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February 8, 2008

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

Attention: Kirsten Walli
Board Secretary

**Re: Haldimand County Hydro Inc. (EB-2007-0859)
2008 Incentive Regulation Mechanism ("2008 IRM") Rate Application
Response to Board Staff's Submission**

Dear Ms. Walli:

Haldimand County Hydro Inc. hereby submits its Response to Board Staff's Submission dated January 25, 2008, in conjunction with their review of our 2008 Incentive Regulation Mechanism ("2008 IRM") Rate Application.

Please find enclosed 2 paper copies. Also enclosed is a CD containing electronic files of these materials, filed as separate non-PDF documents, as well as a single PDF document incorporating all of these materials, as follows:

1. Haldimand_ReplySUB_BoardStaff_20080211 (COVER LETTER + RETAIL TRANSMISSION SERVICE RATE ADJUSTMENT) (*Word*)
2. Haldimand_ReplySUB_2008RTRAdjust_20080211 (*Excel*)
3. Haldimand_ReplySUB_BoardStaff_20080211 (SINGLE PDF DOCUMENT – ALL MATERIAL) (*PDF*)

We have also completed one electronic filing through the Board's web portal www.err.oeb.gov.on.ca, consisting of one electronic copy of our response to the Board Staff's Submission in searchable/unrestricted PDF format.

Haldimand County Hydro Inc. respectfully submits their response for the Board's consideration.

Yours truly,
HALDIMAND COUNTY HYDRO INC.

Original Signed by

Jacqueline A. Scott
Finance Manager

Encl.

RETAIL TRANSMISSION SERVICE RATE ADJUSTMENT

Board Staff's Submission

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.

In its' 2008 IRM application, Haldimand County Hydro Inc. ("HCHI") proposed to reduce the RTR – Network Service Rate by 15% and the RTR – Line and Transformation Connection Service Rate by 3% for all customer rate classes.

HCHI adjusted historical Retail Transmission costs payable to the IESO by the percentage rate change in the approved uniform rates effective November 1, 2007. 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.

Consideration should be given to further adjustments to HCHI's proposed 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.

Response

Applying the same methodology as in our original 2008 IRM application, Haldimand County Hydro Inc. has re-calculated the wholesale transmission costs payable to Hydro One assuming the same percentage change as in the IESO rates, (that is 18% reduction in Network rate; 28% reduction in Line Connection rate; and 7% increase in Transformation Connection rate).

The cost / revenue ratios as a result of these further revised calculations are:

- **Network Service Rate – 83% (or a 17% reduction in rates); and**
- **Connection Service Rate – 96% (or a 4% reduction in rates).**

The "revised" adjustment to Retail Transmission Rates is supported in the accompanying Excel spreadsheet:

- **"Haldimand_ReplySUB_2008RTRAdjust_20080211"**

IESO								
Wholesale Transmission Rates		Exsiting Rates						
(rates in effect January 1, 2005 to September 30, 2007)								
		2005 January 1 to December 31/05		2006 January 1 to December 31/06		2007 January 1 to September 30/07		Total Paid to IESO January/05 to September/07
		<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>	
Network Service Rate		\$2.83	\$2,213,665.02	\$2.83	\$2,228,031.49	\$2.83	\$1,578,407.03	
Connection Service Rates								
Line Connection		\$0.82	\$ 676,925.58	\$0.82	\$ 692,551.50	\$0.82	\$ 476,127.26	
Transformation Connection		\$1.50	\$1,238,278.50	\$1.50	\$1,266,862.50	\$1.50	\$ 870,964.50	
			\$1,915,204.08		\$1,959,414.00		\$1,347,091.76	
Total Paid to IESO			\$4,128,869.10		\$4,187,445.49		\$2,925,498.79	\$ 11,241,813.38
IESO								
Wholesale Transmission Rates		New Uniform Rates						
(rates in effect November 1, 2007 - represents an overall 12% reduction)								
		2005 January 1 to December 31/05		2006 January 1 to December 31/06		2007 January 1 to September 30/07		Estimated Paid to IESO January/05 to September/07
		<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>	
Network Service Rate		\$2.31	\$1,806,913.85	\$2.31	\$1,818,640.54	\$2.31	\$1,288,381.71	
Connection Service Rates								
Line Connection		\$0.59	\$ 487,056.21	\$0.59	\$ 498,299.25	\$0.59	\$ 342,579.37	
Transformation Connection		\$1.61	\$1,329,085.59	\$1.61	\$1,359,765.75	\$1.61	\$ 934,835.23	
			\$1,816,141.80		\$1,858,065.00		\$1,277,414.60	
Total Paid to IESO			\$3,623,055.65		\$3,676,705.54		\$2,565,796.31	\$ 9,865,557.51
Network Service Rate Reduction		-18%						12.24%
Line Connection Rate Reduction		-28%						
Transformation Connection Rate Increase		7%						

