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February 26, 2008

**Delivered by Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2007-0742  
Guelph Hydro Electric Systems Inc.  
Application to the Ontario Energy Board for Electricity Distribution  
Rates and Charges as of May 1, 2008**

We are counsel to Guelph Hydro Electric Systems Inc. (“Guelph Hydro”) with respect to the above-captioned matter. Please find accompanying this letter two copies of Guelph Hydro’s Application for Electricity Distribution Rates and Charges effective May 1, 2008, together with an electronic version of same. The enclosed disk contains a copy of the Application in pdf format. Please note that while all headers in the Application are dated February 22, 2008, we confirm that the Application is being filed on Tuesday, February 26, 2008.

We ask that copies of all correspondence and orders pertaining to this proceeding be delivered to the following individuals:

Arthur G. Stokman  
President  
Guelph Hydro Electric Systems Inc.  
395 Southgate Drive  
Guelph, ON N1G 4Y1

Tel: (519) 837-4715  
Fax: (519) 836-1055

E-mail: astokman@guelphhydro.com

and to:

Vancouver  
Toronto  
Ottawa  
Montréal  
Calgary



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Partner  
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Should you have any questions or require further information, please do not hesitate to contact me.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

*Original Signed by Diana Pereira on behalf of James C. Sidlofsky*

**James C. Sidlofsky**

JCS/dp

Encls.

cc: A. Stokman, Guelph Hydro  
M. Koktan, Guelph Hydro  
G. Parent, Guelph Hydro  
B. Bagley, Guelph Hydro  
J. Mark Rodger, BLG  
B. Bacon, BLG

::ODMA\PCDOCS\TOR01\3753316\1

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

**AND IN THE MATTER OF** an Application by Guelph Hydro Electric Systems Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2008.

**GUELPH HYDRO ELECTRIC SYSTEMS INC.**

**2008 ELECTRICITY DISTRIBUTION RATE APPLICATION**

**FILED: FEBRUARY 26, 2008**

**Applicant**

Guelph Hydro Electric Systems Inc.  
395 Southgate Drive  
Guelph, ON N1G 4Y1

**Arthur G. Stokman, P.Eng.**

President  
Tel: (519) 837-4715  
Fax: (519) 836-1055  
astokman@guelphhydro.com

**Counsel to the Applicant**

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Toronto, Ontario M5H 3Y4

**James C. Sidlofsky**

Tel: (416) 367-6277  
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<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>	
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				A	Copy of Guelph Hydro Electric Systems Inc. ("Guelph Hydro") Distribution Licence
			4		Contact Information
			5		Specific Approvals Requested
			6		Draft Issues List
			7		Procedural Orders/Motions/Notices
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			12		Explanation of Host and Embedded Utilities
			13		Utility Organizational Chart
	14		Corporate Entities Relationship Chart		
	15		Planned Changes in Corporate and Operational Structure		
	16		Status Report on Board Directives		
	17		Conditions of Service		
		A	Copy of Guelph Hydro's Conditions of Service		



<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
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## APPLICATION

### 1. Introduction

- (a) The Applicant is Guelph Hydro Electric Systems Inc. (referred to in this Application as the “Applicant” or “Guelph Hydro”). Guelph Hydro 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 within the City of Guelph and the Village of Rockwood.
- (b) Guelph Hydro hereby applies to the Ontario Energy Board (the “OEB”) pursuant to section 78 of the *Ontario Energy Board Act, 1998* for approval of its proposed distribution rates and other charges, effective May 1, 2008. A list of requested approvals is set out in Exhibit 1, Tab 1, Schedule 5 below.
- (c) Except where specifically identified in the Application, Guelph Hydro followed Chapter 2 of the OEB’s Filing Requirements for Transmission and Distribution Applications dated November 14, 2006 (the “Filing Requirements”) in order to prepare this Application.

### 2. Proposed Distribution Rates and Other Charges

- (a) The Schedule of Rates and Charges proposed in this Application is identified in Appendix A attached to this Schedule and Exhibit 9, Tab 1, Schedule 6, and the material being filed in support of this Application sets out Guelph Hydro’s approach to its distribution rates and charges.

### 3. Proposed Effective Date of Rate Order

- (a) Guelph Hydro requests that the OEB make its Rate Order effective May 1, 2008 in accordance with the Filing Requirements.
- (b) In the event that the OEB is unable to provide a Decision and Order in this Application for implementation by the Applicant as of May 1, 2008, the Applicant requests that the OEB issue an interim Order approving the proposed distribution

1 rates and other charges effective May 1, 2008, which may be subject to  
2 adjustment based on its final Decision and Order.

3 **4. The Proposed Distribution Rates and Other Charges are Just and Reasonable**

4 (a) Guelph Hydro submits that the proposed distribution rates contained in this  
5 Application are just and reasonable on the following grounds:

6 (i) the proposed rates for the distribution of electricity have been  
7 prepared in accordance with the Filing Requirements and  
8 reflect traditional rate making and cost of service principles;

9 (ii) the proposed rates are necessary to meet Guelph Hydro's  
10 Market Based Rate of Return ("MBRR") and Payments in Lieu  
11 of Taxes ("PILs") requirements;

12 (iii) there are no impacts to any of the customer classes or  
13 consumption level subgroups that are so significant as to  
14 warrant the deferral of any adjustments being requested by  
15 Guelph Hydro or the implementation of any mitigation  
16 measures;

17 (iv) the other service charges proposed by the Applicant are the  
18 same as those previously approved by the OEB; and

19 (v) such other grounds as may be set out in the material  
20 accompanying this Application Summary.

21 **5. Relief Sought**

22 (a) The Applicant applies for an Order or Orders approving the proposed distribution  
23 rates and other charges set out in Exhibit 1, Tab 1, Schedule 2, Appendix A to  
24 this Application as just and reasonable rates and charges pursuant to Section 78  
25 of the OEB Act, to be effective May 1, 2008, or as soon as possible thereafter;  
26 and

1 (b) In the event that the OEB is unable to provide a Decision and Order in this  
2 Application for implementation by the Applicant as of May 1, 2008, the Applicant  
3 requests that the OEB issue an interim Order approving the proposed distribution  
4 rates and other charges, effective May 1, 2008, which may be subject to  
5 adjustment based on its final Decision and Order.

6 **6. Form of Hearing Requested**

7 (a) The Applicant requests that this Application be disposed of by way of a written  
8 hearing.

9 DATED at Toronto, Ontario, this 22nd day of February, 2008.

10 **All of which is respectfully submitted,**

11 **BORDEN LADNER GERVAIS LLP**

12

13 Original Signed by James C. Sidlofsky

14 James C. Sidlofsky

15 Counsel to Guelph Hydro

**APPENDIX A**

**SCHEDULE OF PROPOSED RATES AND CHARGES**

1  
 2

**Guelph Hydro's 2008 Proposed Tariff of Rates and Changes  
 Effective May 1, 2008**

**MONTHLY RATES AND CHARGES**

**Residential**

Service Charge	\$	13.27
Smart Meter Rate Rider	\$	(0.5600)
Distribution Volumetric Rate	\$/kWh	0.0184
Low Voltage Charge	\$/kWh	0.0001
Regulatory Assets Rate Rider	\$/kWh	0.0006
LRAM and SSM Rate Rider	\$/kWh	0.0001
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0046
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0047
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service - Administration Charge (if applicable)	\$	0.25

**General Service Less Than 50 kW**

Service Charge	\$	12.26
Smart Meter Rate Rider	\$	(0.5600)
Distribution Volumetric Rate	\$/kWh	0.0168
Low Voltage Charge	\$/kWh	0.0001
Regulatory Assets Rate Rider	\$/kWh	0.0005
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0042
Wholesale Market Service	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service - Administration Charge (if applicable)	\$	0.25

**General Service 50 - 999 kW**

Service Charge	\$	230.36
Smart Meter Rate Rider	\$	(0.5600)
Distribution Volumetric Rate	\$/kW	2.9820
Low Voltage Charge	\$/kW	0.0370
Regulatory Assets Rate Rider	\$/kW	0.1280
Retail Transmission Rate - Network Service Charge	\$/kW	1.7191
Retail Transmission Rate - Network Service Charge - Interval Meter	\$/kW	1.7833
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.7455
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Meter	\$/kW	1.8107
Wholesale Market Service Charge	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service - Administration Charge (if applicable)	\$	0.25
Transformer Allowance	\$/kW	(0.72)



**General Service 1,000 - 4,999 kW**

Service Charge	\$	613.29
Smart Meter Rate Rider	\$	(0.5600)
Distribution Volumetric Rate	\$/kW	2.0923
Regulatory Assets Rate Rider	\$/kW	0.1479
Retail Transmission Rate - Network Service Charge	\$/kW	1.7833
Retail Transmission Rate - Network Service Charge - Interval Meter	\$/kW	1.7833
Retail Transmission Rate - Line and Transformation	\$/kW	1.8107
Connection Service Rate		
Retail Transmission Rate - Line and Transformation	\$/kW	1.8107
Connection Service Rate - Interval Meter		
Wholesale Market Service Charge	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service - Administration Charge (if applicable)	\$	0.25

**Large User (> 5,000 kW)**

Service Charge	\$	897.69
Smart Meter Rate Rider	\$	(0.5600)
Distribution Volumetric Rate	\$/kW	2.2836
Regulatory Assets Rate Rider	\$/kW	0.1534
Retail Transmission Rate - Network Service Charge	\$/kW	2.1535
Retail Transmission Rate - Line and Transformation	\$/kW	2.1865
Connection Service Rate		
Wholesale Market Service Charge	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service - Administration Charge (if applicable)	\$	.25

**Unmetered Scattered Load**

Service Charge (per connection)	\$	5.42
Distribution Volumetric Rate	\$/kWh	0.0272
Low Voltage Charge	\$/kWh	0.0001
Regulatory Assets Rate Rider	\$/kWh	0.0005
LRAM and SSM Rate Rider	\$/kWh	0.0025
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate - Line and Transformation	\$/kWh	0.0042
Connection Service Rate		
Wholesale Market Service Charge	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service - Administration Charge (if applicable)	\$	.25

**Sentinel Lighting**

Service Charge (per connection)	\$	6.46
Distribution Volumetric Rate	\$/kW	7.9415
Low Voltage Charge	\$/kW	0.0283
Regulatory Assets Rate Rider	\$/kW	1.3503
Retail Transmission Rate - Network Service Rate	\$/kW	1.3163
Retail Transmission Rate - Line and Transformation	\$/kW	1.3364
Connection Service Rate		
Wholesale Market Service Charge	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service - Administration Charge (if applicable)	\$	0.25

**Street Lighting**

Service Charge (per connection)	\$	0.14
Distribution Volumetric Rate	\$/kW	3.3748
Low Voltage Charge	\$/kW	0.0341
Regulatory Assets Rate Rider	\$/kW	0.1305
Retail Transmission Rate - Network Service Rate	\$/kW	1.5837
Retail Transmission Rate - Line and Transformation	\$/kW	1.6080
Connection Service Rate		
Wholesale Market Service Charge	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service - Administration Charge (if applicable)	\$	0.25

**Specific Service Charges**

Customer Administration

Arrears Certificate	\$	15.00
Returned Cheque Charge (plus bank charges)	\$	8.55
Account set up Charge/Change of Occupancy Charge (plus Credit Agency costs, if applicable)	\$	8.75
Meter Dispute Charge plus Measurement Canada fees (if meter found correct)	\$	10.00

Non-Payment of Account

Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of Account Charge - no disconnection	\$	9.00
Disconnect/Reconnect at Meter - during regular hours	\$	20.00
Disconnect/Reconnect at Meter - after regular hours	\$	50.00
Disconnect/Reconnect at Pole - during regular hours	\$	50.00
Disconnect/Reconnect at Pole - after regular hours	\$	95.00

Service Call - customer owned equipment	\$	17.50
Service Call - after regular hours	\$	95.00
Specific Charge for Access to Power Poles - per pole per year	\$	22.35

Allowances

Transformer Allowance for General Service Customers - per kW of billing demand per month	\$/kW	(0.72)
Primary Metering Allowance for Transformer Losses - applied to measured demand and energy	%	(1.00)

**LOSS FACTORS**

Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0452
Total Loss Factor - Secondary Metered Customer > 5,000 kW	1.0161
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0347
Total Loss Factor - Primary Metered Customer > 5,000 kW	1.0060

1 **ELECTRICITY DISTRIBUTION LICENCE:**

2 Guelph Hydro holds OEB Electricity Distributor Licence ED-2002-0565, as described below. A  
3 copy of the Licence accompanies this Schedule as Appendix A.

4 **Electricity Distribution Licence**

5 **ED-2002-0565**

6 Guelph Hydro Electric Systems Inc.

7 Date of Issuance: June 3, 2003

8 Date of Amendment: June 22, 2006

9 Valid Until March 31, 2023

10 Issued by Mark C. Garner  
11 Managing Director, Market Operations  
12 Ontario Energy Board  
13 P.O. Box 2319  
14 2300 Yonge Street, 27<sup>th</sup> Floor  
15 Toronto, ON M4P 1E4

## **APPENDIX A**

# **COPY OF GUELPH HYDRO ELECTRIC SYSTEMS INC. DISTRIBUTION LICENCE**

1

Ontario Energy  
Board

Commission de l'Énergie  
de l'Ontario



EB-2006-0094

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

**AND IN THE MATTER OF** an application pursuant to  
section 74 of the *Ontario Energy Board Act, 1998* by Guelph  
Hydro Electric Systems Inc. for the amendment of its  
distribution licence (ED-2002-0565) to include the licensed  
service area of Wellington Electric Distribution Company  
Inc.;

**AND IN THE MATTER OF** an application pursuant to  
section 77(5) of the *Ontario Energy Board Act, 1998* by  
Guelph Hydro Electric Systems Inc. for the cancellation of  
the distribution licence for Wellington Electric Distribution  
Company Inc. (ED-2002-0564).

**By delegation, before:** Mark C. Garner

#### **DECISION AND ORDER**

On November 22, 2005, Guelph Hydro Electric Systems Inc. ("Guelph Hydro") and Wellington Electric Distribution Company Inc. ("Wellington Hydro") filed an application with the Ontario Energy Board (the "Board") under section 86 of the *Ontario Energy Board Act, 1998* (the "Act") for leave to amalgamate. The application also sought the cancellation of the Wellington Hydro licence and an application to amend Guelph Hydro's licence to include Wellington Hydro's service territory.

On February 21, 2006, the Board granted Guelph Hydro and Wellington Hydro leave to amalgamate. The Board referred the application to cancel Wellington Hydro's licence and the application to amend Guelph Hydro's licence to include Wellington Hydro's service territory to

the delegate authority with respect to the determination of applications under section 74 and section 77(5) of the Act.

On May 1, 2006, Guelph Hydro filed an application under section 74 of the Act for an amendment to its electricity distribution licence (ED-2002-0565) to add the service territory of Wellington Hydro. On June 9, 2006, Guelph Hydro made an application under section 77(5) of the Act for the cancellation of Wellington Hydro's distribution licence (ED-2002-0564).

After considering the application to amend Guelph Hydro's electricity distribution licence and the application to cancel Wellington Hydro's electricity distribution licence, and in light of the fact that the Board granted Guelph Hydro and Wellington Hydro leave to amalgamate, I find that it is in the public interest to amend Guelph Hydro's electricity distribution licence to include Wellington Hydro's licensed service area.

**IT IS ORDERED THAT:**

1. Guelph Hydro Electric Systems Inc.'s distribution licence (ED-2002-0565) be amended to include Wellington Electric Distribution Company Inc.'s licensed service area; and
2. The distribution licence of Wellington Electric Distribution Company Inc. (ED-2002-0564) be cancelled.

Under section 7(1) of the *Ontario Energy Board Act, 1998*, this decision may be appealed to the Board within 15 days.

**DATED** at Toronto, June 22, 2006

ONTARIO ENERGY BOARD



Mark C. Garner  
Managing Director, Market Operations



## Electricity Distribution Licence

**ED-2002-0565**

**Guelph Hydro Electric Systems Inc.**

Valid Until

March 31, 2023

**Mark C. Garner**  
Managing Director, Market Operations  
Ontario Energy Board  
Date of Issuance: June 3, 2003  
Date of Amendment: June 22, 2006

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

Commission de l'Énergie de l'Ontario  
C.P. 2319  
2300, rue Yonge  
27e étage  
Toronto ON M4P 1E4

Guelph Hydro Electric Systems Inc.  
 Electricity Distribution Licence ED-2002-0565

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Guelph Hydro Electric Systems Inc.  
Electricity Distribution Licence ED-2002-0565

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Guelph Hydro Electric Systems Inc.  
Electricity Distribution Licence ED-2002-0565

## 1 Definitions

In this Licence:

"**Accounting Procedures Handbook**" means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

"**Act**" means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

"**Affiliate Relationships Code for Electricity Distributors and Transmitters**" means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

"**distribution services**" means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

"**Distribution System Code**" means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems;

"**Electricity Act**" means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

"**Licensee**" means Guelph Hydro Electric Systems Inc.

"**Market Rules**" means the rules made under section 32 of the Electricity Act;

"**Performance Standards**" means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

"**Rate Order**" means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

"**regulation**" means a regulation made under the Act or the Electricity Act;

"**Retail Settlement Code**" means the code approved by the Board which, among other things, establishes a distributor's obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

"**service area**" with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

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**"Standard Supply Service Code"** means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act;

**"wholesaler"** means a person that purchases electricity or ancillary services in the IESO administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IESO-administered markets or directly to another person other than a consumer.

## **2 Interpretation**

- 2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this Licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

## **3 Authorization**

- 3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence:
- a) to own and operate a distribution system in the service area described in Schedule 1 of this Licence;
  - b) to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act in the manner specified in Schedule 2 of this Licence; and
  - c) to act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the Electricity Act.

## **4 Obligation to Comply with Legislation, Regulations and Market Rules**

- 4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts, except where the Licensee has been exempted from such compliance by regulation.
- 4.2 The Licensee shall comply with all applicable Market Rules.

## **5 Obligation to Comply with Codes**

- 5.1 The Licensee shall at all times comply with the following Codes (collectively the "Codes") approved by the Board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions granted to the licensee are set out in Schedule 3 of this Licence. The following Codes apply to this Licence:
- a) the Affiliate Relationships Code for Electricity Distributors and Transmitters;

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- b) the Distribution System Code;
- c) the Retail Settlement Code; and
- d) the Standard Supply Service Code.

5.2 The Licensee shall:

- a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and
- b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

## **6 Obligation to Provide Non-discriminatory Access**

6.1 The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee's distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence.

## **7 Obligation to Connect**

7.1 The Licensee shall connect a building to its distribution system if:

- a) the building lies along any of the lines of the distributor's distribution system; and
- b) the owner, occupant or other person in charge of the building requests the connection in writing.

7.2 The Licensee shall make an offer to connect a building to its distribution system if:

- a) the building is within the Licensee's service area as described in Schedule 1; and
- b) the owner, occupant or other person in charge of the building requests the connection in writing.

7.3 The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee's Rate Order as approved by the Board.

7.4 The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the Act or a regulation or any Codes to which the Licensee is obligated to comply with as a condition of this Licence.

## **8 Obligation to Sell Electricity**

8.1 The Licensee shall fulfill its obligation under section 29 of the Electricity Act to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and the Licensee's Rate Order as approved by the Board.

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**9 Obligation to Maintain System Integrity**

- 9.1 The Licensee shall maintain its distribution system in accordance with the standards established in the Distribution System Code and Market Rules, and have regard to any other recognized industry operating or planning standards adopted by the Board.

**10 Market Power Mitigation Rebates**

- 10.1 The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence.

**11 Distribution Rates**

- 11.1 The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board.

**12 Separation of Business Activities**

- 12.1 The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.

**13 Expansion of Distribution System**

- 13.1 The Licensee shall not construct, expand or reinforce an electricity distribution system or make an interconnection except in accordance with the Act and Regulations, the Distribution System Code and applicable provisions of the Market Rules.
- 13.2 In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.

**14 Provision of Information to the Board**

- 14.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.
- 14.2 Without limiting the generality of paragraph 14.1, the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.
- 14.3 The Licensee shall:
- a) immediately notify the Board in writing of the notice; and
  - b) provide a plan to the Board as soon as possible, but no later than ten (10) days after the receipt of the notice, as to how the affected distribution services will be maintained in compliance with the terms of this licence.

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**15 Restrictions on Provision of Information**

- 15.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.
- 15.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:
- a) to comply with any legislative or regulatory requirements, including the conditions of this Licence;
  - b) for billing, settlement or market operations purposes;
  - c) for law enforcement purposes; or
  - d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator.
- 15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified.
- 15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent.
- 15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed.

**16 Customer Complaint and Dispute Resolution**

- 16.1 The Licensee shall:
- a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner;
  - b) publish information which will make its customers aware of and help them to use its dispute resolution process;
  - c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours;
  - d) give or send free of charge a copy of the process to any person who reasonably requests it; and
  - e) subscribe to and refer unresolved complaints to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Board. The Board will provide reasonable notice to the Licensee of the date this condition becomes effective.

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**17 Term of Licence**

17.1 This Licence shall take effect on June 3, 2003 and expire on March 31, 2023. The term of this Licence may be extended by the Board.

**18 Fees and Assessments**

18.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

**19 Communication**

19.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.

19.2 All official communication relating to this Licence shall be in writing.

19.3 All written communication is to be regarded as having been given by the sender and received by the addressee:

- a) when delivered in person to the addressee by hand, by registered mail or by courier;
- b) ten (10) business days after the date of posting if the communication is sent by regular mail; and
- c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

**20 Copies of the Licence**

20.1 The Licensee shall:

- a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and
- b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

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**SCHEDULE 1            DEFINITION OF DISTRIBUTION SERVICE AREA**

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with paragraph 8.1 of this Licence.

1.     The City of Guelph as at April 1, 1993.
2.     The Police Village of Rockwood as of May 30, 1903, now part of the Township of Guelph/Eramosa.



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**SCHEDULE 2 -- PROVISION OF STANDARD SUPPLY SERVICE**

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act.

The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with paragraph 8.1 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

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**SCHEDULE 3 LIST OF CODE EXEMPTIONS**

This Schedule specifies any specific Code requirements from which the Licensee has been exempted.

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Electricity Distribution Licence ED-2002-0565

## APPENDIX A MARKET POWER MITIGATION REBATES

### 1. Definitions and Interpretations

In this Licence

"embedded distributor" means a distributor who is not a market participant and to whom a host distributor distributes electricity;

"embedded generator" means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

"host distributor" means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IMO includes interim payments made by the IMO.

### 2. Information Given to IMO

- a Prior to the payment of a rebate amount by the IMO to a distributor, the distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with information in respect of the volumes of electricity withdrawn by the distributor from the IMO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:
  - i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
  - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*.
- b Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IMO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:
  - i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
  - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*.
- c Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO,

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with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IMO may issue instructions or directions providing for any information to be given under this section. The IMO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IMO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IMO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

### 3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IMO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

- a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented;
- b consumers who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
- c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

"ONTARIO POWER GENERATION INC. rebate"

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IMO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IMO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

1 **CONTACT INFORMATION:**

2 **FOR GUELPH HYDRO ELECTRIC SYSTEMS INC.:**

3 Address for service: 395 Southgate Drive  
4 Guelph, ON N1G 4Y1

5 Arthur G. Stokman, P.Eng. Direct line: (519) 837-4715  
6 President Direct Fax: (519) 836-1055  
7 email: astokman@guelphhydro.com

8 Michael Koktan, CA Direct line: (519) 837-4725  
9 Manager of Accounting Direct Fax: (519) 836-1055  
10 email: mkoktan@guelphhydro.com

11 **APPLICANT'S COUNSEL:**

12 Borden Ladner Gervais LLP  
13 Suite 4100  
14 40 King Street West  
15 Toronto, ON M5H 3Y4

16 James C. Sidlofsky

17 Telephone: (416) 367-6277  
18 Fax: (416) 361-2751  
19 E-mail: jsidlofsky@blgcanada.com

20

1 **SPECIFIC APPROVALS REQUESTED:**

- 2       ▪ Approval to charge rates effective May 1, 2008 to recover a revenue deficiency of  
3       \$1,110,979 (Exhibit 7, Tab 1, Schedule 2,). In the event that the OEB is unable to  
4       provide a Decision and Order in this Application for implementation by the Applicant as  
5       of May 1, 2008, the Applicant requests that the OEB issue an interim Order approving  
6       the proposed distribution rates and other charges effective May 1, 2008, which may be  
7       subject to adjustment based on its final Decision and Order.
- 8       ▪ Approval to harmonize the rates of Guelph Hydro and Wellington Electric Distribution  
9       Company, (“WEDCO”) as discussed in the application to the OEB for approval of the  
10      merger of Guelph Hydro and WEDCO pursuant to section 86 of the OEB Act, filed  
11      November 22, 2005 and approved by the OEB by its Decision and Order of February 21,  
12      2006 (OEB File No. EB-2005-0533). As the OEB observed at page 2 of the Decision  
13      and Order, “The Application notes that an application for rate harmonization for the two  
14      service territories is expected to be filed in 2007” as part of its rate submission.
- 15      ▪ Approval for the recovery of Guelph Hydro’s Regulatory Deferral and Variance Account  
16      balances as at December 31, 2006, together with carrying charges calculated to April  
17      30, 2008 in accordance with the OEB’s Accounting Procedures Handbook.
- 18      ▪ Approval for the continuation of GHESI’s existing deferral and variance accounts.
- 19      ▪ Approval of GHESI’s proposed approach to cost allocation as identified in Exhibit 8.
- 20      ▪ Approval of the proposed rate riders for LRAM and SSM (Exhibit 10, Tab 1, Schedule 1):
- 21          ○ Residential – three year rate rider in the amount of \$0.0001 kWh
- 22          ○ Unmetered Scattered Load – three year rate rider in the amount of \$0.00252 kWh
- 23      ▪ Approval to decrease the Retail Transmission Rate – Network Service Rate by 21% and  
24      the Retail Transmission Rate – Line and Transformation Connection Service Rate by 6%  
25      for the period May 1, 2008 to April 30, 2009.
- 26      ▪ In this Application, Guelph Hydro is requesting OEB approval for a shift to a capital  
27      structure from 50% debt and 50% equity to 53.3% debt and 46.7% equity including an  
28      equity return of 8.86% for the 2008 Test Year (Exhibit 6, Tab 1, Schedule 1) consistent

1 with Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for  
2 Ontario's Electricity Distributors dated December 20, 2006. In the event that the merger  
3 negotiations currently underway between the shareholders of Horizon Utilities  
4 Corporation and Guelph Hydro result in the completion of a merger between the two  
5 distributors, other adjustments to the deemed capital structure of the combined entity  
6 may be necessary in the future.

7

1 **DRAFT ISSUES LIST:**

2 Guelph Hydro would expect, based on previous regulatory experience and other hearings, that  
3 the following matters pertaining to the 2008 Test Year may constitute issues in this Application:

- 4 • The amount of Guelph Hydro's proposed revenue requirement;
- 5 • The reasonableness of the proposed harmonized electricity distribution rates;
- 6 • The appropriateness of Guelph Hydro's proposed cost allocation-related adjustments to  
7 class-specific revenue requirements, reflected in the proposed distribution rates;
- 8 • The appropriateness of Guelph Hydro's harmonization of Low Voltage ("LV") charges;
- 9 • The appropriateness of Guelph Hydro's revised treatment of the Transformer Allowance;  
10 and
- 11 • The reasonableness of the proposed LRAM/SSM adjustments.
- 12 • The reasonableness of the proposed total loss factors.

13



1    **PROCEDURAL ORDERS/MOTIONS/NOTICES:**

2    On March 12, 2007, the OEB issued a Report titled "LDC Screening Methodology to Establish a  
3    Rebasing Schedule for Electricity LDCs". The purpose of that Report was "to describe the  
4    criteria to be considered in determining which electricity distributors to engage in proceedings  
5    before the Board for rebasing to establish rates for each of the years 2008, 2009 and 2010" and  
6    to establish the next steps and timelines for filing. Section 3.3 of that Report provided an  
7    opportunity for LDCs to "self-nominate" to be rebased in a particular year.

8    On February 16, 2007, Guelph Hydro filed a self-nomination request for rebasing in 2008.  
9    Subsequently, in Board File No. EB-2006-0330, the OEB issued its list of distributors that will be  
10   rebased in 2008 – the list included Guelph Hydro.

11   On May 8, 2007, Guelph Hydro confirmed its intention to rebase in 2008.

12   No further Procedural Orders or directions have been issued by the OEB to the date of filing this  
13   Application.

14

1    **ACCOUNTING ORDERS REQUESTED:**

2    As part of this proceeding, Guelph Hydro is requesting for the continuation of its existing deferral  
3    and variance accounts.

4

1 **COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS:**

2 Guelph Hydro follows the main categories and accounting guidelines as stated in the Uniform  
3 System of Accounts.

4 **June 2007 Audit**

5 Guelph Hydro was subject to an OEB Audit Review of Regulatory Accounts and Affiliate  
6 Transactions in June 2007. The audit identified several issues that were responded to and  
7 corrected promptly. The required adjustments have been made as requested and Guelph  
8 Hydro has implemented these recommendations and process changes in its operations.  
9 Guelph Hydro is currently in compliance with all OEB accounting policies and procedures.

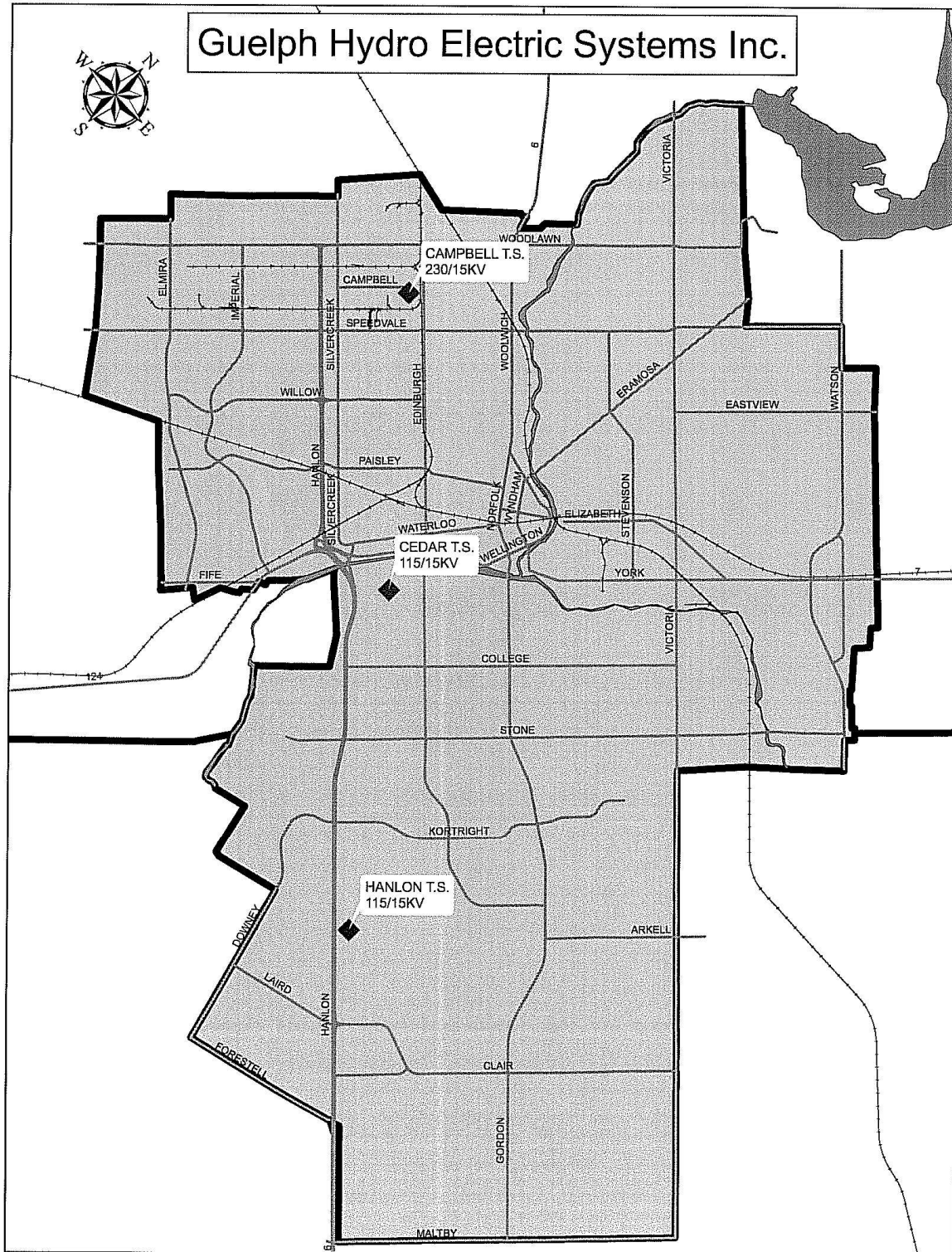
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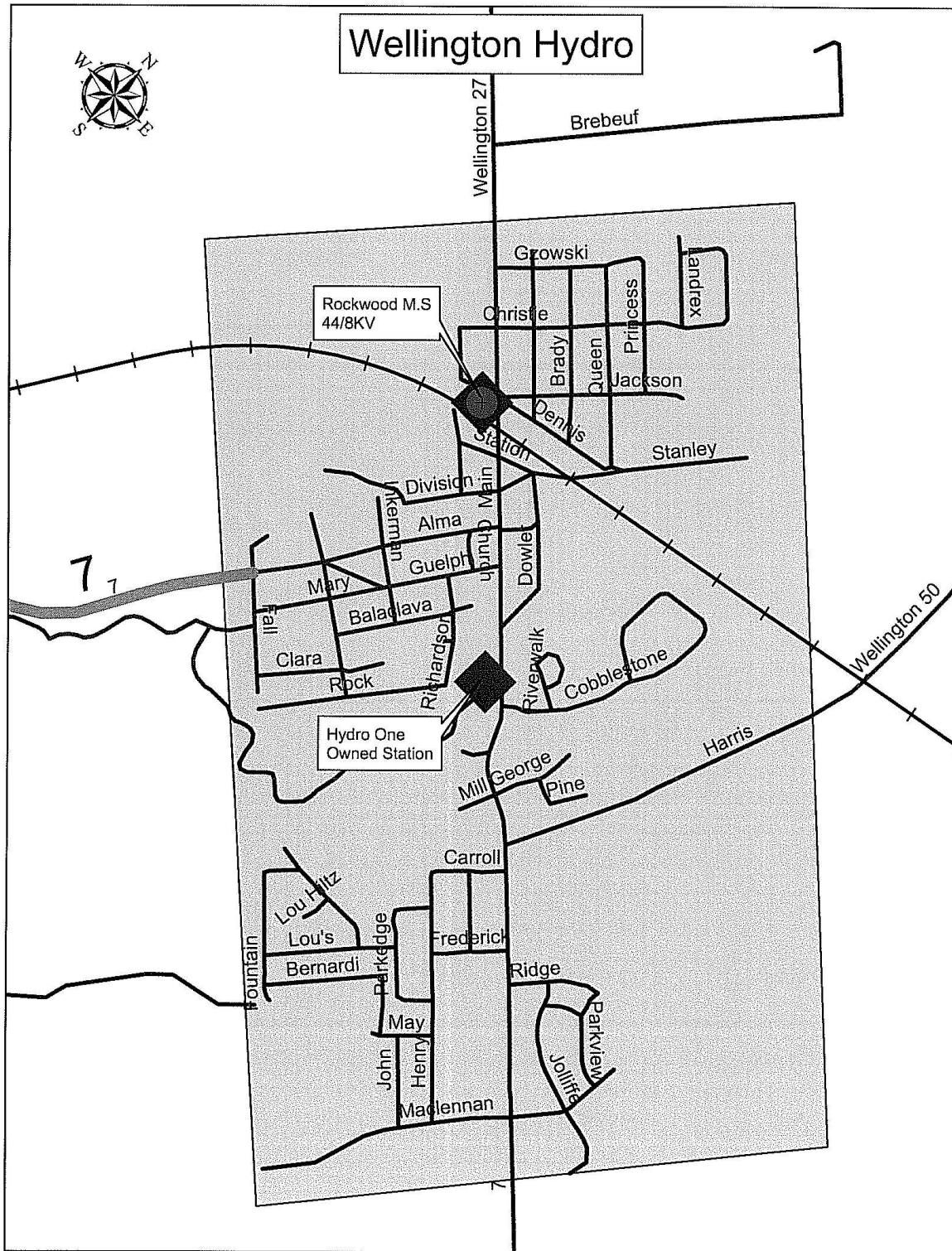
1 **MAPS OF DISTRIBUTION SYSTEM:**

2 As noted previously, Guelph Hydro provides electricity distribution services in the City of Guelph  
3 and the Village of Rockwood. Maps of Guelph Hydro's distribution service territories follow this  
4 page as Appendix A to this Schedule.

## **APPENDIX A**

### **COPIES OF DISTRIBUTION SYSTEM MAPS**





1    **LIST OF NEIGHBOURING UTILITIES:**

2    The following distributor is located adjacent to Guelph Hydro's service areas:

3  
4    Hydro One Networks  
5    483 Bay Street  
6    Toronto, ON M5G 2P5

7    Account Representative: Mr. Arthur Fischer  
8    Direct line: 416-345-5970  
9    email: [Arthur.fischer@HydroOne.com](mailto:Arthur.fischer@HydroOne.com)

10   Regulatory: Mr. Glen MacDonald  
11   email: [glen.macdonald@HydroOne.com](mailto:glen.macdonald@HydroOne.com)

12



1    **EXPLANATION OF HOST AND EMBEDDED UTILITIES**

2    The portion of Guelph Hydro's distribution system that services loads within the City of Guelph  
3    is directly connected to the transmission system at three Hydro One-owned Transformer  
4    Stations. Within the City of Guelph, Guelph Hydro distributes electricity via fifty 13.8 kV feeder  
5    circuits.

