

December 6, 2012

Kirsten Walli Board Secretary Ontario Energy Board, 2300 Yonge St. Suite 2700, P.O. Box 2319 Toronto, Ontario M4P 1E4 Canada

Dear Ms. Walli:

Re: Board Determination of Stretch Factor Rankings for 2013 3 Generation Incentive Regulation Applications (IRM3)

On November 28, 2012, the Ontario Energy Board (the "Board") determined the Stretch Factor Rankings for 2013 3<sup>rd</sup> Generation Incentive Regulation Application ("IRM3") and it also published the Power System Engineering Inc. ("PSE") report which presents the Stretch Factor calculation methodology and results. The PSE's report has also ranked distributors into three efficiency cohorts.

Based on PSE's report, the Board determined stretch factors for those distributors whose rates are set using IRM3; Guelph Hydro Electric Systems Inc.'s ("Guelph Hydro") 2013 distribution rates are to be set using IRM3.

According to PSE's report, Guelph Hydro was placed in the second efficiency cohort and classified as a middle performer. Guelph Hydro has studied and analyzed the methodologies, Econometric Method and Unit Cost Indexing Method, and the results of PSE's report. Based on this analysis, Guelph Hydro has two main concerns with the accuracy of the results related to its efficiency ranking.

First, Guelph Hydro transitioned to IFRS on January 1 2011. The IFRS impact on OM&A expenses was significant. Guelph Hydro has calculated the impact from transitioning to IFRS at \$1,761,720 as the impact of changing the policy on capitalization of overheads under IFRS versus CGAAP. In other words, had Guelph Hydro not transitioned to IFRS, its 2011 OM&A would have been lower by \$1,761K (i.e. \$11,137K); (please also see Attachment A).



It is our understanding that the majority of the LDCs have not yet transitioned to IFRS, and therefore, their 2011 financial results were reported under CGAAP. In our view, this has altered the Performance Ranking results under both methods (i.e. Econometric and Unit Cost Indexing), and skewed the comparison between Guelph Hydro's performance and the performance metrics for other LDCs.

Secondly, Guelph Hydro has noticed that the amount of OM&A calculated by PSE is slightly higher (by \$145K) than the amount that was reported via Guelph Hydro's RRR 2011 Trial Balance on May 2, 2012 (please see Attachment B). The PSE report shows Guelph Hydro's OM&A expenses at \$12,898K, whereas Guelph Hydro's 2011 Trial Balance reported OM&A expenses at \$12,752K (Distribution Expenses, Billing Collecting, Community Relations, and Administration General Expenses).

We respectfully ask the Board and its consultant PSE to update the study taking into consideration the IFRS impact, by adjusting the OM&A accordingly. Guelph Hydro believes that future Stretch Factor studies should consider this base and sensitive to LDC's that have converted to IFRS reporting.

If this review results in a change to the Stretch Factor assigned for Guelph Hydro, Guelph Hydro respectfully asks the Board to recalculate/update Guelph Hydro's 2013 IRM Price Cap Index, file number EB-2012-0128, application for distribution rates effective January 1, 2013.

Guelph Hydro has been working towards improving its performance and efficiency, always having in mind providing superior service to its customers.

Should there be any questions, please contact me at the number below.

Respectfully Submitted,

Cristina Birceanu

Director of Regulatory Affairs Guelph Hydro Electric Systems Inc.

395 Southgate Drive, Guelph, ON N1G 4Y1 Telephone- (519) 837-4735 Mobile- 226-218-2150

Email-cbirceanu@guelphhydro.com

CC: Daniel Kim - <u>Daniel.Kim@ontarioenergyboard.com</u>

CC: Market Operations - market.operations@ontarioenergyboard.ca

CC: Kazi Marouf – <u>kmarouf@guelphhydro.com</u> CC: Pankaj Sardana – psardana@guelphhydro.com

