

February 1, 2008

Ontario Energy Board
P.O. Box 2319
27th Floor,
2300 Yonge Street
Toronto, ON M4P1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Cooperative Hydro Embrun Inc.
2008 Incentive Regulation Mechanism Rate Application
Board File Number EB-2007-0848**

Please find attached copies of the Cooperative Hydro Embun Inc. Reply to Board Staff Submission for the above proceeding.

Yours truly,

Benoit Lamarche
Manager,
Cooperative Hydro Embrun Inc.

COOPÉRATIVE HYDRO EMBRUN INC.

**REPLY TO BOARD STAFF
SUBMISSION**

January 21, 2008-01-28

**2008 ELECTRICITY DISTRIBUTION RATES
EB-2007-0848**

February 4, 2008

INTRODUCTION

Coopérative Hydro Embrun Inc.(Embrun Hydro) submitted an application on October 29,2007, seeking approval for changes to the rates that Embrun Hydro charges for electricity distribution, to be effective May 1, 2008. The application is based on the 2008 Incentive Regulation Mechanism. On November 8, 2007 Embrun Hydro filed an addendum proposing adjustments to its retail transmission service rates.

The purpose of this document is to provide to the Ontario Energy Board reply to Board Staff Submission dated January 21, 2008.

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 Incentive Rate Mechanism Application as a Addendum.

Embrun Hydro proposes to reduce its RTR- Network Service Rate and its RTR- Line and Transformation Connection Service Rate by 25% for all customer rate classes.

Clarification to the methodology used by Embrun Hydro

On the first 2 lines, balances at different time are provided to be able to do a forecast of the balance of account 1584 and 1586 at April 30, 2008.

Please note that all these amounts have credit balances. The transfers of the approved amounts to account 1590 are still included in the balance as of December 31, 2006. Without taking into consideration the amounts transferred to account 1590, the account 1584 increased by \$7,511 and account 1586 by \$ 12,434 for a one year period between September 2006 and 2007. The forecast is a straight line calculation of the variance of one year over seven months plus the variance between November and December 2006 which represent the exceptional variance when unbilled revenues are accounted for in December.

The second calculation is done to come up with a percentage of reduction of the billing rate. We listed the amount billed to customers for a one year period for network and connection. We then compare the forecast balance of account 1584 and 1586 at April 30, 2008 to the one year amount billed to customers. This provides us with the amount the rates should be decreased using the actual rates. We then calculated the connection rate reduction using the proposed line connection and transformation connection rates and comparing them to the old rates. This calculation gave us a reduction of 4.76% of the rates. The network rate is decreasing by 18%. We added those rate reductions to the amount the rates should be decreased using the actual rates. That gives us total rate reduction of 32.4% for network and 29.95% for connection. Taking into consideration that we used forecasted balance as at April 30, 2008 and that we want to be conservative we are proposing a reduction of rates of 25% instead of 32.4% and 29.95%.

Discrepancies with the December 31, 2006 RRR

The balances used are the actual balances as at December 31, 2006 without the carrying charges. They are the same amounts as submitted in the revised RRR and the audited financial statements.

Comment on the disposition of variance accounts

The view of the cooperative is that variance accounts should be disposed as soon as possible to ensure that the rates charged to customers are closer to reality. Account 1584 and 1586 have always been in a credit position since the beginning of the variance accounts. If the board is providing a process that rates can be adjusted in 2008 instead of waiting in 2010, the cooperative wants to be part of this Incentive Regulation Mechanism and adjust them as soon as possible.