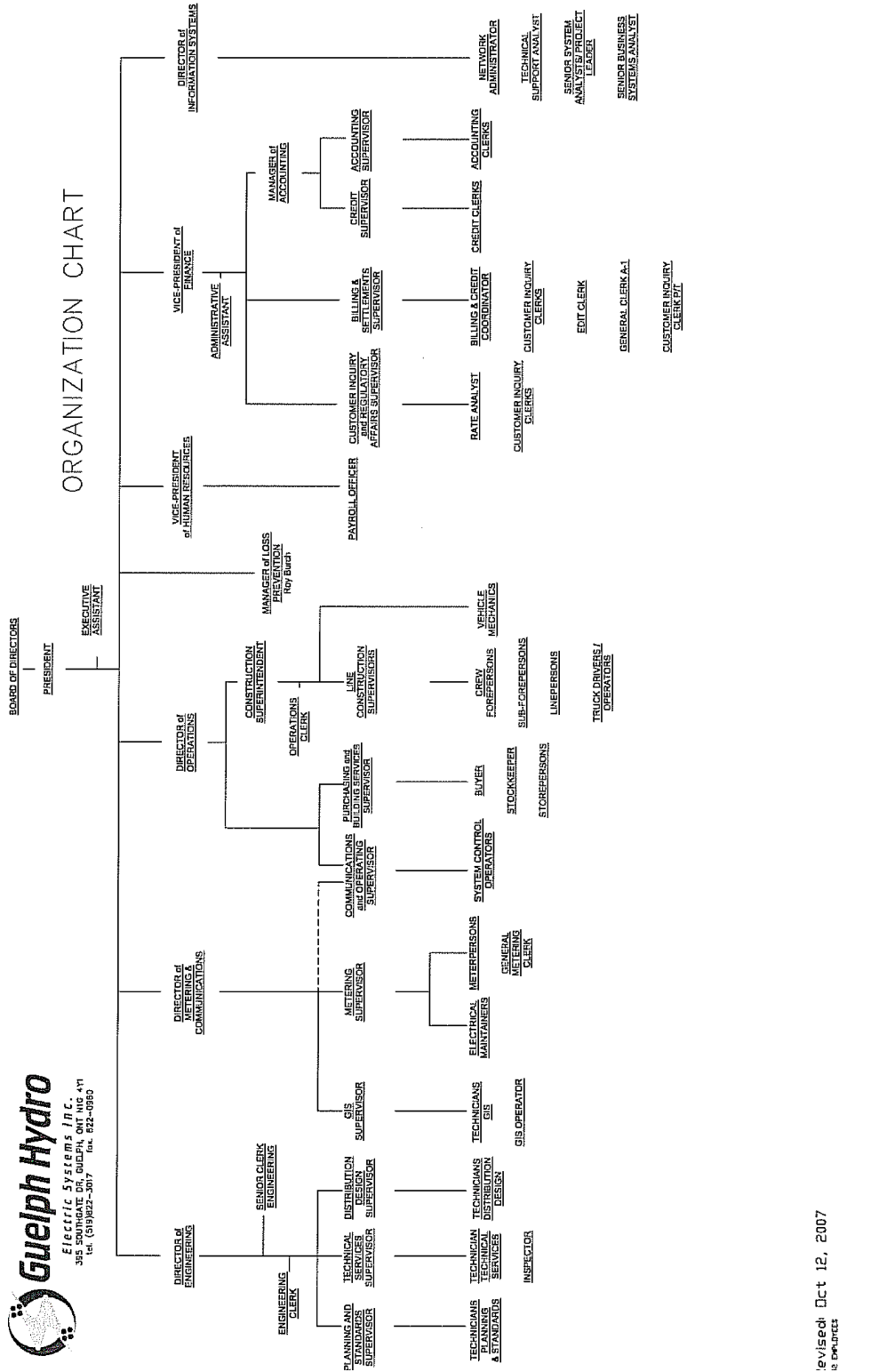
6    The portion of Guelph Hydro's distribution system that services the Village of Rockwood is  
7    embedded within the service territory of Hydro One Networks Inc. and presently takes supply for  
8    its Rockwood loads from Hydro One Networks Inc. at both 44 kV and 8.32 kV. Within the  
9    Village of Rockwood, Guelph Hydro owns one substation and distributes electricity via three  
10   8.32 kV feeder circuits.

11   Guelph Hydro is not a host LDC to any embedded LDC.

12   Guelph Hydro is a host to a single embedded commercial generator; the 2.5 MW Ecotricity  
13   Landfill Gas Generation plant.

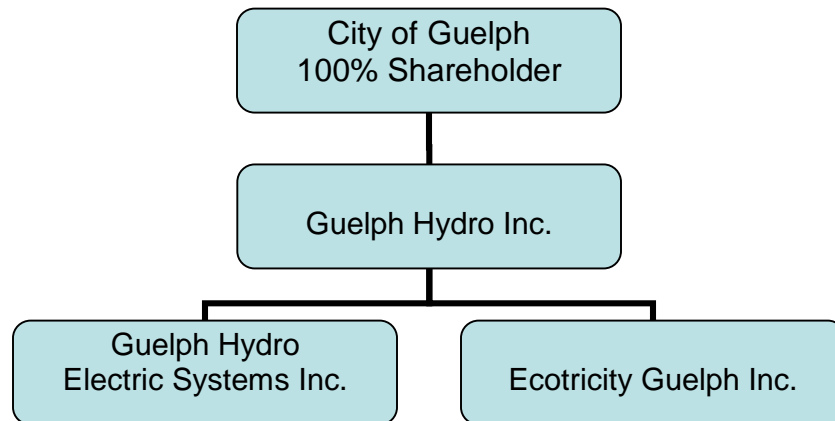
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1 UTILITY ORGANIZATIONAL CHART:



Revised Oct 12, 2007  
 by [illegible]

1 **CORPORATE ENTITIES RELATIONSHIP CHART:**



2  
3

4 **Guelph Hydro Electric Systems Inc.:**

5 Guelph Hydro Electric Systems Inc. is a wholly-owned subsidiary of Guelph Hydro Inc., and was  
6 incorporated October 31, 2000, under the OBCA. The principal activity of the company is to  
7 provide electrical power distribution throughout the City of Guelph and the Village of Rockwood.  
8 The parent company, Guelph Hydro Inc., also incorporated under the OBCA, is 100% owned by  
9 the City of Guelph.

10 **Ecotricity Guelph Inc.:**

11 Ecotricity Guelph Inc. is a wholly-owned subsidiary of Guelph Hydro Inc., and was incorporated  
12 April 19, 2004 under the Business Corporations Act (Ontario). The principal activity of the  
13 company is the generation of electricity from methane gas. The plant is located on the Eastview  
14 Landfill site which is owned by the City of Guelph.

15 The plant generates about 1.8 MW of electrical energy annually, which is approximately 0.75%  
16 of the City of Guelph's requirements. The three generators have an operating life expectancy of  
17 20 years and operate 24/7, except when maintenance is required. When the generation plant is  
18 not operating the methane gas is flared.

19 The Ecotricity plant, with construction completed in April 2005, was the first participation project  
20 under the Province of Ontario's Renewable Energy Supply (RES) contracts. The plant's first day  
21 of operation was June 14, 2005. Three new methane gas wells were added to the collection  
22 system in June 2006.

1 **Boards of Directors:**

<b>Guelph Hydro Inc.</b>	<b>Guelph Hydro Electric Systems Inc.</b>	<b>Ecotricity Guelph Inc.</b>
Mr. J.P. Truex (Chair) Ms. J. Urisk (Vice-Chair) Mr. R. Aumell Mr. B. Cowan Mayor Karen Farbridge Mr. R. Thompson	Mr. J.P. Truex (Chair) Ms. J. Urisk (Vice-Chair) Ms. J. Armstrong Mr. R. Aumell Mr. B. Cowan Mayor Karen Farbridge Mr. R. Fennell Dr. B. Leslie Mr. R. Thompson	Mr. J.P. Truex (Chair) Ms. J. Urisk (Vice-Chair) Mr. R. Aumell Mr. B. Cowan Mayor Karen Farbridge Mr. R. Thompson

2

1 **PLANNED CHANGES IN CORPORATE AND OPERATIONAL STRUCTURE:**

2 Guelph Hydro Electric Systems Inc. is currently in merger discussions with Horizon Utilities Inc.  
3 Such a transaction, if completed, will change the structure of Guelph Hydro. With the exception  
4 of those discussions, no changes to Guelph Hydro's corporate and operational structures are  
5 planned at the present time.

1 **STATUS REPORT ON BOARD DIRECTIVES:**

- 2 There are no outstanding OEB directives applicable specifically to Guelph Hydro as at the date  
3 of filing this application.

1 **CONDITIONS OF SERVICE:**

- 2 A copy of Guelph Hydro's current Conditions of Service has been provided as Appendix A to  
3 this Schedule.

## **APPENDIX A**

### **COPY OF GUELPH HYDRO'S CONDITIONS OF SERVICE**



# *CONDITIONS OF SERVICE*



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# Section 1 – INTRODUCTION

## 1 INTRODUCTION

The Ontario Energy Board (OEB) requires that each Distributor publish a Conditions of Service document following the template appended to the Distribution System Code (DSC). Guelph Hydro's Conditions of Service document has expanded on this template to encompass Guelph Hydro specific characteristics and requirements.

The purpose of this document is to inform customers of the types and levels of service available within the Guelph Hydro's service territory. The Conditions of Service document is also filed with the Ontario Energy Board (OEB) for the purpose of facilitating dispute resolutions.

### 1.1 Identification of Distributor and Territory

Guelph Hydro Electric Systems Inc. referred to herein as "Guelph Hydro" is incorporated under the laws of the Province of Ontario.

Guelph Hydro is licensed as a local distribution company by the Ontario Energy Board (OEB) to deliver electricity to Customers within the boundary of the City of Guelph.

Guelph Hydro may only operate distribution facilities within its Licensed Territory as defined in the Distribution License. This territory is subject to change with the OEB's approval.

#### 1.1.1 Distribution Overview

Guelph Hydro distributes electricity through an integrated 13.8/8.0 kV three phase four wire primary distribution system.

The primary supply of electricity by Guelph Hydro to any Customer will generally be at 13.8/8.0 kV. This voltage can be stepped down to the Customer's utilization voltage in accordance with connection policies in **section 3**. For connection at a higher primary voltage, Guelph Hydro may carry out a special study to determine the feasibility and cost benefit of that higher distribution voltage delivery. The cost of this study may be charged to the Customer.

### 1.2 Related Codes and Governing Laws

The supply of electricity or related services by Guelph Hydro to any Customer shall be subject to the provisions of the latest editions of the following documents:

1. Electricity Act, 1998
2. Ontario Energy Board Act, 1998
3. Distribution License
4. Affiliate Relationships Code
5. Transmission System Code

## Section 1 – INTRODUCTION

6. Distribution System Code
7. Retail Settlement Code
8. Standard Service Supply Code

In the event of a conflict between this document and the Distribution License or regulatory Codes issued by the OEB, or the Energy Competition Act, 1998, the provisions of the Act, the Distribution License and associated regulatory Codes shall prevail in the order of priority indicated above.

When planning and designing for an electricity service, Customers and their agents shall refer to all applicable federal, provincial, and municipal laws, regulations, codes and by-laws to ensure compliance with their requirements.

### 1.3 Interpretations

In these Conditions, unless the context otherwise requires:

- Headings, paragraph numbers and underlining are for convenience only and do not affect the interpretation of these Conditions of Service;
- Words referring to the singular include the plural and vice versa; and
- Words referring to a gender include any gender.

### 1.4 Amendments and Changes

The provisions of these Conditions of Service and any amendments made from time to time form part of any Contract made between Guelph Hydro and any connected Customer, Retailer, or Generator, and these Conditions of Service supercedes all previous Conditions of Service, oral or written, of Guelph Hydro.

In the event of changes to these Conditions of Service, Guelph Hydro will include a notice with the normal Customer billing and will post these changes on the Guelph Hydro web site at [www.guelphhydro.com](http://www.guelphhydro.com).

The Customer or agent working on behalf of the Customer is responsible to contact Guelph Hydro to obtain a current version of the Conditions of Service. Guelph Hydro may charge a reasonable fee to provide a copy of this document.

### 1.5 Contact Information

Guelph Hydro can be contacted during regular business hours at (519) 822-3017 or such other numbers as Guelph Hydro may advise through its web site, invoices or otherwise. Normal business hours are Monday to Friday between 8:00 a.m. and 4:30 p.m. For emergencies after normal business hours, Guelph Hydro can be contacted at (519) 822-3010. The corporate mailing address is 104 Dawson Road, Guelph, Ontario N1H 1A7.

## **Section 1 – INTRODUCTION**

### **1.6 Customer Rights**

The Customer has a right to receive safe reliable power in accordance with these conditions and subject to the latest editions of the various codes and laws as outlined in **section 1.2**.

### **1.7 Distributor Rights**

#### **1.7.1 Supply Equipment on the Customer's Property**

The location of Guelph Hydro's supply equipment (ie. transformers, cable, switches and metering equipment) on the Customer's property is subject to the approval of Guelph Hydro and is to be located in a manner that does not create a safety hazard to Guelph Hydro's personnel, the Customer's employees or the general public. In addition, the location of transformers or other grade level equipment may be subject to applicable City of Guelph Zoning By-Laws and the Ontario Electrical Safety Code.

All Guelph Hydro equipment located on the Customer's property is in the care of the Customer and if damaged, other than by normal usage, the Customer will be charged for any repair or replacement cost. The Customer is responsible for providing and maintaining any physical protection in accordance with Guelph Hydro standards deemed necessary to protect Guelph Hydro's equipment.

The Customer shall not build, plant or maintain any structure, tree, shrub or landscaping that would or could obstruct access to and/or maintenance of Guelph Hydro equipment or facilities.

Only employees or agents of Guelph Hydro shall remove, replace, alter, repair, or inspect Guelph Hydro's equipment.

#### **1.7.2 Repair of Defective Customer Electrical Equipment and Physical Structures**

The Customer shall repair or replace any equipment or structures owned by the Customer that may affect the integrity or reliability of Guelph Hydro's distribution system. If the Customer does not take such action within a reasonable time, Guelph Hydro may disconnect the supply of power to the Customer. Guelph Hydro's policies and procedures with respect to the disconnection process are further described in these Conditions.

#### **1.7.3 Right to Disconnect**

Guelph Hydro reserves the right to disconnect a Customer's service as described in **section 2.2**.



## Section 1 – INTRODUCTION

### 1.8 Disputes

To resolve disputes, Guelph Hydro will follow the procedures of the Guelph Hydro Policy ADM-9. A copy of the current policy is attached to these conditions as **Appendix A**.

## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

### 2 DISTRIBUTION ACTIVITIES (GENERAL)

#### 2.1 Connections

Under the terms of the Distribution System Code, Guelph Hydro has the obligation to either connect or to make an offer to connect any Customer that lies in its service territory.

The Customer or their representative shall consult with the Technical Services Department of Guelph Hydro, well in advance of requiring a connection to determine the availability of supply, the servicing options and location, metering requirements and other details. These requirements are separate from and in addition to those of the Electrical Safety Authority.

##### 2.1.1 Building that “Lies Along”

For the purpose of these Conditions "lies along" means a property or parcel of land that is directly adjacent to or abuts the public road allowance where Guelph Hydro has primary distribution facilities.

Under the terms of the Distribution System Code, Guelph Hydro has the obligation to connect a building or facility that “lies along” its distribution line, provided:

- a) The building can be connected to the Guelph Hydro’s distribution system without an Expansion or Enhancement; and
- b) The service installation meets the conditions listed in these Conditions of Service.

##### 2.1.1.1 Connections

In general, Guelph Hydro may, depending on Customer Class, recover costs associated with the installation of “Connection Assets” via a Basic Connection Fee or a Variable Connection Charge, as further described below. Connection charges and available connection types for Residential and General Service class Customers are further described in **Section 3**. A Basic Connection is defined as the actual or equivalent costs to supply and install overhead distribution transformer capacity and up to 30 metres of overhead service conductor. Residential class Customers receive this Basic Connection without charge. Variable Connection Charges are based on 100% of actual costs to install connection assets. For Residential class Customers, the equivalent Basic Connection cost is deducted from these Variable Connection Charges. For General Service class Customers, only the base material cost of the transformer is deducted from these Variable Connection Charges unless otherwise indicated in these conditions.

## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

### 2.1.2 Expansions / Offer to Connect

#### 2.1.2.1 General

Under the terms of the Distribution System Code, should Guelph Hydro be required to construct new facilities to its distribution system or increase capacity of an existing distribution system in order to accommodate a connection, Guelph Hydro will perform an economic evaluation and make an “offer to connect”.

Guelph Hydro will perform an economic evaluation to determine if the future revenue from the Customer will pay for the capital and on-going maintenance costs of the Expansion project. The economic evaluation will be based on the Customer’s proposed load.

In performing the economic evaluation, should the Net Present Value (NPV) of future revenue not cover the expansion costs, a capital contribution in the amount of the shortfall is to be paid by the Customer.

Guelph Hydro’s offer will generally be based on an estimate of the costs to construct the expansion and not a firm offer. The final amount charged to the Customer will be based on actual costs following completion of the work. Guelph Hydro will calculate one estimate and the final payment at no expense to the Customer.

Where the offer to connect meets the conditions identified in the Distribution System Code, Guelph Hydro will inform the Customer that the Customer may obtain other bids from contractors pre-qualified by Guelph Hydro for this type of work.

#### 2.1.2.2 Securities and Rebates related to Expansions

The Customer may be required to submit to Guelph Hydro a security deposit in the amount of the total estimated costs of the Expansion. This security deposit is in addition to any other charges or deposits and is to be paid prior to allocation of material by Guelph Hydro.

If after two (2) years from the connection date, the Customer’s actual average monthly peak demand is not equal to or within 10% of the Customer’s proposed load (winter/summer) of the project, Guelph Hydro will re-calculate the economic evaluation based on the Customer’s actual peak demand load to determine the shortfall as described under **section 2.1.2.1**.

If there is no shortfall, Guelph Hydro will refund the full security deposit plus any applicable earned interest. If there is a shortfall, Guelph Hydro will apply the

## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

security deposit to this amount and will refund any credit as applicable. If there is a net balance owing the Customer will be required to pay Guelph Hydro the outstanding balance.

In scenarios where Guelph Hydro installs new plant solely for the connection of a Customer, the Customer will be required to pay Guelph Hydro 100% of the calculated shortfall. If within 5 years of the connection date, new Customers (not originally projected) are connected to this new plant, the first Customer will be entitled to a rebate without interest based on an apportioned benefit for the remaining period.

### 2.1.3 Connection Denial

The Distribution System Code allows a Distributor to deny a connection of a building within its service territory if the connection would result in any of the following:

- Contravention of existing laws of Canada and the Province of Ontario;
- Violations of conditions in a Distributor's License;
- Adverse affect on the reliability and safety of the distribution system;
- Public safety reasons or imposition of an unsafe work situation beyond normal risks inherent in the operation of the distribution system;
- A material decrease in the efficiency of the distributor's distribution system;
- A material adverse effect on the quality of distribution services received by an existing connection;
- Discriminatory access to distribution services;
- Potential increases in monetary amounts that already are in arrears with the distributor; or
- Any other conditions documented in the Guelph Hydro's Conditions of Service document that are consistent with the conditions identified above and with the goals delineated in the Energy Competition Act, 1998.

Guelph Hydro will advise the party requesting the connection of the reasons for not connecting. Where Guelph Hydro is able to provide a remedy it will do so and then make an offer to connect. If Guelph Hydro is unable to provide a remedy to resolve the issue, it is the responsibility of the appropriate party to do so before a connection can be made.

### 2.1.4 Inspections Before Connections

All electrical installations requiring a service connection from Guelph Hydro shall be inspected by and connection authorization received from the Electrical Safety Authority prior to being connected by Guelph Hydro. Where a service has been disconnected to permit repairs, or has been disconnected for a period of six months or

## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

longer, authorization from the Electrical Safety Authority is also required prior to reconnection.

All Guelph Hydro supply related facilities installed by the Customer such as trenches, conduit systems, transformer bases and rooms and provision for metering are subject to Guelph Hydro inspection and approval prior to installation of supply facilities.

### 2.1.5 Relocation of Plant

The placement of Guelph Hydro distribution facilities including poles, guying, surface mounted equipment and underground systems is governed by various acts, regulations, and easements. Unless the conditions for relocation are included under an act or regulation, Guelph Hydro is not obligated to relocate these facilities. However, if Guelph Hydro receives a request to relocate facilities, Guelph Hydro will make its best effort to resolve the issue in a fair and reasonable manner with associated costs being charged to the requesting party.

### 2.1.6 Easements

As a condition of service, the property owner may be required to grant an easement for the purpose of ensuring the right of access by Guelph Hydro personnel and equipment to facilities located on private property.

Where required, the Customer shall prepare and register at their expense a reference plan and associated easement documents to the satisfaction of Guelph Hydro prior to completing supply arrangements associated with a new connection. Details will be provided upon application for service.

### 2.1.7 Contracts and Agreements

#### 2.1.7.1 General

The Customer may be required to enter into one or more of the following contracts or agreements with Guelph Hydro:

- i. Application for Service – outlines terms and conditions associated with receiving electrical energy from Guelph Hydro. At this time, Guelph Hydro only requires General Service Customers to sign the agreement. Residential Customers are not required to sign an agreement.
- ii. Implied Contract - In all cases, notwithstanding the absence of a written contract, the taking and/or use of electricity from Guelph Hydro by any Person or Persons shall be deemed to be acceptance of a binding contract with Guelph Hydro, including the acceptance of all conditions established by Guelph Hydro from time to time.

## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

- iii. Subdivision Servicing Agreement – outlines terms and conditions associated with servicing developments involving the creation of new lots, blocks and/or public road allowances.
- iv. Service Connection Agreement – outlines terms and conditions associated with servicing private developments.
- v. Operations Agreement – outlines terms and conditions associated with the Customer operating Customer owned primary equipment and/or Customer owned generating facilities in parallel with Guelph Hydro’s distribution system.

### 2.2 Disconnections

Guelph Hydro reserves the right to disconnect the delivery of electrical energy to a Customer for causes not limited to:

- i) Overdue amounts payable to Guelph Hydro for the delivery or retail of electricity;
- ii) Hazardous conditions; and
- iii) Electrical disturbance propagation caused by Customer equipment that is not corrected in a timely fashion.

#### 2.2.1 Disconnections & Reconnections – Process and Charges

##### 2.2.1.1 Non-Payment of Accounts

Immediately following the due date, steps will be taken to collect the full amount of the bill. If the bill is still unpaid 30 calendar days after the due date and 7 calendar days after a disconnect notice has been given to the Customer, the service may be disconnected and not restored until satisfactory payment arrangements have been made, including costs of reconnection. Such discontinuance of service does not relieve the Customer of the liability for arrears or minimum bills for the balance for the term of contract, nor shall Guelph Hydro be liable for any damage on the Customer’s premise resulting from such discontinuance of service. Disconnect notices will be in writing and hand delivered.

##### 2.2.1.2 Electrical Hazards or Disturbances

Upon discovery that an electrical hazard or disturbance (see **section 2.3.3.1**) exists involving Customer owned facilities, Guelph Hydro will notify the Customer to rectify the condition. Should, in the opinion of Guelph Hydro, the hazard have the potential of causing injury to persons or further damage to equipment, little or no notice will be given before Guelph Hydro disconnects the service. Where the hazard or disturbance does not have an immediate potential of causing injury to persons or further damage to equipment, the Customer will be given a reasonable

## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

amount of time to correct the condition. Should the Customer fail to correct the condition, Guelph Hydro may:

- a) Request the Electrical Safety Authority investigate the hazard if applicable to the Ontario Electrical Safety Code. Any associated inspection costs will be directed to the Customer; or
- b) Proceed with disconnecting the service where the condition relates to an electrical hazard or disturbance which does not fall under the Electrical Safety Authority's jurisdiction.

Once disconnected, the service will not be restored until satisfactory arrangements to correct the condition have been made including where applicable, clearance is received from the Electrical Safety Authority. Guelph Hydro shall not be liable for any damage on the Customer's premise resulting from such discontinuance of service. Disconnect notices will be in writing and hand delivered.

### 2.2.2 Non-authorized Use of Energy

Guelph Hydro reserves the right to disconnect the delivery of electrical energy to a Customer for such actions as energy diversion, fraud or abuse on the part of the Customer, a tenant or occupant. Such service will not be reconnected until the Customer rectifies the condition and provides full payment costs of energy used (estimated or actual) as well as costs related to the disconnection, reconnection and repair of Guelph Hydro facilities as needed.

Once disconnected, the service will not be restored until satisfactory arrangements to correct the condition have been made including where applicable, clearance is received from the Electrical Safety Authority. Guelph Hydro shall not be liable for any damage on the Customer's premise resulting from such discontinuance of service. Disconnect notices will be in writing and hand delivered.

## 2.3 Conveyance of Electricity

### 2.3.1 Limitations on the Guarantee of Supply

Guelph Hydro will endeavour to use reasonable diligence in providing a regular and uninterrupted supply but does not guarantee a constant supply or the maintenance of unvaried frequency or voltage and will not be liable in damages to the Customer by reason of any failure in respect thereof.

Customers requiring a higher degree of security than that of normal supply, are responsible to provide their own back-up or standby facilities. Customers may require special protective equipment on their premises to minimize the effect of

## **Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)**

momentary power interruptions.

Customers requiring a three-phase supply should install protective apparatus to avoid damage to their equipment, which may be caused by the interruption of one phase, or non-simultaneous switching of phases of the Distributor's supply.

### **2.3.2 Power Quality**

#### **2.3.2.1 Power Quality Testing**

In response to a Customer power quality concern, where the utilization of electric energy adversely affects the performance of electrical equipment, Guelph Hydro will perform investigative analysis to attempt to identify the underlying cause. Depending on the circumstances, this may include review of relevant power interruption data and/or use of power measurement tools. Connection of power measurement tools will be at the demarcation point or nearest safely accessible point of connection.

Upon determination by Guelph Hydro that the power quality concern is deemed to be a system delivery issue where industry standards are not being met, Guelph Hydro will recommend and/or take appropriate mitigation measures. Guelph Hydro will use appropriate industry standards (such as IEC, IEEE or CSA standards) and good utility practice as a guideline. If the problem lies on the Customer side of the system and provided the problem does not impact on other Customers connected to the system, Guelph Hydro will take no further action.

### **2.3.3 Electrical Disturbances**

#### **2.3.3.1 Voltage Distortion from Customer Equipment**

The Customer shall not connect electrical equipment, which may produce an undesirable system disturbance. Examples of equipment, which may cause disturbances either individually or collectively are large motors, welders, variable speed drives and other non-linear loads. In planning the installation of such equipment, the Customer is required to consult with Guelph Hydro.

If the Customer's use of electrical energy interferes with the electrical energy supplied to other Customers, Guelph Hydro reserves the right to disconnect the supply to the Customer causing the interference. Reasonable notice will be given before disconnection unless the interference is, in the opinion of Guelph Hydro, intolerable. The Customer will be responsible to correct the problem at their cost and to Guelph Hydro's satisfaction before the supply is reconnected.



## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

To ensure the distribution system is not adversely affected, non-linear loads must comply with IEEE Standard 519-1992 including a limit on individual voltage harmonic distortion of 3% and Total Harmonic Distortion of 5%.

### 2.3.3.2 System Disturbances

Normal operation of an electrical distribution system includes capacitor bank and feeder switching, both of which may create transient over-voltages which may cause operating difficulties on some computer controlled processes. The Customer should consult with the manufacturer of their equipment regarding steps to mitigate these disturbances.

### 2.3.3.3 Planned and Unplanned System Interruptions

Guelph Hydro's operating practice is to minimize inconvenience to Customers. However, situations may arise which make it necessary to interrupt a Customer's supply. To permit work on the distribution system to be completed safely and efficiently, Guelph Hydro will endeavor to provide the Customers with reasonable notice and, where practical, make arrangements suitable to the Customer. Notice may not be given where work is of an emergency nature involving public safety or damage to equipment. Guelph Hydro's electrical distribution system also incorporates a number of automated features, which will interrupt power in response to a system problem. Most interruptions are momentary to clear transient faults on overhead lines thereby avoiding a prolonged interruption.

### 2.3.4 Standard Voltage Offerings

#### 2.3.4.1 Supply Voltage

See **Table 2** for available supply voltages and service limitations.

### 2.3.5 Voltage Guidelines

Guelph Hydro maintains service voltage at the Customer's service entrance within the guidelines of CSA Standard CAN3-C235-87 (latest edition) which allows variations from nominal voltage in accordance with **Table 4**.

Where voltages lie outside the indicated limits for Normal Operating Conditions but within the indicated limits for Extreme Operating Conditions, improvement or corrective action should be taken on a planned and programmed basis, but not necessarily on an emergency basis. Where voltages lie outside the indicated limits for Extreme Operating Conditions, improvement or corrective action should be taken on an emergency basis. The urgency for such action will depend on many factors such

## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

as the location and nature of load or circuit involved, the extent to which limits are exceeded with respect to voltage levels and duration, etc.

Guelph Hydro will practice reasonable diligence in maintaining voltage levels, but is not responsible for variation in voltage as a result of external forces. Guelph Hydro shall not be liable for any delay or failure in the performance of its obligations under any part of these Conditions due to any events or other causes beyond Guelph Hydro's reasonable control including, without limitation, the actions of a transmitter or other distributor, unusually severe weather, flood, fire, lightning, other forces of nature, acts of animals, epidemic, quarantine restriction, war, sabotage, act of a public enemy, earthquake, insurrection, riot, civil disturbance, strike, restraint by court order or public authority, or action or non-action by or inability to obtain authorization or approval from any governmental authority, or any combination of these causes (Force Majeure).

### 2.3.6 Back-up Generators

Customers with portable or permanently connected generation shall comply with all applicable criteria of the Ontario Electrical Safety Code and in particular, shall ensure that Customer emergency generation is not capable of being operated in parallel with Guelph Hydro's distribution system without Guelph Hydro approved interface protection. See **section 3.4** for embedded generation requirements.

### 2.3.7 Metering

#### 2.3.7.1 General

Guelph Hydro will supply, install, own, and maintain all meters, instrument transformers (except Customer installed metering facilities where specified in these Conditions), ancillary devices, and secondary wiring required for revenue metering. Guelph Hydro will provide specific meter types by Customer. Customers with metering requirements not normally provided in their class will be charged for the additional metering facilities.

As a condition of service, the Customer shall make provision for revenue metering facilities including providing a convenient and safe location satisfactory to Guelph Hydro, for the installation of meters, wires and ancillary equipment. See **section 3** for technical standards.

No person, except those authorized by Guelph Hydro, shall remove, connect, or otherwise interfere with meters, wires, or ancillary equipment.

#### 2.3.7.2 Demand Metering

## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

*(replaces Current Transformer Boxes in appendix A of the DSC)*

In general, demand meters will be installed for all new or upgraded services equal to or greater than 100 Amperes at 600 volts or 400 Amperes at 208 volts or existing Customers with consumption greater than 200 MWh over the previous 12 months.

### **2.3.7.3 Interval Metering**

In general, interval meters will be installed for all new or upgraded services equal to or greater than 600 Amperes at 600 volts or existing Customers with loads greater than 300 kW average monthly peak demand over the previous 12 months. In the event that an interval metered Customer's average monthly peak demand over the previous 12 months has moved below 240 kW, interval metering is no longer required. The interval meters will be removed by Guelph Hydro unless the meter had been previously paid for by the Customer or the Customer requests the meter remain and reimburses Guelph Hydro for the meter costs.

Customers requesting to be or required to be on interval meters shall provide Guelph Hydro access to a telephone line as outlined in Guelph Hydro standard ME3-1.

### **2.3.7.4 Meter Reading**

The Customer shall provide or arrange free, safe and unobstructed access during regular business hours to any authorized representative of Guelph Hydro for the purpose of meter reading, meter changing, or meter inspection. Where premises are closed during Guelph Hydro's normal business hours, the Customer shall, on reasonable notice, arrange such access at a mutually convenient time.

### **2.3.7.5 Final Meter Reading**

When a service is no longer required, the Customer shall provide sufficient notice of the date the service is to be discontinued so that Guelph Hydro can obtain a final meter reading as close as possible to the final reading date. The Customer shall provide access to Guelph Hydro or its agents for this purpose. If a final meter reading is not obtained, the Customer shall pay a sum based on an estimated demand and/or energy for electricity used since the last meter reading.

### **2.3.7.6 Faulty Registration of Meters**

## **Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)**

Metering electricity usage for the purpose of billing is governed by the federal Electricity and Gas Inspection Act and associated regulations, under the jurisdiction of Measurement Canada, Industry Canada. Guelph Hydro's revenue meters are required to comply with the accuracy specifications established by the regulations under the above Act.

In the event of incorrect electricity usage registration, Guelph Hydro will determine the correction factors based on the specific cause of the metering error and the Customer's electricity usage history. The Customer shall pay for all the energy supplied based on the reading of any meter formerly or subsequently installed on the premises by Guelph Hydro, due regard being given to any change in the character of the installation and/or the demand. If Measurement Canada, Industry Canada determines that the Customer was overcharged, Guelph Hydro will reimburse the Customer for the amount incorrectly billed.

If the incorrect measurement is due to reasons other than the accuracy of the meter, such as incorrect meter connection, incorrect connection of auxiliary metering equipment, or incorrect meter multiplier used in the bill calculation, the billing correction will apply for the duration of the error. Guelph Hydro will correct the bills for that period in accordance with the regulations under the Act.

### **2.3.7.7 Meter Dispute Testing**

Metering inaccuracy is an extremely rare occurrence. Most billing inquiries can be resolved between the Customer and Guelph Hydro without resorting to the meter dispute test.

Either Guelph Hydro or the Customer may request the service of Measurement Canada to resolve a dispute. If the Customer initiates the dispute, Guelph Hydro will charge the Customer a meter dispute fee if the meter is found to be accurate by Measurement Canada.

## **2.4 Tariffs and Charges**

### **2.4.1 Service Connection Charges**

Guelph Hydro will recover costs associated with connection assets as outlined in **section 2.1** and **section 3**.

### **2.4.2 Energy Supply**

#### **2.4.2.1 Standard Service Supply (SSS)**

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## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

All existing Guelph Hydro Customers are Standard Service Supply (SSS) Customers until Guelph Hydro is informed of their switch to a competitive electricity supplier. The Service Transfer Request (STR) must be made by the Customer or the Customer's authorized retailer.

New Customers wishing to obtain a connection for the supply of electrical energy from Guelph Hydro shall comply with **section 2.4.1** of this document.

### 2.4.2.2 Retailer Supply

At the request of a Customer, Guelph Hydro will provide a list of retailers who have Service Agreements in effect within its distribution territory. The list will inform the Customer that an alternative retailer does not have to be chosen in order to ensure that the Customer receives electricity and the terms of service that are available under Standard Supply Service.

Customers transferring from Standard Service Supply (SSS) to a retailer shall comply with the Service Transfer Request (STR) requirements as outlined in sections 10.5 through 10.5.6 of the Retail Settlement Code.

All requests shall be in an electronic file transmitted by way of a regulated HUB. Such Service Transfer Request (STR) shall contain information as set out in section 10.3 of the Retail Settlement Code.

If the information is incomplete, Guelph Hydro shall notify the retailer or Customer about the specific deficiencies and await a reply before proceeding to process the transfer request.

### 2.4.2.3 Wheeling Charges

All Customers considering delivery of electricity through the Guelph Hydro distribution system are required to contact Guelph Hydro for technical requirements and applicable tariffs.

## 2.4.3 Deposits

### 2.4.3.1 Security Deposit

General Service and Residential Service Customers are required to pay a security deposit in accordance with Guelph Hydro policies attached to these conditions as **Appendix B**.

## Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)

### 2.4.4 Billing

Guelph Hydro may, at its option, render bills to its Customers on either a monthly, bi-monthly, quarterly or annual basis. Bills for the use of electrical energy may be based on either a metered rate or a flat rate, as determined by Guelph Hydro.

A Customer may elect totalized billing for multiple services provided all of the following conditions are met:

- The premises and businesses are situated on one contiguous parcel of land i.e. not separated by public roadway;
- All premises are under one ownership;
- The services are supplied and metered at the same voltage class;
- The meters are of the interval type, allowing logical totalization of the coincident demands. If interval meters are not already in place, the Customer will install the necessary equipment, at the Customer's cost, to Guelph Hydro specifications; and
- The Customer meets the requirements of this document for having more than one metered service.

### 2.4.5 Payments and Late Payment Charges

Bills are payable in full by the due date; otherwise, a late payment charge will apply. Where a Customer makes a partial payment on or before the due date, the late payment penalty will apply only to the amount of the bill outstanding at the due date, inclusive of arrears from previous billings. In the event of partial payment by a Customer, payments shall be allocated by the portions of the bill covering competitive and non-competitive electricity costs based on the ratios of the amount billed for competitive and non-competitive costs.

Outstanding bills are subject to the collection process and may ultimately lead to the service being discontinued. Service will be restored once satisfactory payment has been made. Discontinuance of service does not relieve the Customer of the liability for arrears.

Guelph Hydro shall not be liable for any damage on the Customer's premises resulting from such discontinuance of service. A reconnection charge will apply where the service has been disconnected due to non-payment.

The Customer will be required to pay additional charges for the processing of non-sufficient fund (NSF) cheques.

## **Section 2 – DISTRIBUTION ACTIVITIES (GENERAL)**

### **2.5 Customer Information**

#### **2.5.1 Historical Load Information**

Guelph Hydro will only provide historical load data and other account information to a third party with the written authorization of the Customer. The historical load data will be limited to a maximum of the previous two years' history, where available. The reports provided will be in a standard format determined by Guelph Hydro. Fees for this service may apply.

#### **2.5.2 Access to Interval Metering Point**

A Customer may request read only access to an interval metering point where it exists. The Customer shall provide and maintain a communication link to the metering point for remote interrogation by both Guelph Hydro and the Customer.

An agreement shall be signed by the Customer to cover all the terms and conditions associated with being given read only access including payment of applicable setup and installation costs and/or fees.

## Section 3 – CUSTOMER CLASS SPECIFIC

### 3 CUSTOMER CLASS SPECIFIC

#### 3.1 Residential Class

##### 3.1.1 General

This section applies to the delivery of electrical energy to detached, semi-detached and freehold townhouse units that lie along a public road allowance.

For the purpose of these Conditions:

- Apartment buildings are considered as General Service Class connections;
- Townhouse sites or other private developments where individual units are serviced internally (ie. not directly from a public road allowance) are considered as connections and will require a Service Connection Agreement between Guelph Hydro and the Developer; and
- Residential subdivisions involving creation of new lots, blocks and/or public road allowances are considered as expansions and will require a Subdivision Servicing Agreement between Guelph Hydro and the Developer.

The Customer or his agent is to consult with Guelph Hydro in advance of requiring power to ensure supply facilities are available and to obtain a "Service Layout" which will identify the meter location and any other servicing instructions. Detached and semi-detached residences and freehold townhouses are permitted one point of supply per unit.

All new developments consisting of three (3) or more adjacent lots or all new developments within areas having existing underground facilities will be supplied from an underground system.

