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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2005-0317 Staff Proposal on Cost Allocation Principals and Methodologies

Waterloo North Hydro Inc. (WNH) would like to recognize the effort that has been put forth in order to produce the *Cost Allocation Review: Staff Proposal on Principles and Methodologies* paper.

WNH recognizes that some positions and methodologies proposed are a result of negotiation and compromise among the interested parties and practical considerations which include materiality and the cost/benefit both financially and in terms of effort.

WNH has reviewed the Staff Proposal and has the following comments:

Chapter 1

1.5.2 Cost Allocation Outputs

1.10 Potential Future Implementation in Rates

Consideration may be given to an inclusion in these sections which indicates that the OEB Approved Revenue Requirement, determined in the 2006 EDR Rate Filing, will be maintained and remain whole.

Chapters 5 and 6

5.0 Direct Allocation

6.2.2.5 Proposal – Supporting Distribution System Information

WNH would like to ensure that it complies with the Personal Information Protection and Electronic Documents Act (PIPEDA).

Chapters 5 and 6 - continued

WNH recognizes that in section 3.8 *Confidentiality of Individual Customer Load Data* it has been proposed, however, there may be other situations whereby only one or two customers are in a rate classification. As such WNH would like to ensure that their personal information is not compromised if disclosed in this Cost Allocation filing.

Two sections that have been noted regarding this issue are contained in Chapter 5 and Section 6.2.2.5. Chapter 5 asks for disclosure of any assets that are exclusively or predominantly dedicated to one customer rate classification.. Section 6.2.2.5 asks for a diagram or schematic indicating which specific assets have been identified as bulk and the customers by rate classification that are served from such bulk assets. Disclosure of the geographic location and subsequent allocation to a rate classification of bulk consumption and costs may allow identification of a customer.

A further review, of the Cost Allocation Model inputs and outputs, may also be necessary to ensure any private information is not disclosed.

Chapter 8

8.6.3 Filing Questions (Line Losses) – Question # 2

WNH asserts that an estimate of “non-technical” energy losses (e.g. theft of power, billing accruals, metering problems) is not readily available and subject to a high level of estimation. This estimation may not be reliable or material for use in determining the future treatment of line losses.

An OEB Cost Allocation Consultant has stated “Unaccounted for usage typically consists of many components but the vast majority of this usage is associated with transformer and conductor energy losses (I^2R losses).”

Chapter 12

12.2.2.1 Proposal – Substation Transformation Ownership Allowance Unit Cost Output

References to the USoA Account #1825 Storage Battery Equipment in this section should make reference to the costs allocated to #1825 <50 kV only.

Appendix 6.1

6.1 Grouping of Accounts

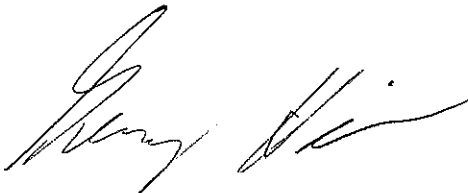
A legend which defines the ‘Classification Allocator’ would assist review and interpretation of this Appendix.

Operation and maintenance costs related to USoA assets which have been allocated between Bulk, Primary and Secondary may be better served with allocators based on these USoA assets, rather than DNCP which is listed. Use of DNCP does not recognize the split in the function of the assets.

If the OEB requires any additional information please myself, Gerry Hilhorst, at 519-888-5550 or ghilhorst@wnhydro.com.

If there are any questions, please do not hesitate to contact us.

Yours truly,

A handwritten signature in black ink, appearing to read 'Gerry Hilhorst', written in a cursive style.

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