

March 16, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board,
2300 Yonge St.
Suite 2700, P.O. Box 2319
Toronto, Ontario
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Canada

Dear Ms. Walli:

Re: Guelph Hydro Electric Systems Inc. 2011 Cost of Service distribution rate application

Guelph Hydro Electric Systems Inc. ("Guelph Hydro") takes this opportunity to advise the Board that it intends to submit a forward test year cost of service distribution rate application in August of this year for 2011 distribution rates, with an effective date of May 1, 2011. Guelph Hydro's most recent rebasing took place in 2008. In the normal course, Guelph Hydro's next rebasing would be in 2012, but there are two matters that have prompted it to file a rebasing application this year.

First, Guelph Hydro is commencing the construction of a 115 to 13.8 kV municipal transformer station ("MTS") in the Hanlon Expressway corridor from Maltby Road to Clair Road West in the City of Guelph. The MTS would step-down electricity from the existing 115 kV transmission network to provide a reliable source of power to address the increased demand for electricity supply to new development in the south end of Guelph that cannot practically be supplied from facilities in the north part of the city.

The new MTS will create several benefits:

- Distribution network improvement and lower outage risk of the existing facilities
- It will be possible to increase the efficiency of the supply configuration with reduced system losses
- Reliability improvements

- Expedite the operational response by eliminating the Hydro One intermediate technical communication and operating directly with IESO during major system events
- Better ability to accommodate distributed generation and implement smart grid technology

The new MTS is expected to be in service in the last quarter of 2011 – the target date for energizing the MTS is September 30, 2011.

A Class Environmental Assessment with respect to the project was started and a public notice of the study commencement was given on September 25, 2009; a copy of the Public Notice was forwarded to Ontario Energy Board Secretary on that date.

In addition, a public information centre (PIC) was held on November 18, 2009.

The Draft Environmental Study Report (DESR) with respect to the project was completed and made available to the public for a 30 day review period from March 5 through April 3, 2010. Public notice of the commencement of the review period was given on March 4, 2010.

Second, Guelph Hydro has found that its actual loads have been significantly lower than those forecast in Guelph Hydro's 2008 cost of service application. Guelph Hydro will not be seeking any recovery of forgone revenues on account of those lower loads, but does wish to update its load forecast at the earliest opportunity in order that its distribution rates are more reflective of its actual loads.

Guelph Hydro anticipates filing its application in August of this year. Should you have any questions or require further information at this time, please do not hesitate to contact me at the number below.

Respectfully Submitted,



Cristina Birceanu

Manager of Regulatory Affairs
Guelph Hydro Electric Systems Inc.

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