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November 6, 2008

Delivered by: Courier

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

Attention: Kirsten Walli
Board Secretary

**Re: Haldimand County Hydro Inc. (Licence # ED-2002-0539)
2009 Incentive Regulation Mechanism Distribution Rate Adjustment
Application (EB-2008-0181)**

Dear Ms. Walli:

Haldimand County Hydro Inc. hereby submits its 2nd Generation Incentive Regulation Mechanism ("IRM") Application for 2009 Electricity Distribution Rates, to be effective May 1, 2009.

This application is filed in accordance with the following Ontario Energy Board (the "Board") documents:

- "Filing Requirements for 2009 Incentive Regulation Mechanism Distribution Rate Adjustments", issued October 3, 2008 with revisions issued October 23, 2008;
- "Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors" (the "Board Report"), issued December 20, 2006; and
- "Guidelines for Retail Transmission Service Rate and Smart Meter Funding and Cost Recovery Applications", Guidelines G-2008-0001 and G-2008-0002 respectively, issued October 22, 2008.

In accordance with the filing requirements, please find enclosed 2 paper copies of the Application, the Manager's Summary, and the 2GIRM Rate Generator Model which includes a copy of the bill impacts for each rate class as produced in the separate 'Bill Impacts Generator' workbook.

Also enclosed is a CD containing electronic files of these materials, filed as separate non-PDF documents, as well as a single PDF document incorporating all of these materials, as follows:

1. Haldimand_MANAGERS SUMMARY_20081105 (COVER LETTER + MANAGER'S SUMMARY) (*Word*)
2. Haldimand_2009 2GIRM Rate Generator_20081105 (2009 2GIRM MODEL) (*Excel*)
3. Haldimand_APPL_20081105 (SINGLE PDF DOCUMENT – ALL MATERIALS) (*PDF*)

These electronic files have also been forwarded to your attention, by email to Boardsec@oeb.gov.on.ca, today.

We have also completed one electronic filing through the Board's web portal www.err.oeb.gov.on.ca, consisting of one:

- i. Electronic copy of the application in searchable/unrestricted PDF format;
- ii. Electronic copy in Microsoft Excel format of the completed 2GIRM Rate Generator Model; and
- iii. Electronic copy in PDF format of the Manager's Summary.

This 2009 Electricity Distribution Rate Application is respectfully submitted for the Board's consideration.

Yours truly,
HALDIMAND COUNTY HYDRO INC.

Original Signed by

Jacqueline A. Scott
Finance Manager

Encl.

Haldimand County Hydro Inc.

2009 Incentive Regulation Mechanism Rate Adjustment Application

MANAGER'S SUMMARY

The Board's 2009 2nd Generation Incentive Rate Mechanism Generator ("the 2GIRM Model"), Version 2.0 released October 23, 2008, has been used to prepare this Application, incorporating the current Board-approved Tariff of Rates and Charges effective May 1, 2008, and certain inputs from the Board approved 2006 EDR Application model.

Smart Meter Funding Adder

The Smart Meter Funding Adder included in the current rates is \$0.26 per metered customer per month (\$0.30 per residential customer, allocated to all metered customers at \$0.26 per month). The current Smart Meter Funding Adder has been removed from the 2008 monthly service charge to arrive at current base distribution rates.

Pursuant to Guideline G-2008-0002, Haldimand County Hydro wishes to apply for the Standard \$1.00 Smart Meter Funding Adder provided for by the Board. Haldimand County Hydro Inc. intends to install smart meters during the rate test year, commencing July 2009 and continuing through to the end of the year.

- a) Haldimand County Hydro Inc. is a member of the Niagara Erie Power Alliance ("NEPA") – a cooperative venture of 11 local distribution companies ("LDCs") in south eastern Ontario – who has been planning a collective and collaborative approach to their Advanced Metering Infrastructure ("AMI") procurement and installation. The NEPA group has also engaged Util-Assist to provide consulting assistance in this regard.
- b) Smart meters will be procured pursuant to and in compliance with the August 14, 2007 Request for Proposal ("RFP") issued by London Hydro Inc. A letter dated August 1, 2008, from PRP International, Inc. attests to this and accordingly determined the highest ranked AMI proponent for the NEPA group to be KTI/Sensus Limited. Please refer to 'Appendix A' for a copy of this letter.
- c) It is expected that contracts will be in place by January 2009 to purchase the AMI which meets the minimum functionality adopted in O. Reg. 425/06.
- d) It is estimated that in the order of 20,174 meters (residential plus small general service with no demand customers) will be installed.
- e) Total installed costs during the rate test year are estimated in the order of \$3.698 million, or \$183 per installed meter.

- f) It is expected that no additional costs will be incurred for associated functions for which the Smart Meter Entity ("SME") has the exclusive authority to carry out pursuant to O. Reg. 393/07. A NEPA group RFP for a temporary Operational Data Storage ("ODS") will soon be released. The ODS will assist the NEPA group with validating and auditing smart meter/AMI data until the centralized MDM/R is fully operational.

