



Gerry Hilhorst, P. Eng.
VP, Regulatory Affairs

WATERLOO NORTH HYDRO INC.

PO Box 640
300 Northfield Drive East
Waterloo ON N2J 4A3
Telephone 519-888-5550
Fax 519-886-8592

E-mail ghilhorst@wnhydro.com
www.wnhydro.com

January 8, 2007

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-2006-0330 Multi-year Electricity Distribution Rate Setting Plan
Selection of Electricity LDCs for Rebasing**

Waterloo North Hydro Inc. (WNH) welcomes the opportunity to provide input on the OEB's Multi-year Electricity Distribution Rate Setting Plan Selection of Electricity LDCs for Rebasing as presented with their letter of December 19, 2006. WNH has the following comments:

3.1 Financial Attributes - Earnings

WNH submits that earnings, prior to the implementation of the May 1, 2006 Electricity Distributor Rates (EDR), would not be an appropriate financial attribute criteria. The May 1, 2006 rates were derived from a cost of service review at no greater than the OEB's allowed rate of return.

Any revenue adjustments resulting from the 2006 EDR will not be reflected in the financial information currently available to the Board. In addition, comparison of an LDC's actual financial and regulatory returns with approved levels, for 2006, can not be achieved as the 2006 financial results would only reflect eight months of these rebased rates.

3.1 Financial Attributes – Cost Levels

WNH submits that the use of cost levels must be handled with a great deal of consideration. The Comparator and Cohort and the OEB Comparison of Distributor Costs processes are currently underway and still require considerable development in our opinion. WNH submits that in order for the Comparator and Cohort process to be meaningful, LDCs must be heavily involved. As an illustration the comparison between LDCs needs to be performed on an informed basis, which includes, but not limited to, factoring of the following variables:

- Customer and Load Density
- Provision of 24/7 Control Room Services
- Any LDC Owned and Operated Transformer Stations
- Relocation of infrastructure for Road widenings
- Developer Needs
- Stage of Plant Rebuild
- Municipal Development Policies

3.3 Self-Nomination

WNH submits an additional example of potential justification through self-nomination. In order to avoid future rate shock for customers, an LDC may wish to have its rates rebased in a tranche coinciding with an investment in a lumpy capital expenditure (i.e. transformer station).

4.0 Implementation Recommendations

WNH submits that the Rebasing Schedule Event for February 16, 2007 should include self-nominating requests from distributors for inclusion in any tranche, not solely the first tranche which establishes the 2008 rates.

If there are any questions, please contact myself, Gerry Hilhorst at 519-888-5550, ghilhorst@wnhydro.com or Chris Amos at 519-888-5541, camos@wnhydro.com.

Yours truly,

Original signed by

Gerry Hilhorst, P.Eng
VP, Regulatory Affairs