



Grimsby Power Incorporated

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January 23, 2008

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Young Street
Toronto, Ontario
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Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli

Re: Board File EB 2007-0857,
Grimsby Power 2008 Incentive Regulation Mechanism Rate Application

Grimsby Power has reviewed the Board Staff submission on the subject matter and we have the following concerns\comments.

1. Grimsby Power has considerable balances in the variance account, which has a net value owing to customers.
2. Grimsby Power firmly believes that all of the existing variance accounts need to be cleared out as soon as practical on a gradual basis and then generally cleared annually moving forward.
3. Board staff has stated that "The approach used by the distributor to reflect the change in wholesale transmission rates appears to be reasonable."
4. The apparent high percentage rate adjustment would result in a decrease in our revenue requirements of less than 4.5% for each of the next two years. However, the net effect on an average customer's bill would be less than 1%.
5. Clearing of variance accounts will negatively affect our cash balance and needs to be phased in gradually versus addressing all variance accounts at one time such as when we rebase. This is true even if the clearing of the variance accounts were all done over a two year period.
6. Grimsby Power believes that the general intent of the Board's directive October 29, 2007 was to start the gradual clearing of these accounts.
7. If Grimsby Power were to wait until rebasing, we are expecting that the variance accounts are going to increase our liability. This means that we are going to owe customers even more monies creating a bigger impact.
8. Grimsby Power does not believe that intervenors have issues with the clearing of the existing variance accounts when they positively affect the customer's bill by reducing amounts customers

have to pay provided that the customers are not exposed to sticker shock at the end. This sticker shock would be more as our liabilities under the Regulatory Assets grows by waiting until rebasing.

9. Grimsby Power is confirming that we have included interest charges in the account balances for 1584 and 1586. The interest charges were up to October 31, 2007.

Therefore, Grimsby Power recommends that:

- a. the variance accounts need to start to be cleared as soon as practical commencing with dispensation of 1586 and 1584.
- b. the Board needs to continue to initiate the clearing of these accounts to have effectively eliminated them by 2011. This time is suggested as it appears that for audit purposes we are expecting that the International Auditing Standards are going to be implemented by that date, which would eliminate Regulatory Assets from our Balance Sheets. This will mean that we may be required to pass them through on our Income Statements, which can create large swings in net income. These swings can make it increasingly more difficult to regulate utilities or create a stable environment to allow utilities to borrow monies in the future.
- c. the recovery of many Hydro One charges needs to vary from a utility to utility basis. This is due to the location and efficient operation of a utilities infrastructure to minimize compounding charges as load is switched between the various supply points. Sometimes this can vary through no fault of the utility. Sometimes it is not efficiency but rather a product of the Hydro One system in combination with that of the utilities and the work requirements over an annual basis.
- d. The clearing of variance accounts now helps to ensure that the monies are reimbursed or collected from the customers that were impacted. We believe this is an important consideration given the increasing number of mergers, acquisitions, amalgamations or divestitures.

We respectfully submit our comments for the OEB's consideration. We have not submitted our comments to any intervenors as we are not aware of any intervenors at this time.

Yours truly,

Brian Weber

Cc George Dimitropoulos, Case Manager Regulatory Policy Development, OEB