## ATTACHMENT A – IFRS IMPACT ON OM&A

Guelph Hydro Electric Systems Inc. Summary of IFRS Non-burdenable costs 2011

Account	Description		Amount	***************************************	Tot	als
LINE CONSTRUC	TION					
2012-450.01-01	ADMINISTRATION EXPENSE / OTHER	\$	2,119.39			
2012-450.01-02	ADMINISTRATION EXPENSE / CONFERENCES & SEMINARS		8,096.11			
2012-450.01-03	ADMINISTRATION EXPENSE / LODGING		4,866.88			
2012-450.01-04	ADMINISTRATION EXPENSE / MEALS		7,838.46			
2012-450.01-05	ADMINISTRATION EXPENSE / MILEAGE ALLOWANCE		5,893.84			
2012-450.12-02	COST REDISTRIBUTION / BUILDING OPER. ALLOCATION		69,553.55			
2012-450.16-07	DIRECT LABOUR - LINE CREW / TRAINING		3,581.16			*
2012-450.16-08	DIRECT LABOUR - LINE CREW / SAFETY MEETINGS		5,809.20			
2012-450.16-09	DIRECT LABOUR - LINE CREW / ADVERSE WEATHER		20,059.74			
2012-450.17-08	DIRECT LABOUR-MAINTENANCE / SAFETY MEETINGS		282.20			
2012-450.18-08	DIRECT LABOUR - METERING / SAFETY MEETINGS		511.28			
2012-450.20-07	DIR LABOUR - ENGINEERING / TRAINING		249.36			
2012-450.20-08	DIR LABOUR - ENGINEERING / SAFETY MEETINGS		155.85			
2012-450.21-01	EMPLOYEE BENEFITS / OTHER		59,698.50			
2012-450.29-00	LINE CONSTRUCTION / INSURANCE		17,300.04			
2012-450.37-11	OUTSIDE SERVICES / SUB-CONTRACT		1,058.02			
2012-450.44-00	LINE CONSTRUCTION / PROPERTY TAXES		95,418.00			
2012-450.48-01	SALARY - MANAGEMENT / REGULAR	4	407,153.57			
2012-450.48-02	SALARY - MANAGEMENT / OVERTIME		12,681.83			
2012-450.48-03	SALARY - MANAGEMENT / OTHER		14,295.82			
2012-450.48-04	SALARY - MANAGEMENT / VACATION PAY		43,424.54			
2012-450.48-05	SALARY - MANAGEMENT / STATUTORY HOLIDAYS		18,802.81			
2012-450.48-06	SALARY - MANAGEMENT / SICK TIME		26,437.58			
2012-450.48-07	SALARY - MANAGEMENT / TRAINING		4,761.57			
2012-450.48-08	SALARY - MANAGEMENT / SAFETY MEETINGS		1,514.58			
2012-450.51-01	SUPPLIES / OTHER		505.85			
2012-450.51-11	SUPPLIES / OFFICE		107.37			
2012-450.52-01	TELEPHONE / OTHER		15.00			
2012-450.54-01	TRAINING / OTHER		14,650.00			
2012-450.54-02	TRAINING / FRONTLINE LEADERSHIP		2,902.40			
2012-450.54-08	TRAINING / APPRENTICE TRAINING		21,886.60	\$	871,631	.10