Common Deemed Capital Structure Transition (K-Factor)

The second of a three-year transition to the common deemed capital structure, 60% debt and 40% equity, is included in this rate application. This second year transition provides for a common deemed capital structure of 56.7% debt and 43.3% equity. Haldimand County Hydro Inc.'s current 7.43% cost of capital calculates to 7.33% for 2009. The resulting percentage change in revenue requirement (including taxes/PILs), or the K-factor, is -0.5%.

Federal Tax Rate Adjustment Factor

Current distribution rates provide for a 2008 corporate income tax rate of 33.50%. The 2009 corporate income tax rate is 33.0%. The effect of this corporate income tax rate change, as a percentage of the grossed up taxes calculated on the revenue requirement, results in a 2009 federal tax rate adjustment factor of -0.4%.

Price Cap Adjustment

Current distribution rates have been adjusted for a price cap adjustment of 1.1%, represented as the net of the following:

1. Price Escalator (GDP-IPI) of 2.1%, and
2. Average Annual Expected Productivity Gain (X-Factor) of -1.0%.

It is noted that the price cap adjustment in the model currently uses the 2008 GDP-IPI value. This value will be updated by Board Staff in March 2009 once the 2009 value has been published by Statistics Canada.

Base Distribution Rate Adjustments

The following table summarizes the adjustments, as discussed above, applied to the current base distribution rates:

K-factor	- 0.5 %
2009 Federal tax adjustment factor	- 0.4 %
Price cap adjustment	1.1 %

After having applied the K-factor of -0.5% and the 2009 Federal tax adjustment factor of -0.4% to the current base distribution rates, the price cap adjustment of 1.1% is applied. These adjustments are applied to the monthly service charge and distribution volumetric charge. The Smart Meter Funding Adder of \$1.00 is then added back into the monthly service charge for each of the 4 metered rate classes.

Retail Transmission Service Rates

Pursuant to Guideline G-2008-0001, an adjustment to the Retail Transmission Service Rates (“RTSRs”) to reflect increases in the Ontario Uniform Transmission Rates (“UTRs”) as approved by the Board to be effective January 1, 2009, has been included as follows:

- Network Service Rate: 11.3%
- Line and Transformation Connection Service Rate: 5.5%

Bill Impacts

The Bill Impacts Generator included within the 2009 2GIRM Model was used.

The following table summarizes the “total bill impacts” by rate class:

Residential Urban (1,000 kWh per month)	1.3 %
Residential Suburban (1,000 kWh per month)	1.2 %
General Service Less Than 50 kW (1,000 kWh per month)	1.1 %
General Service 50 kW to 4,999 kW (20,000 kWh / 50 kW per month)	0.7 %
Unmetered Scattered Load (500 kWh per month)	0.5 %
Sentinel Lighting (180 kWh / 0.5 kW per month)	0.9 %
Street Lighting (180 kWh / 0.5 kW per month)	1.0 %

Note: 2GIRM Model Correction Required

The “Applied For Monthly Rates & Charges - General” worksheet (Sheet N1.1), which is automatically updated within the 2GIRM model, does not include the “per connection” notation with respect to the “Service Charge” description for each of the following classes:

- Unmetered Scattered Load
- Sentinel Lighting
- Street Lighting

This requires correcting prior to using this to produce an accurate final Tariff of Rates and Charges schedule.

APPENDIX A

PRP International, Inc., Letter dated August 1, 2008

See attached.

AUG 11 2008



PRP International, Inc.

Fairness Advisory Services

August 1, 2008

Mr. Lloyd Payne
President & CEO
Haldimand County Hydro Inc.
1 Greendale Drive
Caledonia, ON N3W 2J3

Dear Mr. Payne:

Subject: Attestation of the Fairness Commissioner
Advanced Metering Infrastructure RFP, August-July 2008
London Hydro, Consortium & Add-On LDCs Smartmetering Project

PRP International, Inc. is pleased to submit its letter report of the Fairness Commissioner for the noted Request for Proposal (RFP) evaluation and selection phase. This judgment is being provided for the information and use of each Add-On LDC Sponsor, in their consideration of the report from the Evaluation Phase, for this competitive transaction.

*"It is the judgment of PRP International, Inc., as the Fairness Commissioner, that the determinations of the two (2) highest ranked Proponents for the **NEPA Collective of LDCs (Brant County Power Inc., Brantford Power Inc., Canadian Niagara Power Inc. (Fortis), Grimsby Power Incorporated, Haldimand County Hydro Inc., Niagara-on-the-Lake Hydro Inc., Niagara Peninsula Energy Inc., Norfolk Power Distribution Inc., and Welland Hydro Electric System Corp.)** requirements are:*

- *KTI/Sensus Limited, as the recommended Preferred Proponent, based on its highest ranking, and*
- *Elster Metering being the second ranked Proponent.*

These determinations were made in a fair (objective and competent) manner and consistent with the evaluation and selection processes set out in the RFP, issued August 14, 2007."

A detailed report for your records will be submitted to you, by August 31, 2008. Should you have any questions or require clarification of any matter contained in this letter report, please contact the undersigned.

Yours truly,

A handwritten signature in black ink, appearing to read "Peter Sorensen".

Peter Sorensen
President

cc: Mr. Gary Rains, RFP Project Director