

IN THE MATTER of the *Ontario Energy Board, 1998, S.O. 1998, c.15, Schedule B of the Energy Competition Act, 1998;*

AND IN THE MATTER of an Application by Guelph Hydro Electric Systems Inc. for an Order or Orders approving or fixing just and reasonable rates and other charges for 2009 Electricity Distribution Rates.

Applicant Name: Guelph Hydro Electric Systems Inc.

Applicant Address: 395 Southgate Drive
Guelph, ON N1G 4Y1

File Number: EB-2008-0180

Licence Number: ED-2002-0565

APPLICATION

1. Introduction

Guelph Hydro Electric Systems Inc. (the “Applicant”) hereby applies to the Ontario Energy Board (the “Board”) for approval of 2009 Distribution Rate Adjustments, based on the Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors issued July 15, 2008, the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors, issued September 17, 2008, and on subsequent relevant Board Decisions, with rate adjustments scheduled for May 1, 2009.

The Applicant utilized the Board’s rate model, referred to as Version 2.0 of the 2009 Electricity Distribution Incentive Regulation Rate Application Model which consists of the following files:

- OEB 2009 3rd Generation Incentive Rate Mechanism Generator.xls

- 2009 OEB 3rd Generation Incentive Rate Mechanism Supplementary Filing Module Guelph.xls

The 2009 rate adjustments include:

- A revenue to cost ratio adjustment for the Street Lighting Class resulting from the Board's direction to reach a revenue to cost ratio of 70% by 2010.
- A K-factor adjustment resulting from a transition to a deemed capital structure of 56.7% debt and 43.3% equity in 2009.
- A Price Cap Adjustment.
- A Z-Factor adjustment resulting from tax changes.
- The removal of the Dawson Road Rate Rider.
- An adjustment of Retail Transmission Service Rates in accordance with Board Guidelines.

2. Distributor Profile Summary

Guelph Hydro Electric Systems Inc. is a corporation incorporated pursuant to the Ontario *Business Corporations Act* with its head office in the City of Guelph. Guelph Hydro carries on the business of distributing electricity to approximately 48,000 customers within the City of Guelph and the Village of Rockwood. The Applicant services a total area of 93 sq km. 100% of the service area is urban.

The Applicant does not have any special conditions in its licence, nor is the Applicant exempt from any of the conditions of its licence.

The Applicant is embedded at one service point with Hydro One Networks Inc. and is a Host Distributor to Hydro One Networks Inc. The adjacent Distributor is Hydro One Networks Inc.

3. Details of the Applicant's Electricity Distribution Rate Application

3.1 2008 Board Approved Tariff of Rates and Charges

The Applicant has input into the 2009 3rd Generation IRM spreadsheet model, the 2008 Board Approved Tariff of Rates and Charges in its entirety. This was done for all General rate classes. The Applicant does not have any Unique rate classes.

3.2 Revenue to Cost Ratio Adjustment

In accordance with the Board's Decision on the Applicant's 2008 Rate Application, rates for the Street Lighting class have been increased to achieve a revenue to cost ratio of 57% from 44%. The Board has directed the Applicant to reach a revenue to cost ratio of 70% by 2010 in equal increments. The additional revenue from the Street lighting class has been allocated to reduce the revenue to cost ratios for the GS<50 kW and the GS 50-999 kW classes in proportion to their revenues.

3.3 K-Factor Adjustment

The Applicant has calculated a K-Factor Adjustment of -0.41%. This decrease has been applied to the Applicant's Revenue Requirement from distribution rates. The adjustment is the result of transitioning for rate-making purposes to a common deemed capital structure of 60% debt and 40% equity by 2010. In determining its 2009 rates for General rate classes, the company has been classified as a small distributor and has the following deemed capital structure:

- Short term debt 4.0%
- Long term debt 52.7%
- Equity 43.3%

3.4 Price Cap Adjustment

In calculating 2009 rates, the Applicant has applied a Price Cap Adjustment of 0.98% to its Distribution Rates (including low voltage charges), net of existing rate adders. The Price Cap Adjustment was not applied to Rate Riders, Retail Transmission Service Rates, Wholesale Market Service Rate, Rural Rate Protection Charge, Standard Supply Service – Administrative Charge, Specific Service Charges, Transformer Allowances, Retail Service Charges or Loss Factors. The following default values were used in the determination of the Price Cap Adjustment:

Price Cap Adjustment

Price Escalator (GDP-IPI)	2.10%
Less: Productivity Factor	-0.72%
Stretch Factor	-0.40%
Price Cap Adjustment	0.98%

The Applicant understands that the final Decision by the Board will include a Price Cap Adjustment based on GDP-IPI data published by StatsCan at the end of February 2009. The Applicant understands that the productivity factor will remain fixed throughout the 3rd Generation IR plan, that the Stretch Factor will be adjusted once the Board has completed its ranking of distributors into their appropriate efficiency cohorts and that these cohorts will be re-

evaluated annually, based on efficiency improvements during the term of the plan.

3.5 Z-Factor Tax Change Adjustment

The Applicant has a Z-Factor Tax Change Adjustment resulting from the decrease in tax rates. A rate rider has been calculated based on a sharing of 50% of the tax reduction. This amount will be refunded to customers over a 12 month period commencing May 1, 2009 and ending April 20, 2010. The amounts are to be refunded via a volumetric rate rider.

The Applicant does not have a Z-Factor Tax Change Adjustment for CCA Rate Changes. Applicable CCA Rate changes were incorporated into the 2008 Rate Filing and therefore do not need to be adjusted in the 2009 Rate Application.

3.6 Incremental Capital Adjustment

The Applicant is not applying for an Incremental Capital Adjustment at this time.

3.7 Sale of Dawson Road Property Rate Rider

In accordance with the Board's Decision on the Applicant's 2008 Rate Submission the rate rider related to the Sale of the Dawson Road Property will be discontinued effective May 1, 2009.

3.8 Adjustment of Retail Transmission Service Rates

In accordance with the Guidelines for adjusting the Retail Transmission Service Rates (RTSRs) issued by the Board on October 22, 2008, the Applicant has incorporated the following percentage increases to RTSRs:

Network Service Rate	11%
Transformation Connection Service Rate	5%

4. Rate Impacts

Rate impacts are shown on the O Series sheets of the “OEB 2009 3GIRM Rate Generator.xls” file, which form part of the 2009 3rd Generation IRM Model. Specific rate impacts are noted on the following schedules:

- O1.1 Summarizes by rate class the individual changes made to the service charge and distribution volumetric rates
- O2.1 Shows the calculation of Bill Impact by the various rate classes

The key contact information is:

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