## STORES

2012-471.01-04 2012-471.12-02 2012-471.21-32 2012-471.24-00 2012-471.30-01 2012-471.30-01 2012-471.30-03 2012-471.37-01 2012-471.47-01 2012-471.47-02 2012-471.47-03 2012-471.47-04 2012-471.47-05 2012-471.47-06 2012-471.47-08 2012-471.47-08 2012-471.51-10 2012-471.51-11 2012-471.57-00	ADMINISTRATION EXPENSE / CONFERENCES & SEMINARS ADMINISTRATION EXPENSE / MEALS COST REDISTRIBUTION / BUILDING OPER. ALLOCATION EMPLOYEE BENEFITS / OTHER EMPLOYEE BENEFITS / BOOT ALLOWANCE STORES / FREIGHT STORES / INSURANCE INVENTORY ADJUSTMENTS / OTHER INVENTORY ADJUSTMENTS / INVENTORY ADJ CABLE REEL INVENTORY ADJUSTMENTS / UNIT PRICING OUTSIDE SERVICES / OTHER STORES / PROPERTY TAXES SALARY - BARGAINING UNIT / OTHER SALARY - BARGAINING UNIT / OTHER SALARY - BARGAINING UNIT / OTHER SALARY - BARGAINING UNIT / STATUTORY HOLIDAYS SALARY - BARGAINING UNIT / STATUTORY HOLIDAYS SALARY - BARGAINING UNIT / TRAINING SALARY - BARGAINING UNIT / TRAINING SALARY - BARGAINING UNIT / MEETINGS SUPPLIES / STATIONERY SUPPLIES / OFFICE STORES / WORK ORDER CHARGES	6,000.37 256.10 6,300.55 6,800.04 32.58 311.15 (18.00) 157.50 43,165.32 138,195.34 3,984.22 (79.76) 14,481.51 7,176.07 6,388.50 26.31 492.30 174.40 293.29 783.88	\$ 318,519.64
FLEET			
2012-472.01-02 2012-472.01-03 2012-472.01-04 2012-472.12-02 2012-472.29-00 2012-472.37-01 2012-472.37-09	ADMINISTRATION EXPENSE / OTHER ADMINISTRATION EXPENSE / CONFERENCES & SEMINARS ADMINISTRATION EXPENSE / LODGING ADMINISTRATION EXPENSE / MEALS COST REDISTRIBUTION / BUILDING OPER. ALLOCATION FLEET / INSURANCE OUTSIDE SERVICES / OTHER OUTSIDE SERVICES / SMALL TOOL REPAIRS FLEET / PROPERTY TAXES	110.00 225.00 143.25 14.32 170,203.93 40,800.00 1,247.47 34.95 88,602.00	\$ 301,380.92

## ENGINEERING

3042-481.01-01	ADMINISTRATION EXPENSE / OTHER	\$ 222.16	
3042-481.01-02	ADMINISTRATION EXPENSE / CONFERENCES & SEMINARS	6,088.00	
3042-481.01-03	ADMINISTRATION EXPENSE / LODGING	1,134.32	
3042-481.01-04	ADMINISTRATION EXPENSE / MEALS	2,478.39	
3042-481.01-05	ADMINISTRATION EXPENSE / MILEAGE ALLOWANCE	8,290.67	
3042-481.21-01	EMPLOYEE BENEFITS / OTHER	48,042.02	
3042-481.23-02	EQUIPMENT MAINTENANCE / PHOTOCOPIER	494.26	
3042-481.24-00	ENGINEERING / FREIGHT	239.39	
3042-481.34-01	MEMBERSHIPS / OTHER	1,035.96	
3042-481.37-01	OUTSIDE SERVICES / OTHER	2,546.00	
3042-481.45-04	P.C. COMPUTER EXPENSES / SOFTWARE PURCHASES	9,422.73	
	P.C. COMPUTER EXPENSES / INTERNET	1,415.86	
3042-481.45-06	P.C. COMPUTER EXPENSES / SYSTEM OPTIMIZATION EXP	6,781.00	
3042-481.47-01	SALARY - BARGAINING UNIT / REGULAR	201,417.84	
3042-481.47-02	SALARY - BARGAINING UNIT / OVERTIME	8,379.23	
3042-481.47-03	SALARY - BARGAINING UNIT / OTHER	554.48	
3042-481.47-04	SALARY - BARGAINING UNIT / VACATION PAY SALARY - BARGAINING UNIT / STATUTORY HOLIDAYS	29,098.56	
3042-481.47-05	SALARY - BARGAINING UNIT / STATUTORY HOLIDAYS	10,753.44	
3042-481.47-06	SALARY - BARGAINING UNIT / SICK TIME	4,998.68	
3042-481.47-07	SALARY - BARGAINING UNIT / TRAINING	5,074.43	
3042-481.47-08	SALARY - BARGAINING UNIT / MEETINGS	589.55	
3042-481.48-01	SALARY - MANAGEMENT / REGULAR	348,835.80	
3042-481.48-02	SALARY - MANAGEMENT / OVERTIME	1,157.50	
3042-481.48-03	SALARY - MANAGEMENT / OTHER	9,822.78	
	SALARY - MANAGEMENT / VACATION PAY	34,043.70	
3042-481.48-05	SALARY - MANAGEMENT / STATUTORY HOLIDAYS	17,175.34	
3042-481.48-06	SALARY - MANAGEMENT / SICK TIME	6,757.38	
3042-481.48-07	SALARY - MANAGEMENT / TRAINING	9,815.75	
3042-481.48-08	SALARY - MANAGEMENT / MEETINGS	805.94	
3042-481.51-01	SUPPLIES / OTHER	89.74	
3042-481.51-08	SUPPLIES / SMALL OFFICE EQUIPMENT	960.02	
3042-481.51-09	SUPPLIES / SMALL TOOLS	1,065.38	
3042-481.51-10	SUPPLIES / STATIONARY	269.04	
3042-481.52-01	TELEPHONE / OTHER	11,123.73	
3042-481.54-01	TRAINING / OTHER	4,248.56	795,227.63
т	OTAL IFRS NON-BURDENABLE COSTS (100% EXPENSED UNDER IFRS)		\$ 2,286,759.29
% of b	urdenable costs allocated to capital expenditures under CGAAP	Note (1)	77.04%

