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January 25, 2008

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

**Attention: Ms. Kirsten Walli, Board Secretary**

Dear Ms Walli:

**Re: EB-2007-0829 2008 Incentive Regulation Mechanism Rate Application  
Interrogatory Response**

Pursuant to Board Staff's Submission of January 18, 2008, Waterloo North Hydro Inc. (WNH) has the following response:

**Retail Transmission Service Rates Adjustment**

***"Board staff submits that it is not clear whether the additional adjustments proposed by WNH are necessary given the temporary mismatch between wholesale transmission costs and their recovery through RTR will be captured in variance accounts 1584 and 1586. Staff notes that under WNH's proposal, RTR would need to be adjusted upwards at the end of the period (i.e. May 2009) even if wholesale transmission rates would remain unchanged."***

WNH is of the understanding that the Ontario Energy Board Rate Order EB-2007-0759, setting new Uniform Transmission Rates for Ontario transmitters for the period November 1, 2007 to December 31, 2008, is in essence a fourteen (14) month rate rider. WNH, thus, had proposed to implement the reduction of its Retail Transmission Network and Line and Transmission Connection Service Rates for a fourteen month period.

In order to minimize customer confusion, WNH proposed to provide the reduced rates to its customers over one rate year (May 1, 2008 to April 30, 2009), which will coincide with its Distribution Rate Changes and Provincially Regulated Price Plan Changes. WNH calculated the Decrease for the Network and Line and Transmission Connection Service Rates which would be in effect for fourteen months and annualized the decrease in order to condense the rate change to one rate year as discussed above. WNH has reproduced its calculation from its October 31, 2007 RTR filing below.

<b>Impact of Board EB-2007-0759 New Uniform Rates for Ontario Transmitters</b>				
	<b>Network Charge</b>	<b>Line Connection Charge</b>	<b>Transformation Connection Charge</b>	<b>Total</b>
2008 rates \$/kW	\$ 2.31	\$ 0.59	\$ 1.61	\$ 4.51
2007 rates \$/kW	\$ 2.83	\$ 0.82	\$ 1.50	\$ 5.15
2008 as % of 2007	82%	95%		88%
Decrease for 14 months	18%	5%		12%
<b>Annualized Decrease</b>	<b>21%</b>	<b>6%</b>		<b>14%</b>

***“In addition, Board staff does not understand the underlying rationale for proposing that effective May 1, 2009 that the RTR rates should be reverted to the May 1, 2007 level pending further Board orders.”***

As discussed above, WNH is of the understanding that the Ontario Energy Board Rate Order EB-2007-0759, setting new Uniform Transmission Rates for Ontario transmitters for the period November 1, 2007 to December 31, 2008, is in essence a fourteen (14) month rate rider. WNH, thus, had proposed to implement the reduction of its Retail Transmission Network and Line and Transmission Connection Service Rates for a fourteen month period.

WNH had proposed to revert to the May 1, 2007 level, pending further Board orders, under the assumption that at May 1, 2009 the Uniform Transmission Rates would no longer reflect this fourteen month rate rider and in order to minimize future variances in these accounts.

WNH has previously forwarded an electronic version of this letter via e-mail to [boardsec@oeb.gov.on.ca](mailto:boardsec@oeb.gov.on.ca).

If there are any questions, please contact myself, Rene Gatien, at 519-888-5554, [rgatien@wnhydro.com](mailto:rgatien@wnhydro.com) or Chris Amos, at 519-888-5541, [camos@wnhydro.com](mailto:camos@wnhydro.com).

Yours truly,

***Original Signed By***

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President & C.E.O.