##### 3.1.2 Overhead Supply

Overhead supply may be available in areas with existing overhead distribution lines, provided such connections may be made without crossing other properties. In all other cases an underground supply will be required. Guelph Hydro will provide the Basic Connection or an allowance for the equivalent as defined in **section 2.1.1.1** at no cost to the Customer. Supply facilities in excess of the above may be installed by Guelph Hydro or the Customer. Facilities installed by Guelph Hydro will be based on the Variable Connection Charge. Facilities installed by the Customer are to comply with the requirements of the Ontario Electrical Safety Code and Guelph Hydro standards.

##### 3.1.3 Underground Supply from Overhead Facilities



## Section 3 – CUSTOMER CLASS SPECIFIC

The Customer shall provide a trench and conduit system from the property line to the building as per standard 1000582-STD-B for services not in excess of 200 Amperes. Alternatively, Guelph Hydro can provide the trench and conduit on a chargeable basis.

Guelph Hydro will supply and install facilities on the road allowance and all secondary conductor. The Customer will be charged actual costs for these facilities including any restoration less the Basic Connection allowance as defined in **section 2.1.1.1**.

### 3.1.4 Underground Supply from Underground Facilities

Guelph Hydro will supply and install service conductor and trench from the road allowance to each residential unit at no additional cost to the Customer, provided the conditions of the original subdivision servicing agreement are met. Additional cost may be applicable for installations involving frost conditions, service cables in excess of 30 metres, work around obstructions, services in excess of 200 Amperes or additional residential units not provided for in the original subdivision servicing agreement.

### 3.1.5 Metering

The meter shall be located in a Guelph Hydro approved location 1.0 metre from the front corner of the building. Locations where 1.0 metre is not practical due windows, porches or other obstructions will be reviewed by Guelph Hydro on an individual basis. Notwithstanding the above, no location shall exceed 3 metres from the front corner of the building. The mounting height above finished grade shall be 1.7 metres to the centre of the meter.

The Customer shall provide a socket type meter base with a minimum rating of 100 Amperes for overhead services and 200 Amperes for underground services.

Meters for blocks of condominium townhouses are to be located on an end wall in a location approved by Guelph Hydro. Meter bases are to consist of dual gang socket type for pairs of units and shall clearly and permanently identify each meter location with the associated unit number.

## Section 3 – CUSTOMER CLASS SPECIFIC

### 3.2 General Service Class

#### 3.2.1 General

This section applies to the delivery of electrical energy to Industrial, Commercial and Apartment buildings.

All individual properties will be permitted one point of supply at a specific voltage. Special consideration may be given to large developments involving multiple buildings or other applications where a single point of supply is not practical. Where permitted, multiple pad-mounted transformers or vaults on a single development are to be interconnected between two points of connection on the primary distribution system (looped system).

The Customer shall construct or install civil infrastructure including but not limited to underground conduit systems, cable chambers, and transformer room, vault or base on private property that is deemed required by Guelph Hydro to facilitate the service connection. The civil infrastructure shall be constructed in accordance with Guelph Hydro's current standards, practices and specifications and are subject to Guelph Hydro's inspection and acceptance.

Alternatively, the Customer may request that Guelph Hydro complete the civil infrastructure that forms part of Guelph Hydro's Connection Assets on private property. The Customer shall be responsible for all costs as part of the Variable Connection Charge.

The Customer is responsible for repairing civil infrastructures required by Guelph Hydro to facilitate the service connection that are on the Customer's property and that forms part or is part of the Customer's Building / Structure / Facility and/or for costs where repairs are completed by Guelph Hydro

All connection costs associated with General Service Class service connection are recovered from the Customer through a Basic Connection fee or Variable Connection Charge as outlined in **section 2.1.1.1**.

To initiate Guelph Hydro's design process and to ensure the Customer's needs are properly met, the Customer shall provide the following information:

- i. An electrical single line drawing including metering facilities;
- ii. An architectural and electrical site plan showing the Customer's preferred transformer location when applicable;
- iii. Details of electrical room; and
- iv. Detailed load information.

## Section 3 – CUSTOMER CLASS SPECIFIC

### 3.2.2 Overhead Supply

Overhead supply may be available in areas with existing overhead distribution lines, provided such connections may be made without crossing other properties. In all other cases an underground supply will be required.

### 3.2.3 Underground Supply

#### 3.2.3.1 from Road Allowance

The Customer shall provide a conduit system to the property line from the supply side of the service main in accordance with standard 02173-STD.

Guelph Hydro will supply and install underground facilities on the road allowance and service cable.

#### 3.2.3.2 from Pad-Mounted Transformer

The Customer shall provide conduit system on private property, service cable and transformer base complete with grounding, guard posts and/or protective barriers (where specified by Guelph Hydro) in accordance with the following standards:

- i. 01551-MS - Concrete Base for Low Profile Single Phase Pad-Mount Transformer
- ii. 01720-STD - Three Phase Transformer Enclosure Base
- iii. 01979-STD-A - Guard Posts for Three Phase Pad- Mount Transformer
- iv. 01979-STD-B - Guard Posts for Single Phase Pad- Mount Transformer

Guelph Hydro will supply and install the transformer, connectors for the service cable, primary cable and all facilities on the road allowance.

The transformer shall be located on the Customer's property in a location approved by Guelph Hydro. In general the location shall be:

- i. Within 3.0 metres of a driveway accessible to Guelph Hydro vehicles;
- ii. In accordance with the Ontario Electrical Safety Code; and
- iii. Approved by the City of Guelph if located within the setback area as defined in the local Zoning By-Laws.

#### 3.2.3.3 from Transformer Vault

The Customer shall provide conduit system on private property and transformer vault in accordance with standard 02186-STD and the Ontario Building Code.

## Section 3 – CUSTOMER CLASS SPECIFIC

The transformer vault shall be located at grade level with direct access to a driveway accessible to Guelph Hydro vehicles.

Guelph Hydro will supply and install supply facilities including transformers, secondary cable to the bus stub, primary cable, fusing, switching and all facilities on the road allowance.

### 3.2.4 Supply from Customer Owned Transformation

#### 3.2.4.1 General

This section applies to the delivery of energy to Customer owned substations including transformer(s) and associated primary switchgear.

The Customer shall provide conduit system on private property, substation and associated equipment. Guelph Hydro will supply and install underground facilities on the road allowance and primary cable.

Substations supplied directly by Guelph Hydro cable must be located in a manner which will allow Guelph Hydro's personnel and equipment clear and direct access at all times.

#### 3.2.4.2 Operating Control

Guelph Hydro will install Guelph Hydro locks on all high voltage Customer owned devices and retain operating control unless the Customer enters into an Operations Agreement. Notwithstanding the above, Guelph Hydro will retain operating control of main incoming and tie loadbreak switches of substations fed from multiple Guelph Hydro supplies (looped system) and all revenue metering facilities including the compartment for metering transformers.

#### 3.2.4.3 Supply Limitations

Customers requiring transformer capacity in excess of 5000 kV.A will require additional points of connection to Guelph Hydro's distribution system. The maximum transformer capacity permitted for each point of connection is 5000 kV.A. Standard 02161-STD illustrates examples of typical supply arrangements and associated limits.

#### 3.2.4.4 Design Requirements

In addition to the design requirements identified in **section 3.2.1**, the Customer shall provide the following information:

## Section 3 – CUSTOMER CLASS SPECIFIC

- i. An electrical single line drawing showing all primary and secondary voltage facilities including any interlocking schemes, rating of protective devices or fuses, primary and secondary switchgear and metering facilities;
- ii. Manufacturer's drawings for switchgear complete with foundation details and nameplate information for the transformer;
- iii. Layout of substation including fences, enclosures, equipment placement and grounding; and
- iv. A coordination study of all levels of protective devices is to be performed. The time-current characteristics shall be plotted on a log-log graph paper and submitted for Guelph Hydro's review.

### 3.2.4.5 Loadbreak Switches

All loadbreak switches shall have lockable operating mechanisms. Tie switches on looped systems shall not be interlocked with the main incoming switches. Open points on looped systems will be determined and controlled by Guelph Hydro and are subject to change without notice.

All switchgear, device configuration and fuse sizes or relay settings are subject to review and approval by Guelph Hydro's Engineering Department.

Device nomenclature and its location will be determined by Guelph Hydro upon receiving switchgear drawings. Nomenclature plates shall consist of "lamicoid" type labels with 25 millimetre high lettering and mounted with rivets or self-tapping screws.

### 3.2.4.6 Transformers

Transformers exceeding 1500 kV.A shall be connected Delta-Wye. Transformers with a WYE connected primary winding where permitted shall have an exposed H0 bushing with removable ground strap.

Transformers shall be manufactured to comply with CSA standard C802 (latest edition) when the service metering is located on the load side of the transformer.

### 3.2.4.7 Pre-Service Testing

Prior to energizing the Customer's substation, a Pre-Service Report shall be prepared in accordance with Guelph Hydro Specification PS1-1 and submitted to Guelph Hydro for review. A contractor who is qualified to perform high voltage testing shall prepare this report. All testing shall be performed after the substation

## Section 3 – CUSTOMER CLASS SPECIFIC

has been assembled and installed on the site. Guelph Hydro shall be given adequate notice to permit witnessing of test procedures.

### 3.2.5 Temporary Services

Temporary services may be supplied overhead or underground subject to supply facilities and standards as outlined under **section 3.2**. All connection and removal costs associated with temporary service connections are recovered from the Customer through a Basic Connection fee or Variable Connection Charge as outlined in **section 2.1.1.1**.

### 3.2.6 Metering

#### 3.2.6.1 General

Guelph Hydro will meter the Customer's service at the utilization voltage except for primary metered services as described in **section 3.2.6.7**.

Every metered service or sub-service must have a separate disconnecting device with provision for locking. Metering facilities will be installed on the load side of and adjacent to the disconnecting device for all three-phase services and 240/120 volt services greater than 200 Amperes.

Meter locations are subject to approval by Guelph Hydro. Metering facilities shall not be located in an environment that could be hazardous to Guelph Hydro personnel or equipment. Metering facilities are to be located in an electrical room or contained in appropriate cabinets.

#### 3.2.6.2 Multi-unit Buildings

To qualify for a separate meter, a unit must be a defined rentable area.

Any adjoining units having a common tenant or occupant are to be supplied by a single meter where practical.

All multiple metering installations are to be contained within an approved electrical room.

The Customer shall provide a floor plan identifying the unit numbers prior to the meters being installed and shall clearly and permanently identify each individual disconnect and meter location with the associated unit number.

Metering for large plazas with multiple supplies shall have the metering grouped with relationship to the supply transformer.

## Section 3 – CUSTOMER CLASS SPECIFIC

### 3.2.6.3 Apartment Buildings

As an alternative to an electrical room, a closet with access from a common area may be provided. Metering for very large apartment buildings may be grouped by floors.

The Customer will be charged for the cost of single phase, 208Y/120 volt network type meters.

Small apartment buildings will be permitted up to four grouped meters in an outdoor location without a main disconnecting device providing the main incoming service entrance capacity does not exceed 200 amperes.

### 3.2.6.4 Approval of Metering Assemblies and Switchgear

Where manufactured switchgear is to be installed, copies of the manufacturer's drawings must be submitted to Guelph Hydro for review with sufficient notice to permit Guelph Hydro to forward current transformers to the manufacturer for installation. Should sufficient notice not be provided, any costs associated with the installation of the current transformers will be chargeable to the development.

### 3.2.6.5 Metering Cabinet and Socket Information

The Customer shall provide meter bases or cabinets in accordance with **Table 3**.

Cabinets shall be installed in accordance with standards 01715-STD and 01716-STD complete with metal tabs for locking and removable steel backplate.

Guelph Hydro will supply and install connectors on the cable and make connections to the current transformers.

### 3.2.6.6 Meter Location

A minimum clear clearance of 1.0 metre is to be maintained in front of meter cabinets and meters at all times.

Access to electrical rooms containing metering facilities shall be direct to the exterior of the building or to a common area and shall not be obstructed in any manner. The Customer shall provide a key to the electrical room and any additional doors necessary for the purpose of gaining access to the electrical room. As an alternative, the Customer may mount a key safe provided by Guelph Hydro for containing the appropriate keys on or adjacent to the door(s) in accordance with standard 01872-STD .

## Section 3 – CUSTOMER CLASS SPECIFIC

Electrical rooms or the space allocated to contain the electrical metering facilities shall have a minimum ceiling height of 2.1 metres and shall include lights with switch and duplex receptacle. The room shall not be used for storage in any manner. Meter locations shall be free from, or protected against, the adverse effects of moving machinery, vibration, dust, moisture or fumes.

### 3.2.6.7 Primary Metered Services

The Customer shall supply and install all primary metering current and potential transformers.

Current and potential transformers shall have Measurement Canada approval for revenue metering applications. Test cards shall be supplied to Guelph Hydro before connection.

The Customer shall provide three current transformers sized to accommodate the connected and any future loads with one per phase. The ratio selected shall be approved by Guelph Hydro.

The Customer shall provide three potential transformers with ratios of 8400:120 volts. The installation shall include fuses complete with three spares and a rollout carriage.

The metering cabinet is to be located not more than 10 metres from the metering transformers. For distances in excess of 10 metres, Guelph Hydro shall verify that the total burden of the metering circuit does not exceed the rated burden of the metering transformer.

Where possible, metering facilities are to be located indoors. However, where this is not practical, the Customer shall provide a weatherproof cabinet which is not to be located within the fenced enclosure of outdoor substations. Outdoor cabinets where permitted shall include a duplex receptacle and heater.

The Customer may be required to pre-wire the metering circuits from the instrument transformers to the metering cabinet in certain installations in accordance with Guelph Hydro standards.

### 3.3 New Residential Developments

#### 3.3.1 Townhouse Developments

Townhouse sites and other private developments where individual units are serviced internally (i.e. not directly from a public road allowance) are considered as connections and will require a Service Connection Agreement between Guelph Hydro and the Developer.



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Where Guelph Hydro installs the distribution facilities within the development, the cost of installing these facilities, less an allowance based on the equivalent of a Basic Connection to each residential unit, as defined in **section 2.1.1.1**, shall be paid for by a capital contribution from the Developer.

The Developer may undertake the expansion work within the development provided such work does not involve existing Guelph Hydro distribution system facilities. All material supplied and work performed shall be in accordance with Guelph Hydro specifications and the terms of the Service Connection Agreement. All design work including service locations and trench routes will be performed by Guelph Hydro.

### 3.3.2 New Residential Subdivisions

New residential subdivisions involving the creation of new lots, blocks and municipal roadways are treated as Non-Residential Class Customers and will require a subdivision servicing agreement between Guelph Hydro and the Developer.

Guelph Hydro will perform an economic evaluation in accordance with **section 2.1.2.1** to identify any shortfall relating to the cost of the required expansion work, and this shortfall shall be paid for by a capital contribution from the Developer. The Developer will provide financial security sufficient to cover the cost of facilities being installed until the individual residential services are connected.

Where a capital contribution is required, the Developer may undertake the expansion work within the development provided such work does not involve existing Guelph Hydro distribution system facilities. All material supplied and work performed shall be in accordance with Guelph Hydro specifications and the terms of the subdivision servicing agreement. All design work including service locations and trench routes will be performed by Guelph Hydro.

### 3.4 Embedded Generation

Operation of a Customer's embedded generator shall not endanger workers or jeopardize public safety, or adversely affect or compromise equipment owned or operated by Guelph Hydro, or the security, reliability and the quality of electrical supply to other Customers connected to Guelph Hydro's distribution system.

When the Customer connects an embedded generator to the Guelph Hydro's distribution system, an interface protection system shall be provided to minimize the severity and extent of disturbances to the Guelph Hydro's distribution system and to minimize the effect on other Customers. Guelph Hydro may require this protection to include a

## Section 3 – CUSTOMER CLASS SPECIFIC

transfer-trip scheme tied to the Guelph Hydro distribution feeder protection. The interface protection shall be capable of automatically isolating the generator(s) from the Guelph Hydro's distribution system and is subject to review and acceptance by Guelph Hydro. Further Guelph Hydro may require the ability to monitor the status of the protection components at the generator.

The generating facilities shall be constructed in accordance with the Ontario Electrical Safety Code and Guelph Hydro requirements including Appendix F (Process for Connecting an Embedded Generator) of the Distribution System Code. The Customer will be required to enter into an Embedded Generation Agreement for operating the generating facilities in parallel with Guelph Hydro's distribution system.

### 3.4.1 Design Requirements

The Customer shall provide the following information:

- i. An electrical single line drawing showing all primary and secondary voltage facilities connected to the generator(s) including any interlocking schemes, rating of protective devices or fuses, primary and secondary switchgear and metering facilities;
- ii. Trip settings and delays at the interface devices;
- iii. Layout of generating facilities including all associated switchgear and metering facilities; and
- iv. A coordination study of all levels of protective devices is to be performed. The time-current characteristics shall be plotted on a log-log graph paper and submitted for Guelph Hydro's review.

### 3.5 Embedded Market Participant

Under the "Market Rules for the Ontario Electricity Market" section 1.2.1, "No persons shall participate in the IMO-administered markets or cause or permit electricity to be conveyed into, through or out of IMO-controlled grid unless that person has been authorized by the IMO to do so".

All Embedded Market Participants, within the service jurisdiction of Guelph Hydro, once approved by the IMO are required to inform Guelph Hydro of their approved status in writing, 30 days prior to their participation in the Ontario Electricity Market.

### 3.6 Embedded Distributor

The terms and conditions applicable to the connection of an Embedded Distributor shall be defined in the Connection Agreement with Guelph Hydro. This agreement is to be

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negotiated and executed prior to any connections to Guelph Hydro's distribution system.

All embedded distributors within the service jurisdiction of Guelph Hydro are required to inform Guelph Hydro of their status, in writing, 30 days prior to the supply of energy.

### 3.7 Unmetered Connections

#### 3.7.1 General

At Guelph Hydro's discretion, very small loads may be serviced without meters. Examples of typical unmetered services are traffic and pedestrian signals, Cable TV power supplies and bus shelters.

The Customer shall provide a detailed list of connected loads for unmetered services. Energy consumption will be calculated using the estimated connected loads over the total hours of the bill period.

Unmetered services may be supplied overhead or underground subject to supply facilities and standards as outlined under **section 3.2**. All connection costs associated with unmetered service connections are recovered from the Customer through a Basic Connection fee or Variable Connection Charge as outlined in **section 2.1.1.1**.

“Affiliate Relationship Code” means the code, approved by the OEB and in effect at the relevant time, which among other things establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies.

“apartment building” refers to a building containing four or more dwelling units having access from an interior corridor system or common entrance.

“application for service” is the agreement or contract with Guelph Hydro under which electrical service is requested.

“billing demand” is the metered demand or connected load after necessary adjustments have been made for power factor, intermittent rating, transformer losses and minimum billing. A measurement in kiloWatts (kW) of the maximum rate at which electricity is consumed during a billing period.

“building” means a building, portion of a building, structure or facility.

“Conditions of Service” means the document developed by a distributor in accordance with subsection 2.1 of the DSC Code that describes the operating practices and connection rules for the distributor.

“connected load” is the total kW rating of all the electrical equipment on the customer’s premises that is connected to the main service.

“connection” means the installation and activation of connection assets.

“connection assets” means the assets installed by a distributor to connect a customer that lies along the distributor’s distribution system, and consists of the assets between the point of connection on a distributor’s distribution system and the ownership demarcation point.

“customer” means a person that has contracted for or intends to contract for connection of a building or facility.

“demand” means the average value of power measured over a specified interval of time, usually expressed in kilowatts (kW). Typical demand intervals are 15, 30 and 60 minutes.

“demand meter” means a meter that measures a customer’s peak usage during a specified period of time.

“developer” means the person(s) owning property for which new or modified electrical services are to be installed.

“disconnection” means a deactivation of connection assets that results in cessation of distribution services to a customer.

“distribute”, with respect to electricity, means to convey electricity at voltages of 50 kilovolts or less.

“distribution losses” means energy losses that result from the interaction of intrinsic characteristics of the distribution network such as electrical resistance with network voltages and current flows.

“distribution loss factor” means a factor or factors by which metered loads must be multiplied such that when summed equal the total measured load at the supply point(s) to the distribution system.

“distribution services” means services related to the distribution of electricity and the services the OEB has required distributors to carry out, for which a charge or rate has been approved by the OEB under section 78 of the Act.

“distribution system” means the Guelph Hydro system for distributing electricity, and includes any structures, equipment or other things (located along streets, highways, or easements on private property) used for that purpose.

“Distribution System Code (DSC)” means the code, approved by the OEB, and in effect at the relevant time, which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum technical operating standards of distribution systems.

“distributor” means a person who owns or operates a distribution system.

“Electricity Act” means the Electricity Act, 1998, S.O. 1998, c.15, Schedule A.

“easement” means a legal right-of-way on a customer’s property for Guelph Hydro facilities, personnel and equipment.

“Electrical Safety Authority (ESA)” means the person or body designated under the Electricity Act regulations as the Electrical Safety Authority.

“embedded distributor” means a distributor who is not a wholesale market participant and that is provided electricity by a host distributor.

“embedded generator” or “embedded generation facility” means a generator whose generation facility is not directly connected to the IMO-controlled grid but instead is connected to a distribution system.

“embedded retail generator” means an embedded generator that settles through a distributor’s retail settlement system and is not a wholesale market participant.

“embedded wholesale generator” means an embedded generator that is a wholesale market participant.

“emergency” means any abnormal system condition that requires remedial action to prevent or limit loss of a distribution system or supply of electricity that could adversely affect the reliability of the electricity system.

“emergency backup” means a generation facility that has a transfer switch that isolates it from a distribution system.

“energy” means the product of power multiplied by time, usually expressed in kilowatt-hours (kWH).

“Energy Competition Act” means the Energy Competition Act, 1998, S.O. 1998, c. 15.

“energy diversion” means unaccounted for electricity consumption which can be quantified through various measures upon review of the meter mechanism, such as unbilled meter readings, tap off load(s) before revenue meter or meter tampering.

“enhancement” means a modification or upgrade to an existing distribution system component that is made for purposes of improving system operating characteristics or for relieving system capacity constraints.

“expansion” means an addition to a distribution system that increases the capacity or the length of the distribution system or allows additional customer connections that otherwise could not be made.

“Extreme Operating Conditions” are as defined in the Canadian Standards Association (CSA) Standard CAN3-C235-87 (latest edition).

“general service” means any service supplied to premises other than those designated as Residential, Large User, or Municipal Street Lighting. This includes multi-unit residential establishments such as apartments buildings.

“generate”, with respect to electricity, means to produce electricity or provide ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system.

“generation facility” means a facility for generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system, and includes any structures, equipment or other things used for that purpose.

“generator” means a person who owns or operates a generation facility.

“good utility practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable

judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety and expedition. Good utility practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America.

“house service” means that portion of the electrical service in a multiple occupancy facility which is common to all occupants, (i.e. parking lot lighting, sign service, corridor and walkway lighting, et cetera).

“IMO” means the Independent Electricity Market Operator established under the Electricity Act.

“IMO-Controlled Grid” means the transmission systems with respect to which, pursuant to agreements, the IMO has authority to direct operation.

“interval meter” means a meter that measures and records electricity use on an hourly or sub-hourly basis.

“large user” means a customer with a monthly peak demand of 5000 kW or greater, regardless the demand occurs in the peak or off-peak periods, averaged over 12 months.

“load factor” means the ratio of average demand for a designated time period (usually one month) to the maximum demand occurring in that period.

“main service” refers to the incoming cables, bus duct, disconnecting and protective equipment for a Building or from which all other metered sub-services are taken.

“Market Rules” means the rules made under section 32 of the Electricity Act.

“Measurement Canada” means the Special Operating Agency established in August 1996 by the Electricity and Gas Inspection Act, 1980-81-82-83, c. 87, and Electricity and Gas Inspection Regulations (SOR/86-131). The purpose of the Agency is to ensure the integrity and accuracy of measurement in Canada and has jurisdiction over the accuracy of electricity meters.

“meter installation” means the meter and, if so equipped, the instrument transformers, wiring, test links, fuses, lamps, loss of potential alarms, meters, data recorders, telecommunication equipment and spin-off data facilities installed to measure power past a meter point, provide remote access to the metered data and monitor the condition of the installed equipment.

“meter service provider” means any entity that performs metering services on behalf of a distributor.

“meter socket” means the mounting device for accommodating a socket type revenue meter.

“metering services” means installation, testing, reading and maintenance of meters.

“multiple dwelling” refers to a building which contains more than one self-contained dwelling unit.

“Normal Operating Conditions” are as defined in the Canadian Standards Association (CSA) Standard CAN3-C235-87 (latest edition).

“Ontario Energy Board (OEB) Act” means the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B.

“operational demarcation point” means the physical location at which a distributor’s responsibility for operational control of distribution equipment ends at the customer.

“owner” is a person or corporation owning property within the City of Guelph.

“ownership demarcation point” means the physical location at which a distributor’s ownership of distribution equipment ends at the customer.

“person” includes an individual, a corporation, sole proprietorship, partnership, unincorporated organization, unincorporated association, body corporate, and any other legal entity.

“plaza” refers to any building containing two or more commercial business tenants.

“power factor” refers to the ratio between Real Power and Apparent Power (i.e. kW/kV.A).

“primary supply” includes any service or distribution system which is supplied with a nominal voltage greater than 750 volts, typically 13.8/8.0 kilovolts.

“private property” means the property beyond the existing public road allowances.

“rate” means any rate, charge or other consideration, and includes a penalty for late payment.

“Rate Handbook” means the document approved by the OEB that outlines the regulatory mechanisms that will be applied in the setting of distributor rates.

“Regulations” means the regulations made under the Electricity Act or the Ontario Energy Board Act.

“residential” refers to all services less than 50 kW supplied to single-family dwelling units for domestic or household purposes.

“retail” with respect to electricity means:

- a) To sell or offer to sell electricity to a customer;



- b) To act as agent or broker for a retailer with respect to the sale or offering for sale of electricity; or
- c) To act or offer to act as an agent or broker for a consumer with respect to the sale or offering for sale of electricity.

“Retail Settlement Code (RSC)” means the code approved by the OEB and in effect at the relevant time, which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among retailers and customers and provides for tracking and facilitating customer transfers among competitive retailers.

“retailer” means a person who retails electricity.

“secondary supply” includes any service or distribution system which is supplied with a nominal voltage less than 750 volts.

“service area”, with respect to a distributor, means the area in which the distributor is authorized by its license to distribute electricity.

“service date” is the date that the customer and Guelph Hydro mutually agree upon to begin the supply of electricity by Guelph Hydro.

“Standard Supply Service (SSS) Code” means the code approved by the OEB and in effect at the relevant time, which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act.

“subservice” refers to a separately metered service that is taken from the main building service.

“supply voltage” is the voltage at the customer's main service entrance equipment (typically below 750 volts). Operating conditions are defined in the Canadian Standards Association (CSA) Standard CAN3-C235 (latest edition).

“temporary service” refers to an electrical service granted temporarily for such purposes as construction, real estate sales, trailers, et cetera.

“total losses” means the sum of distribution losses and unaccounted for energy.

“transformer room” means an enclosure built within a building to applicable codes to house transformers and associated electrical equipment.

“transmission system” means a system for transmitting electricity, and includes any structures, equipment or other things used for that purpose.

“Transmission System Code” means the code, approved by the OEB, that is in force at the relevant time, which regulates the financial and information obligations of the Transmitter

with respect to its relationship with customers, as well as establishing the standards for connection of customers to, and expansion of a transmission system.

“unmetered loads” means electricity consumption that is not metered and is billed based on estimated usage.

“upgrade” means replacement of an existing component of a distribution system with a new component for purposes of improving the distribution system’s operating characteristics.

“validating, estimating and editing (VEE)” means the process used to validate, estimate and edit raw metering data to produce final metering data or to replicate missing metering data for settlement purposes.

“wholesale market participant” means a person that sells or purchases electricity or ancillary services through the IMO-administered markets.

## **Section 5 – TABLES AND APPENDICES**

# **TABLES AND APPENDICES**

**TABLE 1 – Demarcation Points and Charges for Connection Assets**

<b>Service Class</b>	<b>Service Type</b>	<b>Ownership Demarcation Point</b>	<b>Service Charges</b>
Residential	Overhead <sup>1</sup>	Connections at top of mast	No charge for basic connection or equivalent. Variable connection charge for additional facilities.
	Underground	Line side of meter base	Variable connection charge less basic connection allowance.
General Service	Overhead <sup>1</sup>	Connections at top of mast	Variable connection charge.
	Underground from overhead transformer	Line side of main switch or exterior meterbase where applicable	Variable connection charge.
	Underground from pad mounted transformer	Connections at load side of transformer	Variable connection charge.
	Transformer vault in building	Bus stub between electrical room & vault	Variable connection charge.
	Underground supplied customer owned station	13,800 volt terminations at first point of isolation	Variable connection charge.
	Overhead supplied customer owned station	First point of attachment on customers property	Variable connection charge.

<sup>1</sup> supply from overhead facilities is available in limited areas

**TABLE 2 - Available Voltages and Service Limitations**

<b>UTILIZATION VOLTAGE</b>	<b>Overhead Transformers<sup>1</sup></b>		<b>Pad-mounted Transformers</b>		<b>Transformer Vault</b>	
	<b>Maximum Service Size<sup>2</sup></b>	<b>Maximum Transformer Size</b>	<b>Maximum Service Size<sup>2</sup></b>	<b>Maximum Transformer Size</b>	<b>Maximum Service Size<sup>2-</sup></b>	<b>Maximum Transformer Size</b>
240/120 V 3 wire	400 A	75 kV.A	600 A	100 kV.A	N/A	N/A
208Y/120 V 4 wire	N/A	N/A	1600 A	500 kV.A	2500 A	750 kV.A
600Y/347 V 4 wire	200 A	150 kV.A	1600 A	1500 kV.A	1600 A	1500 kV.A

<sup>1</sup> supply from overhead facilities is available in limited areas

<sup>2</sup> limitations to service entrance size are intended as a guide and may be further reduced depending on the nature of the load. In all cases, the transformer capacity in kilovolt-amperes will be the limiting factor.

N/A - not available

**TABLE 3 - Metering Cabinet and Socket Information**

Voltage	Wire	Phase	Service Size	Socket Type No. of Jaws	Size of Metering Cabinet containing CTs & PTs	Size of Metering Cabinet for Switchgear containing CTs & PTs
240/120 V	3	1	up to 200 A	4	N/A	N/A
			400 A	N/A	36" x 36" x 12"	30" x 30" x 10"
			600 A	N/A	48" x 48" x 12"	30" x 30" x 10"
208Y/120 V	3	1	up to 200 A	5 <sup>1</sup>	N/A	N/A
			4	3	up to 200 A	7
	400 A	N/A			36" x 36" x 12"	30" x 30" x 10"
	600 A and up	N/A	48" x 48" x 12" 3	30" x 30" x 10" <sup>3</sup>		
600Y/347 V	4	3	up to 100 A	7	N/A	N/A
			200A	see note <sup>2</sup>	36" x 36" x 12"	N/A
			400 A	N/A	36" x 36" x 12"	30" x 30" x 10"
			600 to 800 A	N/A	48" x 48" x 12" 3	30" x 30" x 10" <sup>3</sup>
			1000 A and up	N/A	N/A	30" x 30" x 10" <sup>3</sup>
13860/8000 V	4	3	See Section 4	N/A	N/A	30" x 30" x 10" <sup>3</sup>

<sup>1</sup> See section 3.2.6.3 regarding additional charges for single phase, 208Y/120 V meters.

<sup>2</sup> Socket type (7 jaw) meter bases will be permitted in buildings with multiple metered sub-services. Guelph Hydro continues to require metering cabinets as specified for individual buildings with 200A, 600Y/347V services and single metering point.

<sup>3</sup> Provision is to be made for a remote interrogated metering system (RIMS), see Guelph Hydro standards

**TABLE 4**  
**Recommended Voltage Variation Limits**  
**for Circuits up to 1000 V, at Service Entrances**

<b>Nominal System Voltages</b>	<b>Voltage Variation Limited Application at Service Entrances</b>			
	<b>Extreme Operating Conditions</b>			
	<b>Normal Operating Conditions</b>			
Single Phase 120/240 240	106/212 212	110/220 220	125/250 250	127/254 254
Three-Phase 4-Conductor 120/208Y 347/600Y	110/190 306/530	112/194 318/550	125/216 360/625	127/220 367/635
Three-Phase 3-Conductor 600	530	550	625	635

## **APPENDIX A**

# **DISPUTE RESOLUTION POLICY**



<b>ADMINISTRATION POLICY</b>	<b>Subject:           DISPUTE RESOLUTION</b> <b>Number:           ADM-9</b> <b>Date:               April 2003</b> <b>Revised:</b>  <div style="text-align: right;"><b>Page 1 of 1</b></div>
<i>Approved by:</i> <b>J.A. MacKenzie</b>	<b>Signature:</b>

## 1.0 PURPOSE

The purpose of this procedure is to outline a complaint resolution process consistent with the Guelph Hydro Electric Systems Distribution License.

## 2.0 VERBAL COMPLAINT

- A customer who calls with a complaint will be asked to provide name, address, telephone number and the nature of the complaint. The call will be logged in the Contact Management System.
- The complaint will be sent to the Supervisor of the receiving department.
- This Supervisor will decide to proceed with an investigation or to ask another Supervisor to take the complaint.
- The Supervisor will contact the customer and investigate the complaint.
- The Supervisor will advise the appropriate Vice-President of the results of the investigation and advise the customer of our findings in writing within five business days of the receipt of the complaint.

## 3.0 WRITTEN COMPLAINT

- A customer complaint in writing is to be delivered to the CEO.
- The CEO will assign the complaint investigation to the appropriate Vice-President.
- The investigation will be completed in no more than five business days and the results will be reported to the CEO.
- The customer is to be advised of the results of the investigation by letter immediately following the report to the CEO.

## 4.0 THIRD PARTY COMPLAINTS RESOLUTION

Customers are to be advised that if they are not satisfied with the resolution the matter can be addressed by the Third Party Complaints Resolution agency created by the OEB.

## **APPENDIX B**

# **GENERAL SERVICE AND RESIDENTIAL SERVICE DEPOSIT POLICIES**



## **GENERAL SERVICE DEPOSIT POLICY**

*Effective August 1, 2004*  
*Revised October 18, 2004*

### **INTRODUCTION**

Guelph Hydro Electric Systems Inc. (GHESI) is a Local Distribution Company (LDC) regulated by the Ontario Energy Board (OEB) by the powers granted to the OEB by the Provincial Government through the enactment of Bill 35, 1998; *The Energy Competition Act*, *The Electricity Act*, and *The Ontario Energy Board Act 1998*.

Deposit policies are an integral component of GHESI's risk management processes. The deposit policies contained herein are established in accordance with the aforementioned legislation and are consistent with the applicable guidelines established by the OEB (Retail Settlement Code, Standard Supply Service Code, the Distribution System Code and the Electricity Distribution Rate Handbook).

### **DEFINITIONS**

**“Distributor Consolidated Billing”** – Under this billing scenario, GHESI issues a bill to the Retailer's customer for all applicable charges, including the cost of electricity. GHESI bears all customer non-payment risk.

**“NSF Payments”** – NSF payments are defined as payments returned by financial institutions for reasons of non-sufficient funds, and include cheques and automatic withdrawals.

**“Retailer Consolidated Billing”** – Under this billing scenario, the Retailer issues the bill to the customer for all applicable charges, including distribution charges. In this case, the Retailer is responsible for all non-payment risk.

**“Satisfactory Payment History”** – A satisfactory payment history is achieved when there has been not more than one NSF or Pre-Authorized Payment returned NSF presented by the customer in the previous five years, as well, the customer must have received not more than one disconnection notice or collection trip in the past five years. The same conditions apply for a seven year period for a non-residential customer in the greater than 50 kW demand rate class.

**“Standard Supply Service”** – Customers who have not enrolled with a Retailer are provided “standard supply service” by GHESI. Electricity is supplied to standard supply service

customers at wholesale market or fixed prices. Under this billing option, GHESI issues bills to the customer for all charges and GHESI bears all customer non-payment risk.

### **TYPE OF DEPOSITS**

- Deposits may be paid in Cash, Cheque, Money Order, Irrevocable Letter of Credit, or Letter of Guarantee from a recognised financial institution, or a Power Bond.
- A Letter of Guarantee or a Letter of Credit issued by a recognized financial institution must be irrevocable instruments, issued for a minimum of one year and contain a clause to automatically extend the Letter of Guarantee or Letter of Credit until GHESI provides a letter authorizing its cancellation.
- A Power Bond issued by an Insurance Company must be irrevocable and proof of premium payments must be provided to GHESI annually.
- In special circumstances, deposits may be paid in installments with the approval of the Credit Supervisor.
- Deposits are not transferable from one customer to another unless approved by the Credit Supervisor.

### **DEPOSIT REQUIREMENTS AND DEPOSIT REFUNDS**

All General Service Customers shall pay a deposit, with the following exceptions:

- Existing General Service Customers (as of August 1<sup>st</sup>, 2004) who do not have a deposit currently posted with GHESI are exempt provided they have maintained a satisfactory payment history as defined above.
- Customers whom are billed under the Retailer Consolidated option are not required to post a deposit.
- Where an existing General Service Customer (as of August 1<sup>st</sup>, 2004) moves location or expands to an additional facility, the Chief Financial Officer, or the Credit Supervisor, has the authority to waive a security deposit where that customer has established a satisfactory payment history in the previous five years if they are in the less than 50 kW demand rate class. The same applies for a seven year period for a non-residential customer in the greater than 50 kW demand rate class.
- New Customers may provide to GHESI a letter of reference from their former utility or a credit report from a recognized credit rating agency stating that they have maintained an account for five consecutive years in the previous six years for General Service Customers in the less than 50 kW demand rate class. The same applies for a seven consecutive year period in the previous eight years for any other non-residential Customer in the greater than 50 kW demand rate class. The letter or Credit Bureau

Report must indicate a Satisfactory Payment history. A utility is defined as an Electricity or Gas Distribution Company.

- A non-residential customer in any rate class other than a < 50 kW demand rate class may have their security deposit reduced upon receipt of a Credit Bureau rating as follows:

<b>Credit Rating</b> (Standard and Poor's ratings)	<b>Reduction</b>
AAA- and above or equivalent	100%
AA-, AA, AA+ or equivalent	95%
A-, from A, A+ to below A or equivalent	85%
BBB-, from BBB, BBB+ to below A or equivalent	75%
Below BBB- or equivalent	0%

- **Note:** Any letter of reference or Credit Bureau presented must be in the same Company name as the Company requesting service.
- New customers who receive a satisfactory credit rating from a recognized credit agency, the cost and responsibility for attaining a credit report are with the customer.
- New customers who receive a credit reference from a gas or hydro Utility with a satisfactory payment history, the cost and responsibility for attaining a credit reference are with the customer.

