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BY EMAIL

January 25, 2008

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
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Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Haldimand County Hydro Inc.
2008 Incentive Regulation Mechanism Rate Application
Board File Number EB-2007-0859**

Please find attached Board staff's submission for the above proceeding for distribution to the applicant and any intervenors.

Yours truly,

Original signed by

Laurie Reid
Senior Policy Advisor, Regulatory Policy Development

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2008 ELECTRICITY DISTRIBUTION RATES

Haldimand County Hydro Inc.

EB-2007-0859

January 25, 2008

INTRODUCTION

Haldimand County Hydro Inc. ("HCH") submitted an application on October 31, 2007, seeking approval for changes to the rates that HCH charges for electricity distribution, to be effective May 1, 2008. The application is based on the 2008 Incentive Regulation Mechanism. The application also includes proposed adjustments to HCH's retail transmission service rates.

RETAIL TRANSMISSION SERVICE RATES ADJUSTMENT

Background

In its letter dated October 29, 2007, the Board directed each distributor to propose an adjustment to their retail transmission rates (RTR) and disposition of the associated variance account balances in its 2008 Cost of Service or Incentive Rate Mechanism application, as applicable.

HCH proposes to reduce its RTR — Network Service Rate by 15% and its RTR — Line and Transformation Connection Service Rate by 3% for all its customer rate classes.

Discussion and Submission

To derive their proposed RTR adjustments, HCH determined their wholesale transmission network and connection costs based on the Board rate order dated October 17, 2007 (EB-2007-0759) and readings for the January 1, 2005 to September 30, 2007 period. Historical network costs payable to the IESO were adjusted to reflect the approved 18 % reduction in the IESO's wholesale Network Rate. Similarly, HCH adjusted its historical connection costs to reflect the 28% reduction in the IESO's Line Connection Rate, and the increase of 7% in the Transformation Connection Rate. No changes were assumed for the charges payable to Hydro One since the new rates that will be effective May 1, 2008 are unknown at this time. The adjusted wholesale transmission network and connection costs were subsequently compared to revenue generated through existing retail transmission rates for the January 1, 2005 to September 30, 2007 period to determine the cost/revenue ratios for network and connection. The calculated cost/revenue ratios for network and connection were then

applied to existing retail network and connection rates to derive the proposed adjustments to the RTR — Network Service Rate and the RTR — Line and Transformation Connection Service Rate.

Parties are asked to comment on whether the Board should consider further adjustments to HCH's RTR that would assume that wholesale transmission charges payable to Hydro One would change by the same percentage as the wholesale transmission charges payable to the IESO.

Consistent with past practice from the Board, HCH is not proposing to dispose of discrete variance account balances in its application.

All of which is respectfully submitted.