



VIA EMAIL AND COURIER

October 29, 2008

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

Dear Ms. Walli:

**Re: AMPCO's Interrogatory Requests
Niagara-on-the-Lake Hydro Inc.
Application for Approval of 2009 Electricity Distribution Rates
Board File No. EB-2008-0237**

I am writing in response to the Board's letter dated October 27, 2008 to further clarify our intervention interests and provide an explanation for AMPCO's six interrogatories to Niagara-on-the-Lake (NOTL) Hydro Inc.

AMPCO has been a consistent participant in Board proceedings related to utility regulation, rate design and distribution cost benchmarking from the perspective of not only our members but all consumers. Our interest in the current 2009 Electricity Rate Application process relates to how utilities interpret and implement the Board's guidelines on cost allocation and rate design, and how the utilities compare to one another. Our interrogatories in this case and others will seek to clarify the cost allocation results in a way that leads to overall data improvement, consistency of reporting, and informs more efficient cost allocation and rate design for all consumers. We always are mindful of the cost impact of our intervention and make every effort to work with other intervenors to avoid duplication in our submissions to the Board. In these utility rate cases, we also have focussed our intervention on the issues related to fair allocation of costs and efficient rate design.

The Board and others have raised the issue of quality of data and its impact on developing and implementing Board policies. In the Board's report, "Application of Cost Allocation for Electricity Distributors", dated November 28, 2007, the Board considers quality of the data to be an influencing factor in developing revenue-to-cost ratios and concludes that "it is apparent that accounting and load data can be improved" (page 5 section 2.3.1). Regarding data improvements in the future, the Board emphasizes that "It is important that accounting and load data be available at the appropriate level of detail to address the need for and use of estimated or default allocations and to ensure the reasonableness of the cost allocation results" (page 5).

Association of Major Power Consumers in Ontario
www.ampco.org

372 Bay Street, Suite 1702
Toronto, Ontario M5H 2W9

P. 416-260-0280
F. 416-260-0442

At the Oshawa PUC Motion Hearing, Mr. Gordon Kaiser, Presiding Member and OEB Vice Chair further emphasized the need for better data. "The Cost Allocation Review referenced in the Report is a longstanding process that's taken place over five years. It has been a complex process. The data is imperfect. The methodology, to some degree, is in question." OEB Transcript of Motion Hearing in EB-2008-0099 (Oshawa PUC), May 16, 2008, Page 113, Lines 23-26. Emphasis added.

A recent report commissioned by the Ontario Energy Board and prepared by the Pacific Economics Group (Benchmarking the Costs of Ontario Power Distributors, March 2008) dedicated an entire chapter to data problems, identifying "numerous inconsistencies in the manner in which distributors report operating data" (page 33). The authors of the report concluded: "The data are inadequate for accurate benchmarking of the following costs: labour expenses (with or without pensions and benefits); detailed OM&A (e.g. customer care) expenses; OM&A expenses net of pensions and benefits; capital cost; and total cost" (Page 41). Among the recommendations to improve data quality, the authors recommended that the Board: "Tighten the rules and enforcement to ensure that accurate data are available on delivery volumes by service class, as well as data on the overall peak demand" (Emphasis added, Page 42).

AMPCO's six interrogatories to Niagara-on-the-Lake Hydro Inc. aim to clarify the utility's approach to implementing the Board's cost allocation guidelines and reporting of data. The rationale for each interrogatory is indicated below:

Interrogatory # 1

To better understand NOTL's approach to implementing the Board's cost allocation guidelines.

Interrogatory # 2

To better understand the reason for the increase in OM&A costs per customer, noting that NOTL's rate is above the average for their peer group.

Interrogatory # 3

To improve the data on service classes and peak demand, thereby enabling more accurate benchmarking of utility costs.

Interrogatory #4

To better understand NOTL's costs and 2009 proposed revenue requirement.

Interrogatory # 5

To clarify why NOTL has decided to undertake this now.

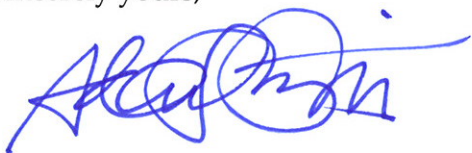
Interrogatory # 6

To better understand NOTL's interpretation and implementation of the Board's cost allocation guidelines and to compare NOTL to other utilities.

In addition to the fundamental issues of cost-effectiveness, efficiency and the interests of consumers, AMPCO's focused intervention is intended to be of particular assistance to the Board by improving the quality of data generally available and enabling more accurate benchmarking of utility costs and service levels.

Please contact me if you have any questions or require any further information.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Adam White', with a stylized flourish extending from the end.

Adam White
President

Copies to: Mr. Jim Huntingdon, Niagara-on-the-Lake Hydro Inc.
Mr. Mark Garner, Managing Director, Market Operations, OEB