ADDITIONAL OPERATING EXPENSES UNDER IFRS

\$ 1,761,720.45

## E 2.1.7 - Trial Balance: 2.1.7; 2; Revised; 5/2/2012; April

Clicking Save or Apply will not automatically submit this filing. To SUBMIT this filing, tab, scroll to the end of the page, select Yes in the Submit drop down then click the	click on the SUMMARY/SUBMIT SAVE button.
and industrial management of the second and industrial and the second management of the second and the second a	akuun kunteen tata ji ja katoliin kan kan kan kan kan mara kan mara kan mara kan kan kan kan kan kan kan kan k Kan kan kan kan kan kan kan kan kan kan k
Current Assets	
38,382,895.43	AND THE RESERVE OF THE PROPERTY OF THE PROPERT
inventory	
1,700,108.56	- Marian Marian Marian Marian Marian - Marian - Marian - Marian - Marian
Non-current Assets	
0.02	
Other Assets and Deferred Charges	
4,961,292.29	Mark Merch Andreas (Contract of the Contract o
Parameter di di yang manadaran da sangan da sa	and the second s
Other Capital Assets 162,193,362.33	
Francisco Control of the Control of	**************************************
Accumulated Amortization	
49,185,592.74	AND ANDREAS ASSESSMENT BURN NOT THE PROPERTY OF THE ASSESSMENT OF
Net Assets presentation of the control of the contr	ander 39 A de della APPENTO POPE SESSONA DE PROPERTO DE SESSONA DE SES
158,052,065.89	A CONTRACT OF THE PROPERTY OF
	ti di kananan karamatan kanan dan kanan kanan karamatan kanan karamatan kanan karamatan kanan kanan dan kanan d
abilities and Equity	
Non-current Liabilities	nagara sa ang mang manang m Tang manang
6,263,006.32	graphical expension of security management consists to account of the consists of the consists of the constraints of the constr
Current Liabilities	
1-19,550,663.39	
Other Liabilities Deferred Credit	
-72,891,150.87	The State of Contract of Contract Contr
Shareholders' Equity	
-59,347,245.31	AND THE PROPERTY OF THE PROPER
Processing and Activities and Activi	
Net Liabilities and Equity -158,052,065.89	
- 100,000,000.00	THE PARTY OF THE P
akokaramaka, karamakan tangarangarakan berasa kararamakan karaman dari sara selebah kalebah dalah kebadak bara Byenues	<ol> <li>A service de la company de la c</li></ol>
Sales of Electricity	***
126,454,656.70	***************************************
Process of Million (All All the Control of Million and	College of the second s
Revenues from Services	ETHINAL TO PRESENT THE THE THE THE THE THE THE THE THE TH
1-24,781,032.75	ng magazin - nguntiga, ya in inti haling mi ta pindadaka Kanasadakida (n. 1 ang di dhashida ni na manasadakida
Other Operating Revenues	
-1,001,011.72	
Other Income / Deductions	
-1,292,513.65	magang oppopping og administrationer statistices statistics for the conference of th
Investment Income	
-430,666.27	(C)
The state of the s	
Total Revenues -153,959,881.09	
Fig. 100'4204'00 F NA	THE STATE OF THE S
and the supple and th	en in de la resta de la reconstruit de La reconstruit de la
xpenses Generation Expenses	500

https://www.pes.ontarioenergyboard.ca/eservice/xmlloader.asp?type=loadform&formid=8... 12/5/2012

