrogatory concerns surrounding cost allocation in relation to all 2008 and 2009 rate applications and looks forward to future clarification and direction from the Board.

In response to VECC's comments regarding Rate Design, the applicant submits that it achieved the Revenue to Cost ratio adjustment in accordance with the direction provided by the Board's August 11, 2008 Decision and Order and notes the total revenue increase applied to the street lighting and sentinel lighting classes is \$10,452 or approximately one half of one percent (.5%) of the 2009 revenue requirement. Wellington North Power Inc. looks forward to the Ontario Energy Board Rate Review process (EB-2007-003) mentioned in the November 28, 2007 Report of the Board on the Application of Cost Allocation for Electricity Distributors. The Rate Review will cover both customer classification and rate structure issues, and its results could affect the way in which rates are set in the future. These Board undertakings will undoubtedly have determinative impacts on the fixed/variable ratio policy and address VECC's concerns.

Wellington North Power Inc. submits that in accordance with the Ontario Energy Board's August 11, 2008 Decision and Order, the applicant made the adjustments to the street lighting and sentinel lighting rate classes as directed, and the applicant made corresponding offset

adjustments to the >50-999kW and 1,000-4,999kW rate classes. These adjustments achieved the movement of the revenue to cost ratio from 51.2 in 2008 to the required 60.6 in 2009 for both street lighting and sentinel lighting customer classes as directed. The applicant will further adjust the revenue-to-cost ratios for these two customer classes to 70 in the 2010 rate year as directed. As mentioned in the Board staff submission, any differences in the calculation of the revenue-to-cost ratios in the 2009 IRM Module will be reverted in the 2010 IRM Module.

Wellington North Power Inc. agrees with the Board staff submission that the proposed revenue-to-cost ratio adjustments are reasonable and in compliance with its Ontario Energy Board August 11, 2008 Cost of Service Application Decision and Order (EB-2007-0693).

VECC has raised four additional concerns with respect to the cost allocation adjustment. The first two of those concerns identified cost of the transformer ownership allowance and LV costs issues. Although Board staff noted the difference would likely be immaterial to make changes to the method used to allocate low voltage and transformer allowance "costs", they have acknowledged these concerns will be addressed in the 2010 rate process.

Based on the comments made by both Board staff and VECC's third and final concerns, there appears to be an inconsistent approach across LDCs when it comes to applying the cost allocation components to the rate applications. As mentioned above, Wellington North Power Inc. is confident in the Ontario Energy Board's decision making process that all aspects will be taken into consideration before providing future clarification/direction.

Wellington North Power Inc. currently has a rate application before the Board (EB-2008-0217) and on January 19, 2009 filed with the Board Secretary via e-mail and through the RESS web site the required documentation, as stipulated in the Board's letter of December 17, 2008 titled "Rural or Remote Electricity Rate Protection".

If you have any questions or require further clarification concerning this request please contact me at 519-323-1710 or [jrosebrugh@wellingtonnorthpower.com](mailto:jrosebrugh@wellingtonnorthpower.com).

Yours truly,



Judith Rosebrugh, President/CEO  
Wellington North Power Inc.

cc: Vulnerable Energy Consumers Coalition (VECC)