Deposits will be refunded to the customer once a satisfactory payment history as defined above, has been established for a period of five years if they are in the less than 50 kW demand rate class and a period of seven years if they are in the greater than 50 kW demand rate class, as long as the customer remains a standard supply service or distributor consolidated customer. If the customer switches from distributor consolidated or standard supply service to the retailer consolidated billing option, or terminates service with GHESI, any deposit on record will be refunded. Deposits are refunded as a credit on the customer's final account. The deposit and interest will be used to pay the customer's final account. Any remaining credit will be refunded to the customer. Deposits will only be refunded to the customer whose name appears on the bill.

In the event the customer chooses not to provide a deposit, GHESI reserves the right to discontinue service in accordance with the GHESI Conditions of Service document and the OEB code.

### **DEPOSIT AMOUNT**

Should a deposit be necessary, the amount of the deposit will be 2.5 times the average consumption for a like business in the past 12 months.

A new customer will be required to provide information on its premises, intended uses and electricity requirements to enable GHESI to estimate monthly consumption. If a new

customer is moving to a location that has previously been occupied and is unable to provide data on electricity consumption, the distributor will make a reasonable estimate. If the previous occupant was not a similar type of business, GHESI may use the consumption of another business of a similar type and size in Guelph to estimate the deposit amount.

Deposit requirements will be reviewed annually and will be adjusted for variance in rates, OEB requirements, payment history, and customer consumption. If the customer's price is fixed, the deposit amount will be based on the fixed price.

### **INTEREST**

Interest will be paid to a customer on a yearly basis.

Interest will be calculated at the rate prescribed by the OEB, currently the prime business rate, less 2% and updated quarterly.



## **RESIDENTIAL SERVICE DEPOSIT POLICY**

*Effective August 1, 2004*

### **INTRODUCTION**

Guelph Hydro Electric Systems Inc. (GHESI) is a Local Distribution Company (LDC) regulated by the Ontario Energy Board (OEB) by the powers granted to the OEB by the Provincial Government through the enactment of Bill 35, 1998; *The Energy Competition Act*, *The Electricity Act*, and *The Ontario Energy Board Act 1998*.

Deposit policies are an integral component of GHESI's risk management processes. The deposit policies contained herein are established in accordance with the aforementioned legislation and are consistent with the applicable guidelines established by the OEB (Retail Settlement Code, Standard Supply Service Code, the Distribution System Code and the Electricity Distribution Rate Handbook).

### **DEFINITIONS**

**“Distributor Consolidated Billing”** – Under this billing scenario, GHESI issues a bill to the Retailer's customer for all applicable charges, including the cost of electricity. GHESI bears all customer non-payment risk.

**“NSF Payments”** – NSF payments are defined as payments returned by financial institutions for reasons of non-sufficient funds, and include cheques and automatic withdrawals.

**“Retailer Consolidated Billing”** – Under this billing scenario, the Retailer issues the bill to the customer for all applicable charges, including distribution charges. In this case, the Retailer is responsible for all non-payment risk.

**“Satisfactory Payment History”** – A satisfactory payment history is achieved when there has been not more than one NSF or Pre-Authorized Payment returned NSF presented by the customer in the previous 12 months and not more than one disconnection/collection notice in the previous 12 months. As well, a customer must not have had any disconnection or collection trips in the previous 12 months.

New customers may provide to GHESI a letter of reference from their former utility stating that they have maintained an account for 12 consecutive months within the past 24 months (alternatively, the customer may provide a credit report from a recognized credit rating agency).

The letter or credit bureau report must indicate a satisfactory payment history. A utility is defined as an electricity or gas distribution company.

**“Standard Supply Service”** – Customers who have not enrolled with a Retailer are provided “standard supply service” by GHESI. Electricity is supplied to standard supply service customers at wholesale market or fixed prices. Under this billing option, GHESI issues bills to the customer for all charges and GHESI bears all customer non-payment risk.

### **DEPOSIT REQUIREMENTS**

All Residential Service Customers are required to post a deposit, except in the following circumstances:

- Customers who have maintained a satisfactory payment history as defined above.
- New customers who receive a satisfactory credit rating from a recognized credit agency. The cost and the responsibility for attaining a credit report are with the customer.
- Customers who are billed under a Retailer Consolidated Billing agreement.
- New customers who receive a credit reference from a gas or hydro utility with a satisfactory payment history.

In the event the customer chooses not to provide a deposit, GHESI reserves the right to discontinue service in accordance with the GHESI Conditions of Service document and the OEB Code.

### **DEPOSIT AMOUNT**

In the event that a deposit is required, the amount of the deposit will be determined as follows:

For bi-monthly accounts, the deposit will be based on 1.75 times the average consumption for a like residence in the past 12 months. For customers who received more than one disconnection/ collection notice in the relevant 12 month period, a deposit will be calculated based on the highest actual or estimated bill in the past 12 months.

Deposit requirements will be reviewed annually and will be adjusted for variances in rates, OEB requirements, payment history and customer consumption. If a fixed rate is applicable at the time the deposit is being calculated, the bills used as a reference point will be adjusted to reflect the fixed price.

### **TYPE OF DEPOSITS**

Deposits may be paid by cash, cheque or money order.



In special circumstances, deposits may be paid in up to four monthly installments with the approval of the Credit Supervisor.

### **DEPOSIT REFUNDS AND INTEREST**

- Deposits will be refunded to the customer once a satisfactory payment history, as defined above, has been established for a period of 12 consecutive months.
- Deposits will be refunded when a customer switches from distributor consolidated billing or standard supply service, to retailer consolidated billing. Deposits will also be refunded when a customer terminates their account with GHESI.
- Deposits are refunded as a credit to the customer's account. For a final account, the deposit and interest will be used to pay the customer's final account. Any remaining credit will be refunded to the customer. Deposits will only be refunded to the customer whose name appears on the bill.
- Deposit refunds for final accounts will be sent to the customer within six weeks after closing their account.
- Deposits are not transferable from one customer to another unless approved by the Credit Supervisor.
- Interest will be paid to the customer on a yearly basis.
- Interest will be calculated at the rate prescribed by the OEB, currently prime business rate, less 2%, and updated quarterly.

1 **PLANNED CHANGES TO THE CONDITIONS OF SERVICE:**

- 2 Guelph Hydro plans to amend the Conditions of Service to include the Village of Rockwood in
- 3 the description of its service area.

1    **PRELIMINARY LIST OF WITNESSES:**

2    While Guelph Hydro requests that this Application be disposed of by way of a written hearing,  
3    the following preliminary list of potential witnesses is proposed in the event that an oral hearing  
4    is convened. The *Curricula Vitae* will be provided in the event of an oral hearing.

5    **Guelph Hydro**

6    Art Stokman, President

7    Arlen Molyneaux, Director of Engineering

8    Matt Weninger, Director of Metering & Communications

9    Dave Wilkinson, Director of Operations

10   Nicole Mailloux, Vice-President of Human Resources

11   Harold McInerney, Director of Information Systems

12   Mike Koktan, Manager of Accounting

13   Mike Wittemund, Planning and Standards Supervisor

14   **Advisors**

15   Chris Amos, Peter Henderson, James Sidlofsky, Bruce Bacon

1 **SUMMARY OF THE APPLICATION:**

2 **Guelph Hydro Mission:**

3 *Our employees are dedicated to delivering electricity reliably and safely while*  
4 *enhancing community comfort and business profitability. We are committed to*  
5 *providing value to our customers and shareholder.*

6 **Introduction to the Utility:**

7 Guelph Hydro delivers electricity; constructs, maintains and operates the electrical circuits to  
8 homes and businesses; provides 24-hour emergency service; and ensures that the local  
9 distribution system meets Guelph's and Rockwood's growing needs. In addition, Guelph Hydro  
10 provides electricity through the Regulated Price Plan for customers who do not wish to contract  
11 with a licensed electricity retailer.

12 Guelph Hydro was one of the thirteen municipalities that created the Hydro Electric Power  
13 Commission of Ontario, the provincial utility that became Ontario Hydro, in 1906. The former  
14 Guelph Hydro (The Board of Light and Heat Commissioners) served the community for over 90  
15 years before it was restructured under the *Energy Competition Act, 1998*. Guelph Hydro thus  
16 has a long history in the electrical industry in this Province. Guelph Hydro is also proud that for  
17 100 years it has served the citizens of Guelph with a reliable supply of electricity.

18 The Board of Light and Heat Commissioners held its first meeting as an independent utility  
19 Commission in January 1907. In 1967 the Commission adopted the business name of Guelph  
20 Hydro. The members of the new Guelph Hydro Inc. family of companies were incorporated on  
21 November 1, 2000. On March 31, 2006, Wellington Electric Distribution Company (serving the  
22 Village of Rockwood) was merged with Guelph Hydro Electric Systems Inc. and operates under  
23 the Guelph Hydro Electric Systems Inc. name.

24 Guelph Hydro Inc. is the parent holding company, with the City of Guelph as its sole  
25 shareholder.

26 Today, Guelph Hydro serves over 47,000 customers in a city that enjoys the diversity of a  
27 prominent university and research community, growing residential, industrial and commercial  
28 sectors and older, more established and historic communities. Guelph Hydro is actively

1 involved in local environmental and resource conservation activities. For example, Guelph  
2 Hydro was a leader in the development of the City of Guelph's Community Energy Plan  
3 (www.guelph.ca and follow the links). Guelph Hydro is very much a part of its community and  
4 its Board of Directors and staff take pride in serving the citizens of Guelph.

## 5 **Fact Sheet (end of 2006)**

6 **BUSINESS:** Municipally owned electricity distribution company in Ontario.

7 **OWNERS:** Owned by Guelph Hydro Inc. (100.0 %).

8 **SHAREHOLDER:** The City of Guelph is the sole shareholder of the Applicant's holding  
9 company Guelph Hydro Inc.

10 **MISSION:** Our employees are dedicated to delivering electricity reliably and safely  
11 while enhancing community comfort and business profitability. We are  
12 committed to providing value to our customers and shareholder.

13 **RELIABLE SUPPLY:** On average, customers who experienced an outage in 2006 due to a  
14 distribution system problem were without power for 22 minutes.

15 **COST EFFECTIVE:** The average distribution rate increase for residential customers in 2006  
16 was 1.24%.

17 **CUSTOMER VALUE:** 89% of customers report being satisfied with services in 2006.

18 **CUSTOMERS:** The Applicant provides electricity and related utility services to over  
19 46,400 residential and commercial customers in Guelph and Rockwood.

20 Residential customers = 42,344

21 Commercial/Industrial customers = 4,101

22 New residential and commercial customers connected in 2006 =  
23 929

24 **CONSUMPTION:** Total electricity consumption by Guelph Hydro customers in 2006 was  
25 1.6 GWh  
26

1    **DEMAND:**                   Peak Load:

2                                    Winter = 249 MW

3                                    Summer = 286 MW

4    **NETWORK:**                Size of service area (Guelph and Rockwood) = 93 square kilometres

5                                    Total kilometres of overhead lines = 425 km

6                                    Total kilometres of underground cable = 577 km

7                                    Poles = 11,500

8                                    Pole-mounted transformers = 1,763

9                                    Pad-mounted / vault transformers = 3,537

10   **HEALTH AND SAFETY:**

- 11    • number of hours without a lost time incident = 137,078 in 2006
- 12    • Recognized by the Electrical and Utilities Safety Association for excellent safety record

13   **ENERGY CONSERVATION:**

- 14    • Guelph Hydro's energy conservation efforts saved approximately 1.4 million kWh in 2006.
- 15    • Guelph Hydro's Conservation and Demand Management plan was designed to provide an
- 16       array of programs over a broad cross-section of its customer base, to reinforce the creation
- 17       of a "conservation culture" through behavioural change in all its customers. In 2006,
- 18       Guelph Hydro was a key supporter in the development of the City of Guelph's innovative
- 19       Community Energy Plan (CEP).

20

1 **SERVICE QUALITY INDICATORS**

2 The following service quality indicators demonstrate the commitment of Guelph Hydro to our  
 3 customers.

**SERVICE QUALITY INDICATORS**

1a) <b>Connection of New Services - Low Voltage (within 5 working days)</b>			
<u>Standard:</u>		<i>90% or better</i>	
<b>2006</b>	<b>2007 Target</b>	<b>2008 Target</b>	
100.00%	100.00%	100.00%	
1b) <b>Connection of New Services - High Voltage (within 10 working days)</b>			
<u>Standard:</u>		<i>90% or better</i>	
<b>2006</b>	<b>2007 Target</b>	<b>2008 Target</b>	
100.00%	100.00%	100.00%	
2) <b>Underground Cable Locates (within 5 working days)</b>			
<u>Standard:</u>		<i>90% or better</i>	
<b>2006</b>	<b>2007 Target</b>	<b>2008 Target</b>	
100.00%	100.00%	100.00%	
3) <b>Appointments Met</b>			
<u>Standard:</u>		<i>90% or better</i>	
<b>2006</b>	<b>2007 Target</b>	<b>2008 Target</b>	
100.00%	100.00%	100.00%	
4) <b>Telephone Accessibility (Telephone Service Factor – within 30 seconds)</b>			
<u>Standard:</u>		<i>65% or better</i>	
<b>2006</b>	<b>2007 Target</b>	<b>2008 Target</b>	
64.00%	65.00%	75.00%	
5) <b>Written Responses to Enquiries</b>			
<u>Standard:</u>		<i>80% or better</i>	
<b>2006</b>	<b>2007 Target</b>	<b>2008 Target</b>	
100.00%	100.00%	100.00%	
6a) <b>Emergency Response – Urban (within 60 minutes)</b>			
<u>Standard:</u>		<i>80% or better</i>	
<b>2006</b>	<b>2007 Target</b>	<b>2008 Target</b>	
92.00%	95.00%	95.00%	

1 **Purpose and Need for 2008 New Distribution Rates:**

2 Guelph Hydro's requested revenue requirement for 2008 includes the recovery of its costs to  
3 provide distribution services, its permitted Return on Equity ("ROE") and the funds necessary to  
4 service its debt as it transitions to a 60%/40% debt equity ratio by 2010. Through this rate  
5 application, Guelph Hydro seeks the recovery through rates of its proposed 2008 base revenue  
6 requirement in the amount of \$1,110,979.

7 When its forecasted results for 2008 are considered, Guelph Hydro estimates that its present  
8 rates will produce a deficiency in distribution revenue of \$1,110,979 for the 2008 Test Year.  
9 Excluded from this estimate is the impact of energy costs.

10 Therefore, Guelph Hydro seeks the OEB's approval to revise its electricity distribution rates.  
11 The rates proposed to recover its projected revenue requirement and other relief sought are set  
12 out in Exhibit 1, Tab 1, Schedule 2, Appendix A and Exhibit 1, Tab 1, Schedule 5 to this  
13 Application.

14 The information presented in this Application is based on Guelph Hydro's forecasted results for  
15 its 2008 Test Year. With the rates presently in effect, Guelph Hydro estimates that its revenue  
16 for 2008 would not be sufficient to provide a reasonable return. Guelph Hydro is also presenting  
17 the historical actual information for fiscal 2006, OEB-Approved data for 2006 and information for  
18 the 2007 Bridge Year.

19 **Timing:**

20 The financial information supporting the test Year for Guelph Hydro will be Guelph Hydro's fiscal  
21 year ending December 31, 2008 (the "2008 Test Year"). However, this information will be used  
22 to set rates for the period May 1, 2008 to April 30, 2009. The Test Year revenue requirement is  
23 that forecast by Guelph Hydro as needed to enable it to earn a reasonable return for fiscal 2008.  
24 For the required revenues to match and appropriately offset the expected costs of service for  
25 the Test Year, revised rates reflecting the Board's decision must be effective for volumes  
26 consumed on and after May 1, 2008. In the event that approval cannot be granted by the  
27 effective date we request conditional approval of these rates effective May 1, 2008 and apply  
28 any adjustments as directed by the OEB retroactively to this date.

29



1 **CUSTOMER IMPACT – Guelph Hydro Customer Classes**

2 **Residential 750 kWh**

RESIDENTIAL									
	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>750 kWh</b>									
Monthly Service Charge			13.27			13.27	0.00	0.00%	0.00%
Distribution (kWh)	750	0.0178	13.35	750	0.0185	13.88	0.53	3.93%	0.61%
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.97%)
LRAM & SSM Rider (kWh)	750			750	0.0001	0.08	0.08	#DIV/0!	0.09%
Regulatory Assets (kWh)	750	0.0006	0.45	750	0.0006	0.45	0.00	0.00%	0.00%
<b>Sub-Total</b>			<b>27.34</b>			<b>27.11</b>	<b>(0.23)</b>	<b>(0.84%)</b>	<b>(0.27%)</b>
Other Charges (kWh)	774	0.0240	18.57	784	0.0225	17.62	(0.95)	(5.12%)	(1.11%)
Cost of Power Commodity (kWh)	600	0.0500	30.00	600	0.0500	30.00	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	174	0.0590	10.26	184	0.0590	10.85	0.59	5.71%	0.68%
<b>Total Bill</b>			<b>86.18</b>			<b>85.58</b>	<b>(0.60)</b>	<b>(0.69%)</b>	<b>(0.70%)</b>

3

4 Residential customers at the 750 kWh level see an overall decrease of 0.70% in rates largely

5 driven by the return of the smart meter rate rider and a reduction in network and connection

6 charges included as part of “Other Charges”.

7

8 **General Service < 50kW**

GENERAL SERVICE < 50 kW									
	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Consumption</b>									
<b>2,000 kWh</b>									
Monthly Service Charge			10.84			12.26	1.42	13.10%	0.68%
Distribution (kWh)	2,000	0.0201	40.20	2,000	0.0169	33.80	(6.40)	(15.92%)	(3.07%)
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.40%)
Regulatory Assets (kWh)	2,000	0.0001	0.20	2,000	0.0005	1.00	0.80	400.00%	0.38%
<b>Sub-Total</b>			<b>51.51</b>			<b>46.50</b>	<b>(5.01)</b>	<b>(9.73%)</b>	<b>(2.41%)</b>
Other Charges (kWh)	2,064	0.0230	47.47	2,090	0.0216	45.19	(2.28)	(4.81%)	(1.10%)
Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	1,314	0.0590	77.52	1,340	0.0590	79.08	1.56	2.02%	0.75%
<b>Total Bill</b>			<b>214.00</b>			<b>208.27</b>	<b>(5.73)</b>	<b>(2.68%)</b>	<b>(2.75%)</b>

9

10 The General Service < 50kW customers in the 2,000 kWh group will see an overall decrease of

11 2.75% in their rates. Their fixed charge is increased to the minimum (avoided cost) level. This

12 increase is offset by the return of the smart meter rate rider and a reduction in network and

13 connection charges included as part of “Other Charges”.

14

1 General Service 50 to 999 kW

**GENERAL SERVICE > 50 to 999KW**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>40,000 kWh</b>									
<b>100 kW</b>									
Monthly Service Charge			230.36			230.36	0.00	0.00%	0.00%
Distribution (kWh)	40,000	0.0000	0.00	40,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	100	2.6771	267.71	100	3.0196	301.96	34.25	12.79%	0.96%
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.02%)
Regulatory Assets (kW)	100	0.0079	0.79	100	0.1280	12.80	12.01	1,520.25%	0.34%
<b>Sub-Total</b>			<b>499.13</b>			<b>544.56</b>	<b>45.43</b>	<b>9.10%</b>	<b>1.27%</b>
Other Charges (kWh)	41,277	0.0132	544.86	41,807	0.0132	551.85	6.99	1.28%	0.20%
Other Charges (kW)	100	4.0330	403.30	100	3.4646	346.46	(56.84)	(14.09%)	(1.59%)
Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	#DIV/0!	0.00%
Cost of Power Commodity (kW)	41,277	0.0510	2,105.12	41,807	0.0510	2,132.13	27.01	1.28%	0.76%
<b>Total Bill</b>			<b>3,552.41</b>			<b>3,575.00</b>	<b>22.59</b>	<b>0.64%</b>	<b>0.63%</b>

2  
 3 General Service 50 to 999 kW customers at the 40,000 kWh level will see a 0.63% increase in  
 4 their electricity bills. The increases in the distribution rate (0.96%) and regulatory assets (0.34%)  
 5 is offset by a reduction in network and connection charges included as part of "Other Charges".

6  
 7 General Service 1,000 to 4,999 kW

**GENERAL SERVICE > 1000 - 4,999KW**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>1,000,000 kWh</b>									
<b>2,800 kW</b>									
Monthly Service Charge			613.29			613.29	0.00	0.00%	0.00%
Distribution (kWh)	1,000,000	0.0000	0.00	1,000,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	2,800	2.0791	5,821.48	2,800	2.0926	5,859.28	37.80	0.65%	0.04%
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.00%)
Regulatory Assets (kW)	2,800	(0.1613)	(451.64)	2,800	0.1479	414.12	865.76	191.69%	1.03%
<b>Sub-Total</b>			<b>5,983.40</b>			<b>6,886.13</b>	<b>902.73</b>	<b>15.09%</b>	<b>1.07%</b>
Other Charges (kWh)	1,031,923	0.0132	13,621.38	1,045,163	0.0132	13,796.15	174.77	1.28%	0.21%
Other Charges (kW)	2,800	4.1837	11,714.36	2,800	3.5941	10,063.39	(1,650.97)	(14.09%)	(1.96%)
Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	#DIV/0!	0.00%
Cost of Power Commodity (kW)	1,031,923	0.0510	52,628.07	1,045,163	0.0510	53,303.32	675.25	1.28%	0.80%
<b>Total Bill</b>			<b>83,947.21</b>			<b>84,048.99</b>	<b>101.78</b>	<b>0.12%</b>	<b>0.12%</b>

8  
 9 General Services 1,000 to 4,999 customers at the 1,000,000 kWh level will see an increase in  
 10 their overall electricity bill (0.12%). Lower network and connection charges included as part of  
 11 "Other Charges" (kW) offset higher regulatory assets charges.

12

1 Large Users

**LARGE USER (> 5000 kW)**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>20,000,000 kWh</b>									
<b>40,000 kW</b>									
Monthly Service Charge			897.69			897.69	0.00	0.00%	0.00%
Distribution (kWh)	20,000,000	0.0000	0.00	20,000,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	40,000	1.8811	75,244.00	40,000	2.2839	91,356.00	16,112.00	21.41%	1.03%
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.00%)
Regulatory Assets (kW)	40,000	(0.1603)	(6,412.00)	40,000	0.1534	6,136.00	12,548.00	195.70%	0.80%
<b>Sub-Total</b>			<b>69,729.96</b>			<b>98,389.13</b>	<b>28,659.17</b>	<b>41.10%</b>	<b>1.83%</b>
Other Charges (kWh)	20,090,000	0.0132	265,188.00	20,120,300	0.0132	265,587.96	399.96	0.15%	0.03%
Other Charges (kW)	40,000	5.0521	202,084.00	40,000	4.3401	173,602.96	(28,481.04)	(14.09%)	(1.82%)
Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	#DIV/0!	0.00%
Cost of Power Commodity (kW)	20,090,000	0.0510	1,024,590.00	20,120,300	0.0510	1,026,135.30	1,545.30	0.15%	0.10%
<b>Total Bill</b>			<b>1,561,591.96</b>			<b>1,563,715.35</b>	<b>2,123.39</b>	<b>0.14%</b>	<b>0.14%</b>

2  
 3 Guelph Hydro has four large users. They will see a minor change in their bills – lower network  
 4 and connection charges (1.82%) which are included as part of “Other Charges” (kW) offset  
 5 higher distribution rates (1.03%) and regulatory asset charges (0.80%).

6  
 7 Street Lighting (15,000 connections)

**Street Lighting**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Billing Determinants</b>									
<b>15,000 Connections</b>									
<b>850,000 kWh</b>									
<b>2,400 kW</b>									
Monthly Service Charge	15,000	0.1400	2,100.00	15,000	0.1400	2,100.00	0.00	0.00%	0.00%
Distribution (kWh)	850,000	0.0000	0.00	850,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	2,400	0.7927	1,902.48	2,400	3.4096	8,183.04	6,280.56	330.12%	7.62%
Regulatory Assets (kW)	2,400	(0.1292)	(310.08)	2,400	0.1305	313.20	623.28	201.01%	0.76%
<b>Sub-Total</b>			<b>3,692.40</b>			<b>10,596.24</b>	<b>6,903.84</b>	<b>186.97%</b>	<b>8.38%</b>
Other Charges (kWh)	877,134	0.0132	11,578.17	888,389	0.0132	11,726.73	148.56	1.28%	0.18%
Other Charges (kW)	2,400	3.7153	8,916.72	2,400	3.1917	7,660.02	(1,256.70)	(14.09%)	(1.53%)
Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
Cost of Power Commodity (kW)	876,384	0.0590	51,706.68	887,639	0.0590	52,370.68	664.00	1.28%	0.81%
<b>Total Bill</b>			<b>75,931.48</b>			<b>82,391.17</b>	<b>6,459.70</b>	<b>8.51%</b>	<b>7.84%</b>

8  
 9 Guelph Hydro’s Street Lighting customer class will see a rate increase of 7.84%. While the  
 10 Cost Allocation Study revealed that this customer class has a low revenue to cost ratio, the  
 11 proposed increase has been mitigated and revenue to cost ratio remains below the  
 12 recommended level contained in the OEB’s Application of Cost Application for Electricity  
 13 Distributors report dated November 2007.  
 14 Distribution rates increase 7.62% and regulatory assets 0.76%. These increases are offset by  
 15 lower network and connection charges (1.53%) which are included as part of “Other Charges”  
 16 (kW).

1 Sentinel Lighting

Sentinel Lighting										
	2007 BILL			2008 BILL			IMPACT			
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill	
<b>Billing Determinants</b>	Monthly Service Charge	2	6.4600	12.92	2	6.4600	12.92	0.00	0.00%	0.00%
<b>2 Connections</b>	Distribution (kWh)	25	0.0000	0.00	25	0.0000	0.00	0.00	#DIV/0!	0.00%
<b>25 kWh</b>	Distribution (kW)	1	5.9597	2.98	1	7.9698	3.98	1.01	33.73%	4.89%
<b>1 kW</b>	Regulatory Assets (kW)	1	0.4049	0.20	1	1.3503	0.68	0.47	233.49%	2.30%
	<b>Sub-Total</b>			<b>16.10</b>			<b>17.58</b>	<b>1.48</b>	<b>9.18%</b>	<b>7.19%</b>
	Other Charges (kWh)	26	0.0132	0.34	26	0.0132	0.34	0.00	1.28%	0.02%
	Other Charges (kW)	1	3.0879	1.54	1	2.6494	1.32	(0.22)	(14.20%)	(1.07%)
	Cost of Power Commodity (kWh)	26	0.0500	1.29	26	0.0500	1.31	0.02	1.28%	0.08%
	Cost of Power Commodity (kW)	0	0.0590	0.00	0	0.0590	0.00	0.00	#DIV/0!	0.00%
	<b>Total Bill</b>			<b>19.28</b>			<b>20.56</b>	<b>1.28</b>	<b>6.64%</b>	<b>6.22%</b>

2

3 The Sentinel Lighting class will see a rate increase (6.23%). The Cost Allocation Study  
 4 revealed this customer class was below the recommended revenue to cost ratio. The proposed  
 5 rate increase will move this customer class within the recommended range. The 4.89%  
 6 distribution rate increase and the 2.30% regulatory asset increase are offset by 1.07% lower  
 7 network and connection charges included as part of "Other Charges".

8

9 Unmetered Scattered Load

Unmetered Scattered Load										
	2007 BILL			2008 BILL			IMPACT			
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill	
<b>Consumption</b>	Monthly Service Charge	200	5.42	1,084.00	200	5.4200	1,084.00	0.00	0.00%	0.00%
<b>200 Connections</b>	Distribution (kWh)	65,000	0.0201	1,306.50	65,000	0.0273	1,774.50	468.00	35.82%	5.91%
<b>65,000 kWh</b>	Distribution (kW)	0	0.0000	0.00	0	0.0000	0.00	0.00		0.00%
	Smart Meter Rider (per month)						0.00	0.00		0.00%
	LRAM & SSM Rider (kWh)	65,000	0.0000	0.00	65,000	0.0025	162.50	162.50	#DIV/0!	2.05%
	Regulatory Assets (kW)	0	0.0000	0.00	65,000	0.0005	31.64	31.64	0.00%	0.40%
	<b>Sub-Total</b>			<b>2,390.50</b>			<b>3,052.64</b>	<b>662.14</b>	<b>27.70%</b>	<b>8.36%</b>
	Other Charges (kWh)	67,075	0.0230	1,542.72	67,936	0.0216	1,468.56	(74.16)	(4.81%)	(0.94%)
	Other Charges (kW)			0.00			0.00	0.00		0.00%
	Cost of Power Commodity (kWh)	67,075	0.0500	3,353.75	67,936	0.0500	3,396.78	43.03	1.28%	0.54%
	Cost of Power Commodity (kW)	0	0.0000	0.00	0	0.0000	0.00	0.00		0.00%
	<b>Total Bill</b>			<b>7,286.97</b>			<b>7,917.98</b>	<b>631.01</b>	<b>8.66%</b>	<b>7.97%</b>

10

11 The Unmetered Scattered Load customer class will see a rate increase of 7.97%. The Cost  
 12 Allocation Study revealed this customer class was below the recommended revenue to cost  
 13 ratio. The proposed rate increase will move this customer class within the recommended range.  
 14 Higher distribution rates (5.91%) are offset by lower network and connection charges (0.94%)  
 15 included as part of "Other Charges".

1 **CUSTOMER IMPACT – Rockwood (WEDCO) Customer Classes**

2 The Village of Rockwood (formerly WEDCO) is largely a residential area with only two General  
 3 Service customers in the > 50kW class.

4 As a result of harmonizing rates all customer classes in Rockwood, excluding Sentinel Lighting,  
 5 will see a decrease in their electricity bill since they will benefit from an improved loss factor.

6

7 **Residential 1,000 kWh**

RESIDENTIAL										
		2007 BILL			2008 BILL			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>	Monthly Service Charge			13.90			13.27	(0.63)	(4.53%)	(0.56%)
<b>1,000 kWh</b>	Distribution (kWh)	1,000	0.0142	14.20	1,000	0.0185	18.50	4.30	30.28%	3.85%
	Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.74%)
	LRAM & SSM Rider (kWh)	1,000			1,000	0.0001	0.10	0.10	#DIV/0!	0.09%
	Regulatory Assets (kWh)	1,000	0.0029	2.90	1,000	0.0006	0.60	(2.30)	(79.31%)	(2.06%)
	<b>Sub-Total</b>			<b>31.27</b>			<b>31.91</b>	<b>0.64</b>	<b>2.05%</b>	<b>0.57%</b>
	Other Charges (kWh)	1,085	0.0245	26.57	1,045	0.0225	23.50	(3.08)	(11.58%)	(2.76%)
	Cost of Power Commodity (kWh)	600	0.0500	30.00	600	0.0500	30.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	485	0.0590	28.60	445	0.0590	26.26	(2.33)	(8.15%)	(2.09%)
	<b>Total Bill</b>			<b>116.44</b>			<b>111.67</b>	<b>(4.77)</b>	<b>(4.09%)</b>	<b>(4.27%)</b>

8

9 Rockwood customers, on average, use more electricity than Guelph customers. The 1,000 kWh  
 10 level has been chosen for their comparison. These customers will see a 4.27% decrease in their  
 11 electricity bill. A reduced fixed charge is offset by a higher variable rate. In addition, lower  
 12 regulatory asset charges and lower connection and network costs, included as part of “Other  
 13 Charges”, contribute to their lower rate.

14

15 **General Services <50 kW**

GENERAL SERVICE < 50 kW										
		2007 BILL			2008 BILL			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Consumption</b>	Monthly Service Charge			17.18			12.26	(4.92)	(28.64%)	(2.36%)
<b>2,000 kWh</b>	Distribution (kWh)	2,000	0.0189	37.80	2,000	0.0169	33.80	(4.00)	(10.58%)	(1.92%)
	Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.40%)
	Regulatory Assets (kWh)	2,000	0.0028	5.60	2,000	0.0005	1.00	(4.60)	(82.14%)	(2.21%)
	<b>Sub-Total</b>			<b>60.85</b>			<b>46.50</b>	<b>(14.35)</b>	<b>(23.58%)</b>	<b>(6.89%)</b>
	Other Charges (kWh)	2,169	0.0235	50.98	2,090	0.0216	45.19	(5.79)	(11.36%)	(2.78%)
	Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	1,419	0.0590	83.74	1,340	0.0590	79.08	(4.66)	(5.57%)	(2.24%)
	<b>Total Bill</b>			<b>233.07</b>			<b>208.27</b>	<b>(24.80)</b>	<b>(10.64%)</b>	<b>(11.91%)</b>

16

17 General Service < 50 kW customers at the 2,000 kWh level will see a 11.91% decrease in their  
 18 overall electricity bills. The decrease is in all components of the bill, as shown above.

19

1 General Service 50 to 999 kW

**GENERAL SERVICE > 50 to 999KW**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Consumption</b>									
<b>15,000 kWh</b>									
<b>60 kW</b>									
Monthly Service Charge			274.79			230.36	(44.43)	(16.17%)	(2.54%)
Distribution (kWh)	15,000	0.0000	0.00	15,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	60	10.0797	604.78	60	3.0190	181.14	(423.64)	(70.05%)	(24.19%)
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.05%)
Regulatory Assets (kW)	60	1.7096	102.58	60	0.1280	7.68	(94.90)	(92.51%)	(5.42%)
<b>Sub-Total</b>			<b>982.42</b>			<b>418.62</b>	<b>(563.80)</b>	<b>(57.39%)</b>	<b>(32.19%)</b>
Other Charges (kWh)	16,270	0.0132	214.76	15,677	0.0132	206.94	(7.82)	(3.64%)	(0.45%)
Other Charges (kW)	60	3.5417	212.50	60	3.4646	207.88	(4.63)	(2.18%)	(0.26%)
Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
Cost of Power Commodity (kW)	15,520	0.0510	791.52	14,927	0.0590	880.72	89.20	11.27%	5.09%
<b>Total Bill</b>			<b>2,238.70</b>			<b>1,751.66</b>	<b>(487.05)</b>	<b>(21.76%)</b>	<b>(27.80%)</b>

2  
 3 General Service 50 to 999 kW customers will see an overall 27.8% decrease in their electricity  
 4 bill. All components of their bill see a decrease.

5  
 6 Street Lighting

**Street Lighting**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Billing Determinants</b>									
<b>1 Connection</b>									
<b>325 kWh</b>									
<b>2 kW</b>									
Monthly Service Charge	1	0.4800	0.48	1	0.1400	0.14	(0.34)	(70.83%)	(1.08%)
Distribution (kWh)	325	0.0000	0.00	325	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	2	3.9310	7.86	2	3.4089	6.82	(1.04)	(13.28%)	(3.33%)
Regulatory Assets (kW)	2	1.1390	2.28	2	0.1305	0.26	(2.02)	88.54%	(6.43%)
<b>Sub-Total</b>			<b>10.62</b>			<b>7.22</b>	<b>(3.40)</b>	<b>(32.03%)</b>	<b>(10.84%)</b>
Other Charges (kWh)	353	0.0132	4.65	340	0.0132	4.48	(0.17)	(3.64%)	(0.54%)
Other Charges (kW)	2	2.7041	5.41	2	3.1917	6.38	0.98	18.03%	3.11%
Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
Cost of Power Commodity (kW)	-397	0.0590	(23.45)	-410	0.0590	(24.21)	(0.76)	3.23%	(2.41%)
<b>Total Bill</b>			<b>34.73</b>			<b>31.38</b>	<b>(3.35)</b>	<b>(9.65%)</b>	<b>(10.69%)</b>

7  
 8 The Village of Rockwood has one street light customer. This customer will see a 10.69%  
 9 decrease in the electricity bill.

10

1 Sentinel Lighting

Sentinel Lighting										
	2007 BILL			2008 BILL			IMPACT			
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill	
<b>Billing Determinants</b>	Monthly Service Charge	2	1.2900	2.58	2	6.4600	12.92	10.34	400.78%	50.30%
<b>2 Connections</b>	Distribution (kWh)	25	0.0000	0.00	25	0.0000	0.00	0.00	#DIV/0!	0.00%
<b>25 kWh</b>	Distribution (kW)	1	5.8879	2.94	1	7.9698	3.98	1.04	35.36%	5.06%
<b>1 kW</b>	Regulatory Assets (kW)	1	0.1951	0.10	1	1.3503	0.68	0.58	592.11%	2.81%
	<b>Sub-Total</b>			<b>5.62</b>			<b>17.58</b>	<b>11.96</b>	<b>212.73%</b>	<b>58.18%</b>
	Other Charges (kWh)	27	0.0132	0.36	26	0.0132	0.34	(0.01)	(3.64%)	(0.06%)
	Other Charges (kW)	1	2.7391	1.37	1	2.6494	1.32	(0.04)	(3.28%)	(0.22%)
	Cost of Power Commodity (kWh)	27	0.0500	1.36	26	0.0500	1.31	(0.05)	(3.64%)	(0.24%)
	Cost of Power Commodity (kW)	0	0.0590	0.00	0	0.0590	0.00	0.00	#DIV/0!	0.00%
	<b>Total Bill</b>			<b>8.70</b>			<b>20.56</b>	<b>11.85</b>	<b>136.15%</b>	<b>57.65%</b>

2  
 3 Sentinel Lighting customers see a large increase in their electricity bills. The Cost Allocation  
 4 Study revealed this customer class was well below the recommended revenue to cost ratio. In  
 5 harmonizing the rate with Guelph Hydro, the proposed rate increase will move this customer  
 6 class within the recommended range. The monthly service charge increases from \$2.58 to  
 7 \$12.92.

8  
 9 Unmetered Scattered Load

Unmetered Scattered Load										
	2007 BILL			2008 BILL			IMPACT			
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill	
<b>Consumption</b>	Monthly Service Charge	8	17.45	139.60	8	5.4200	43.36	(96.24)	(551.52%)	(23.40%)
<b>8 Connections</b>	Distribution (kWh)	3,500	0.0181	63.35	3,500	0.0273	95.55	32.20	50.83%	7.83%
<b>3,500 kWh</b>	Distribution (kW)	0	0.0000	0.00	0	0.0000	0.00	0.00		0.00%
	Smart Meter Rider (per month)						0.00	0.00		0.00%
	LRAM & SSM Rider (kWh)	3,500	0.0000	0.00	3,500	0.0025	8.75	8.75	#DIV/0!	2.13%
	Regulatory Assets (kWh)	3,500	0.0028	9.80	3,500	0.0005	1.70	(8.10)	0.00%	(1.97%)
	<b>Sub-Total</b>			<b>212.75</b>			<b>149.36</b>	<b>(63.39)</b>	<b>(29.79%)</b>	<b>(15.41%)</b>
	Other Charges (kWh)	3,796	0.0235	89.21	3,658	0.0216	79.08	(10.14)	(11.36%)	(2.46%)
	Other Charges (kW)			0.00			0.00	0.00		0.00%
	Cost of Power Commodity (kWh)	3,796	0.0500	189.82	3,658	0.0500	182.90	(6.91)	(3.64%)	(1.68%)
	Cost of Power Commodity (kW)	0	0.0590	0.00	0	0.0590	0.00	0.00		0.00%
	<b>Total Bill</b>			<b>491.78</b>			<b>411.34</b>	<b>(80.44)</b>	<b>(16.36%)</b>	<b>(19.55%)</b>

10  
 11 The Unmetered Scattered Load customer class sees a 19.55% decrease in their electricity bill,  
 12 driven by the reduction of the monthly service charge from \$17.45 per customer to \$5.42 per  
 13 connection.

