



Wellington North Power Inc.

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January 26, 2011

By E-mail and Courier

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

Dear Ms. Walli,

**Wellington North Power Inc. – Reply Submission
OEB Licence Number ED-2002-0511
2011 3rd Generation Incentive Regulation Mechanism Application
Ontario Energy Board File Number EB-2010-0119**

The attached submission contains Wellington North Power Inc.'s response to the Submissions of Board Staff and Vulnerable Energy Consumers Coalition (VECC) both received January 10, 2011.

An electronic version of our response has been sent by e-mail as well as filed on the Ontario Energy Board's RESS Filing System and two (2) hard copies have been sent by courier to the Board office to the attention of the Board Secretary.

If you have any questions regarding this submission please contact the undersigned at your convenience.

Yours truly,

WELLINGTON NORTH POWER INC.

Judy Rosebrugh, President/CEO

Wellington North Power Inc.
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Wellington North Power Inc.

Reply Submission

2011 IRM3 Rate Application

EB-2010-0119

Wellington North Power Inc. ("the applicant", "the company") would like to respond to the submissions of Board Staff and Vulnerable Energy Consumers Coalition (VECC) regarding EB-2010-0119 dated January 10, 2011.

Introduction

Wellington North Power Inc. is a distribution company serving the urban areas of Mount Forest, Arthur and Holstein. The company is licenced by the Ontario Energy Board under licence number ED-2002-0511. The applicant filed an application (the "Application") with the Ontario Energy Board (the "Board") on September 15, 2010, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Wellington North Power Inc. charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism.

Smart Meter Funding Adder

Wellington North Power Inc. expresses our thanks to Board Staff for bringing the Smart Meter model errors to our attention during the intervention process. While the data the applicant provided was accurate, some formulas in the Smart Meter Model produced errors which incorrectly reduced Smart Meter Adder.

The company is in agreement with Board Staff submission with respect to distributors having some information available that would allow them to provide some actual or estimate of costs on a class specific basis. However, costs such as communications infrastructure and billing and CIS system changes, due to their nature in serving all smart metered customers, may not be known on a class specific basis.

Wellington North Power Inc. submits it agrees with Board Staff there should not be a requirement for class-specific accounting and that any cost allocation methodology used for smart meters should not assume a distributor can identify costs on a class specific basis for all components.

Wellington North Power Inc. is scheduled to rebase its electricity rates in 2012 at which time it intends to apply for disposition of its smart meter costs following a full prudence review.

Wellington North Power Inc. submits it agrees with Board Staff's option of the approval of a Smart Meter Funding adder of \$3.50 per metered customer per month. This proposal, in all likelihood, as pointed out by Board Staff, will be largely compensatory relative to the incremental revenue requirement without a significant risk of over or under recovery. Wellington North Power Inc. concurs with Board Staff that following a prudence review as part of a 2012 Cost of Service Application, any variances should be relatively small.

Lost Revenue Adjustment Mechanism (LRAM) and Shared Savings Mechanism (SSM) Recovery

In response to Board Staff and VECC's submissions, Wellington North Power Inc. recognizes and seeks to be in compliance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No.: EB-2008-0352, January 27, 2009. Wellington North Power Inc. and Burman Energy sought assistance in interpretation on the appropriate application of assumptions and measures for both LRAM and SSM calculations.

In its October 8th, 2009 Decision and Order EB-2009-0158 and EB-2009-0192 regarding Horizon Utilities' recovery of amounts related to Conservation and Demand Management, the Ontario Energy Board indicated that:

“...the filing guidelines cannot reasonably be expected to address every possible scenario that may be faced by Ontario’s 80 regulated distributors. What is clear is the underlying principle of LRAM, which is that distributors are to be kept whole for revenue that they have forgone as a direct consequence of implementing CDM programs. Accordingly, in the absence of clear direction from the filing guidelines to the contrary, utilities should always use the most current input assumptions which have been adopted by the Board when preparing their applications because these assumptions represent the best estimate of the impact of the programs.”

In response to this direction, Horizon Utilities recalculated LRAM using the most recent assumptions and measures as directed for 2005 and 2006 results which persisted in 2007 and 2008 only. No revisions were made retroactively to results which occurred in 2005 and 2006. These revised calculations were performed to the VECC group’s satisfaction (Comments on Draft Rate Order, dated October 21, 2009) and were subsequently approved as part of the OEB’s final rate order for Horizon, October 23, 2009.

It is Wellington North Power Inc.’s view this precedent illustrates acceptance of the limits to the application of newer assumptions and measures to the beginning of the year, those assumptions and measures were accepted by the Ontario Energy Board. Wellington North Power Inc. considers this a reasonable position given the absence of any published updates until 2009, and is also consistent with the example within Guidelines and Policy Letter of January 27, 2009:

*“The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment referred to in section 7.5. For example, if any input assumptions change in 2007, those changes should apply for LRAM purposes **from the beginning of 2007 onwards until changed again.**”*

Wellington North Power Inc. submits the application of the most recent Ontario Power Authority assumptions and measures to be applied in LRAM calculations were endorsed, by the Ontario Energy Board in 2009. Applying the aforementioned interpretation, Wellington North Power Inc. considers it appropriate to apply the more recent assumptions and measures from the beginning of 2009.

Wellington North Power Inc. also submits no adjustment be made to the SSM calculations.

VECC's statement that Wellington North Power Inc. "...has gone against the independent third party review by Burman Consulting..." is interpreted to imply that Burman Energy was not involved in the subsequent review and revisions resulting from VECC interrogatories. Wellington North Power Inc. submits this is not the case and notes VECC has provided no evidence to support their statement.

Wellington North Power Inc. submits the revised application for LRAM and SSM recovery is consistent of with the Board's Guidelines and the Board's Decision on Horizon's application (EB-2009-0192). Applying these new assumptions and measures retroactively for all years would represent an inconsistency with the Horizon decision. In addition, Wellington North Power Inc. submits that since OEB endorsement of OPA assumptions and measures did not occur until 2009, 2005 assumptions and measures represents the best available and most reliable for the years 2005, 2006, 2007, and 2008. Wellington North Power Inc. believes that no official adoption of new assumptions and measures until 2009 supports this position.

Wellington North Power Inc. respectfully submits that the revised calculations in response to VECC interrogatories apply the correct assumptions and measures and respectfully requests the Ontario Energy Board approve the revised LRAM application component of the IRM rate application.

Wellington North Power Inc. notes VECC has identified the same concerns relating to the LRAM and SSM component in several 2011 LDC rate applications. Wellington North Power Inc. understands intervenors recover their costs for their prudent review of those applications and preparation of interrogatories. Many LDCs received the same detailed interrogatories from VECC. Therefore, any cost awards approved by the Board to reimburse VECC, should be based on one interrogatory and submission only and not duplicated for subsequent inclusion in other LDC application interventions.

All of which is respectfully submitted,

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