



May 20, 2008

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

Dear Ms. Walli:

Re: EB-2007-0673 - 3rd Generation Incentive Regulation

Halton Hills Hydro Inc. welcomes the opportunity to comment on the Board's proposal on an incremental capital module in the 3rd Generation Incentive Regulation Mechanism (GIRM).

Having completed a 2008 Cost of Service Rate Application, Halton Hills Hydro Inc. finds the application requirements for CAPEX funding in 3rd GIRM to be acceptable and not excessive. The Board Staff proposal of 150% is appropriate and will address the most serious cases. Halton Hills Hydro Inc. has included three specific numerical examples to ensure our understanding of the Board's proposal. The starting point for these examples is Halton Hills Hydro's 2008 Cost of Service Application.

Table 1 – Above Threshold

	Base year	Year 2	Year 3	Total	Average
CAPEX	5,000,000	5,000,000	16,000,000	21,000,000	10,500,000
Base year depreciation					2,200,000
Gross-up					150%
Threshold					3,300,000
Above threshold					<u>7,200,000</u>

Table 2 – Above Threshold

	Base year	Year 2	Year 3	Total	Average
CAPEX	5,000,000	5,000,000	5,000,000	10,000,000	5,000,000
Base year depreciation					2,200,000
Gross-up					150%
Threshold					3,300,000
Above threshold					1,700,000

Table 3 – Below Threshold

	Base year	Year 2	Year 3	Total	Average
CAPEX	5,000,000	3,500,000	3,000,000	6,500,000	3,250,000
Base year depreciation					2,200,000
Gross-up					150%
Threshold					3,300,000
Below threshold					(50,000)

Halton Hills Hydro Inc. would appreciate clarification concerning the Application Requirements (page 3), first bullet where it reads:

“An analysis demonstrating that the threshold test has been met and that the amounts will have a significant influence on the operation of the distributor”

Is there a specific reference to clarify “*significant influence*”?

In previous stakeholder consultations, Halton Hills Hydro Inc. had expressed its concern about a 3rd GIRM that did not include a CAPEX module to adjust for a very large capital project that will be built over a 3 year period. In a letter to OEB Board Secretary early in 2007, Halton Hills Hydro Inc. expressed its intent to file a 2008 Cost of Service Rate Rebasing Application. In said letter, Halton Hills

Hydro Inc. also expressed its interest in filing another Cost of Service Rate Application in 2010 to account for the multi-year expense of the large capital project. Until such time as 3rd GIRM is finalized and a CAPEX module is located within the mechanism, Halton Hills Hydro Inc. will remain on the list of Distributors scheduled to rebase in 2010.

Halton Hills Hydro Inc. awaits the Board's final decisions concerning 3rd GIRM.

Yours truly,



for

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Cc: John Samuelson, Interim President