14

1 **Comments on Draft Issues List:**

2 While the draft issues were listed in Exhibit 1, Tab 1, Schedule 6 (Draft Issues List), Guelph  
3 Hydro wishes to offer the following comments on these issues:

4 **Capital Structure**

5 Guelph Hydro has a deemed capital structure of 50% debt and 50% equity, as approved by the  
6 OEB in RP-2005-0020, and a return on equity of 9%, consistent with the return specified in the  
7 Board's 2006 Electricity Distribution Rate Handbook.

8 Guelph Hydro is requesting a change in its deemed capital structure. Specifically, Guelph  
9 Hydro is requesting a decrease in the deemed equity from 50% to 47.6% consistent with the  
10 first year of the three year phase-in shift in Guelph Hydro's capital structure from 50% to 40%  
11 equity as outlined in the Report of the Board on Cost of Capital and 2nd Generation Incentive  
12 Regulation for Ontario Electricity Distributors dated December 20, 2006.

13 **Return on Equity**

14 Guelph Hydro has assumed a return on equity of 8.68% consistent with the methodology  
15 outlined in Appendix B of the Cost of Capital Report. Guelph Hydro understands the OEB will  
16 be finalizing the return on equity for 2008 rates based on January 2008 market interest rate  
17 information.

18 **Capital Expenditures**

19 Guelph Hydro continues to expand and reinforce its distribution system in order to meet the  
20 demand of new and existing customers in its service territory. This increase in demand comes  
21 both from expansion of the Guelph Hydro distribution system into currently unserved areas  
22 and distribution system upgrades needed in existing areas.

23 **Operating and Maintenance Costs**

24 Operating and maintenance costs have been updated to reflect the impact of inflation and  
25 expected changes in costs.



1 **BUDGET DIRECTIVES:**

2 Guelph Hydro compiles budget information for the three major components of the budgeting  
3 process: load and revenue forecasts, operating and maintenance expense forecasts and capital  
4 budgets. This budget information is compiled for both the 2007 Bridge and 2008 Test years.

5 **Revenue Forecast:**

6 The energy sales and revenue forecast model was updated to reflect the most recent  
7 information. This model was then used to prepare the revenues sales and throughput volume  
8 and revenue forecast at existing rates for fiscal 2007 and 2008. The forecast is weather  
9 normalized as outlined in Exhibit 3, Tab 2, Schedule 1 and considers such factors as new  
10 customer additions and load profiles for all classes of customers.

11 **Operating and Maintenance Expense Forecast:**

12 The operating and maintenance expenses for the fiscal 2007 Bridge year and the 2008 Test  
13 year have been forecast using a zero based methodology and are strongly influenced by prior  
14 year experience. Each item is reviewed account by account by the responsible manager for  
15 each of the forecast years.

16 **Capital Budget:**

17 The capital budgeting process begins with a review of all the accounts.

18 All other capital expenditures are budgeted on a project based on need and forecasted  
19 customer growth.

1 **CHANGES IN METHODOLOGY:**

2 As Guelph Hydro is using the methodology contemplated by the OEB in the Filing  
3 Requirements, no changes in methodology are being requested by Guelph Hydro in the current  
4 proceeding.

5

1 **CALCULATION OF REVENUE DEFICIENCY:**

2 The following table represents a summary of the revenue deficiency calculation for Guelph Hydro for the 2008 Test Year.

	2006 EDR			2007		2008		2008 Notes
	GHESI	WEDCO	Total	IRM	Total	Test	Inc./Dec.)	
<b>Revenue Requirements:</b>								
OM&A Expenses	8,407	387	8,794	138	8,932	10,168	1,236	(1)
Amortization Expenses	5,025	75	5,100	103	5,204	5,899	696	(2)
Total Distribution Expenses	13,432	462	13,894	242	14,135	16,067	1,932	
Regulated Return	6,803	100	6,902	69	6,972	7,871	899	(3)
PILs	2,760	11	2,771	6	2,777	2,604	(173)	(4)
<b>Total Service Revenue Requirement</b>	<b>22,994</b>	<b>573</b>	<b>23,567</b>	<b>317</b>	<b>23,884</b>	<b>26,542</b>	<b>2,658</b>	

	2006			2007		2008		Notes
	GHESI	WEDCO	Total	IRM	Total	Test	Inc./Dec.)	
<b>Revenue Sources:</b>								
Service revenue	21,858	518	22,376	317	22,693	22,693	-	
Load growth	-	-	-	-	-	829	829	
Other Revenues	1,136	55	1,191	-	1,191	1,909	718	(6)
<b>Total Revenues</b>	<b>22,994</b>	<b>573</b>	<b>23,567</b>	<b>317</b>	<b>23,884</b>	<b>25,431</b>	<b>1,547</b>	(5)

<b>Revenue Deficiency</b>	-	-	-	-	-	1,111	1,111	(5)
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**Notes:**

- (1) - See Exhibit 4, Tab 1, Schedule 2, Page 1
- (2) - See Exhibit 2, Tab 2, Schedule 1, Page 3
- (3) - See Exhibit 7, Tab 1, Schedule 2, Page 1
- (4) - See Exhibit 4, Tab 3, Schedule 1, Page 1
- (5) - See Exhibit 7, Tab 1, Schedule 2, Page 1
- (6) - See Exhibit 3, Tab 3, Schedule 1, Page 1

1 **CAUSES OF REVENUE DEFICIENCY:**

2 The "Calculation of Revenue Deficiency" shows a deficiency of \$1,110,979 and identifies the  
3 exhibits where the components of the deficiency are explained in detail.

4 In summary, Guelph Hydro's distribution costs and regulated return increased by \$2.8M or  
5 11.8% compared to the 2007 Service Revenue (revenue before Other Distribution Revenue –  
6 interest income, water billing, mapping services and gains on the sale of assets).

7 The revenue requirement was reduced \$0.7M by the increase in Other Operating revenue and a  
8 further \$0.8M by growth in customers and load in Guelph and Rockwood.

9 The revenue deficiency of \$1,111,000 is 4.9% of Service Revenue.

10

1 **AUDITED FINANCIAL STATEMENTS AT**  
2 **DECEMBER 31, 2006:**

Financial Statements of

**GUELPH HYDRO ELECTRIC  
SYSTEMS INC.**

Year ended December 31, 2006  
(Expressed in thousands of dollars)



KPMG LLP  
Chartered Accountants  
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Waterloo ON N2J 5A3

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## AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Guelph Hydro Electric Systems Inc. (the "Company") as at December 31, 2006 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature.

Chartered Accountants

Waterloo, Canada  
March 8, 2007

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

### Balance Sheet

December 31, 2006, with comparative figures for 2005  
 (Expressed in thousands of dollars)

	2006	2005
<b>Assets</b>		
Current assets:		
Cash	\$ 7,988	\$ 6,572
Accounts receivable (note 3)	11,623	9,058
Unbilled revenue	11,985	12,248
Inventory	1,485	1,274
Income taxes recoverable	-	1,086
Other current assets	369	262
Future income taxes	448	-
	33,898	30,500
Property, plant and equipment (note 4)	83,546	76,442
Regulatory assets (note 5)	-	3,644
Future income taxes	8,722	8,237
	\$ 126,166	\$ 118,823

	2006	2005
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,342	\$ 16,470
Income taxes payable	440	-
Deferred credits - account receivable	3,235	2,269
Customer deposits - current portion	1,775	1,278
Due to related parties (note 9)	12,302	546
Development charge fund	44	-
Future income taxes	-	1,021
	<u>33,138</u>	<u>21,584</u>
Long-term debt:		
Notes payable (note 6)	30,000	36,642
Other long-term liabilities:		
Regulatory liabilities (note 5)	394	-
Employee future benefits (note 8)	7,757	7,342
Customer deposits - long-term portion	976	1,048
	<u>9,127</u>	<u>8,390</u>
Shareholder's equity:		
Share capital (note 12)	43,374	42,326
Retained earnings	10,527	9,881
	<u>53,901</u>	<u>52,207</u>
Commitments (note 10)		
Contingencies and guarantees (notes 13 and 14)		
	<u>\$ 126,166</u>	<u>\$ 118,823</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director



## GUELPH HYDRO ELECTRIC SYSTEMS INC.

### Statement of Earnings and Retained Earnings

Year ended December 31, 2006, with comparative figures for 2005  
 (Expressed in thousands of dollars)

	2006	2005
Service revenue:		
Residential	\$ 36,369	\$ 42,295
General	76,625	88,514
Large user	17,678	21,453
Street lighting	401	618
	<u>131,073</u>	<u>152,880</u>
Cost of power	108,792	132,980
	<u>22,281</u>	<u>19,900</u>
Other operating revenue	1,899	1,887
Net operating revenue	<u>24,180</u>	<u>21,787</u>
Expenses:		
Operations and maintenance	2,387	2,436
General and administrative	3,945	3,574
Billing and collection	1,814	1,612
Information systems	1,234	1,150
Depreciation	5,398	4,944
	<u>14,778</u>	<u>13,716</u>
Earnings before financial expenses and income taxes	<u>9,402</u>	<u>8,071</u>
Financial expenses:		
Interest on notes payable	3,002	2,438
Interest on debentures	-	106
Other	-	164
	<u>3,002</u>	<u>2,708</u>
Earnings before provision for payments in lieu of corporate taxes	<u>6,400</u>	<u>5,363</u>
Income taxes:		
Provision for payments in lieu of corporate taxes	3,965	1,142
Future income taxes	(1,862)	819
	<u>2,103</u>	<u>1,961</u>
Net earnings	<u>4,297</u>	<u>3,402</u>
Retained earnings, beginning of year	9,881	14,143
Adjustment due to change in accounting policy (note 1(a))	-	8,036
Adjustment due to amalgamation (note 2)	(651)	-
Dividends	(3,000)	(15,700)
Retained earnings, end of year	<u>\$ 10,527</u>	<u>\$ 9,881</u>

See accompanying notes to financial statements.

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

### Statement of Cash Flows

Year ended December 31, 2006, with comparative figures for 2005  
 (Expressed in thousands of dollars)

	2006	2005
Cash provided by (applied to):		
Operations:		
Net earnings	\$ 4,297	\$ 3,402
Items not involving cash:		
Depreciation	5,684	5,282
Future income taxes	(1,862)	819
Difference between employee future benefit expense and amount funded	415	453
Gain on disposal of property, plant and equipment	(52)	(43)
Change in non-cash operating working capital	9,942	7,953
Net change in regulatory assets	4,063	(2,942)
Net change in customer deposits – long-term portion	(72)	(121)
	22,415	14,803
Financing:		
Dividends	(3,000)	(15,700)
Debenture principal repaid	-	(1,420)
Notes payable repaid	(7,690)	-
	(10,690)	(17,120)
Investments:		
Purchase of property, plant and equipment	(11,569)	(9,875)
Proceeds from disposal of property, plant and equipment	52	43
	(11,517)	(9,832)
Increase (decrease) in cash	208	(12,149)
Cash, beginning of year	6,572	18,721
Cash transferred on amalgamation (note 2)	1,208	-
Cash, end of year	\$ 7,988	\$ 6,572
Supplemental cash flow information:		
Interest paid	\$ 2,886	\$ 2,681
Payments in lieu of corporate taxes	2,612	2,487

See accompanying notes to financial statements.

## **GUELPH HYDRO ELECTRIC SYSTEMS INC.**

Notes to Financial Statements

Year ended December 31, 2006  
(Expressed in thousands of dollars)

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Guelph Hydro Electric Systems Inc. (the "Company" or "GHESI") is a wholly-owned subsidiary of Guelph Hydro Inc., and was incorporated October 31, 2000, under the Business Corporations Act (Ontario). The principal activity of the Company is to provide electrical power distribution throughout the City of Guelph and the Town of Rockwood.

### **1. Significant accounting policies:**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and policies as set forth in the Accounting Procedures Manual issued by the Ontario Energy Board (OEB) under the authority of the Ontario Energy Board Act, 1998:

#### **(a) Change in accounting policy:**

In 2006, GHESI changed its accounting policy for the accounting for income taxes from the taxes payable method, as permitted by rate regulated enterprises, to the asset and liability method (referred to as the future tax method). Under the future tax method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company has concluded that the future tax method provides more relevant tax measurement and presentation to the taxes payable method. The change in accounting policy has been applied retroactively. The 2005 financial statements have been restated to record a net future tax asset of \$7,216 and an increase to opening retained earnings of \$8,036. The 2006 financial statements reflect the future tax asset of \$9,170 and a future tax recovery of \$1,862.

#### **(b) Regulation:**

Guelph Hydro Electric Systems Inc. is regulated by the OEB and any rate adjustments require OEB approval.

#### **(c) Cash and cash equivalents:**

Cash equivalents include short-term investments with maturities of three months or less when purchased.

#### **(d) Revenue recognition:**

Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used.

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

Notes to Financial Statements, page 2

Year ended December 31, 2006  
(Expressed in thousands of dollars)

### 1. Significant accounting policies (continued):

(e) Inventory:

Inventory is valued at the lower of cost and replacement cost, with cost being determined on an average cost basis.

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost and are amortized on a straight-line basis using the following rates:

---

Buildings and fixtures	30 - 50 years
Distribution lines	25 years
Distribution transformers	25 years
Distribution meters	25 years
General office equipment	5 - 10 years
Computer equipment	5 years
Major tools	10 years
Data acquisition system	5 years
Trucks and rolling stock	4 - 8 years
Other capital assets	10 - 25 years

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(g) Impairment of long-lived assets:

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(h) Contributions in aid of construction:

Contributions in aid of construction are recorded as an offset to capital assets. Capital contributions for the year ended December 31, 2006 of \$2,636 (2005 - \$2,496) have been charged to capital assets.

(i) Regulatory assets:

Regulatory assets result from the provincially approved rates of the OEB and represent differences between costs incurred and those collected through rates. Regulatory assets on the balance sheet at year-end relate primarily to retail settlement variance accounts and pre-market opening cost of power variances. These assets will be recognized for rate-setting and financial statement purposes only to the extent allowed by the regulator.

## **GUELPH HYDRO ELECTRIC SYSTEMS INC.**

Notes to Financial Statements, page 3

Year ended December 31, 2006  
(Expressed in thousands of dollars)

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### **1. Significant accounting policies (continued):**

(j) Employee future benefits:

The Company accrues its obligation under employee benefit plans and the related costs, net of plan assets.

(k) Payments in lieu of corporate taxes:

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation, for the period commencing October 1, 2001. These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) and modified by the Electricity Act, 1998, and related regulations.

The Company provides for PILs using the asset and liability method. Under this method, future tax assets and liabilities are recognized, to the extent such are determined likely to be realized, for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

PILs recoverable from loss carry-forwards are recorded in future tax assets at future statutory tax rates reflecting when such loss carry-forwards are expected to be utilized.

(l) Asset retirement obligations:

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the assets useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

Notes to Financial Statements, page 4

Year ended December 31, 2006  
 (Expressed in thousands of dollars)

### 1. Significant accounting policies (continued):

#### (m) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

### 2. Merger of Wellington Electric Distribution Company:

Effective at the end of March 31, 2006, Wellington Electric Distribution Company (WEDCO) merged with Guelph Hydro Electric Systems Inc. The new company continues to provide electrical distribution services in the City of Guelph and Town of Rockwood under the name of Guelph Hydro Electric Systems Inc. The financial statements for the year ended December 31, 2006 include the results of operations of GHESI from January 1, 2006 to December 31, 2006 and WEDCO from April 1, 2006 to December 31, 2006.

### 3. Accounts receivable:

	2006	2005
Revenue	\$ 11,418	\$ 9,830
Miscellaneous	(10)	(1,229)
Due from City of Guelph	355	576
	11,763	9,177
Less allowance for doubtful accounts	140	119
	\$ 11,623	\$ 9,058

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

Notes to Financial Statements, page 5

Year ended December 31, 2006  
 (Expressed in thousands of dollars)

### 4. Property, plant and equipment:

			2006	2005
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 780	\$ -	\$ 780	\$ 780
Buildings and fixtures	18,740	1,637	17,103	8,741
Distribution lines				
- overhead	27,729	7,592	20,137	19,433
Distribution lines				
- underground	40,597	12,286	28,311	28,208
Distribution transformers	12,275	3,674	8,601	7,839
Distribution meters	7,814	1,968	5,846	4,311
General office equipment	1,018	390	628	97
Computer equipment	1,111	800	311	207
Major tools	563	320	243	249
Data acquisition system	1,917	1,559	358	221
Trucks and rolling stock	2,201	1,185	1,016	892
Other capital assets	488	276	212	245
Construction in progress	-	-	-	5,219
	\$ 115,233	\$ 31,687	\$ 83,546	\$ 76,442

### 5. Regulatory assets:

The regulatory assets (liabilities), as follows, arose as a result of the rate-setting process:

	2006	2005
Pre-market opening energy variance	\$ 847	\$ 816
Retail settlement variance	(1,241)	2,828
	\$ (394)	\$ 3,644

Beginning April 1, 2004, the OEB allowed electricity distributors to recover the first part of their regulatory assets in the 2004 rates. This recovery is for a portion of the Retail settlement variance costs incurred by distributors from transmission utilities and the Independent Electricity System Operator (IESO). The recovery is for costs expensed in prior years as well as costs included in regulatory assets. In 2006, the Company recovered \$403, of which \$307 was a reduction of the regulatory assets and \$96 was included in income.

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

Notes to Financial Statements, page 6

Year ended December 31, 2006  
(Expressed in thousands of dollars)

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### 5. Regulatory assets (continued):

In 2005, the OEB awarded local distribution companies an increase in their distribution rates which was to be invested in conservation and demand management (C&DM) initiatives between April 2005 and September 2007. At December 31, 2006, \$1,181 of this amount had been received, \$323 (2005 - \$258) was recognized as revenue since it had been spent on C&DM initiatives. The balance of \$600 has been included in regulatory assets. Management believes that these unspent funds should not be recognized as revenue until the C&DM performance requirements are satisfied. For accounting purposes, this revenue has been deferred and will be recognized in the same period the C&DM expenditures are incurred.

(a) Impact of rate regulation on the financial statements:

(i) Pre-market opening energy electricity variance:

The \$847 balance in the pre-market opening variance account represents the difference between the cost of power based on time-of-use (TOU) rates, and the amounts billed to non-TOU customers charged at an average rate for the same period starting January 1, 2001 and ending on April 30, 2002 (the date of opening of the competitive electricity market in Ontario). The Company has deferred these expenditures in accordance with the criteria set out in the Accounting Procedures Handbook for Electric Distribution Utilities. In the absence of rate regulation, these amounts would have been expensed under the rules of Canadian Generally Accepted Accounting Principles (GAAP).

(ii) Final instalment of the market adjusted revenue requirement:

In 2005, the Company received approval from the OEB to increase distribution rates to recover \$1,181 representing the third and final adjustment necessary to achieve a market-based rate of return. The OEB has imposed a condition that the funds are to be spent on C&DM initiatives between April 2005 and September 2007. As at December 31, 2006, \$600 had been received but not spent on C&DM initiatives. These funds have been included in regulatory assets and will be recognized as revenue in the same period in which the related C&DM expenditures are incurred. In the absence of rate regulation, these amounts would have been recognized as revenue in the same period that electrical distribution services were provided to customers.



## **GUELPH HYDRO ELECTRIC SYSTEMS INC.**

Notes to Financial Statements, page 7

Year ended December 31, 2006  
(Expressed in thousands of dollars)

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### **5. Regulatory assets (continued):**

#### (b) Regulated asset recoveries:

Ontario's local electricity distribution companies incurred a variety of costs in preparation for the competitive market which opened in May 2002. In addition to these costs, they incurred other costs associated with regulatory directives related to market restructuring and the ongoing competitive market. All of these costs for retail settlements, power purchases and market readiness were recorded in deferral accounts and are expected to be eligible for recovery through rates in accordance with the OEB's review and audit guidelines and rate setting procedures.

### **6. Notes payable:**

Notes payable are due to the City of Guelph and bear interest at 7.25% for the period from January 1, 2006 to April 30, 2006 and 6.25% for the period from May 1, 2006 to December 31, 2006. These were the maximum recoverable interest rates allowed to local distribution companies by the OEB in 2006.

The Company paid interest at 7.25% for the period from January 1, 2006 to April 30, 2006. The Company paid interest at 6.25% for the period from May 1, 2006 to December 31, 2006.

There are no principal repayment terms or specified maturity date for the notes payable. In December 2006, the Company repaid \$7,690 of principal back to the City of Guelph.

### **7. Pension agreement:**

The Company provides a pension plan for its employees through the Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employee Retirement Fund (the "Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. The Company uses defined contribution plan accounting as it is only liable for contributions to the Plan. The Company's contribution for employees' current service for the year ended December 31, 2006 was \$443 (2005 - \$386).

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

Notes to Financial Statements, page 8

Year ended December 31, 2006  
 (Expressed in thousands of dollars)

### 8. Employee future benefits:

The Company pays certain medical and life insurance benefits on behalf of its retired employees. The Company recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2006 of \$7,757 (2005 - \$7,342) and the expense for the year ended December 31, 2006, was determined by actuarial valuation using a discount rate of 5% (2005 - 5.0%).

Information regarding the defined benefit plan of the Company is as follows:

	2006	2005
Accrued benefit liability at January 1	\$ 7,342	\$ 6,889
Expense for the period ended December 31	655	630
Benefits paid for the period	(240)	(177)
Accrued benefit obligation at December 31	\$ 7,757	\$ 7,342

The main actuarial assumptions utilized for the valuation are as follows:

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index (CPI), were assumed at 2.0% in 2002, and thereafter.

Discount (interest) rate - the obligation as at January 1, 2002, of the present value of future liabilities and the expense for the year ended December 31, 2006, was determined using a discount rate of 5.0% (2005 - 5.0%).

Salary levels - future general salary and wage levels were assumed to increase at 3.1% (2005 - 3.1%) per annum.

Medical costs - medical costs were assumed to increase at 11% for 2006, 10% for 2007, 9% for 2008, 8% for 2009, 7% for 2010, 6% for 2011, and 5% thereafter.

Dental costs - dental costs were assumed to increase at 11% for 2006, 10% for 2007, 9% for 2008, 8% for 2009, 7% for 2010, 6% for 2011, and 5% thereafter.

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

Notes to Financial Statements, page 9

Year ended December 31, 2006  
 (Expressed in thousands of dollars)

### 9. Related party transactions:

The Company performs billing and collecting of revenues, building and maintenance of fixed assets, and the payment of purchases and all related government remittances. The Company also performs engineering, information services, and accounting, financial reporting and treasury services for related parties. During the year, the Company earned revenues of \$140 related to these services.

Guelph Hydro Inc. (GHI), the Company's parent, provides overall business planning through its Board of Directors and will negotiate on behalf of its subsidiaries other corporate programs such as risk management. During the year, the Company incurred expenses of \$21 related to these services. The Company maintains its liability insurance through the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). The name of the insured is GHI and the Company is a named additional insured on the policy.

Amounts due from (to) related parties for transactions in the normal course of operations are as follows:

	2006	2005
Demand loan from Guelph Hydro Inc., bearing interest at 6.25%, with no fixed terms of repayment	\$ (12,558)	\$ (3,068)
Guelph Hydro Inc.	(251)	1,185
Ecotricity Guelph Inc.	45	69
Selectpower Inc.	462	381
Wellington Electric Distribution Company Inc.	-	887
	\$ (12,302)	\$ (546)

### 10. Commitments:

The Company leases a computer system and related software and a business recovery site. Future commitments for lease payments consist of the following amounts over the next three years:

	Leases	
2007	\$	400
2008		374
2009		152
	\$	926

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

Notes to Financial Statements, page 10

Year ended December 31, 2006  
 (Expressed in thousands of dollars)

### 11. Financial instruments:

(a) Fair value of financial assets and financial liabilities:

As December 31, 2006, the estimated fair market value of cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities was equal to the book value given the short-term nature of the items. As there is no secondary market for customer deposits, the calculation of a fair value with appropriate reliability is impractical.

The fair value of the notes payable cannot be determined as the notes have no specific repayment terms and no maturity dates.

(b) Credit risk:

The Company is exposed to credit risk from its customers. However, the Company has a large number of diverse customers minimizing concentration of credit risk.

(c) Irrevocable letter of credit:

As of May 1, 2002, in order for the Company to obtain the electricity it requires to distribute to its customers, the Company was required to provide security to the IESO based on its estimated usage. The security obtained was in the form of an irrevocable letter of credit from a financial institution. The Company's maximum security is \$22,000.

### 12. Share capital:

	2006	2005
Authorized:		
Unlimited number of common shares		
Issued:		
1,000 common shares	\$ 43,374	\$ 42,326

During the year, share capital increased by \$1,048, being the share capital of WEDCO prior to its merger with GHESI (see note 2).

## **GUELPH HYDRO ELECTRIC SYSTEMS INC.**

Notes to Financial Statements, page 11

Year ended December 31, 2006  
(Expressed in thousands of dollars)

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### **13. Contingencies:**

- (a) An action claiming \$500 million in restitutionary payments, plus interest, was served on Toronto Hydro on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the defendant class consisting of all municipal elective utilities in Ontario, which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The action has not yet been certified as a plaintiff or defendant class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Company.

- (b) Guelph Hydro Inc. has been named in a legal action as a result of an automobile accident where a streetlight was out at the time of the accident. The plaintiffs are suing the drivers of the two vehicles involved in the accident, the Corporation of the City of Guelph and Guelph Hydro Inc. for a total of \$1,000,000.

### **14. Guarantees:**

The Company has a Connection and Cost Recovery Agreement with Hydro One Networks Inc. (Networks) for the supply of two additional breaker positions at the Campbell transformer station. The cost of the connection (\$599) is a debt owed to Networks that will be forgiven provided that the Company meets or exceeds the specific load requirement and the incremental transformation connection revenue received by Networks. The Company expects to meet the conditions of the guarantee and does not anticipate any payments to Networks.

The Company has another Connection and Cost Recovery Agreement with Networks to install a new metal clad to the two existing idle windings at Cedar TS (transformer station) with eight new feeder positions. The cost of the connection (\$4,039) is a debt owed to Networks that will be forgiven provided that the Company meets or exceeds the specific load requirements and the incremental transformer connection revenue received by Networks. The Company expects to meet the conditions of the guarantee and does not anticipate any payments to Networks.

### **15. Comparative figures:**

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

1 2006, 2007 AND 2008 PRO FORMA FINANCIAL STATEMENTS:

GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 BALANCE SHEET

Account Description	2006	2007	2008
<b>1050-Current Assets</b>			
1005-Cash	7,915,698.27	4,465,313.02	5,821,313.02
1010-Cash Advances and Working Funds	-	-	-
1020-Interest Special Deposits	-	-	-
1040-Other Special Deposits			
1070-Current Investments	73,240.00		
1100-Customer Accounts Receivable - Note (1)	10,440,332.05	11,186,038.86	11,131,550.88
1102-Accounts Receivable - Services	(48,886.48)	-	-
1104-Accounts Receivable - Recoverable Work	1,014,774.32	-	-
1105-Accounts Receivable - Merchandise, Jobbing, etc.	-	-	-
1110-Other Accounts Receivable	362,664.43	-	-
1120-Accrued Utility Revenues	11,985,536.26	12,600,000.00	12,600,000.00
1130-Accumulated Provision for Uncollectible Accounts--Credit	(140,000.00)	-	-
1140-Interest and Dividends Receivable	-	-	-
1150-Rents Receivable	-	-	-
1180-Prepayments	345,377.57	550,000.00	300,000.00
1200-Accounts Receivable from Associated Companies	(12,302,146.28)	(12,302,000.00)	(12,302,000.00)
1210-Notes Receivable from Associated Companies	-	-	-
<b>1050-Current Assets Total</b>	<b>19,646,590.14</b>	<b>16,499,351.88</b>	<b>17,550,863.90</b>
<b>1100-Inventory</b>			
1330-Plant Materials and Operating Supplies	1,486,762.36	1,400,000.00	1,400,000.00
1305-Fuel Stock	13,447.00	-	-
1350-Other Materials and Supplies	(1,758.08)	-	-
<b>1100-Inventory Total</b>	<b>1,498,451.28</b>	<b>1,400,000.00</b>	<b>1,400,000.00</b>
<b>1150-Non-Current Assets</b>			
1405-Long Term Investments in Non-Associated Companies	-	-	-
1410-Other Special or Collateral Funds	-	-	-
1460-Other Non-Current Assets	158,181.01	-	-
<b>1150-Non-Current Assets Total</b>	<b>158,181.01</b>	<b>-</b>	<b>-</b>
<b>1200-Other Assets and Deferred Charges</b>			
1508-Other Regulatory Assets	705,539.36	737,254.00	748,747.00
1518-RCVARetail	(10,922.66)	(11,596.00)	(11,840.00)
1525-Miscellaneous Deferred Debits	6,719.03	6,987.00	7,084.00
1548-RCVASTR	(30,367.61)	(32,150.00)	(32,796.00)
1550-LV Variance Account	9,698.19	10,151.00	10,316.00
1555-Smart Meters Capital Variance Account	(91,256.94)	(306,526.00)	(311,297.00)
1556-Smart Meters OM&A Variance Account	-	-	-
1562-Deferred Payments in Lieu of Taxes	(257,466.09)	(296,825.15)	(296,825.15)
1565-Conservation and Demand Management Expenditures and Recoveries	(499,862.65)	(84,602.99)	(84,602.99)
1566-CDM Contra Account	499,862.65	84,602.99	84,602.99
1570-Qualifying Transition Costs	19,233.78	19,251.77	19,243.00
1571-Pre-market Opening Energy Variance	4,634.92	4,634.92	4,635.00
1572-Extraordinary Event Costs	-	-	-
1580-RSVAWMS	(711,725.80)	(746,685.00)	(759,355.00)
1582-RSVAONE-TIME	86,914.04	90,809.00	92,221.00
1584-RSVANW	189,636.21	198,341.00	201,496.00
1586-RSVACN	(888,099.41)	(944,116.00)	(964,418.00)
1588-RSVAPOWER	2,464,284.90	2,575,617.00	2,615,966.00
1590-Recovery of Regulatory Asset Balances	568,797.22	(14,154.87)	(14,154.87)
1592-PILs & Taxes Variance	(27,810.00)	(27,810.00)	(27,810.00)
<b>1200-Other Assets and Deferred Charges Total</b>	<b>2,037,809.14</b>	<b>1,263,182.67</b>	<b>1,281,211.98</b>

GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

**GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 BALANCE SHEET**

Account Description	2006	2007	2008
<b>1450-Distribution Plant</b>			
1805-Land	779,782.87	779,469.85	779,469.85
1806-Land Rights	-	-	-
1808-Buildings and Fixtures	18,564,113.07	18,809,113.07	18,909,113.07
1810-Leasehold Improvements	-	-	-
1815-Transformer Station Equipment - Normally Primary above 50 kV			
1820-Distribution Station Equipment - Normally Primary below 50 kV	18,041.41	18,041.41	729,215.41
1825-Storage Battery Equipment	-	-	-
1830-Poles, Towers and Fixtures	16,167,119.06	17,584,744.06	19,253,034.06
1835-Overhead Conductors and Devices	13,538,600.08	15,035,730.08	16,638,969.08
1840-Underground Conduit	26,369,974.44	28,634,079.44	30,697,624.44
1845-Underground Conductors and Devices	23,438,187.61	25,699,148.61	27,677,013.61
1850-Line Transformers	13,951,120.49	15,131,610.49	16,363,496.49
1855-Services	5,392,297.80	5,843,182.80	6,193,747.80
1860-Meters	7,891,830.53	8,332,074.53	12,016,345.53
<b>1450-Distribution Plant Total</b>	<b>126,111,067.36</b>	<b>135,867,194.34</b>	<b>149,258,029.34</b>

<b>1500-General Plant</b>			
1905-Land	-	-	-
1906-Land Rights	-	-	-
1908-Buildings and Fixtures	-	-	-
1915-Office Furniture and Equipment	1,018,728.27	1,101,728.27	1,141,728.27
1920-Computer Equipment - Hardware	1,110,903.76	1,379,403.76	1,509,403.76
1925-Computer Software	-	-	-
1930-Transportation Equipment	2,200,764.33	2,800,764.33	3,030,764.33
1935-Stores Equipment	96,338.31	96,338.31	96,338.31
1940-Tools, Shop and Garage Equipment	548,280.68	798,280.68	848,280.68
1945-Measurement and Testing Equipment	14,871.97	14,871.97	14,871.97
1950-Power Operated Equipment	-	-	-
1965-Water Heater Rental Units	11,749.82	11,749.82	11,749.82
1960-Miscellaneous Equipment	59,283.50	59,283.50	59,283.50
1970-Load Management Controls - Customer Premises	314,981.98	314,981.98	314,981.98
1980-System Supervisory Equipment	1,916,446.87	2,319,962.87	2,554,142.87
1985-Sentinel Lighting Rental Units	6,157.08	6,157.08	6,157.08
1995-Contributions and Grants - Credit	(18,390,257.61)	(21,133,003.61)	(23,535,714.61)
<b>1500-General Plant Total</b>	<b>(11,091,751.04)</b>	<b>(12,229,481.04)</b>	<b>(13,948,012.04)</b>

<b>1550-Other Capital Assets</b>			
2055-Construction Work in Progress--Electric	54,902.70	54,902.70	54,902.70
2060-Electric Plant Acquisition Adjustment	-	-	-
2070-Other Utility Plant	771.21	771.21	771.21
<b>1550-Other Capital Assets Total</b>	<b>55,673.91</b>	<b>55,673.91</b>	<b>55,673.91</b>

<b>1600-Accumulated Amortization</b>			
2105-Accum. Amortization of Electric Utility Plant - Property, Plant, & Equipment	(31,687,038.67)	(37,841,266.77)	(44,087,589.75)
2160-Accumulated Amortization of Other Utility Plant	(218.82)	(218.82)	(218.82)
<b>1600-Accumulated Amortization Total</b>	<b>(31,687,257.49)</b>	<b>(37,841,485.59)</b>	<b>(44,087,808.57)</b>

<b>Total Assets</b>	<b>106,728,764.31</b>	<b>105,014,436.17</b>	<b>111,509,958.52</b>
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<b>1650-Current Liabilities</b>			
2205-Accounts Payable	2,895,461.25	-	-
2208-Customer Credit Balances	929,459.09	1,795,000.00	1,795,000.00
2210-Current Portion of Customer Deposits	2,617,019.66	1,240,000.00	1,240,000.00
2220-Miscellaneous Current and Accrued Liabilities - Note (2)	13,520,594.44	17,319,891.39	17,033,817.95
2240-Accounts Payable to Associated Companies	2,730.24	-	-
2250-Debt Retirement Charges( DRC) Payable	903,715.95	-	-
2290-Commodity Taxes	17,681.50	-	-
2292-Payroll Deductions / Expenses Payable	321,583.75	-	-
2294-Accrual for Taxes, Payments in Lieu of Taxes, Etc.	(8,299,368.59)	(8,722,000.00)	(8,722,000.00)
2296-Future Income Taxes - Current	(448,055.00)	-	-
<b>1650-Current Liabilities Total</b>	<b>12,460,822.29</b>	<b>11,632,891.39</b>	<b>11,346,817.95</b>

GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

**GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 BALANCE SHEET**

Account Description	2006	2007	2008
<b>1700-Non-Current Liabilities</b>			
2306-Employee Future Benefits	7,756,588.10	8,187,000.00	8,707,467.00
2310-Vested Sick Leave Liability			
2320-Other Miscellaneous Non-Current Liabilities	(4,966.48)	-	-
2335-Long Term Customer Deposits			
2350-Future Income Tax - Non-Current	-	-	-
2405-Other Regulatory Liabilities	100,262.86	-	-
2425-Other Deferred Credits	61,053.42	-	-
<b>1700-Non-Current Liabilities Total</b>	<b>7,912,937.90</b>	<b>8,187,000.00</b>	<b>8,707,467.00</b>
<b>1800-Long-Term Debt</b>			
2550-Advances from Associated Companies	30,000,273.00	30,000,000.00	30,000,000.00
2551-Advances from banks			3,074,000.00
<b>1800-Long-Term Debt Total</b>	<b>30,000,273.00</b>	<b>30,000,000.00</b>	<b>33,074,000.00</b>
<b>1850-Shareholders' Equity</b>			
3005-Common Shares Issued	42,326,212.62	43,374,000.00	43,374,000.00
3010-Contributed Surplus	(8.04)	-	-
3030-Miscellaneous Paid-In Capital	-	-	-
3045-Unappropriated Retained Earnings	30,099,591.95	11,767,444.93	11,849,498.23
3046-Balance Transferred From Income	3,278,934.59	4,053,099.85	4,971,099.48
3049-Dividends Payable-Common Shares	(19,350,000.00)	(4,000,000.00)	(1,802,000.00)
<b>1850-Shareholders' Equity Total</b>	<b>56,354,731.12</b>	<b>55,194,544.78</b>	<b>58,381,673.57</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>106,728,764.31</b>	<b>104,493,397.31</b>	<b>111,509,958.52</b>

**Notes:**

(1) 2007 projections and 2008 budget figures were prepared for internal purposes and done without reference to specific USoA account. For presentation purposes in this rate submission, the entire amount of accounts receivable has been allocated to USoA #1100 v.s. classified to the various other accounts receivable USoA accounts i.e. #'s 1102, 1104, 1105, 1110, 1130 where applicable.

(2) 2007 projections and 2008 budget figures were prepared for internal purposes and done without reference to specific USoA account. For presentation purposes in this rate submission, the entire amount of accounts payable has been allocated to USoA #2220 v.s. classified to the various accounts payable USoA accounts i.e. #'s 2205, 2240, 2250, 2290, 2292 where applicable.



GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

**GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 STATEMENT OF INCOME AND RETAINED EARNINGS**

Account Description	2006	2007	2008
	<b>Note (1)</b>		
<b>3000-Sales of Electricity</b>			
4006-Residential Energy Sales	(14,940,269.53)	(15,208,740.08)	(14,557,151.81)
4010-Commercial Energy Sales	-	-	-
4015-Industrial Energy Sales	-	-	-
4020-Energy Sales to Large Users	(10,814,623.45)	(8,157,205.10)	(8,220,091.37)
4025-Street Lighting Energy Sales	(177,059.62)	(166,950.80)	(168,692.91)
4030-Sentinel Lighting Energy Sales	(8,484.81)	(5,044.48)	(5,083.37)
4035-General Energy Sales	(51,525,795.96)	(52,219,562.83)	(52,394,764.51)
4050-Revenue Adjustment	-	-	-
4055-Energy Sales for Resale	(7,885,135.29)	(10,179,242.31)	(10,257,717.04)
4060-Interdepartmental Energy Sales	-	-	-
4062-Billed WMS	(8,209,528.27)	(9,533,177.66)	(10,406,700.00)
4066-Billed NW	(8,420,684.51)	(7,251,367.98)	(5,168,750.00)
4068-Billed CN	(7,145,877.71)	(7,115,210.36)	(5,249,084.00)
4075-Billed LV	(17,388.46)	(78,693.59)	(92,876.00)
<b>3000-Sales of Electricity Total</b>	<b>(109,144,847.61)</b>	<b>(109,915,195.19)</b>	<b>(106,520,911.01)</b>
<b>3050-Revenues From Services - Distribution</b>			
4080-Distribution Services Revenue	(21,098,687.11)	(23,126,175.78)	(24,632,916.00)
4082-Retail Services Revenues	(33,986.58)	(16,241.14)	(16,241.14)
4084-Service Transaction Requests (STR) Revenues	(38,396.50)	(372.14)	(372.14)
4090-Electric Services Incidental to Energy Sales	(133,453.17)	(107,100.00)	(108,600.00)
<b>3050-Revenues From Services - Distribution Total</b>	<b>(21,304,523.36)</b>	<b>(23,249,889.06)</b>	<b>(24,758,129.28)</b>
<b>3100-Other Operating Revenues</b>			
4205-Interdepartmental Rents	(6,437.43)	-	-
4210-Rent from Electric Property	-	(199,000.00)	(224,000.00)
4220-Other Electric Revenues	(55,665.00)	-	-
4225-Late Payment Charges	(90,239.21)	(95,000.00)	(100,000.00)
4230-Sales of Water and Water Power	-	-	-
4235-Miscellaneous Service Revenues	(557,476.84)	(245,650.00)	(248,600.00)
<b>3100-Other Operating Revenues Total</b>	<b>(709,818.48)</b>	<b>(539,650.00)</b>	<b>(572,600.00)</b>
<b>3150-Other Income &amp; Deductions</b>			
4325-Revenues from Merchandise, Jobbing, Etc.	-	-	-
4330-Costs and Expenses of Merchandising, Jobbing, Etc.	-	-	-
4355-Gain on Disposition of Utility and Other Property	-	(50,000.00)	(5,000.00)
4375-Revenues from Non-Utility Operations	(845,466.91)	(732,000.00)	(790,000.00)
4380-Expenses of Non-Utility Operations	385,147.75	4,270.00	25,000.00
4385-Non-Utility Rental Income	(81,830.00)	(174,000.00)	(43,500.00)
4390-Miscellaneous Non-Operating Income	-	-	-
4398-Foreign Exchange Gains and Losses, Including Amortization	-	-	-
<b>3150-Other Income &amp; Deductions Total</b>	<b>(542,149.16)</b>	<b>(951,730.00)</b>	<b>(813,500.00)</b>
<b>3200-Investment Income</b>			
4405-Interest and Dividend Income	(867,553.24)	(375,000.00)	(400,000.00)
<b>3200-Investment Income Total</b>	<b>(867,553.24)</b>	<b>(375,000.00)</b>	<b>(400,000.00)</b>
<b>3350-Power Supply Expenses</b>			
4705-Power Purchased	85,330,624.52	85,936,745.61	85,603,501.01
4708-Charges-WMS	8,134,819.58	9,533,177.66	10,406,700.00
4710-Cost of Power Adjustments	-	-	-
4712-Charges-One-Time	74,708.69	-	-
4714-Charges-NW	8,420,684.51	7,251,367.98	5,168,750.00
4715-System Control and Load Dispatching	-	-	-
4716-Charges-CN	7,145,877.71	7,115,210.36	5,249,084.00
4730-Rural Rate Assistance Expense	-	-	-
4750-Charges-LV	17,388.46	78,693.59	92,876.00
<b>3350-Power Supply Expenses Total</b>	<b>109,124,103.47</b>	<b>109,915,195.20</b>	<b>106,520,911.01</b>

GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

**GUELPH HYDRO ELECTRIC SYSTEMS INC.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**

Account Description	2006	2007	2008
<b>3500-Distribution Expenses - Operation</b>			
5005-Operation Supervision and Engineering	519,420.71	488,906.00	656,454.00
5010-Load Dispatching	-	-	-
5012-Station Buildings and Fixtures Expense	20,955.66	20,200.00	21,500.00
5014-Transformer Station Equipment - Operation Labour	-	-	-
5015-Transformer Station Equipment - Operation Supplies and Expenses	-	-	-
5016-Distribution Station Equipment - Operation Labour	2,057.25	-	-
5017-Distribution Station Equipment - Operation Supplies and Expenses	5,460.20	-	-
5020-Overhead Distribution Lines and Feeders - Operation Labour	10,695.45	9,611.00	10,111.00
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	10,743.75	5,647.00	14,071.00
5030-Overhead Subtransmission Feeders - Operation	-	-	-
5035-Overhead Distribution Transformers- Operation	-	-	-
5040-Underground Distribution Lines and Feeders - Operation Labour	55,752.36	137,041.00	164,286.00
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	4,403.69	3,720.00	3,720.00
5055-Underground Distribution Transformers - Operation	-	-	-
5065-Meter Expense	181,472.22	246,477.00	246,477.00
5070-Customer Premises - Operation Labour	-	-	-
5075-Customer Premises - Materials and Expenses	-	-	-
5085-Miscellaneous Distribution Expense	(39,300.04)	118,013.00	98,703.00
5095-Overhead Distribution Lines and Feeders - Rental Paid	10,146.62	8,000.00	8,000.00
5096-Other Rent	-	-	-
<b>3500-Distribution Expenses - Operation Total</b>	<b>781,807.87</b>	<b>1,037,615.00</b>	<b>1,223,322.00</b>
<b>3550-Distribution Expenses - Maintenance</b>			
5105-Maintenance Supervision and Engineering	-	-	-
5110-Maintenance of Buildings and Fixtures - Distribution Stations	-	-	-
5114-Maintenance of Distribution Station Equipment	-	-	-
5120-Maintenance of Poles, Towers and Fixtures	89,917.83	97,988.00	99,660.00
5125-Maintenance of Overhead Conductors and Devices	593,554.53	582,844.00	459,916.00
5130-Maintenance of Overhead Services	247,112.69	270,058.00	266,823.00
5135-Overhead Distribution Lines and Feeders - Right of Way	235,384.25	76,000.00	95,000.00
5145-Maintenance of Underground Conduit	5,788.32	398.00	19,775.00
5150-Maintenance of Underground Conductors and Devices	124,462.63	186,330.00	166,094.00
5155-Maintenance of Underground Services	101,206.70	101,827.00	98,058.00
5160-Maintenance of Line Transformers	196,757.61	183,330.00	228,208.00
5175-Maintenance of Meters	168.55	-	-
<b>3550-Distribution Expenses - Maintenance Total</b>	<b>1,594,353.11</b>	<b>1,498,775.00</b>	<b>1,433,534.00</b>
<b>3650-Billing and Collecting</b>			
5305-Supervision	209,184.97	307,300.00	329,074.00
5310-Meter Reading Expense	289,736.30	258,444.00	507,262.00
5315-Customer Billing	1,172,749.75	1,214,600.00	1,345,584.00
5320-Collecting	-	-	-
5325-Collecting-Cash Over and Short	308.79	-	-
5330-Collection Charges	44,508.84	76,299.00	56,310.00
5335-Bad Debt Expense	107,637.02	80,000.00	100,000.00
5340-Miscellaneous Customer Accounts Expenses	415.71	300.00	8,000.00
<b>3650-Billing and Collecting Total</b>	<b>1,824,541.38</b>	<b>1,936,943.00</b>	<b>2,346,230.00</b>
<b>3700-Community Relations</b>			
5405-Supervision	-	-	-
5410-Community Relations - Sundry	10,242.56	107,500.00	101,500.00
5415-Energy Conservation	92,301.25	-	-
5420-Community Safety Program	-	-	-
5510-Demonstrating and Selling Expense	-	-	-
5515-Advertising Expense	-	-	-
5520-Miscellaneous Sales Expense	-	-	-
<b>3700-Community Relations Total</b>	<b>102,543.81</b>	<b>107,500.00</b>	<b>101,500.00</b>

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GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

**GUELPH HYDRO ELECTRIC SYSTEMS INC.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**

Account Description	2006	2007	2008
<b>3800-Administrative and General Expenses</b>			
5605-Executive Salaries and Expenses	655,427.03	1,021,762.35	1,001,850.75
5610-Management Salaries and Expenses	709,849.96	445,737.65	371,008.25
5615-General Administrative Salaries and Expenses	203,447.21	238,675.00	272,953.00
5620-Office Supplies and Expenses	307,423.49	556,621.00	442,700.00
5625-Administrative Expense Transferred Credit	(341,201.51)	(305,937.00)	(263,050.00)
5630-Outside Services Employed	445,189.52	444,000.00	347,500.00
5635-Property Insurance	33,208.25	31,613.00	31,613.00
5640-Injuries and Damages	130,000.00	123,687.00	130,087.00
5645-Employee Pensions and Benefits	1,002,844.65	1,281,868.00	1,425,490.00
5655-Regulatory Expenses	131,528.00	170,000.00	170,000.00
5660-General Advertising Expenses	99,439.97	64,000.00	64,000.00
5665-Miscellaneous General Expenses	604,505.56	725,907.00	571,600.00
5675-Maintenance of General Plant	360,473.65	388,792.00	270,500.00
<b>3800-Administrative and General Expenses Total</b>	<b>4,342,135.78</b>	<b>5,186,726.00</b>	<b>4,836,252.00</b>
<b>3850-Amortization Expense</b>			
5705-Amortization Expense - Property, Plant, and Equipment	5,423,227.25	5,817,724.70	5,899,199.93
<b>3850-Amortization Expense Total</b>	<b>5,423,227.25</b>	<b>5,817,724.70</b>	<b>5,899,199.93</b>
<b>3900-Interest Expense</b>			
6005-Interest on Long Term Debt	2,472,834.40	2,652,045.00	2,659,892.00
6030-Interest on Debt to Associated Companies	364,751.57	-	-
6035-Other Interest Expense	490,552.20	215,000.00	220,000.00
6042-Allowance For Other Funds Used During Construction			
<b>3900-Interest Expense Total</b>	<b>3,328,138.17</b>	<b>2,867,045.00</b>	<b>2,879,892.00</b>
<b>3950-Taxes Other Than Income Taxes</b>			
6105-Taxes Other Than Income Taxes	593,000.00	470,424.50	531,629.00
<b>3950-Taxes Other Than Income Taxes Total</b>	<b>593,000.00</b>	<b>470,424.50</b>	<b>531,629.00</b>
<b>4000-Income Taxes</b>			
6110-Income Taxes	4,005,257.00	2,120,916.00	2,302,070.87
6115-Provision for Future Income Taxes	(1,862,412.00)	-	-
<b>4000-Income Taxes Total</b>	<b>2,142,845.00</b>	<b>1,588,953.00</b>	<b>2,302,070.87</b>
<b>4100-Extraordinary &amp; Other Items</b>			
6205-Donations	32,825.00	19,500.00	19,500.00
6215-Penalties	436.42	-	-
6310-Extraordinary Deductions			
<b>4100-Extraordinary &amp; Other Items Total</b>	<b>33,261.42</b>	<b>19,500.00</b>	<b>19,500.00</b>
<b>Net Income</b>	<b>(3,278,934.59)</b>	<b>(4,053,099.85)</b>	<b>(4,971,099.48)</b>

Notes:

(1) See Exhibit 1, Tab 3, Schedule 3, Page 4 for reconciliation of the 2006 income statement noted on this schedule with the 2.1.7 OEB Trial Balance for 2006.

1    **RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND FINANCIAL RESULTS FILED:**

2    This Exhibit includes the following two reconciliations:

3    1. Reconciliation of the 2006 Audited Financial Statements to the 2006 OEB Trial Balance  
4       (OEB 2.1.7 Filing); and

5    2. Reconciliation of the 2006 OEB Trial Balance as refilled July 2007 to the 2006 Income  
6       Statement files as part of this 2008 Rate Submission with accompanying notes.

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**GUELPH HYDRO ELECTRIC SYSTEMS INC.**

**Reconciliation of Audited Financial Statements to 2006 OEB Trial Balance (2.1.7 Filing)**

Balance Sheet  
As at December 31, 2006  
(in thousands of dollars)

	Audited Financial Statements	Regulatory Adjustments	2006 Regulatory Filing	Notes
				Note (11)
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash and short term investments	\$ 7,988	\$ -	\$ 7,988	
Accounts receivable	11,623	11	11,634	(6) (10)
Income taxes receivable	-		-	
Unbilled revenue	11,985		11,985	
Inventory	1,485	13	1,498	(8)
Due from related parties	-	(12,302)	(12,302)	(3)
Other	369	(26)	343	(8)
Future Income Taxes	448	(448)	-	(4)
	<u>33,898</u>	<u>(12,752)</u>	<u>21,146</u>	
<b>FIXED ASSETS</b>	<b>83,546</b>	<b>(158)</b>	<b>83,388</b>	<b>(5)</b>
<b>REGULATORY ASSETS</b>	<b>-</b>	<b>2,502</b>	<b>2,502</b>	<b>(1) (2)</b>
<b>OTHER</b>				
Deferred Charges	-	158	158	(5)
Unabsorbed overheads	-	-	-	
	<u>-</u>	<u>158</u>	<u>158</u>	
Future Income Taxes	8,722	(8,722)	-	(4)
<b>TOTAL ASSETS</b>	<b>\$ 126,166</b>	<b>\$ (18,972)</b>	<b>\$ 107,194</b>	
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accruals	\$ 15,342	\$ 3	15,345	(8)(10)
Income Taxes Payable	440		440	
Deferred credits - accounts receivable	3,235		3,235	
Customer deposits - current portion	1,775	815	2,590	(9)
Current portion debentures	-		-	
Due to related parties	12,302	(12,302)	-	(3)
Development charge fund	44		44	
Future Income Taxes	-	(9,170)	(9,170)	(4)
	<u>33,138</u>	<u>(20,654)</u>	<u>12,484</u>	
<b>LONG TERM DEBT</b>				
Note Payable	30,000	-	30,000	
Other Deferred Credits	-	61	61	(7)
	<u>30,000</u>	<u>61</u>	<u>30,061</u>	
<b>OTHER LONG TERM LIABILITIES</b>				
Regulatory liabilities	394	(394)	-	(1)
Employee future benefits	7,757	-	7,757	
Other Miscellaneous Non-Current Liabilities	-	(5)	(5)	(6)
Customer deposits - long term portion	976	(876)	100	(7) (9)
	<u>9,127</u>	<u>(1,275)</u>	<u>7,852</u>	
<b>SHAREHOLDER'S EQUITY</b>				
Common shares	43,374		43,374	
Opening Retained Earnings	9,881	3,453	13,334	(2)
Adjustment due to change in accounting policy	-		-	
Adjustment due to amalgamation	(651)		(651)	
Net Income	4,297	(557)	3,740	(2)
Dividends Paid	(3,000)		(3,000)	
Closing Retained Earnings	<u>10,527</u>	<u>2,896</u>	<u>13,423</u>	
	<u>53,901</u>	<u>2,896</u>	<u>56,797</u>	
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 126,166</b>	<b>\$ (18,972)</b>	<b>\$ 107,194</b>	

**Notes:**

- (1) Life to date carrying charges and other adjustments made to Deferral and Variance accounts.
- (2) Life to date regulatory adjustments impacting regulatory income.
- (3)-(10) Reclassification entries i.e. items categorized differently on 2.1.7 Trial Balance v.s. Audited Financial Statements
- (11) "2006 Regulatory Filing" represents the 2006 OEB Trial Balance (2.1.7 Filing) refiled in July 2007 as the result of an OEB audit review.

**GUELPH HYDRO ELECTRIC SYSTEMS INC.**

**Reconciliation of Audited Financial Statements to 2006 OEB Trial Balance (2.1.7 Filing)**

Statement of Earnings and Retained Earnings  
 For the Twelve Months Ended December 31, 2006  
 ( in thousands of dollars )

	2006 Audited Financial Statements	Add: Pre- Amalgamation Results (Rockwood)	Regulatory Adjustments	2006 Regulatory Filing	Notes
				Note (6)	
Service Revenue:					
Residential	\$ 36,369	\$ 323	\$ -	\$ 36,692	
General	76,625	85		76,710	
Large user	17,678	-		17,678	
Street Lighting	401	2		403	
			(1,034)	(1,034)	(1)
	131,073	410	(1,034)	130,449	
Cost of Power	108,792	297	35	109,124	(2)
	22,281	113	(1,069)	21,325	
Other Operating Revenue	1,899	9	273	2,181	(3)
Net Operating Revenue	24,180	122	(796)	23,506	
Expenses:					
Operations and maintenance	2,387	13		2,400	
General and administrative	3,945	45	(552)	3,438	(4)
Billing and collecting	1,814	11		1,825	
Information systems	1,234	-		1,234	
Depreciation	5,398	25		5,423	
	14,778	94	(552)	14,320	
Earnings before financial expenses and provision for payments in lieu of corporate taxes	9,402	28	(244)	9,186	
Financial Expenses:					
Interest on notes payable	3,002	13	313	3,328	(5)
Other	-	-	-	-	
	3,002	13	313	3,328	
Earnings before provision for payments in lieu of corporate taxes	6,400	15	(557)	5,858	
Provision for payments in lieu of corporate taxes	3,965	40	-	4,005	
Future income taxes	(1,862)	-	-	(1,862)	
Net earnings	\$ 4,297	\$ (25)	\$ (557)	\$ 3,715	

**Notes:**

- (1) Adjustments are the result of two main factors: (i) Year end regulatory adjustments made to USoA deferral account #1562, and (ii) Recognition of unspent C&DM which had not been recognized in income in prior years.
- (2) Mainly the result of LV costs originally recorded directly to USoA #1550 being reclassified to Board designated account #4750.
- (3) Represents carrying charges booked on Deferral and Variance accounts where permitted by the Board.
- (4) Represents deferral of OMERS pension plan costs and incremental OEB cost assessment costs to USoA deferral account #1508.
- (5) Life to date interest on USoA#1590 not recorded in prior years.
- (6) "2006 Regulatory Filing" represents the 2006 OEB Trial Balance (2.1.7 Filing) refiled in July 2007 as the result of an OEB audit review.

**GUELPH HYDRO ELECTRIC SYSTEMS INC.**

**Reconciliation of 2006 OEB Trial Balance (2.1.7 Filing) to 2006 Income Statement filed as part of the 2008 Rate Submission**

Statement of Earnings and Retained Earnings  
 For the Twelve Months Ended December 31, 2006

	2006 Regulatory Filing	Regulatory Adjustments	2006 Rate Submission Income Statement	Notes
	Note (1)			
Service Revenue:				
Residential	\$ 36,692	\$ -	\$ 36,692	
General	76,710		76,710	
Large user	17,678		17,678	
Street Lighting	403		403	
	<b>(1,034)</b>	-	<b>(1,034)</b>	
	<b>130,449</b>	-	<b>130,449</b>	
Cost of Power	109,124	-	109,124	
	21,325	-	21,325	
Other Operating Revenue	2,181	(62)	2,119	(2)
Net Operating Revenue	23,506	(62)	23,444	
Expenses:				
Operations and maintenance	2,400		2,400	
General and administrative	3,438	374	3,812	(3)
Billing and collecting	1,825		1,825	
Information systems	1,234		1,234	
Depreciation	5,423		5,423	
	<b>14,320</b>	<b>374</b>	<b>14,694</b>	
Earnings before financial expenses and provision for payments in lieu of corporate taxes	9,186	(436)	8,750	
Financial Expenses:				
Interest on notes payable	3,328	-	3,328	
Other	-	-	-	
	<b>3,328</b>	-	<b>3,328</b>	
Earnings before provision for payments in lieu of corporate taxes	5,858	(436)	5,422	
Provision for payments in lieu of corporate taxes	4,005	-	4,005	
Future income taxes	(1,862)	-	(1,862)	
Net earnings	\$ 3,715	\$ (436)	\$ 3,279	

**Notes:**

(1) "2006 Regulatory Filing" represents the 2006 OEB Trial Balance (2.1.7 Filing) which was refiled in July 2007 as the result of an OEB audit review. This filing contains the original entry booking the transfer of Board approved Regulatory Asset accounts into USoA #1590.

(2) Correction to carrying charges resulting from the transfer of Board approved Regulatory Asset accounts into USoA #1590. This carrying charge adjustment was made subsequent to the resubmission of the 2006 2.1.7 OEB Trial Balance in July 2007 as noted in (1) above. N.B. The 2.1.7 OEB Trial Balance resubmitted in July 2007 contains the original entry booking the transfer of Board approved Regulatory Asset accounts into USoA #1590.

(3) Adjustment due to the discontinuance of the deferral of OMERS pension contributions and incremental OEB cost assessments effective May 1, 2006 in accordance with the OEB Accounting Procedures Handbook.

1 **PROPOSED ACCOUNTING TREATMENT FOR PROJECTS WITH A PROJECT LIFE CYCLE**

2 **GREATER THAN ONE YEAR:**

3 Guelph Hydro does not include the cost of funds in the capital cost of projects as very few  
4 projects require more than one year for completion.



<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>	
<b>2 – RATE BASE</b>	1			<b>Overview</b>	
		1		Rate Base Overview	
		2		Rate Base Summary Table	
		3		Variance Analysis on Rate Base Summary Table	
	2				<b>Gross Assets – Property, Plant and Equipment Accumulated Depreciation</b>
		1			Continuity Statements
		2			Gross Assets Table
		3			Analysis of Gross Assets
		4			Accumulated Depreciation Table
		5			Analysis of Accumulated Depreciation
	3				<b>Capital Budget</b>
		1			Capital Budget by Project
				A	Capital Budget Summary for 2006, 2007, 2008
		2			Background to Capital Budget
		3			Analysis of Capital Additions – 2006 to 2008
	4	4			Capitalization Policy
		4			<b>Allowance for Working Capital</b>
			1		

1 **RATE BASE OVERVIEW:**

2 A projection of Guelph Hydro's rate base is provided in the 2007 Bridge Year and the 2008 Test  
3 Year. Where appropriate, data pertaining to the rate base is presented for the periods 2004 to  
4 2007.

5 Guelph Hydro's forecast rate base for the 2008 Test year is \$105,998,804, as summarized in  
6 Exhibit 2, Tab 1, Schedule 2. The rate base underlying the 2008 Test Year revenue  
7 requirement includes a forecast of net fixed assets, plus a working capital allowance. Net fixed  
8 assets are gross assets in service minus accumulated depreciation and contributed capital (see  
9 Exhibit 2, Tab 2, Schedule 1). Details of Guelph Hydro's working capital allowance calculation  
10 are provided at Exhibit 2, Tab 4, Schedule 1.

11 Gross Asset tables showing account groupings and balances for 2006 Board Approved, 2006  
12 Actual, the 2007 Bridge Year and the 2008 Test Year are provided at Exhibit 2, Tab 2, Schedule  
13 2. An explanation of the variances above the materiality level follows this Schedule.

14 **Guelph Hydro Distribution System – Background:**

15 Guelph Hydro Electric Systems Inc. owns and operates the electricity distribution system in its  
16 licensed service areas in the City of Guelph and the Village of Rockwood. The distribution  
17 system serves approximately 47,000 residential and commercial customers and is growing by  
18 approximately 1,000 customers per year.

19 Guelph Hydro is supplied through the Hydro One transmission system. Electricity is distributed  
20 through Guelph Hydro's service area of 93 square kilometers over 425 kilometers of overhead  
21 lines and 577 kilometers of underground cable. The system uses approximately 11,500 poles  
22 with 1,763 pole mounted transformers and 3,537 pad mounted and vault transformers. The City  
23 of Guelph is fed by three Hydro One owned transformer stations, and the Village of Rockwood  
24 is fed by one Guelph Hydro owned municipal distribution station and by one Hydro One owned  
25 distribution station.

26 Guelph Hydro monitors its distribution system from its Control Room at its facilities at the south  
27 end of Guelph. The control centre operates the Supervisory Control and Data Acquisition  
28 (SCADA) system.

1 Guelph Hydro owns and operates approximately 47,000 meters installed on its customers'  
2 premises for the purposes of measuring consumption of electricity for revenue billing purposes.  
3 Meter types vary by customer and include meters capable of measuring kWh consumption and,  
4 in some instances, kW and kVA demand meters and hourly interval meters. Guelph Hydro is  
5 conducting a pilot project with 250 smart meters as part of the Province of Ontario's Smart  
6 Meter initiative. These meters are capable of measuring and storing the hourly kWh  
7 consumption that the customer uses.

8 In managing its distribution system, Guelph Hydro's main objectives are to optimize  
9 performance at a reasonable cost while maintaining its high level of system reliability, safety and  
10 customer service. Guelph Hydro's system reliability is among the best in the country. On  
11 average customers who experienced an outage in 2006 were without power for 22 minutes for  
12 distribution-related problems. The average distribution rate increase for residential customers in  
13 2006 was 1.24%. Customer service studies are carried out annually and in 2006 showed that  
14 89% of customers reported being satisfied with the services provided by Guelph Hydro.

15 Guelph Hydro considers performance-related asset information such as data on reliability, asset  
16 age and condition, system load, forecast growth in residential and commercial connections and  
17 system configuration to determine investment needs. On an annual basis, Guelph Hydro  
18 reviews capital projects and prioritizes each project.

19 In addition to capital needs Guelph Hydro provides for maintenance planning for system assets.

20 **Rate Base:**

21 The Applicant has provided a Rate Base Summary Table (Exhibit 2, Tab 1, Schedule 2) that  
22 provides an overview of both the calculation of the rate base as well as the working capital for  
23 each of the following:

- 24 • 2006 OEB Approved
- 25 • 2006 Actual
- 26 • 2007 Bridge Year, and
- 27 • 2008 Test Year

1 The rate base for the 2008 Test Year is expected to increase \$3.5M over the 2007 Bridge Year  
2 or an increase of 3.4% whereas the 2007 Bridge Year has increased \$4.4M (4.4%) over the  
3 2006 Actual.

4 An explanation of the material changes in the Rate Base Summary Table is provided at Exhibit  
5 2, Tab 1, Schedule 3. A detailed listing of assets showing additions, disposals and related  
6 depreciation is included in the Continuity Statements for the years 2006, 2007 Forecast and  
7 2008 Test Year on Exhibit 2, Table 2, Schedule 1.

8 The Gross Assets Table (Exhibit 2, Tab 2, Schedule 2) compares the balances in the various  
9 accounts and how the actual changes between:

- 10 • 2006 OEB Approved vs. 2006 Actual
- 11 • 2006 Actual vs. 2007 Bridge, and
- 12 • 2007 Bridge vs. 2008 Test

13 The significant annual changes are explained in the subsequent schedule (Exhibit 2, Tab 2,  
14 Schedule 3). The primary driver for these changes is the need to service new growth in  
15 greenfield areas as well as in existing areas. Guelph Hydro is also required to refurbish existing  
16 plant in order to maintain existing service levels for its current customers.

17 The changes and explanations that relate to the accumulated depreciation on these assets are  
18 contained in the two subsequent schedules (Exhibit 2, Tab 2, Schedules 4 and 5). Explanations  
19 are provided for those changes in depreciation that exceed 1% of the net fixed assets for the  
20 year. The amounts shown in these analyses result from applying standard industry depreciation  
21 rates to the balances contained in the related asset accounts. Once the asset is purchased,  
22 depreciation becomes an annual ongoing expense.

### 23 **Allowance for Working Capital:**

24 Guelph Hydro's allowance for working capital follows the OEB's current methodology of 15% of  
25 predetermined account balances. This calculation is provided at Exhibit 2, Tab 4, Schedule 1.

1 **RATE BASE SUMMARY TABLE:**  
 2

**Rate Base Determination**

**Rate Base:**

Description	2006 OEB Approved	2006 Actual	Variance from 2006 OEB Approved	2007 Bridge Year	Variance from 2006 Actual	2008 Test Year	Variance from 2007 Bridge Year
Gross Fixed Assets	91,420,229.00	115,019,316.32	23,599,087.32	123,637,713.30	8,618,396.98	135,310,017.30	11,672,304.00
Accumulated Depreciation	18,452,367.00	31,687,038.67	13,234,671.67	37,841,266.77	6,154,228.10	44,087,589.75	6,246,322.98
Net Book Value	72,967,862.00	83,332,277.65	10,364,415.65	85,796,446.53	2,464,168.88	91,222,427.55	5,425,981.02
Average Net Book Value	73,100,522.00	80,496,237.06	7,395,715.05	84,564,362.09	4,068,125.04	88,509,437.04	3,945,074.95
Working Capital	116,144,937.00	117,984,485.42	1,839,548.42	119,897,846.20	1,913,360.78	116,595,777.01	(3,302,069.19)
Working Capital Allowance	17,421,741.00	17,697,672.81	275,931.81	17,984,676.93	287,004.12	17,489,366.55	(495,310.38)
Rate Base	90,522,263.00	98,193,909.87	7,671,646.87	102,549,039.02	4,355,129.15	105,998,803.59	3,449,764.57

**Working Capital:**

Description	2006 OEB Approved	2006 Actual	Variance from 2006 OEB Approved	2007 Bridge Year	Variance from 2006 Actual	2008 Test Year	Variance from 2007 Bridge Year
Cost of Power	107,351,420.00	109,124,103.47	1,772,683.47	109,915,195.20	791,091.73	106,428,035.01	(3,487,160.19)
Operations	1,117,606.00	781,807.87	(335,798.13)	1,037,615.00	255,807.13	1,223,322.00	185,707.00
Maintenance	1,517,143.00	1,594,353.11	77,210.11	1,498,775.00	(95,578.11)	1,433,534.00	(65,241.00)
Billing & Collecting	1,622,591.00	1,824,541.38	201,950.38	1,936,943.00	112,401.62	2,346,230.00	409,287.00
Community Relations	31,807.00	102,543.81	70,736.81	107,500.00	4,956.19	101,500.00	(6,000.00)
Administration & General Expense	4,504,370.00	4,342,135.78	(162,234.22)	5,186,726.00	844,590.22	4,836,252.00	(350,474.00)
Property Taxes	0.00	215,000.00	215,000.00	215,092.00	92.00	226,904.00	11,812.00
Working Capital	116,144,937.00	117,984,485.42	1,839,548.42	119,897,846.20	1,913,360.78	116,595,777.01	(3,302,069.19)

1 **VARIANCE ANALYSIS ON RATE BASE SUMMARY TABLE:**

2 A summary of Guelph Hydro's rate base is presented in Exhibit 2, Tab 1, Schedule 2.

3 Materiality is defined as 1% of net fixed assets. For Guelph Hydro this amount is \$833,000 for  
4 2006, \$858,000 for 2007 and \$912,000 for 2008. Guelph Hydro used a value of \$830,000, as  
5 its threshold for materiality analysis.

6 **2008 Test Year:**

7 As shown, the total rate base in the 2008 Test Year is forecast to be \$106,013,000. Net fixed  
8 assets account for \$88,509,000 of this total, while the allowance for working capital totals  
9 \$17,503,000.

10 The total rate base in the 2008 Test Year is 3.3% higher than in the 2007 Bridge Year. This  
11 increase is the result of:

- 12 • An increase of \$3.9M in average net book value, being the addition of \$.9M of primarily  
13 wholesale meters and \$2.8M of smart meters (see Exhibit 2, Tab 3, Schedule 3 for a  
14 detailed explanation).
- 15 • A decrease of \$0.5M in working capital allowance is the result of the change in the cost of  
16 power.

17 **2007 Bridge Year:**

18 As shown, the total rate base in the 2007 Bridge Year is forecast to be \$102,549,000. Average  
19 net book value accounts for \$84,564,000 of this total, while the allowance for working capital  
20 totals \$17,985,000.

21 The total rate base in the 2007 Bridge Year is 4.2% higher than in the 2006 Actual Year. This  
22 increase is the result of:

- 23 • An increase of \$4.1M in the average net book value of fixed assets. In 2005 and 2006  
24 Guelph Hydro constructed an addition to its Southgate Operations Centre to house the  
25 Engineering and Administration functions and consolidate all staff in one location. As the

1 addition was completed in 2006 it was added to fixed assets and depreciation taken. In  
2 2007, there were expenditures for minor modifications and delayed invoicing.

- 3 • An increase of \$0.3 in working capital allowance is as a result of an increase in Distribution  
4 Expenses of \$1.1M and an increase in the cost of power of \$0.8M.

5 **2006 Actual:**

6 As shown, the total rate base in the 2006 Actual Year is \$98,194,000. Net fixed assets account  
7 for \$80,496,000 of this total with the allowance for working capital amounting to \$17,698,000.

8 The total rate base in the 2006 Actual Year is 8.5% higher than in the 2006 Board Approved  
9 Year. This increase is the result of:

- 10 • An increase of \$7.4M in the average net book value of fixed assets. In 2005 and 2006  
11 Guelph Hydro constructed an addition to its Southgate Operations Centre to house the  
12 Engineering and Administration functions and consolidate all staff in one location. The  
13 addition was completed in 2006. This addition was not included in the 2006 OEB Approved  
14 rates as that rate application was based on historical information. In 2006, \$3.3M was  
15 added for the completion of the Southgate building. In addition, \$1.6M was added to  
16 upgrade wholesale meter points. Coincident with the office relocation the computer system  
17 was upgraded to improve system performance and customer service at a cost of \$0.2M.

- 18 • An increase of \$0.3M in working capital allowance is the result of an increase in the cost  
19 of power of \$1.8M.

20 **2006 Board Approved:**

21 As shown, the total rate base in the 2006 Board Approved Year is \$90,522,000. Net fixed  
22 assets accounts for \$73,101,000 of this total. The allowance for working capital totals  
23 \$17,422,000.

GUELPH HYDRO ELECTRIC SYSTEMS INC.

