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January 23, 2009

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

Dear Ms. Walli:

***Re: EB-2008-0180 - Guelph Hydro Electric Systems Inc.
Application to the Ontario Energy Board for
Electricity Distribution Rates as of May 1, 2009
Response to Board Staff and VECC Interrogatories***

Attached please find our response to Board Staff and VECC interrogatories.

Should you have any questions or require further information in this regard, please do not hesitate to call me.

Yours sincerely,

GUELPH HYDRO
ELECTRIC SYSTEMS INC.

ORIGINAL SIGNED
BY A.G. STOKMAN
Arthur G. Stokman, P.Eng.
President

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2009 Incentive Regulation Mechanism Rate Application
Guelph Hydro Electric Systems Inc.
Response to VECC Interrogatories
EB-2008-0180

Question #1 Reference: Guelph Application, 3GIRM Supplemental Model

Preamble: In the Manager's Summary, Guelph states that for 2009 it is proposing to increase the revenue to cost ratio for the Street Light class and decrease the ratios for the GS<50 and GS 50-999 classes.

- a) Why does the service charge for the GS<50 class increase (per Tab C4.1) when the revenue to cost ratio for the class is being reduced?

Response: As per Tab C4.1, the impact from the increase in the service charge amounts to \$1,734 which is more than offset by the decrease in the volumetric rate which reduces distribution revenue by \$ 14,616. The net impact is a \$12,882 decrease in distribution revenue for the GS,50 class which results in a reduced revenue to cost ratio.

- b) With respect to Tab B3.1, please confirm that the OEB Cost Allocation Model included the cost of the Transformer Ownership Allowance in the Base Revenue Requirement and allocated it to all customer classes.

and

- c) Please confirm that in its 2008 Rate Application Guelph excluded the cost of the transformer ownership allowance from the base revenue requirement allocated to all customer classes based on its proposed revenue to cost ratios and assigned the cost of the Transformer Ownership Allowance only to the GS>50 class.

Response: Please refer to the following sections of Guelph Hydro Electric Systems Inc.'s 2008 Electricity Distribution Rate Application (EB-2007-0742) for a detailed discussion of the methodology followed in allocating and calculating the transformer allowance:

- Methodology of Allocating Transformer Allowance: (reference: Exhibit 8, Tab 1, Schedule 2, pp 2 – 4)
- Proposed Adjustment to Transformer Allowance (reference: Exhibit 9, Tab 1, Schedule 1, pp 7 – 8)

- d) Given the price cap adjustment is applied to the all rates, why shouldn't it also be applied to the transformer ownership allowance for 2009?

Response: It is our understanding that the OEB intended that the price cap adjustment be applied to Base Distribution Rates only and not to allowances or miscellaneous charges.