Hydro One (HONI)	Existing Rates										
Retail Transmission Rates											
(rates in effect January 1, 2005 to April 30, 2006)											
(new rates in effect May 1, 2006 to September 30, 2007)											
	2005 April 26 to December 31/05		2006 January 1 to April 30/06		2006 May 1 to December 31/06		2007 January 1 to September 30/07		Total Paid to HONI April/05 to September/07		
	<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>			
Network Service Rate	\$ 2.61	\$ 200,930.10	\$ 2.61	\$ 104,009.36	\$ 2.52	\$ 164,604.90	\$ 2.52	\$ 351,148.14			
Connection Service Rates											
Line Connection	\$ 0.78	\$ 61,306.56	\$ 0.78	\$ 31,321.03	\$ 0.74	\$ 48,021.87	\$ 0.74	\$ 103,227.85			
Transformation Connection	\$ 1.43	\$ 112,395.37	\$ 1.43	\$ 57,421.88	\$ 1.35	\$ 87,607.47	\$ 1.35	\$ 188,321.09			
		\$ 173,701.93		\$ 88,742.91		\$ 135,629.34		\$ 291,548.94			
Total Paid to HONI		\$ 374,632.03		\$ 192,752.27		\$ 300,234.24		\$ 642,697.08	\$ 1,510,315.62		
Hydro One (HONI)	"Assumed" New Uniform Rates - Changed by Same Percentage as IESO New Rates										
Retail Transmission Rates											
(rates in effect May 1, 2008 - represents an overall 12% reduction)											
	2005 April 26 to December 31/05		2006 January 1 to April 30/06		2006 May 1 to December 31/06		2007 January 1 to September 30/07		Total Paid to HONI April/05 to September/07		
	<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>	<u>Rate</u>	<u>Paid</u>			
Network Service Rate	\$ 2.06	\$ 158,588.51	\$ 2.06	\$ 82,091.68	\$ 2.06	\$ 134,557.97	\$ 2.06	\$ 287,049.67			
Connection Service Rates											
Line Connection	\$ 0.53	\$ 41,657.02	\$ 0.53	\$ 21,282.24	\$ 0.53	\$ 34,394.04	\$ 0.53	\$ 73,933.46			
Transformation Connection	\$ 1.45	\$ 113,967.33	\$ 1.45	\$ 58,224.99	\$ 1.45	\$ 94,096.91	\$ 1.45	\$ 202,270.80			
		\$ 155,624.35		\$ 79,507.22		\$ 128,490.95		\$ 276,204.26			
Total Paid to HONI		\$ 314,212.86		\$ 161,598.90		\$ 263,048.93		\$ 563,253.93	\$ 1,302,114.62		
IESO Percentage Changes in New Rates:											
Network Service Rate Reduction	-18%						12.24%				
Line Connection Rate Reduction	-28%										
Transformation Connection Rate Increase	7%										

Haldimand County Hydro Inc.				
Retail Transmission Rates	Amounts "Billed" to Customers			
	2005 January 1 to December 31/05 <u>Billed/Unbilled</u>	2006 January 1 to December 31/06 <u>Billed/Unbilled</u>	2007 January 1 to September 30/07 <u>Billed/Unbilled</u>	Total Billed / Unbilled January/05 to September/07
Network Service Rate	\$ 2,630,539.55	\$ 2,352,389.48	\$ 1,771,116.58	
Connection Service Rates	\$ 2,295,670.84	\$ 2,034,016.49	\$ 1,513,462.68	
	\$ 4,926,210.39	\$ 4,386,405.97	\$ 3,284,579.26	\$ 12,597,195.62

Haldimand County Hydro Inc.							
Transmission Rates (Charged, Billed and Variance) Cost / Revenue Ratio							
January 2005 to September 2007							
	Total Charges (assuming "new" rates)			Total Billed/Unbilled (actual)	Variance	Cost / Revenue Ratio	Adjustment
	<u>IESO</u>	<u>HONI</u>	<u>Total</u>	<u>HCHI Customers</u>			
Network Service Rate	\$ 4,913,936.11	\$ 662,287.83	\$ 5,576,223.94	\$ 6,754,045.61	\$ (1,177,821.67)	83%	-17%
Connection Service Rates	\$ 4,951,621.40	\$ 639,826.79	\$ 5,591,448.19	\$ 5,843,150.01	\$ (251,701.82)	96%	-4%
Total RTR's	\$ 9,865,557.51	\$ 1,302,114.62	\$ 11,167,672.12	\$ 12,597,195.62	\$ (1,429,523.50)		

Haldimand County Hydro Inc.							
"Proposed" Retail Transmission Rates							
Effective May 1, 2008							
(includes recommendation from Board Staff to change HONI RTR's by same % change as IESO RTR's)							
	Existing Retail Transmission Rates (effective May 1, 2006)		Retail Transmission Rates "Adjustment"		"Proposed" Retail Transmission Rates (effective May 1, 2008)		
	Network	Connection	Network	Connection	Network	Connection	
			-17%	-4%	83%	96%	
per kWh							
Residential Urban	\$ 0.0050	\$ 0.0043	\$ (0.0009)	\$ (0.0002)	\$ 0.0041	\$ 0.0041	
Residential SubUrban	\$ 0.0050	\$ 0.0043	\$ (0.0009)	\$ (0.0002)	\$ 0.0041	\$ 0.0041	
General Service < 50 kW	\$ 0.0046	\$ 0.0039	\$ (0.0008)	\$ (0.0002)	\$ 0.0038	\$ 0.0037	
Unmetered Scattered Load	\$ 0.0046	\$ 0.0039	\$ (0.0008)	\$ (0.0002)	\$ 0.0038	\$ 0.0037	
per kW							
General Service > 50 kW	\$ 1.8794	\$ 1.5400	\$ (0.3277)	\$ (0.0663)	\$ 1.5517	\$ 1.4737	
General Service > 50 kW with Interval Meter	\$ 1.9936	\$ 1.7020	\$ (0.3477)	\$ (0.0733)	\$ 1.6459	\$ 1.6287	
Sentinel Lighting	\$ 1.4245	\$ 1.2154	\$ (0.2484)	\$ (0.0524)	\$ 1.1761	\$ 1.1630	
Street Lighting	\$ 1.4174	\$ 1.1906	\$ (0.2472)	\$ (0.0513)	\$ 1.1702	\$ 1.1393	