2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

Fixed Asset Continuity Schedule (Distribution & Operations)  
 As at December 31, 2006

CCA Class	OEB	Description	Cost				Accumulated Depreciation				Closing Net Book Value
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
N/A	1805	Land	779,782.87			779,782.87				0.00	779,782.87
47	1808	Buildings	15,296,247.96	3,267,865.11		18,564,113.07	1,218,081.41	413,381.04		1,631,462.45	16,932,650.62
13	1810	Leasehold Improvements				0.00				0.00	0.00
47	1815	Transformer Station Equipment > 50 kV				0.00				0.00	0.00
47	1820	Substation Equipment	0.00	18,041.41		18,041.41	4,052.84	829.55		4,882.39	13,159.02
47	1825	Storage Battery Equipment				0.00				0.00	0.00
47	1830	Poles, Towers & Fixtures	14,930,553.94	1,236,565.12		16,167,119.06	3,463,715.41	802,763.51		4,266,478.92	11,900,640.14
47	1835	OH Conductors & Devices	12,696,315.12	842,284.96		13,538,600.08	2,900,260.01	672,181.05		3,572,441.06	9,966,159.02
47	1840	UG Conduit	24,595,772.59	1,774,201.85		26,369,974.44	5,642,926.83	1,314,190.90		6,957,117.73	19,412,856.71
47	1845	UG Conductors & Devices	21,350,081.92	2,088,105.69		23,438,187.61	5,018,437.62	1,168,001.79		6,186,439.41	17,251,748.20
47	1850	Line Transformers	12,765,480.54	1,185,639.95		13,951,120.49	3,251,573.00	697,116.70		3,948,689.70	10,002,430.79
47	1855	Services (OH & UG)	4,991,889.05	400,408.75		5,392,297.80	1,157,214.29	268,610.89		1,425,825.18	3,966,472.62
47	1860	Meters	6,195,801.86	1,598,800.55	54,902.70	7,739,699.71	1,572,612.75	393,048.28		1,965,661.03	5,774,038.68
47	1861	Smart Meters		93,704.22		93,704.22	0.00	6,246.95		6,246.95	87,457.27
47	1861	Smart Meters/Communication Systems	54,902.70	3,523.90		58,426.60	11,956.35	2,955.60		14,911.95	43,514.65
N/A	1905	Land				0.00				0.00	0.00
CEC	1906	Land Rights				0.00				0.00	0.00
47	1908	Buildings & Fixtures				0.00				0.00	0.00
13	1910	Leasehold Improvements				0.00				0.00	0.00
8	1915	Office Furniture & Equipment 10yr	257,997.42	630,355.21		888,352.63	190,630.66	78,872.16		269,502.82	618,849.81
8	1915	Office Furniture & Equipment 5yr	130,375.64			130,375.64	103,229.89	21,275.01		124,504.90	5,870.74
10	1920	Computer - Hardware	864,826.08	246,077.68		1,110,903.76	657,582.31	142,014.33		799,596.64	311,307.12
45	1921	Computer - Hardware post Mar 22/04				0.00				0.00	0.00
45.1	1921	Computer - Hardware post Mar19/07				0.00				0.00	0.00
12	1925	Computer - Software				0.00				0.00	0.00
10	1930	Transportation Equipment	2,053,419.15	387,493.13	240,147.95	2,200,764.33	1,161,493.93	263,746.07	240,147.95	1,185,092.05	1,015,672.28
8	1935	Stores Equipment	96,338.31			96,338.31	66,931.43	11,862.41		78,793.84	17,544.47
8	1940	Tools, Shop & Garage Equipment	508,769.43	39,511.25		548,280.68	273,560.60	45,731.78		319,292.38	228,988.30
8	1945	Measurement & Testing Equipment	14,871.97			14,871.97	5,948.79	1,487.20		7,435.99	7,435.98
8	1950	Power operated Equipment	0.00			0.00				0.00	0.00
8	1955	Communications Equipment				0.00				0.00	0.00
8	1960	Graphics Equipment	55,746.50	3,537.00		59,283.50	50,536.58	3,100.45		53,637.03	5,646.47
47	1965	Water Heater Rental Units	11,749.82			11,749.82	11,749.82			11,749.82	0.00
47	1970	Load Management controls	314,981.98			314,981.98	103,150.14	22,027.81		125,177.95	189,804.03
47	1975	Load Management Controls Utility Premises				0.00				0.00	0.00
47	1980	System Supervisory Equipment	1,624,564.08	291,882.79		1,916,446.87	1,403,960.91	154,808.22		1,558,769.13	357,677.74
47	1985	Miscellaneous Fixed Assets	6,096.74	60.34		6,157.08				0.00	6,157.08
47	1996	Hydro One S/S Contribution				0.00				0.00	0.00
47	1995	Contributions & Grants	(15,754,433.00)	(2,635,824.61)		(18,390,257.61)	(2,086,932.48)	(739,738.17)		(2,826,670.65)	(15,563,586.96)
		<b>Total</b>	<b>103,842,132.67</b>	<b>11,472,234.30</b>	<b>295,050.65</b>	<b>115,019,316.32</b>	<b>26,182,673.09</b>	<b>5,744,513.53</b>	<b>240,147.95</b>	<b>31,687,038.67</b>	<b>83,332,277.65</b>

10	1930	Transportation
8	1935	Stores Equipment

Less: Fully Allocated Depreciation  
 Transportation 263,746.07  
 Stores Equipment 11,862.41  
 Net Depreciation 5,468,905.05



2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

Fixed Asset Continuity Schedule (Distribution & Operations)  
 2007 Forecast

CCA Class	OEB	Description	Cost				Accumulated Depreciation				
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	779,782.87	0.00	313.02	779,469.85	0.00			0.00	779,469.85
47	1808	Buildings	18,564,113.07	245,000.00		18,809,113.07	1,631,462.45	418,286.59		2,049,749.04	16,759,364.03
13	1810	Leasehold Improvements	0.00			0.00	0.00			0.00	0.00
47	1815	Transformer Station Equipment > 50 kV	0.00			0.00	0.00			0.00	0.00
47	1820	Substation Equipment	18,041.41			18,041.41	4,882.39	824.00		5,706.39	12,335.02
47	1825	Storage Battery Equipment	0.00			0.00	0.00			0.00	0.00
47	1830	Poles, Towers & Fixtures	16,167,119.06	1,417,625.00		17,584,744.06	4,266,478.92	854,777.95		5,121,256.87	12,463,487.19
47	1835	OH Conductors & Devices	13,538,600.08	1,497,130.00		15,035,730.08	3,572,441.06	724,644.62		4,297,085.68	10,738,644.40
47	1840	UG Conduit	26,369,974.44	2,264,105.00		28,634,079.44	6,957,117.73	1,407,072.66		8,364,190.39	20,269,889.05
47	1845	UG Conductors & Devices	23,438,187.61	2,260,961.00		25,699,148.61	6,186,439.41	1,266,804.27		7,453,243.68	18,245,904.93
47	1850	Line Transformers	13,951,120.49	1,180,490.00		15,131,610.49	3,948,689.70	744,336.70		4,693,026.40	10,438,584.09
47	1855	Services (OH & UG)	5,392,297.80	450,885.00		5,843,182.80	1,425,825.18	277,129.00		1,702,954.18	4,140,228.62
47	1860	Meters	7,739,699.71	440,244.00		8,179,943.71	1,965,661.03	381,859.82		2,347,520.85	5,832,422.86
47	1861	Smart Meters	93,704.22			93,704.22	6,246.95	6,246.95		12,493.90	81,210.32
47	1861	Smart Meters/Communication Systems	58,426.60			58,426.60	14,911.95	2,841.24		17,753.19	40,673.41
N/A	1905	Land	0.00			0.00	0.00			0.00	0.00
CEC	1906	Land Rights	0.00			0.00	0.00			0.00	0.00
47	1908	Buildings & Fixtures	0.00			0.00	0.00			0.00	0.00
13	1910	Leasehold Improvements	0.00			0.00	0.00			0.00	0.00
8	1915	Office Furniture & Equipment 10yr	888,352.63	83,000.00		971,352.63	269,502.82	85,177.70		354,680.52	616,672.11
8	1915	Office Furniture & Equipment 5yr	130,375.64			130,375.64	124,504.90	8,111.49		132,616.39	(2,240.75)
10	1920	Computer - Hardware	1,110,903.76	268,500.00		1,379,403.76	799,596.64	156,420.40		956,017.04	423,386.72
45	1921	Computer - Hardware post Mar 22/04	0.00			0.00	0.00			0.00	0.00
45.1	1921	Computer - Hardware post Mar19/07	0.00			0.00	0.00			0.00	0.00
12	1925	Computer - Software	0.00			0.00	0.00			0.00	0.00
10	1930	Transportation Equipment	2,200,764.33	600,000.00		2,800,764.33	1,185,092.05	324,781.16		1,509,873.21	1,290,891.12
8	1935	Stores Equipment	96,338.31			96,338.31	78,793.84	11,722.24		90,516.08	5,822.23
8	1940	Tools, Shop & Garage Equipment	548,280.68	250,000.00		798,280.68	319,292.38	65,130.31		384,422.69	413,857.99
8	1945	Measurement & Testing Equipment	14,871.97			14,871.97	7,435.99	1,487.20		8,923.19	5,948.78
8	1950	Power operated Equipment	0.00			0.00	0.00			0.00	0.00
8	1955	Communications Equipment	0.00			0.00	0.00			0.00	0.00
8	1960	Graphics Equipment	59,283.50			59,283.50	53,637.03	1,646.35		55,283.38	4,000.12
47	1965	Water Heater Rental Units	11,749.82			11,749.82	11,749.82			11,749.82	0.00
47	1970	Load Management controls	314,981.98			314,981.98	125,177.95	21,606.79		146,784.74	168,197.24
47	1975	Load Management Controls Utility Premises	0.00			0.00	0.00			0.00	0.00
47	1980	System Supervisory Equipment	1,916,446.87	403,516.00		2,319,962.87	1,558,769.13	203,444.75		1,762,213.88	557,748.99
47	1985	Miscellaneous Fixed Assets	6,157.08			6,157.08	0.00			0.00	6,157.08
47	1996	Hydro One S/S Contribution	0.00			0.00	0.00			0.00	0.00
47	1995	Contributions & Grants	(18,390,257.61)	(2,742,746.00)		(21,133,003.61)	(2,826,670.65)	(810,124.09)		(3,636,794.74)	(17,496,208.87)
		<b>Total</b>	<b>115,019,316.32</b>	<b>8,618,710.00</b>	<b>313.02</b>	<b>123,637,713.30</b>	<b>31,687,038.67</b>	<b>6,154,228.10</b>	<b>0.00</b>	<b>37,841,266.77</b>	<b>85,796,446.53</b>

10	Transportation
8	Stores Equipment

Less: Fully Allocated Depreciation

Transportation	324,781.16
Stores Equipment	11,722.24
<b>Net Depreciation</b>	<b>5,817,724.70</b>

GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

Fixed Asset Continuity Schedule (Distribution & Operations)  
 2008 Test Year

CCA Class	OEB	Description	Cost				Accumulated Depreciation				Net Book Value
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
N/A	1805	Land	779,469.85		0.00	779,469.85	0.00			0.00	779,469.85
47	1808	Buildings	18,809,113.07	100,000.00	0.00	18,909,113.07	2,049,749.04	415,386.59	0.00	2,465,135.63	16,443,977.44
13	1810	Leasehold Improvements	0.00			0.00	0.00			0.00	0.00
47	1815	Transformer Station Equipment > 50 kV	0.00			0.00	0.00			0.00	0.00
47	1820	Substation Equipment	18,041.41	711,174.00		729,215.41	5,706.39	24,530.00		30,236.39	698,979.02
47	1825	Storage Battery Equipment	0.00			0.00	0.00			0.00	0.00
47	1830	Poles, Towers & Fixtures	17,584,744.06	1,668,290.00		19,253,034.06	5,121,256.87	860,095.34		5,981,352.21	13,271,681.85
47	1835	OH Conductors & Devices	15,035,730.08	1,603,239.00		16,638,969.08	4,297,085.68	724,980.98		5,022,066.66	11,616,902.42
47	1840	UG Conduit	28,634,079.44	2,063,545.00		30,697,624.44	8,364,190.39	1,399,050.67		9,763,241.06	20,934,383.38
47	1845	UG Conductors & Devices	25,699,148.61	1,977,865.00		27,677,013.61	7,453,243.68	1,255,481.27		8,708,724.95	18,968,288.66
47	1850	Line Transformers	15,131,610.49	1,231,886.00		16,363,496.49	4,693,026.40	746,391.71		5,439,418.11	10,924,078.38
47	1855	Services (OH & UG)	5,843,182.80	350,565.00		6,193,747.80	1,702,954.18	273,025.41		1,975,979.59	4,217,768.21
47	1860	Meters	8,179,943.71	918,819.00		9,098,762.71	2,347,520.85	410,091.01		2,757,611.86	6,341,150.85
47	1861	Smart Meters	93,704.22	2,765,452.00		2,859,156.22	12,493.90	184,363.00		196,856.90	2,662,299.32
47	1861	Smart Meters/Communication Systems	58,426.60			58,426.60	17,753.19			17,753.19	40,673.41
N/A	1905	Land	0.00			0.00	0.00			0.00	0.00
CEC	1906	Land Rights	0.00			0.00	0.00			0.00	0.00
47	1908	Buildings & Fixtures	0.00			0.00	0.00			0.00	0.00
13	1910	Leasehold Improvements	0.00			0.00	0.00			0.00	0.00
8	1915	Office Furniture & Equipment 10yr	971,352.63	40,000.00		1,011,352.63	354,680.52	79,545.24		434,225.76	577,126.87
8	1915	Office Furniture & Equipment 5yr	130,375.64			130,375.64	132,616.39			132,616.39	(2,240.75)
10	1920	Computer - Hardware	1,379,403.76	130,000.00		1,509,403.76	956,017.04	105,190.54		1,061,207.58	448,196.18
45	1921	Computer - Hardware post Mar 22/04	0.00			0.00	0.00			0.00	0.00
45.1	1921	Computer - Hardware post Mar19/07	0.00			0.00	0.00			0.00	0.00
12	1925	Computer - Software	0.00			0.00	0.00			0.00	0.00
10	1930	Transportation Equipment	2,800,764.33	230,000.00		3,030,764.33	1,509,873.21	343,266.08		1,853,139.29	1,177,625.04
8	1935	Stores Equipment	96,338.31			96,338.31	90,516.08	3,856.97		94,373.05	1,965.26
8	1940	Tools, Shop & Garage Equipment	798,280.68	50,000.00		848,280.68	384,422.69	43,568.68		427,991.37	420,289.31
8	1945	Measurement & Testing Equipment	14,871.97			14,871.97	8,923.19	1,487.20		10,410.39	4,461.58
8	1950	Power operated Equipment	0.00			0.00	0.00			0.00	0.00
8	1955	Communications Equipment	0.00			0.00	0.00			0.00	0.00
8	1960	Graphics Equipment	59,283.50			59,283.50	55,283.38	1,646.35		56,929.73	2,353.77
47	1965	Water Heater Rental Units	11,749.82			11,749.82	11,749.82			11,749.82	0.00
47	1970	Load Management controls	314,981.98			314,981.98	146,784.74	20,539.03		167,323.77	147,658.21
47	1975	Load Management Controls Utility Premises	0.00			0.00	0.00			0.00	0.00
47	1980	System Supervisory Equipment	2,319,962.87	234,180.00		2,554,142.87	1,762,213.88	150,349.00		1,912,562.88	641,579.99
47	1985	Miscellaneous Fixed Assets	6,157.08			6,157.08	0.00			0.00	6,157.08
47	1996	Hydro One S/S Contribution	0.00			0.00	0.00			0.00	0.00
47	1995	Contributions & Grants	(21,133,003.61)	(2,402,711.00)		(23,535,714.61)	(3,636,794.74)	(796,522.09)		(4,433,316.83)	(19,102,397.78)
			123,637,713.30	11,672,304.00	0.00	135,310,017.30	37,841,266.77	6,246,322.98	0.00	44,087,589.75	91,222,427.55

10		Transportation
8		Stores Equipment

Less: Fully Allocated Depreciation  
 Transportation 343,266.08  
 Stores Equipment 3,856.97  
 Net Depreciation 5,899,199.93



Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved	2006 Actual (\$)	2007 Bridge (\$)	Variance from 2006 Actual	2007 Bridge (\$)	2008 Test (\$)	Variance from 2007 Bridge
<b>IT Assets</b>									
1920-Computer Equipment - Hardware	773,429.00	1,241,279.40	467,850.40	1,241,279.40	1,379,403.76	138,124.36	1,379,403.76	1,509,403.76	130,000.00
1921-Computer Equipment - Hardware post March 22, 2004									
1925-Computer Software									
<b>Sub-Total-IT Assets</b>	<b>773,429.00</b>	<b>1,241,279.40</b>	<b>467,850.40</b>	<b>1,241,279.40</b>	<b>1,379,403.76</b>	<b>138,124.36</b>	<b>1,379,403.76</b>	<b>1,509,403.76</b>	<b>130,000.00</b>
<b>Equipment</b>									
1915-Office Furniture and Equipment	328,054.00	888,352.63	560,298.63	888,352.63	1,101,728.27	213,375.64	1,101,728.27	1,141,728.27	40,000.00
1930-Transportation Equipment	1,968,860.00	2,200,764.33	231,904.33	2,200,764.33	2,800,764.33	600,000.00	2,800,764.33	3,030,764.33	230,000.00
1935-Stores Equipment	96,338.00	96,338.31	0.31	96,338.31	96,338.31		96,338.31	96,338.31	
1940-Tools, Shop and Garage Equipment	413,759.00	548,280.68	134,521.68	548,280.68	798,280.68	250,000.00	798,280.68	848,280.68	50,000.00
1945-Measurement and Testing Equipment	14,872.00	14,871.97	(0.03)	14,871.97	14,871.97		14,871.97	14,871.97	
1950-Power Operated Equipment									
1955-Communication Equipment									
1960-Miscellaneous Equipment	1,534,215.00	59,283.50	(1,474,931.50)	59,283.50	59,283.50		59,283.50	59,283.50	
1965-Water Heater Rental Units		11,749.82	11,749.82	11,749.82	11,749.82		11,749.82	11,749.82	
<b>Sub-Total-Equipment</b>	<b>4,356,098.00</b>	<b>3,819,641.24</b>	<b>(536,456.76)</b>	<b>3,819,641.24</b>	<b>4,883,016.88</b>	<b>1,063,375.64</b>	<b>4,883,016.88</b>	<b>5,203,016.88</b>	<b>320,000.00</b>
<b>Other Distribution Assets</b>									
1825-Storage Battery Equipment									
1970-Load Management Controls - Customer Premises	311,503.00	314,981.98	3,478.98	314,981.98	314,981.98		314,981.98	314,981.98	
1975-Load Management Controls - Utility Premises									
1980-System Supervisory Equipment		1,916,446.87	1,916,446.87	1,916,446.87	2,319,962.87	403,516.00	2,319,962.87	2,554,142.87	234,180.00
1985-Sentinel Lighting Rental Units		6,157.08	6,157.08	6,157.08	6,157.08		6,157.08	6,157.08	
1990-Other Tangible Property									
1995-Contributions and Grants - Credit	(11,275,003.00)	(18,390,257.61)	(7,115,254.61)	(18,390,257.61)	(21,133,003.61)	(2,742,746.00)	(21,133,003.61)	(23,535,714.61)	(2,402,711.00)
1996-Hydro One S/S Contribution									
<b>Sub-Total-Other Distribution Assets</b>	<b>(10,963,500.00)</b>	<b>(16,152,671.68)</b>	<b>(5,189,171.68)</b>	<b>(16,152,671.68)</b>	<b>(18,491,901.68)</b>	<b>(2,339,230.00)</b>	<b>(18,491,901.68)</b>	<b>(20,660,432.68)</b>	<b>(2,168,531.00)</b>
<b>GROSS ASSET TOTAL</b>	<b>91,420,229</b>	<b>115,019,316</b>	<b>23,599,087</b>	<b>115,019,316</b>	<b>123,637,713</b>	<b>8,770,528</b>	<b>123,637,713</b>	<b>135,310,017</b>	<b>11,672,304</b>

1 **ANALYSIS OF GROSS ASSETS:**

2 For any rate base related variance exceeding the materiality threshold of 1% of net fixed assets,  
 3 an explanation is provided below. As noted previously, Guelph Hydro will use a value of  
 4 \$830,000 as the threshold for its materiality analysis. The 2006 Approved amounts represent  
 5 the balance of accounts at the end of 2004. As a result the comparison of 2006 Approved  
 6 balances to 2006 Actual balances represents two years of additions to the gross fixed assets.

7

8 **2008 Test Year Comparison with 2007 Bridge Year:**

<b>Poles, Wires and Transformers</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance</b>
1830 – Poles, Towers and Fixtures	17,584,744	19,253,034	1,668,290
1835 – Overhead Conductors and Devices	15,035,730	16,638,969	1,603,239
1840 – Underground Conduit	28,634,079	30,697,624	2,063,545
1845 – Underground Conductors and Devices	25,699,148	27,677,013	1,977,865
1850 – Line Transformers	15,131,610	16,363,496	1,231,886

9 The additions to the distribution plant constitute expansion of Guelph Hydro's distribution  
 10 infrastructure to address the normal expansion of the City of Guelph and the rehabilitation of  
 11 sections of the distribution system due for repair or replacement. A list of the major projects for  
 12 2008 is included in Exhibit 2, Tab 3, Schedule 3.

13

<b>Services and Meters</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance</b>
1860 – Meters	8,179,943	9,098,763	918,819
1861 – Smart Meters	152,131	2,917,583	2,765,452

14 The \$918,819 incremental capital expenditure for meters (Account 1860) is part of a multi-year  
 15 initiative to upgrade the wholesale meters servicing Guelph at Hanlon, Cedar and Campbell  
 16 transformer stations to be compliant with Measurement Canada and IESO requirements. These  
 17 meters are within Hydro One transformer stations and the work is completed by Hydro One  
 18 staff. The \$2,765,452 projected to be spent on Smart Meters in 2008 is for the addition of  
 19 17,000 smart meters.

20

1

<b>Other Distribution Assets</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance</b>
1995 – Contributions and grants	(21,133,004)	(23,535,715)	(2,402,711)

2 Contributions to the Guelph Hydro plant are the result of economic evaluations performed on all  
 3 new residential developments as well as larger industrial and commercial customers.  
 4 Calculations are performed in accordance with the OEB’s Distribution System Code.

5

6 **2007 Bridge Year Comparison with 2006 Actual Year:**

<b>Poles, Wires and Transformers</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance</b>
1830 – Poles, Towers and Fixtures	16,167,119	17,584,744	1,417,625
1835 – Overhead Conductors and Devices	13,538,600	15,035,730	1,497,130
1840 – Underground Conduit	26,369,974	28,634,079	2,264,105
1845 – Underground Conductors and Devices	23,438,187	25,699,148	2,260,961
1850 – Line Transformers	13,951,120	15,131,610	1,180,490

7 The additions to the distribution plant constitute expansion of Guelph Hydro’s distribution  
 8 infrastructure to address the normal expansion of the City of Guelph and the rehabilitation of  
 9 sections of the distribution system due for repair or replacement. A list of the major projects  
 10 expected to be completed in 2007 is included in Exhibit 2, Tab 3, Schedule 3.

11

<b>Other Distribution Assets</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance</b>
1995 – Contributions and grants	(18,390,258)	(21,133,004)	(2,742,746)

12 Contributions to the Guelph Hydro plant are the result of economic evaluations performed on all  
 13 new residential subdivision developments as well as larger industrial and commercial customer  
 14 installations of new plant. Calculations are performed in accordance with the OEB’s Distribution  
 15 System Code.

16

1 **2006 Actual Year Comparison with 2006 Board Approved Year:**

<b>Land and Buildings</b>	<b>2006 Approved</b>	<b>2006 Actual</b>	<b>Variance</b>
1808 – Buildings and Fixtures	<b>9,896,580</b>	<b>18,564,113</b>	<b>8,667,533</b>

2 In 2005 and 2006 Guelph Hydro constructed an addition to its Southgate Operations centre to  
 3 house the Engineering and Administration functions and consolidate all staff in one location.  
 4 The addition was completed in 2006 and moved from assets under construction to account  
 5 1808 Buildings and Fixtures. This capital addition was not included in the 2006 Approved.

<b>Poles, Wires and Transformers</b>	<b>2006 Approved</b>	<b>2006 Actual</b>	<b>Variance</b>
1830 – Poles, Towers and Fixtures	<b>13,600,351</b>	<b>16,167,119</b>	<b>2,566,768</b>
1835 – Overhead Conductors and Devices	<b>10,766,301</b>	<b>13,538,600</b>	<b>2,772,299</b>
1840 – Underground Conduit	<b>22,270,590</b>	<b>26,369,974</b>	<b>4,099,384</b>
1845 – Underground Conductors and Devices	<b>18,892,388</b>	<b>23,438,187</b>	<b>4,545,800</b>
1850 – Line Transformers	<b>11,347,330</b>	<b>13,951,120</b>	<b>2,603,790</b>

6 The additions to the distribution plant constitute expansion of Guelph Hydro's distribution  
 7 infrastructure to address the normal expansion of the City of Guelph and the rehabilitation of  
 8 sections of the distribution system due for repair or replacement. A list of the major projects  
 9 completed in 2006 is included in Exhibit 2, Tab 3, Schedule 3.

<b>Services and Meters</b>	<b>2006 Approved</b>	<b>2006 Actual</b>	<b>Variance</b>
1855 – Services	<b>4,446,309</b>	<b>5,392,298</b>	<b>945,989</b>
1860 – Meters	<b>5,245,570</b>	<b>7,739,700</b>	<b>2,485,130</b>

10 Account 1855 is the cost of installing overhead and underground conductors from the  
 11 customer's meter base to the distribution system. The \$945,989 provides connections for new  
 12 residential and commercial customers to the distribution system. The \$2,485,130 for meters  
 13 (Account 1860) was part of a multi-year initiative to upgrade the wholesale meters servicing  
 14 Guelph at Hanlon, Cedar and Campbell transformer stations to be compliant with Measurement  
 15 Canada and IESO requirements. These meters are within Hydro One transformer stations and  
 16 the work is completed by Hydro One staff

<b>Equipment</b>	<b>2006 Approved</b>	<b>2006 Actual</b>	<b>Variance</b>
1960 - Misc. Equipment	<b>1,534,215</b>	<b>59,284</b>	<b>(1,474,931)</b>

17 In 2004 this account was being used for both SCADA and graphics capital equipment. The  
 18 SCADA equipment was reclassified to account 1980 (USoA) in 2006.

	2006		
Other Distribution Assets	Approved	2006 Actual	Variance
1980 - System Supervisory Equipment	0	1,916,447	1,916,447
1995 - Contributions and Grants	(11,275,003)	(18,390,258)	(7,115,255)

1 This account includes the cost of control equipment used for remote monitoring and operation of  
 2 utility transformer stations and distribution equipment. In 2004, the year upon which the 2006  
 3 EDR application was based, the SCADA capital equipment was classified in account 1960. It  
 4 was reclassified to account 1980 (USoA) in 2006.

5 Contributions to the Guelph Hydro plant are the result of economic evaluations performed on all  
 6 new residential developments as well as larger industrial and commercial customers.  
 7 Calculations are in accordance with the OEB's Distribution System Code.

8



**ACCUMULATED DEPRECIATION TABLE**  
 (Source data for 2006 Board Approved Accumulated Depreciation is in the Cost Allocation filing)

Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved	2006 Actual (\$)	2007 Bridge (\$)	Variance from 2006 Actual	2007 Bridge (\$)	2008 Test (\$)	Variance from 2007 Bridge
<b>Land and Buildings</b>									
1805-Land									
1806-Land Rights									
1808-Buildings and Fixtures	867,075.00	1,631,462.45	764,387.45	1,631,462.45	2,049,749.04	418,286.59	2,049,749.04	2,465,135.63	415,386.59
1905-Land									
1906-Land Rights									
1810-Leasehold Improvements									
<b>Sub-Total-Land and Buildings</b>	<b>867,075.00</b>	<b>1,631,462.45</b>	<b>764,387.45</b>	<b>1,631,462.45</b>	<b>2,049,749.04</b>	<b>418,286.59</b>	<b>2,049,749.04</b>	<b>2,465,135.63</b>	<b>415,386.59</b>
<b>TS Primary Above 50</b>									
1815-Transformer Station Equipment - Normally Primary above 50 kV									
<b>Sub-Total-TS Primary Above 50</b>									
<b>DS</b>									
1820-Distribution Station Equipment - Normally Primary below 50 kV		4,882.39	4,882.39	4,882.39	5,706.39	824.00	5,706.39	30,236.39	24,530.00
<b>Sub-Total-DS</b>		<b>4,882.39</b>	<b>4,882.39</b>	<b>4,882.39</b>	<b>5,706.39</b>	<b>824.00</b>	<b>5,706.39</b>	<b>30,236.39</b>	<b>24,530.00</b>
<b>Poles and Wires</b>									
1830-Poles, Towers and Fixtures	2,307,020.00	4,266,478.92	1,959,458.92	4,266,478.92	5,121,256.87	854,777.95	5,121,256.87	5,981,352.21	860,095.34
1835-Overhead Conductors and Devices	1,835,610.00	3,572,441.06	1,736,831.06	3,572,441.06	4,297,085.68	724,644.62	4,297,085.68	5,022,066.66	724,980.98
1840-Underground Conduit	3,562,720.00	6,957,117.73	3,394,397.73	6,957,117.73	8,364,190.39	1,407,072.66	8,364,190.39	9,763,241.06	1,399,050.67
1845-Underground Conductors and Devices	2,892,452.00	6,186,439.41	3,293,987.41	6,186,439.41	7,453,243.68	1,266,804.27	7,453,243.68	8,708,724.95	1,255,481.27
<b>Sub-Total-Poles and Wires</b>	<b>10,597,802.00</b>	<b>20,982,477.12</b>	<b>10,384,675.12</b>	<b>20,982,477.12</b>	<b>25,235,776.62</b>	<b>4,253,299.50</b>	<b>25,235,776.62</b>	<b>29,475,384.88</b>	<b>4,239,608.26</b>
<b>Line Transformers</b>									
1850-Line Transformers	2,183,164.00	3,948,689.70	1,765,525.70	3,948,689.70	4,693,026.40	744,336.70	4,693,026.40	5,439,418.11	746,391.71
<b>Sub-Total-Line Transformers</b>	<b>2,183,164.00</b>	<b>3,948,689.70</b>	<b>1,765,525.70</b>	<b>3,948,689.70</b>	<b>4,693,026.40</b>	<b>744,336.70</b>	<b>4,693,026.40</b>	<b>5,439,418.11</b>	<b>746,391.71</b>
<b>Services and Meters</b>									
1855-Services	631,349.00	1,425,825.18	794,476.18	1,425,825.18	1,702,954.18	277,129.00	1,702,954.18	1,975,979.59	273,025.41
1860-Meters	1,002,317.00	1,965,661.03	963,344.03	1,965,661.03	2,347,520.85	381,859.82	2,347,520.85	2,757,611.86	410,091.01
1861-Smart Meters		21,158.90	21,158.90	21,158.90	30,247.09	9,088.19	30,247.09	214,610.09	184,363.00
<b>Sub-Total-Services and Meters</b>	<b>1,633,666.00</b>	<b>3,412,645.11</b>	<b>1,778,979.11</b>	<b>3,412,645.11</b>	<b>4,080,722.12</b>	<b>668,077.01</b>	<b>4,080,722.12</b>	<b>4,948,201.54</b>	<b>867,479.42</b>

Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved	2006 Actual (\$)	2007 Bridge (\$)	Variance from 2006 Actual	2007 Bridge (\$)	2008 Test (\$)	Variance from 2007 Bridge
<b>General Plant</b>									
1908-Buildings and Fixtures									
1910-Leasehold Improvements									
<b>Sub-Total-General Plant</b>									
<b>IT Assets</b>									
1920-Computer Equipment - Hardware	453,652.00	799,596.64	345,944.64	799,596.64	956,017.04	156,420.40	956,017.04	1,061,207.58	105,190.54
1921-Computer Equipment - Hardware post March 22, 2004									
1925-Computer Software									
<b>Sub-Total-IT Assets</b>	<b>453,652.00</b>	<b>799,596.64</b>	<b>345,944.64</b>	<b>799,596.64</b>	<b>956,017.04</b>	<b>156,420.40</b>	<b>956,017.04</b>	<b>1,061,207.58</b>	<b>105,190.54</b>
<b>Equipment</b>									
1915-Office Furniture and Equipment	228,510.00	394,007.72	165,497.72	394,007.72	487,296.91	93,289.19	487,296.91	566,842.15	79,545.24
1930-Transportation Equipment	1,092,621.00	1,185,092.05	92,471.05	1,185,092.05	1,509,873.21	324,781.16	1,509,873.21	1,853,139.29	343,266.08
1935-Stores Equipment	48,188.00	78,793.84	30,605.84	78,793.84	90,516.08	11,722.24	90,516.08	94,373.05	3,856.97
1940-Tools, Shop and Garage Equipment	200,948.00	319,292.38	118,344.38	319,292.38	384,422.69	65,130.31	384,422.69	427,991.37	43,568.68
1945-Measurement and Testing Equipment	2,231.00	7,435.99	5,204.99	7,435.99	8,923.19	1,487.20	8,923.19	10,410.39	1,487.20
1950-Power Operated Equipment									
1955-Communication Equipment									
1960-Miscellaneous Equipment	1,071,197.00	53,637.03	(1,017,559.97)	53,637.03	55,283.38	1,646.35	55,283.38	56,929.73	1,646.35
1965-Water Heater Rental Units		11,749.82	11,749.82	11,749.82	11,749.82		11,749.82	11,749.82	
<b>Sub-Total-Equipment</b>	<b>2,643,695.00</b>	<b>2,050,008.63</b>	<b>(593,686.17)</b>	<b>2,050,008.63</b>	<b>2,548,065.28</b>	<b>498,056.45</b>	<b>2,548,065.28</b>	<b>3,021,435.80</b>	<b>473,370.52</b>
<b>Other Distribution Assets</b>									
1825-Storage Battery Equipment									
1970-Load Management Controls - Customer Premises	73,313.00	125,177.95	51,864.95	125,177.95	146,784.74	21,606.79	146,784.74	167,323.77	20,539.03
1975-Load Management Controls - Utility Premises									
1980-System Supervisory Equipment		1,558,769.13	1,558,769.13	1,558,769.13	1,762,213.88	203,444.75	1,762,213.88	1,912,562.88	150,349.00
1985-Sentinel Lighting Rental Units									
1990-Other Tangible Property									
1995-Contributions and Grants - Credit		(2,826,670.65)	(2,826,670.65)	(2,826,670.65)	(3,636,794.74)	(810,124.09)	(3,636,794.74)	(4,433,316.83)	(796,522.09)
1996-Hydro One S/S Contribution									
<b>Sub-Total-Other Distribution Assets</b>	<b>73,313.00</b>	<b>(1,142,723.57)</b>	<b>(1,216,036.57)</b>	<b>(1,142,723.57)</b>	<b>(1,727,796.12)</b>	<b>(585,072.55)</b>	<b>(1,727,796.12)</b>	<b>(2,353,430.18)</b>	<b>(625,634.06)</b>
<b>ACCUMULATED DEPRECIATION TOTAL</b>	<b>18,452,367</b>	<b>31,687,039</b>	<b>13,324,672</b>	<b>31,687,039</b>	<b>37,841,267</b>	<b>6,154,228</b>	<b>37,841,267</b>	<b>44,087,590</b>	<b>6,246,323</b>

1 **ANALYSIS OF ACCUMULATED DEPRECIATION:**

2 Capital assets are recorded at cost and depreciated on a straight line basis over their expected  
 3 useful lives at the following rates as per the OEB's Accounting Procedures Handbook:

<b>Buildings and fixtures</b>	<b>30-50 years</b>
<b>Distribution lines, transformers and meters</b>	<b>25 years</b>
<b>General office equipment</b>	<b>5-10 years</b>
<b>Computer equipment</b>	<b>5 years</b>
<b>Major tools</b>	<b>10 years</b>
<b>Smart Meters</b>	<b>15 years</b>
<b>Supervisory Control (SCADA)</b>	<b>5 years</b>
<b>Trucks and rolling stock</b>	<b>4-8 years</b>

4  
 5 For any rate base related variance exceeding the materiality threshold of 1%, a detailed  
 6 explanation is provided. The 2006 Approved amounts represent the balance at the end of 2004.

7 As a result the comparison of 2006 Approved balances to 2006 Actual balances represents two  
 8 years of additions to the gross fixed assets.

9

10 **2008 Test Year Comparison with 2007 Bridge Year:**

<b>Poles, Wires and Transformers</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance</b>
1830 – Poles, Towers and Fixtures	5,121,257	5,981,352	860,095
1835 – Overhead Conductors and Devices	4,297,086	5,022,067	724,981
1840 – Underground Conduit	8,364,190	9,763,241	1,399,051
1845 – Underground Conductors and Devices	7,453,244	8,708,724	1,255,481
1850 – Line Transformers	4,693,026	5,439,418	746,392

11 The additions in depreciation are the result of an increase to capital assets for distribution lines,  
 12 transformers and meters and are based on the growth of the City of Guelph and the  
 13 rehabilitation of sections of the distribution system due for repair or replacement. These assets  
 14 are depreciated on a straight line basis over 25 years.

<b>Other Distribution Assets</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance</b>
1995 – Contributions and grants	(3,636,795)	(4,433,317)	(796,522)

15 This negative amount results from the amortization of contributions received from general  
 16 service and large customers as well as developers of residential subdivisions to construct  
 17 electrical plant.

1 **2007 Bridge Year Comparison with 2006 Actual Year:**

<b>Poles, Wires and Transformers</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance</b>
1830 – Poles, Towers and Fixtures	4,266,479	5,121,257	854,778
1835 – Overhead Conductors and Devices	3,572,441	4,297,086	724,645
1840 – Underground Conduit	6,957,118	8,364,190	1,407,073
1845 – Underground Conductors and Devices	6,186,439	7,453,244	1,266,804
1850 – Line Transformers	3,948,690	4,693,026	744,337

2 The additions in depreciation are based on the increase in capital assets for distribution lines,  
 3 transformers and meters. These assets are depreciated on a straight line basis over 25 years.  
 4 The increase is the result of the growth of the City of Guelph and the rehabilitation of sections of  
 5 the distribution system due for repair or replacement.

<b>Other Distribution Assets</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance</b>
1995 – Contributions and grants	(2,826,671)	(3,636,795)	(810,124)

6 This negative amount is due to the amortization of contributions received from general service  
 7 and large use customers as well as developers of residential subdivisions.

8

9 **2006 Actual Year Comparison with 2006 Board Approved Year:**

<b>Poles, Wires and Transformers</b>	<b>2006 Approved</b>	<b>2006 Actual</b>	<b>Variance</b>
1830 – Poles, Towers and Fixtures	2,307,020	4,266,479	1,959,459
1835 – Overhead Conductors and Devices	1,835,610	3,572,441	1,736,831
1840 – Underground Conduit	3,562,720	6,957,118	3,394,398
1845 – Underground Conductors and Devices	2,892,452	6,186,439	3,293,987
1850 – Line Transformers	2,183,164	3,948,690	1,765,526

10 The additions to capital assets for distribution lines, transformers and meters are depreciated on  
 11 a straight line over 25 years. The increase in depreciation is based on the increase in gross  
 12 fixed assets which are the result of the growth of the City of Guelph and the rehabilitation of  
 13 sections of the distribution system due for repair or replacement. The additions between 2006  
 14 Approved and 2006 Actual are for a two year period, 2005 and 2006.

15

1

<b>Equipment</b>	<b>2006 Approved</b>	<b>2006 Actual</b>	<b>Variance</b>
1960 – Misc. Equipment	1,071,197	53,637	(1,017,560)

2 In 2004, the year upon which the 2006 EDR application was based, this account was being  
3 used for both SCADA and graphics capital equipment. The SCADA equipment was reclassified  
4 to account 1980n (USoA) in 2006. Both SCADA and graphics equipment are depreciated over  
5 five years.

<b>Other Distribution Assets</b>	<b>2006 Approved</b>	<b>2006 Actual</b>	<b>Variance</b>
1995 – Contributions and grants	0	(2,826,671)	(2,826,671)

6 This negative amount is due to the amortization of contributions received from general service  
7 and large use customers as well as developers of residential subdivisions. The contribution is  
8 for a two year period, 2005 and 2006. There was no amount shown in the 2006 EDR as the  
9 amount of contributions was netted with the capital additions.

1 **CAPITAL BUDGET BY PROJECT:**

2 Guelph Hydro's Capital Budget Summary for 2006, 2007 and 2008 accompanies this Schedule  
3 as Appendix A. The capital budget is based on account groupings used for reporting purposes.

4 All capital projects are evaluated on an individual basis.

5 Exhibit 2, Tab 3, Schedule 3 provides a background to Guelph Hydro's capital spending. With  
6 this foundation individual capital projects for 2008 are identified and justified. The projects have  
7 been grouped based on the driver for the capital expenditure (growth, reliability, customer,  
8 regulatory, metering, and internal).

