

**Ontario Energy
Board**
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**Commission de l'énergie
de l'Ontario**
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BY E-MAIL

June 20, 2008

John Grotheer
Cambridge and North Dumfries Hydro Inc.
1500 Bishop Street
P.O. Box 1060
Cambridge ON N1R 5X6

Letter of Direction

Dear Mr. Grotheer:

**Re: Cambridge and North Dumfries Hydro Inc.
2008 Incentive Regulation Mechanism (2008 IRM) Rate Application – Low
Voltage Rates - Board File Number EB-2007-0900**

The Board has issued its Procedural Order No. 1 in the above proceeding and a copy is enclosed herewith.

Board staff contact

Please direct any questions relating to this application to Mr. Keith Ritchie, Project Advisor at 416-440-8124, or by e-mail at Keith.Ritchie@oeb.gov.on.ca.

Yours truly

Original signed by

Kirsten Walli
Board Secretary

cc: Mr. Glen MacDonald, Hydro One Networks, Inc.
Mr. René Gatién, Waterloo North Hydro Inc.



EB-2007-0900

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Cambridge
and North Dumfries Hydro Inc. for an order or orders
approving or fixing just and reasonable distribution rates
and other charges, to be effective May 1, 2008.

BEFORE: Paul Vlahos
Presiding Member

Paul Sommerville
Member

Procedural Order No. 1

Cambridge and North Dumfries Hydro Inc. ("C&NDHI" or the "Applicant") is a licensed distributor of electricity providing service to consumers within its licensed service area. On November 6, 2007, C&NDHI filed an application with the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective May 1, 2008.

C&NDHI is one of over 80 electricity distributors in Ontario that are regulated by the Board. In 2006, the Board announced the establishment of a multi-year electricity distribution rate-setting plan for the years 2007-2010. As part of the plan, C&NDHI was one of the electricity distributors to have its rates adjusted for 2008 on the basis of the 2nd Generation Incentive Rate Mechanism ("IRM") process.

C&NDHI has two embedded distributors adjacent to its service area: Waterloo North Hydro Inc. ("Waterloo North") and Hydro One Networks Inc. ("Hydro One"). In its application for 2008 distribution rates, C&NDHI proposed to change the monthly rates associated with the delivery of Low Voltage services to embedded distributors for what it states are errors in the 2006 EDR application (RP-2005-0020/EB-2005-0343).

In its Decision issued on March 25, 2008, the Board approved C&NDHI's application for 2008 distribution rates with the exception of the proposed Low Voltage charges, as stated below:

As the Board needs to better understand this issue, in the interest of implementing the 2008 distribution rates as of May 1, 2008 the Board has decided that it will deal with this part of the application at a later time. A procedural order will be issued in due course. Cambridge and North Dumfries Hydro Inc.'s existing rates for Embedded Distributors are hereby declared interim as of May 1, 2008.

The Board has determined to proceed by way of a technical conference involving the Applicant, the embedded distributors and Board staff. The purpose of the technical conference is to allow parties and the Board to better understand the issues and C&NDHI's proposal. To assist parties, attached to this procedural order are two documents. Appendix "B" contains a brief summary of C&NDHI's evidence currently on the record and has been prepared by Board staff. Appendix "C" is an Issues List prepared by Board staff based on its understanding of the issues related to C&NDHI's LV rates proposal. The Board expects participants of the technical conference to address the issues on the Issues List. It is also the Board's expectation that the technical conference will result in an agreed upon statement of facts or similar agreement on the technical aspects and an agreed-upon issues list which shall be presented to the Board and serve as the basis for a subsequent hearing before the Board on this matter.

Please be aware that this procedural order may be amended, and further procedural orders may be issued from time to time.

THE BOARD ORDERS THAT:

1. A transcribed technical conference will be held at 2300 Yonge Street, 25th floor, Toronto, Ontario in the Board's North Hearing Room. The technical conference will commence on July 9, 2008 at 9:00 a.m. and is expected to conclude no later than 4:30 p.m. Parties shall confirm their attendance by writing to the Board Secretary or by sending an email to Boardsec@oeb.gov.on.ca and by copying the e-mail to Mr. Keith Ritchie, Project Advisor, at keith.ritchie@oeb.gov.on.ca by June 27, 2008.
2. If parties and Board staff plan to ask for additional information at the technical conference on any of the evidence previously filed with the Board, parties and Board staff shall file questions with the Board and deliver them to the Applicant and all parties on or before June 30, 2008. Where possible, the questions should specifically reference evidence.