THE SOURCE OF TH			and the second s	
126,454,657.01	and the second s		magnification and the second analysis of the second second	
Transmission Expenses				
0.00				
Distribution Expenses				
4,906,038.44				***************************************
Other Expenses				
		The Control Co	- Ar with the second	**************************************
Billing Collecting				
2,335,622.70	gyayan ga canagankan kasan masanna, garancan kalkan da alam masin da aj taribba	an agreement on the agreement of the desired production of the agreement o	artikan pilak dan kerintah menangan pendangan pendangan pendangan pendangan pendangan pendangan pendangan pend	
Community Relations	AND THE PROPERTY OF THE PROPER		and the second control of the second	manage of the second
73,496.21	nely program was not the second and the second and the second second second second second second second second		ELECTRIC CONTROL CONTR	Western Commission of the Comm
For the planting that the first the first property and the second			4. West Miles and the gold and the automorphisms	
Sales Expenses			de sandraude fino <b>di qualicia de la mandre sandra un sum</b> ercondrice autoria varianza e estra per	***************************************
Administration Operand Engage	and the second s	man, as a selection of the selection described as the selection of the sel		
Administration General Expenses 5,437,592.15	and the second section of the second section of the second section of the second section of the second section	and sending the south a report of the second	THE CONTROL OF THE PROPERTY OF	
Amortization Expense	anna an	o Na estendo ambrello entra de la francia		ACTION OF THE PROPERTY OF THE
5,016,745.97	- management and disclosed the private southernoon consumer to a	the also constitute transmisses and another. The state of the field of the first of	de redit - dile canno del processo de seu les como es des reconstruir des referencias de la colorida del colorida del colorida de la colorida del la colorida de la colorida del la colorida de la colorida de la colorida del la color	to the state of the same and the
Interest Expense			**************************************	we are an activities that of
3,543,207.72	and a control of the transport of the transport	والمستواحي والمتراكب والمتراكب والمتراكب والمتراكب والمتراكب والمتراكب والمتراكب والمتراكب والمتراكب		
Taxes				
1,665,500.04				
Other Deductions	NAMES OF THE PARTY	Down was the Control of the Control	agroupe a gaggarde with the indicate will an ill be control of the	*****
56,010.78	nakan di mendementan dan berapa dan enterenteran anda in terden di salah di salah di salah di salah di salah d			
Extraordinary Items				
	TA 1000 TO 2000 MIN TO 1000 P TO 100 MIN TO		maken mya semaken kenaka a makamata a menengan menengan m	
Discontinued Operations				
			1. No. 1	
Total Expenses				
149,488,871.02	######################################		economic production in programming a few training of the few few few few few few few few few fe	AND AND THE PROPERTY OF THE PROPERTY OF THE PARTY OF THE
Profit / Loss				
-4,471,010.07	CONTRACTOR ENGINEERING ENGINEERING	unqquanus (asus pair dis becarpabeles ers (****) (erd to the fill and distributed in the sec	Designed Martin Artista State of State of Association Control of Control of State of	nonetrofishmoreannementariani ?
Processing to the manager of the state of th		and a second	and the same and t	
nal Total/Balancing Factor	i en lastine lasgever particeesse	and the second second second second second	i garantikas jaannasta (1 in 21 jaan 1956)	en e
Trial Balance Total Excluding accounts 1605 and 3046				
-0.00				thation that we have a second and a second a
		The state of the s		Market and the second second
ubmit?	en i en	and the second second second second second		
* Submit Form				
No				
The second of the second secon			and the second second second second	