

**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL ONLY

January 30, 2009

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

Dear Ms. Walli:

**Re: Guelph Hydro Electric Systems Inc. ("Guelph")
2009 Incentive Regulation Mechanism ("2009 IRM") Rate Application
Board File Number EB-2008-0180**

Board staff has reviewed Guelph's 2009 IRM application and its responses to the interrogatories and has the following submission to make. For the purpose of calculating the revenue-to-cost ratio adjustments, the 2009 3rd Gen. IRM Supplementary Filing Module (the "IRM Module") allocates the low voltage charges and transformer allowance "costs" across rate classes in a way that may differ from how they were allocated in Guelph's 2008 cost of service application ("2008 CoS"). Accordingly, there may be a slight difference in the calculated revenue-to-cost ratios and the proposed adjustments that would result under each method. Board staff submits that this difference is immaterial and that Guelph's proposed revenue-to-cost ratio adjustments are reasonable and in compliance with its 2008 cost of service Decision (EB-2007-0742).

Board staff notes that the *Report of the Board on the Application of Cost Allocation for Electricity Distributors* dated November 28, 2007 indicated that a range approach for revenue-to-cost ratios was preferable given influencing factors, such as data quality. Accordingly, Board staff submits that the differences in the ratios calculated in the IRM Module and under the 2008 CoS methodology would need to be material for a revision to the proposed revenue-to-cost ratio adjustments to be warranted at this time. As stated earlier, Board staff submits that those differences are immaterial.

Board staff would like to inform interested parties that the IRM Module will be adjusted next year to enable distributors to reflect how the low voltage charges and transformer allowance “costs” were allocated for the purpose of calculating their revenue-to-cost ratios in their 2008 CoS. Accordingly, any differences in the calculation of the revenue-to-cost ratios in the 2009 IRM Module will be reverted in the 2010 IRM Module next year.

Please forward this letter to Guelph and all other parties in this proceeding.

Yours truly,

Original Signed by

Sonja Reid-Weston
Analyst, Rate Applications