All filings to the Board must quote file number EB-2007-0900, be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may email your document to the Ontario Energy Board's address provided in Appendix "A". Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address documented in Appendix "A", and be received no later than 4:45 p.m. on the required date.

DATED at Toronto, June 20, 2008.

Ontario Energy Board

Original Signed By

Paul Vlahos
Presiding Member

Original Signed By

Paul Sommerville
Member

Appendix “A”

To Procedural Order No. 1

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

EB-2007-0900

Participant List

Ontario Energy Board

Post:

Ontario Energy Board
P.O. Box 2319
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Attention: Board Secretary

Filings: www.errr.oeb.gov.on.ca
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Tel: 1-888-632-6273 (toll free)
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Cambridge and North Dumfries Hydro Inc.

Cambridge and North Dumfries Hydro Inc.
1500 Bishop Street
P.O. Box 1060
Cambridge ON N1R 5X6
Attention: John Grotheer

E-mail: jgrotheer@camhydro.com

Tel: 519-621-8405
Fax: 519-621-0383

Hydro One Networks Inc.

Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto, ON M5G 2P5
Attention: Mr. Glen MacDonald
Senior Advisor – Regulatory Affairs

Email: glen.e.macdonald@HydroOne.com

Tel: 416-345-5913
Fax: 416-345-5866

Waterloo North Hydro Inc.

Waterloo North Hydro Inc.
300 Northfield Drive East
P.O. Box 640
Waterloo, ON N2J 4A3

Attention: Rene Gatien

E-mail: rgatien@wnhydro.com

Tel: 519-886-5090
Fax: 519-886-8592

Appendix “B”

To Procedural Order No. 1

**CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.
EB-2007-0900**

Background Evidence on Low Voltage Rates Proposal

Cambridge and North Dumfries Hydro – Low Voltage Rates (EB-2007-0900)

Background Evidence (from the record of Cambridge and North Dumfries Hydro's 2008 IRM rate application)

1. Cambridge and North Dumfries Hydro Inc. ("C&NDHI") is a host distributor to each of Waterloo North Hydro and Hydro One Networks. The embedded distributors are only partially embedded to C&NDHI, which transports electricity below 50 kV ("Low Voltage" or "LV") to the embedded distributor for the latter to serve part of the embedded distributor's customers and load.
2. C&NDHI has about 727 km of LV line. 8.6 km of line provide LV services to Hydro One Networks, and 8.4 km of line provide LV services to Waterloo North Hydro.
3. Based on 2006 test year (2004 actual), estimated annualized costs for recovery are \$68,476 from Waterloo North Hydro and \$70,107 from Hydro One Networks (clarified in C&NDHI's reply submission of February 4, 2008).
4. C&NDHI has existing approved LV rates, and proposed LV rates, as shown in the following table.

Embedded Distributor	Existing Board-approved LV rate	Proposed LV Rate
Hydro One Networks	\$0.0706 / kW	\$2.60 / kW
Waterloo North Hydro	\$0.2018 / kW	\$0.90 / kW

5. C&NDHI has stated that errors were made during the calculation of the LV rates in its 2006 EDR application:
 - a. The peak consumption was summed over the year, rather than calculated as an average monthly amount, resulting in the proposed rates (approved in the Decision) being decreased approximately by a factor of 12; and
 - b. C&NDHI states that the Hydro One and Waterloo North Hydro consumption figures were mistakenly switched.
6. Schedule "B" of C&NDHI's reply submission shows, for 2004, annual aggregate (summed) load of 123,868.8 kW (with 27,005.3 kW as the Hydro One embedded load) out of the Galt TS, and 121,536.0 kW (with 76,261.9 kW serving Waterloo North Hydro) out of the Preston TS.

Appendix “C”

To Procedural Order No. 1

**CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.
EB-2007-0900**

Board Staff Issues List

Cambridge and North Dumfries Hydro – Low Voltage Rates (EB-2007-0900)

Issues List

1. Errors

- 1.1 What errors in the Cambridge and North Dumfries Hydro Inc.'s ("C&NDHI's") Low Voltage (or "LV") rates were established as part of C&NDHI's 2006 EDR application, for which C&NDHI is seeking correction?

2. *Costs of Providing Low Voltage Services, including Allocation of Costs and Equity with Other Customers*

- 2.1 Are the proposed costs for providing LV services to Waterloo North Hydro and to Hydro One Networks appropriate?

3. Rate Design

- 3.1 What is the appropriate rate design for Low Voltage charges?

4. Implementation Issues

- 4.1 If the utility did not estimate the cost recovery based on a 2008 rate year, should C&NDHI's proposed rates be updated to reflect 2008 test year data?
- 4.2 How should any adjustment to LV charges be implemented?