9

## **APPENDIX A**

### **COPY OF CAPITAL BUDGET SUMMARY FOR 2006, 2007 & 2008**

**Guelph Hydro Electric Systems Inc.**  
**Capital Budget Summary**  
**For The Years 2006, 2007 and 2008**

Description	Budget 2006	Budget 2007	Projection 2007	Budget 2008
Land	0	0	0	0
Building and Fixtures				
- Dawson Road	(1,500,000)	(1,000,000)	0	0
- Southgate	2,521,000	145,000	245,000	100,000
	<u>1,021,000</u>	<u>(855,000)</u>	<u>245,000</u>	<u>100,000</u>
Distribution Feeders	3,343,000	3,180,141	3,209,800	3,119,633
Less: Contributed Capital	(657,262)	(338,056)	(324,251)	(296,734)
	<u>2,685,738</u>	<u>2,842,085</u>	<u>2,885,548</u>	<u>2,822,899</u>
Rockwood	0	161,560	264,313	933,903
Rehabilitation	1,557,000	1,638,714	2,207,831	2,258,239
Subdivisions	2,410,000	2,481,606	3,056,637	2,655,800
Less: Contributed Capital	(1,735,414)	(1,742,929)	(1,928,314)	(1,723,152)
	<u>674,586</u>	<u>738,677</u>	<u>1,128,322</u>	<u>932,648</u>
Apartment, Commercial and Industrial Servicing	524,000	541,064	699,544	729,651
Less: Contributed Capital	(282,994)	(288,832)	(490,181)	(382,825)
	<u>241,006</u>	<u>252,232</u>	<u>209,363</u>	<u>346,826</u>
Distribution Meters	1,977,000	2,007,626	357,442	918,819
General Office Equipment	538,000	83,000	83,000	40,000
Information Systems	245,000	115,000	268,500	130,000
SCADA System	212,000	135,389	119,389	143,517
Stores Warehouse Equipment	0	30,000	0	0
Rolling Stock and Equipment	600,000	93,000	600,000	230,000
Major Tools and Instruments	49,000	280,000	250,000	50,000
Smart Meters - Communications	0	0		202,385
Smart Meters - Meters	0	0		2,193,869
Smart Meters - Back Office Computer	3,000	0		369,200
Total Capital Budget	<u>9,803,330</u>	<u>7,522,282</u>	<u>8,618,709</u>	<u>11,672,305</u>
Summary:				
Gross Expenditures	12,479,000	9,892,099	11,361,455	14,075,016
Contributed Capital	(2,675,670)	(2,369,817)	(2,742,746)	(2,402,711)
Net Expenditures	<u>9,803,330</u>	<u>7,522,282</u>	<u>8,618,709</u>	<u>11,672,305</u>



1 **BACKGROUND TO CAPITAL BUDGET:**

2 **BUILDINGS AND FIXTURES**

3 Guelph Hydro originally constructed Phase I of the Southgate Drive facility in 1995 as a service  
4 centre to support its Control Room, Line Construction, Vehicle Maintenance, Metering, Electrical  
5 Maintenance, Purchasing and Stores work groups.

6 The Applicant initiated the construction of the Phase II addition to its 395 Southgate Drive  
7 Service Centre building in spring of 2005. The Phase II project added 37,000 square feet of  
8 administrative office space built to a LEED standard for environmental energy efficiency. This  
9 building addition project also included the installation of a 500 kW natural gas fired backup  
10 generator to ensure the facility could support all emergency LDC operations in the event of an  
11 extended major power interruption, such as the one experienced in August 2003.

12 With the completion of the Phase II addition in June 2006, all of Guelph Hydro's staff were  
13 consolidated into a single work location at the 395 Southgate Drive facility.

14 **DISTRIBUTION SYSTEM**

15 Electrical power in the City of Guelph originates from three Hydro One transformer stations.  
16 The power is transformed at these transformer stations from 230 kV or 115 kV down for  
17 municipal use to primary distribution voltages of 13.86/8.0 kV. Electrical power in the Village of  
18 Rockwood originates from one municipal substation and one Hydro One substation. The power  
19 is transformed at these substations from Hydro One sub-transmission voltage of 44 kV to  
20 8.32/4.8 kV.

21 Significant growth has occurred in Guelph Hydro's distribution system, through a number of new  
22 housing, industrial and commercial service developments over the last three years. Residential  
23 and commercial development continues in all areas of the City of Guelph. Anticipated  
24 development is outlined in the City's Development Priorities Plan, which may be found on the  
25 City of Guelph website at:

26 ["http://www.guelph.ca/uploads/PBS\\_Dept/planning/documents/MARCH2007DPP.pdf"](http://www.guelph.ca/uploads/PBS_Dept/planning/documents/MARCH2007DPP.pdf).

1 Industrial development continues in the northwest and southwest parts of the City, with more  
2 limited development in the east end. A major data centre (10 MW ultimate load) is expected to  
3 be operational in the south end by 2010, along with other new and expanded industrial loads. It  
4 is projected that an additional 23 MW will be added to Guelph Hydro's Guelph grid in the next  
5 five years. It is clear that Guelph Hydro's City of Guelph system will have to be expanded in the  
6 medium term to effectively and reliably serve its customers.

7 Guelph Hydro's system peak loads are weather driven. The all-time Guelph peak was 282 MW  
8 on August 1, 2006. The system peak increased at an average rate of 1.9% from 2001 to 2006.  
9 This peak was not reached in 2007 due to less air conditioning demand and loss of one major  
10 customer during the latter part of 2006. However, this facility now has a new owner/occupant  
11 and manufacturing facility expansion continues elsewhere.

12 Residential development continues in the east end of the Village of Rockwood with total load  
13 increasing approximately 5.1% per year. The all-time Rockwood peak was 4.2 MW on August  
14 1, 2007.

15 Within the next two years, Guelph Hydro will require an additional municipal substation in the  
16 east side of Rockwood to effectively and reliably serve its customers.

17 Guelph Hydro invests in the distribution system for the following reasons:

- 18 • To satisfy growth related requirements;
- 19 • To be able to continue to reliably serve existing customers;
- 20 • To maintain overall system reliability;
- 21 • To satisfy regulatory requirements and comply with government programs; and
- 22 • To maintain its internal infrastructure.

23 Guelph Hydro's capital budgeting process for systems expansions begins with an examination  
24 of the status of the existing distribution system and its ability to accommodate known and  
25 anticipated load increases. Guelph Hydro has SCADA facilities that are used to monitor existing  
26 load levels on all distribution feeder circuits in Guelph and a number of remote switch locations.  
27 The effects of load increases are modeled by distribution feeder and supply point to identify the  
28 need for system capacity upgrades. Guelph Hydro also analyzes distribution system reliability

1 data and records of distribution system failures to prioritize required system reinforcement and  
2 replacement.

3 Guelph Hydro's compliance with regulatory requirements and government programs also gives  
4 rise to the need for capital investment. The provincial government's Smart Meter Initiative  
5 creates the need to invest in this technology at the customer's premises and upstream.  
6 Continual investment in internal resources such as fleet, computer systems and  
7 telecommunications systems is required to provide safe and reliable distribution service,  
8 emergency service and maintenance of the distribution system infrastructure.

9 **Major Drivers for Facilities Requirement:**

10 Additions to Guelph Hydro's distribution system are normally required because of anticipated  
11 inadequacy in power capacity, voltage levels and fault performance. Load flow models are used  
12 to evaluate system performance and pinpoint system inadequacies. Aging infrastructure is also  
13 a major factor influencing the requirement for new or upgraded facilities. The major drivers  
14 contributing to the need for new or upgraded facilities include:

- 15       • Long Term Demand Forecast;  
16       • Connection of future new large customers; and  
17       • Reliability Performance.

18 **Long Term Load Forecast:**

19 Guelph Hydro's observed peak demand growth for 2001 to 2006 is an average annual rate of  
20 1.9% in Guelph and 5.1% in Rockwood. Demand growth is a function of weather, economic  
21 activity, population growth and increase in the number of housing units. The City of Guelph's  
22 economy has expanded consistently for many decades. The average annual peak load growth  
23 in Guelph from 1983 through 2006 was 2.7%. The current population growth rate (City of  
24 Guelph Economic Development Department Population Projections) is 2.5%. Significant growth  
25 over the next twenty years is anticipated as the City of Guelph has been identified as a growth  
26 area in the province's "Places to Grow" plan. Expected load growth for the next five years is 2%  
27 to 2.5% per year due to general growth and several major customer load additions.

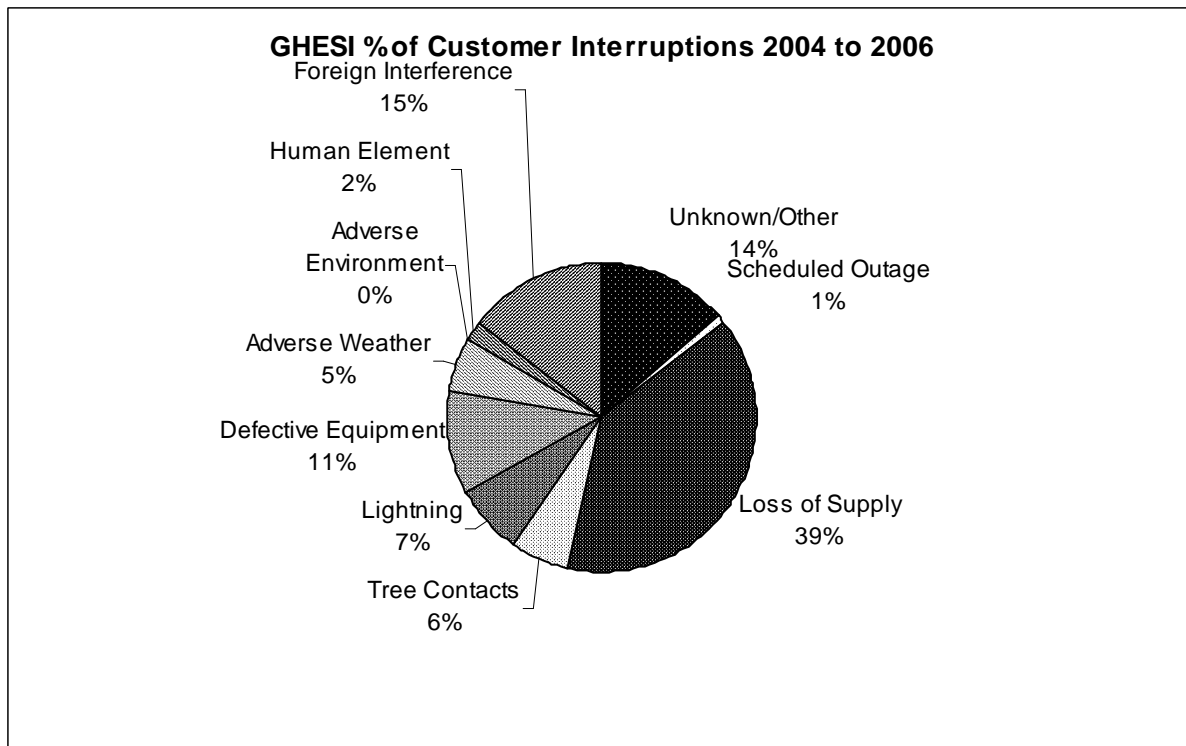
1 **Connection of New Large Customers:**

2 Major new customer connections and upgrades anticipated in the 2008-2010 time frame  
3 include:

- 4 • 6 to 8 MW load addition at automotive parts plants within Guelph;
- 5 • 5 MW at the University of Guelph; and
- 6 • a large data centre (approximately 10 MW load) in late 2009/early 2010

7 **Reliability Performance:**

8 Guelph Hydro's customers experienced an average of 40 minutes of power interruption for 2006  
9 (18 minutes due to loss of bulk supply and 22 minutes due to events on the distribution system).  
10 This compares to 32 minutes of power interruption for 2005 (3 minutes due to loss of bulk  
11 supply and 29 minutes due to events on the distribution system) and 26 minutes of power  
12 interruption for 2004 (8 minutes due to loss of bulk supply and 18 minutes due to events on the  
13 distribution system). Excluding loss of bulk supply events, Guelph Hydro's reliability remains at  
14 a high level.



1 Approximately 18% of Guelph Hydro's interruptions in the 2004 to 2006 period were weather  
2 related (adverse weather, lightning, tree contacts). Guelph Hydro maintains an aggressive tree-  
3 trimming program on a three-year cycle. However, tree contacts still occur, primarily due to  
4 falling branches during storms. Foreign interference has also been a significant cause of  
5 interruptions (15%), and includes motor vehicle accidents and dig-ins. Interruptions caused by  
6 equipment failure have remained low at 11% due to the continued maintenance of the  
7 distribution system (average age of all plant is approximately 12 years). However, Guelph  
8 Hydro has identified a number of system components where future reliability and maintainability  
9 are concerns, in particular:

- 10 • pole-trans (combination primary switch, transformer and lighting pole units);
- 11 • direct-buried, unjacketed primary underground cable; and
- 12 • distribution poles.

13 Guelph Hydro installed over 400 pole-trans units in the 1960's and 70's. At that time, the pole-  
14 trans was a very innovative item, combining a primary switch compartment, transformer and  
15 lighting pole into one unit. However, the primary switchgear space is very confined. Guelph  
16 Hydro has experienced a high failure rate for these units, with growing age and deterioration.  
17 Since production of pole-trans units and spare parts ceased in the mid-1970's, Guelph Hydro  
18 must continually take units out of service to provide sufficient spare components for repairs.  
19 Furthermore, the confined space provides additional challenges for our workers for both  
20 operating and repairs. Guelph Hydro can usually replace two pole-trans units with one low-  
21 profile, pad-mounted transformer. However, such replacement comes at a high cost since  
22 almost the entire underground distribution system has to be replaced. Between 1989 and 2007,  
23 the number of remaining pole-trans units has been reduced to approximately 170 units through  
24 rehabilitation projects.

25 Guelph Hydro has also experienced failure of direct-buried, unjacketed primary underground  
26 cable installed during the 1960's and 70's. When the Applicant commenced underground  
27 rehabilitation in a significant way in 1989, Guelph Hydro was replacing cable that was no more  
28 than 25 years old. Guelph Hydro is now replacing cable that is over 30 years old, and  
29 anticipates that it will eventually be able to achieve a 40+ year life span for newer cables.

1 However, even with increased life spans, Guelph Hydro will have to increase its underground  
2 system replacement program from 130 residential units per year prior to 2007 to 200 per year in  
3 2008 and 400 per year by 2018.

4 The average age of Guelph Hydro's distribution poles is 22 years. While the oldest is believed  
5 to be over 50 years, Guelph Hydro has estimated the average pole life span to be 40 years.  
6 Over the last ten years (1997-2006) Guelph Hydro has installed an average of 235 distribution  
7 poles per year – approximately 42 of them being new installations and the remaining 193 being  
8 replacements. Guelph Hydro has determined that the replacement rate needs to be increased  
9 to 223 per year in 2008 and 250 per year by 2018. Guelph Hydro hires an independent  
10 contractor to test poles 20 years of age and older on a four year cycle. This testing is used to  
11 establish the priorities for spot pole replacements and major overhead system replacement.  
12 Where a significant number of poles on a street are in need of replacement, it is usually  
13 necessary to reconstruct the entire pole line in order to meet Ontario Regulation 22/04  
14 (Electrical Distribution Safety) requirements. Over time, this is more efficient than replacing  
15 individual poles.

16 **SCADA:**

17 Guelph Hydro's Supervisory Control and Data Acquisition ("SCADA") system is comprised of  
18 hardware, software and supporting communications equipment which provide the tools for  
19 Guelph Hydro's Control Room System Control Operators ("SCOs") to efficiently and effectively  
20 monitor and operate the electric distribution systems servicing the Guelph and Rockwood  
21 service areas.

22 The SCADA system provides real time operating information to SCOs, who use the information  
23 to optimize distribution system performance. Improved customer service is achieved through  
24 better distribution system reliability, and reduced response times in the event of distribution  
25 system disturbances. Guelph Hydro's SCADA system also includes a number of remotely  
26 operable distribution switches, and through the operation of these remote switches, an SCO can  
27 reduce outage times experienced by customers.

28

1 **METERING**

2 Guelph Hydro has responsibility for installing, maintaining and ensuring accurate metering  
3 assets in the following categories:

- 4 • Conventional meters including electro-mechanical meters and interval meters;  
5 • Wholesale Meters; and  
6 • Smart Metering.

7 **Conventional Metering:**

8 Guelph Hydro is required to maintain its retail meter inventory to ensure accurate and  
9 dependable billing; failure to do so may result in customer disputes concerning electricity sales  
10 and revenues. The Applicant is also required to upgrade all residential and small general  
11 service customers that do not require demand metering with a smart meter by year-end 2010.

12 Until the smart metering upgrades are completed, Guelph Hydro must continue to maintain all  
13 conventional residential meters, as well as the demand meters required by Guelph Hydro's  
14 general service commercial and industrial customers. This may include the upgrades of existing  
15 meters due to:

- 16 • Customer electrical service upgrades;  
17 • The need to replace obsolete or damaged meters; and  
18 • Conversion from 2.5 element metering to 3 element metering.

19 **Wholesale Metering:**

20 The IESO Market Rules (Chapter 6, section 3.2) require that all wholesale metering installations  
21 used for settlement in the IESO-administered market be registered with the IESO. Under these  
22 rules, Guelph Hydro is responsible for the costs of installing and maintaining these metering  
23 installations. Guelph Hydro must contract with an IESO-registered Meter Service Provider  
24 ("MSP") so that the meter installation can be registered with the IESO, in order to be eligible for  
25 operation in the wholesale electricity market.

1 In addition to the IESO's requirements, wholesale meters must be approved for use by  
2 Measurement Canada ("MC") and must satisfy the requirements of the *Electricity and Gas*  
3 *Inspection Act*. All instrument transformers must also be approved by MC. If an instrument  
4 transformer is not approved by MC, it must be either replaced or approved at the earliest seal  
5 expiry date. Measurement Canada recently ruled that:

- 6 • Metering installations with meter seal expiry dates between 2003 and 2005 that use  
7 non-approved instrument transformers are eligible for a 6 year extension from the  
8 earliest meter seal expiry date;
- 9 • Metering installations with an earliest meter seal expiry date between 2006 and 2008  
10 are granted temporary permission that expires in the same year as the earliest meter  
11 seal expiry date; and
- 12 • In all cases, the use of non-approved instrument transformers must end by December  
13 31<sup>st</sup> of the same year that the temporary permission expires.

14 The majority of Guelph Hydro's Wholesale Meter Points ("WMPs") are located within Hydro  
15 One-owned transformer stations. The timing of the required meter upgrades is dependent on  
16 the availability of Hydro One resources, as Guelph Hydro employees are not permitted to work  
17 on Hydro One assets. As a result, Guelph Hydro must schedule upgrades with Hydro One and  
18 must rely on Hydro One to provide the construction crews necessary to complete the projects.  
19 In undertaking some of the initial WMP upgrade projects, Guelph Hydro has experienced some  
20 slippage in anticipated in-service dates, resulting in corresponding increases in subsequent year  
21 WMP upgrade budgets.

## 22 **Smart Metering:**

23 In order to foster a "conservation culture" in Ontario, the Ministry of Energy seeks to have Smart  
24 Meters installed and commissioned throughout Ontario by the end of 2010. A Smart Meter  
25 records energy consumed in hourly intervals every day, and is necessary to support the  
26 implementation of Time of Use (TOU) commodity prices.

27 Guelph Hydro's Smart Metering System will include:

- 28 • An Advanced Metering Infrastructure ("AMI");
- 29 • Interface with the provincial Meter Data Management Repository ("MDM/R")



- 1           • TOU billing functionality enabled in Guelph Hydro's Customer Information System  
2           ("CIS").

3 Guelph Hydro will be responsible for installing, commissioning, operating and maintaining the  
4 AMI system. The AMI infrastructure will include Smart Meters, regional collectors, related  
5 communications infrastructure, and a controller computer. The AMI will interface with the  
6 MDM/R daily, and will upload consumption information for all customers. The MDM/R will  
7 validate, and, if necessary, estimate consumption information. The MDM/R will send validated  
8 billing information to Guelph Hydro's CIS in order to generate the customer's bill.

9 In order to realize the benefits of the AMI system, the following steps and actions must be taken:

- 10           • Preparation and distribution or release of customer and community communications;  
11           • Plan and implement Project Management (eg. Staff training, logistics, contract  
12           management);  
13           • Procure the system;  
14           • Install the system;  
15           • Test the system; and  
16           • Re-engineer business processes (eg. Develop an interface to the MDM/R, implement  
17           billing system changes).

18 All steps must be planned and implemented with attention to quality and quality control.

19 In order to proceed with Smart Metering deployments, Guelph Hydro must be a utility named by  
20 Regulation. Although Guelph Hydro is not yet "named" to move forward with smart metering  
21 installations under Ontario Regulation 427/06 (Authorized Discretionary Metering Activity) or  
22 Ontario Regulation 428/06 (Priority Installations), the Applicant has been active in investigating  
23 Smart Metering options, being one of the many LDCs participating in the Ontario Utilities Smart  
24 Meter ("OUSM") Working Group facilitated by Util-Assist, and having undertaken several small  
25 scale Smart Metering pilots of Silver Springs Networks ("SSN") wireless RF MESH  
26 communications technology from late 2005 to 2007. Guelph Hydro's Smart Metering pilot  
27 projects have been funded through OEB-approved Third Tranche Conservation & Demand  
28 Management ("CDM") funding.

1 Guelph Hydro is currently participating in the London Hydro sponsored AMI – Smart Meter RFP:  
2 “Request for Proposal for Advanced Metering Infrastructure (AMI) – Phase I Smart Metering  
3 Deployment”. Over 20 LDCs are partners in this technology review, evaluation and procurement  
4 process designed to permit these LDCs to become “named” in applicable Regulations, and to  
5 begin moving forward in the first quarter 2008 with Smart Metering procurement and  
6 deployment. All Smart Metering installations are to be completed by year-end 2010, and the  
7 timely completion of this process is vital in order to ensure that the 2010 installation deadline can  
8 be met.

9 Guelph Hydro filed its Smart Meter Investment Plan (“SMIP”) with the OEB on December 14,  
10 2006. In the SMIP, Guelph Hydro calculated the capital and incremental operating costs based  
11 on estimates and information obtained through our pilot project. Subsequent to the filing of its  
12 SMIP, Guelph Hydro filed its 2007 EDR Smart Meter Rate Rider Application on February 8,  
13 2007. This application was again based on cost estimates derived from its pilot project as well  
14 as 2006 budgetary quotations. The material filed with the application supported the smart meter  
15 rate rider of \$0.59 per metered customer and provided the calculations to support a cost of  
16 \$178.00 per smart meter installed, resulting in a total smart meter cost, including computer  
17 requirements and incremental operating costs, of \$205.07. Guelph Hydro expects these  
18 average unit costs to be reduced through the London Hydro RFP process to be completed in  
19 early 2008.

20

1 **ANALYSIS OF CAPITAL ADDITIONS – 2006 TO 2008:**

2 Guelph Hydro's 2008 Test Year Capital Budget amounts to approximately \$11.7 million. It  
 3 provides for system capacity and expansion projects, including rebuilds and upgrades,  
 4 investments to maintain or improve reliability, wholesale metering and internally driven projects.  
 5 In addition, Guelph Hydro will spend approximately \$2.6 million in funds received through capital  
 6 contributions on Distribution Plant related projects.

7 **Table 1 – Guelph Hydro Capital 2006-2008 Total By Type**

Category	2006 Actual	2007 Forecast	2008 Budget
System Capacity / Growth	\$1,793,000	\$2,664,000	\$3,340,000
System Rehabilitation / Reliability	\$1,360,000	\$2,356,000	\$2,443,000
System Expansion & Upgrades	\$1,634,000	\$1,999,000	\$1,926,000
Regulatory Requirements	\$1,325,000	\$153,000	\$3,413,000
Internal Requirements		\$1,447,000	\$550,000
<b>Total</b>	<b>\$6,112,000</b>	<b>\$8,619,000</b>	<b>\$11,672,000</b>

8 **2008 CAPITAL PROJECTS**

9 **System Capacity/Growth:**

10 Guelph Hydro plans to invest in the following distribution system capacity projects in 2008:

11 **Table 2 – 2008 System Capacity/Growth**

Category		2008 Budget
Substations – Rockwood MS #2		\$711,000
Distribution Feeders		
- Arkell Road, Zecca to Victoria	\$164,000	
- Laird Road / Hanlon West Business Park	\$189,000	
- Cedar TS / Cedar St UG Feeder Egress	\$294,000	
- York Road, Harris St to Victoria Rd (carryover)	\$347,000	
- York Road, Wyndham St to Harris St	\$527,000	
- Edinburgh Rd, College Ave to Kortright Rd (overhead)	\$359,000	
- Edinburgh Rd, Cedar TS to College Ave (underground)	\$220,000	
- Switching Devices	\$165,000	
- Capacitor Banks	\$81,000	
- Other Miscellaneous Projects	\$283,000	
<b>Total</b>		<b>\$2,629,000</b>
		<b>\$3,340,000</b>

1 These projects are necessary to provide system capacity for new residential, commercial and  
2 industrial development. Guelph Hydro plans to commence construction of a new distribution  
3 substation in Rockwood in 2008 with completion by mid-2009. In Guelph, aside from the  
4 construction of traditional overhead and underground feeder circuits, investment in switching  
5 devices and capacitor banks is necessary to maximize the usable capacity of these distribution  
6 feeder circuits.

7 **System Rehabilitation/Reliability:**

8 Guelph Hydro plans to invest in the following distribution system rehabilitation projects in 2008:

9 **Table 3 – System Rehabilitation/Reliability**

<b>Category</b>	<b>2008 Budget</b>
Overhead Distribution Lines	\$766,000
Underground Distribution Lines	\$1,249,000
Transformer Replacement	\$237,000
P&C Upgrades	\$48,000
SCADA Upgrades	\$143,000
<b>Total</b>	<b>\$2,443,000</b>

10 These projects enhance Guelph Hydro's system reliability. While they may not have a big  
11 impact on the distribution system as a whole, they are significant for the specific customers  
12 served. As well, Guelph Hydro believes that system replacement should be maintained at a  
13 realistic level to ensure the safety of its customers and employees. Rehabilitation of overhead  
14 distribution lines includes spot pole replacements and entire street sections. Rehabilitation of  
15 underground distribution lines will be concentrated on work necessary to eventually eliminate all  
16 pole-trans units from Guelph Hydro's distribution system. Transformer replacement is required  
17 when it is not practical to repair older units. Plant & Capital ("P&C") upgrades include  
18 installation of elbow arresters and faulted circuit indicators. SCADA requirements for 2008  
19 include upgrades to SCADA hardware and software, additional wireless remote monitoring  
20 devices, an automated alarm notification system, and fibre optic communications lines  
21 modifications.

22

1 **System Expansion and Upgrades:**

2 Guelph Hydro anticipates investment in the following distribution system expansion and upgrade  
 3 projects in 2008:

4 **Table 4 – System Expansion and Upgrades**

Category	2008 Budget
Road Projects	\$291,000
New Subdivisions	\$988,000
New Commercial / Industrial Services	\$376,000
Meters & Metering	\$271,000
<b>Total</b>	<b>\$1,926,000</b>

5 These projects are required to meet the needs of external customers such as road authorities,  
 6 subdivision developers, and commercial and industrial customers. Timing of these projects is  
 7 almost totally under the control of external parties, making it difficult to precisely budget how  
 8 much work will be required in a given year. The 2008 Budget is based on prior years'  
 9 experience.

10 **2008 Subdivision, Rehab and Line Construction Projects**

Subdivision Projects	Line Projects	Rehab Projects
Grangehill Phase 4B	York Road, Harris St. to Victoria Rd.	Willow West Phase 2, Part 2
Northview Estates Phase 2	Eramosa Rd/Victoria Rd Intersection	
Arkell Springs Phase 2	Arkell Rd, Zecca Dr to Victoria Rd	
Cityview Heights	Edinburgh Rd S, Cedar TS to Kortright Rd	

11 Except where they are applicable to a specific customer project, the costs of system capacity  
 12 upgrades are pooled into an up-stream capital cost. A portion of the up-stream cost based on  
 13 anticipated customer load is then included with the specific project costs in performing an  
 14 economic evaluation of proposed projects in accordance with the OEB's Distribution System  
 15 Code and Guelph Hydro's Conditions of Service. In addition to the above amounts,  
 16 approximately \$2.6 million in capital contributions is projected to be received and spent on  
 17 distribution system construction in the 2008 Test Year.

18 **Regulatory Driven Requirements:**

19 Guelph Hydro anticipates investment in the following non-system regulatory driven projects in  
 20 2008:

1                   **Table 5 – Distribution Plant Capital – Non-System – Regulatory Driven**

<b>Category</b>	<b>2008 Budget</b>
Wholesale Metering	\$590,000
Smart Metering	\$2,823,000
<b>Total</b>	<b>\$3,413,000</b>

2   **METERING:**

3   **Conventional Metering:**

4   The spending level in 2008 covers the installation of all required meters, including associated  
5   hardware (such as current transformers, potential transformers, wiring, test blocks, and meter  
6   seals). This also ensures an adequate inventory of meters and metering equipment to support:

- 7           • the prompt installation of new services; and
- 8           • the prompt replacement of damaged metering equipment.

9   Efficient and accurate meter installation and replacement ensures that all Measurement Canada  
10   and any other applicable regulatory requirements are complied with.

11   **Wholesale Metering:**

12   In 2008 Guelph Hydro plans to upgrade two WMPs located at the Guelph Cedar TS. These  
13   upgrades will be performed by Hydro One. Guelph Hydro is also planning on the installation of  
14   one new WMP at the new distribution substation MS#2 planned for Rockwood. This installation  
15   will be performed by Guelph Hydro staff. Upgrades of the remaining WMPs are planned for  
16   2009 and 2010 to meet compliance requirements.

17   **Smart Metering:**

18   Guelph Hydro's 2008 plans include the installation of 17,000 Smart Meters by the end of the  
19   2008 Test Year. The total 2008 cost per installed meter of \$162.98 includes costs for the  
20   communications system as well as up-front costs such as computer hardware and software that  
21   are not expected to be recurring in 2009, and reflects lower anticipated unit costs resulting from  
22   the London Hydro RFP process. Guelph Hydro has included these costs in this Application.

1 **Internal Requirements:**

2 Guelph Hydro anticipates investment in the following non-system internally driven projects in  
 3 2008:

4 **Table 6 – Capital – Non-System – Internally Driven**

Category	2008 Budget
Buildings and Fixtures	\$100,000
General Office Equipment	\$40,000
Information Systems	\$130,000
Rolling Stock and Equipment	\$230,000
Major Tools and Instruments	\$50,000
<b>Total</b>	<b>\$550,000</b>

5 **Buildings and Fixtures:**

6 As noted previously, in 2007 Guelph Hydro completed the addition of an administration wing to  
 7 its operations center located in the south end of Guelph. This brought together all Guelph  
 8 Hydro employees under one roof allowing for improved communications and leadership. The  
 9 2008 Budget includes \$100,000 of capital expenditures at the Southgate facility to replace the  
 10 storage compound mechanized gate, install a storage tank for the water heat pump system and  
 11 upgrade the building energy management system.

12 **General Office Equipment and Information Systems:**

13 General Office Equipment consists of office furniture and fixtures.

14 **Information Systems:**

IT Projects – 2008	Project Cost (\$)
B-SAFE AS400 Security Software	\$60,000
Netclarity	\$20,000
IBM AS 400 / IP Phone Solution	\$50,000
<b>Total</b>	<b>\$130,000</b>

1 **Rolling Stock and Equipment:**

2 The 2008 Budget provides for the completion of three large vehicles purchased in 2007 and the  
 3 replacement of three smaller vehicles.

<b>Rolling Stock and Equipment - 2008</b>	<b>Project Cost (\$)</b>
Truck #4: Installation of Posi-Plus Aerial Device (500-55P63) on 2008 International 7400 (both purchased in 2007)	\$21,000
Truck #4: Tandem steel body for 63' aerial device	\$46,000
Truck #25 & 26: Interiors in two Utilimaster step vans purchased in 2007	\$63,000
Truck #41: Replacement ¾ ton meter van	\$35,000
Truck #84: Replacement vehicle for Manager of Loss Prevention (hybrid)	\$35,000
Truck #43: Mini-van for Field Services Representative	\$30,000
<b>Total</b>	<b>\$230,000</b>

4 Guelph Hydro budgets large vehicles on a 12-year normal life expectancy and small vehicles on  
 5 a 7-year normal life expectancy. Based on reliability and operating costs these cycles are quite  
 6 often extended by an extra year or two. The large vehicles are quite often purchased as  
 7 separate tenders i.e. chassis, boom, body and because of long production and delivery times  
 8 may be purchased in different budget years. The three large vehicles purchased for 2008  
 9 represent only the body portions for chassis and booms acquired in 2007. All vehicles  
 10 scheduled for replacement in 2008 are at, or have exceeded, their normal life expectancy.

11 **Major Tools and Instruments:**

12 This expenditure of \$50,000 represents the replacement or update of tools or equipment with a  
 13 value of over \$1,000 that are worn or have come to the end of their useful life. The 2008 Test  
 14 Year expenditure is consistent with those of previous years.

15



1 **2007 CAPITAL BUDGET**

2 **2007 Forecast Capital Budget for Buildings and Fixtures**

3 The total amount spent on Buildings and Fixtures in 2007 is projected to be \$245,000 compared  
4 to a net budget amount of (\$855,000). The \$245,000 projected to be spent in 2007 is all related  
5 to the final costs associated with completing the general contract for constructing the Phase II  
6 addition to Guelph Hydro's 395 Southgate Drive facility. This amount is \$100,000 over the  
7 original budget for the planned work at 395 Southgate Drive. The main components of this  
8 variance are related to extra charges in the general contract for constructing the Phase II  
9 addition and additional costs related to improving building security and monitoring systems. The  
10 scope of both of these cost components was greater than Guelph Hydro staff anticipated at the  
11 time of preparing the 2007 Capital Budget.

12 The main reason for the large variance in this account in 2007 is the delay in selling the 104  
13 Dawson Road property. When the 2007 Capital Budget was prepared in September 2006,  
14 Guelph Hydro reduced its expectations for the net value from the sale of the 104 Dawson Road  
15 property to \$1,000,000 due to the increased costs of environmental study and potential cleanup.  
16 Guelph Hydro has been marketing this property for sale since the spring of 2007.

	2007 Projected	2007 Budget	Difference
104 Dawson Road	0	\$(1,000,000)	\$1,000,000
395 Southgate Drive	\$245,000	\$145,000	\$100,000
Total	\$245,000	\$(855,000)	\$1,100,000

17 The property was not sold in 2007. Due to the problems encountered to date in resolving  
18 environmental issues with the property, for the purposes of this rate filing the sale of the asset  
19 is being treated to be at cost and to exclude any gain on sale.

20

1 **2007 DISTRIBUTION CAPITAL PROJECTS (net of contributions):**

2 Guelph Hydro has listed below various significant projects for 2007, organized according to the  
 3 categories used for 2008 capital expenditures above.

4 **2007 System Capacity Projects (Growth Driven)**

<b>Feeders – General:</b>	
Silvercreek Parkway and Campbell Road:	\$74,000
Elmira Road, Tovell to Paisley	\$193,000
Elizabeth Street, Victoria Road to York Road	\$443,000
Cowan Place	\$36,000
York Road, Harris Street to Victoria Road	\$217,000
Edinburgh Road South, Cedar TS to Kortright Road	\$315,000
Miscellaneous Feeder Projects	\$321,000
<b>Total Feeders - General</b>	<b><u>\$1,599,000</u></b>
<b>Line Modifications for New Projects:</b>	
Minor overhead line extensions and/or modifications and equipment relocations	\$297,000
<b>Total Line Modifications</b>	<b><u>\$297,000</u></b>
<b>Line Relocations:</b>	
Victoria Road South, York Road to Eramosa River	\$297,000
Other miscellaneous projects	\$45,000
<b>Total Line Relocations</b>	<b><u>\$342,000</u></b>
<b>Switching Devices:</b>	
Remote operated switches and manual load interrupter switches	\$552,000
<b>Total Switching Devices</b>	<b><u>\$552,000</u></b>
<b>Capacitor Banks:</b>	
Capacitor banks and control units for voltage regulation	\$183,000
<b>Total Capacitor Banks</b>	<b><u>\$183,000</u></b>
<b>Total 2007 System Capacity Projects (Growth Driven)</b>	<b><u>\$2,973,000</u></b>

5 **2007 System Rehabilitation Projects (Reliability Driven):**

<b>Replacement:</b>	
Victoria Road South, Elizabeth Street to York Road	\$322,000
Bailey Avenue, Nicklin Drive to Kathleen Street	\$53,000
Echo Drive	\$71,000

Clive Avenue	\$63,000
Other Miscellaneous Overhead	\$208,000
Willow West, Phase 2 Subdivision	\$872,000
Silvervale Estates Subdivision	\$59,000
15 Willow Road Townhousing	\$131,000
Other Miscellaneous Underground	\$229,000
<b>Total System Replacement</b>	<b><u>\$2,008,000</u></b>
<b>Transformer Upgrades:</b>	
Transformer replacement and capacity upgrades	\$185,000
<b>Total Transformer Upgrades</b>	<b><u>\$185,000</u></b>
<b>Protective Device and Faulted Circuit Indicator Upgrades:</b>	
Protective device upgrades	\$44,000
<b>Total Protective Device and Faulted Circuit Indicator Upgrades</b>	<b><u>\$44,000</u></b>
<b>Total 2007 System Rehabilitation Projects</b>	<b><u>\$2,237,000</u></b>

1 **2007 System Expansion & Upgrade Projects (Customer Driven):**

Subdivision Residential	\$1,152,000
Apartments, Commercial and Industrial Servicing	\$234,000
<b>Total 2007 System Expansion &amp; Upgrade Projects</b>	<b><u>\$1,386,000</u></b>

2 The activity above is net of capital contributions of \$2,611,000.

3 **2007 Non-System Requirements (Internally Driven):**

Rolling Stock and Equipment	\$547,415
Major Tools and Instruments	\$280,000
<b>Total 2007 Non-System Requirements</b>	<b><u>\$827,000</u></b>

4 **2006 DISTRIBUTION CAPITAL PROJECTS (net of contributions)**

5 **2006 System Capacity Projects (Growth Driven):**

6 **Feeders – General:**

7 Crawley Road, Clair Road to Maltby Road: Reconstruction of an overhead line to accommodate  
 8 heavier conductor and provide for a second circuit to accommodate new development in the  
 9 south end of the city. Project actually started in 2005 – \$319,906.

10 Edinburgh Road South, College Avenue to Stone Road: Reconductored old section of line  
 11 acquired from Hydro One circuit to integrate with feeder capacity being added at Cedar TS.  
 12 Project actually started in 2005 –\$32,248.

1 Coldpoint, Elmira Road North: New overhead lines installed to accommodate new  
2 commercial/industrial development. Project actually started in 2005 – \$131,765.

3 Cedar TS, Edinburgh Road South: \$297,746 of duct system and cable installation work relating  
4 to planned capacity additions originally planned for 2005 was deferred due to delays by Hydro  
5 One. – \$585,820.

6 Silvercreek Parkway and Campbell Road: New underground feeder installation from Campbell  
7 TS to overhead line on Silvercreek Parkway to accommodate new industrial load – \$261,255.

8 Miscellaneous Feeder Projects – \$13,989.

9 Total Feeders \$1,344,983.

10 **Line Modifications for New Projects:**

11 Funds are allocated for minor overhead line extensions and/or modifications and equipment  
12 relocations associated with new industrial, commercial or residential developments. In 2006  
13 Guelph Hydro anticipated significant work related to construction of the new parking garage on  
14 Baker Street as much of the existing overhead system on Chapel Lane would have to be placed  
15 underground. This project was cancelled by the City. There was less work required as well for  
16 other projects. – \$17,131.

17 **Line Relocations:**

18 Speedvale Avenue East at Victoria Road – \$127,417.

19 Clair Road East, Gordon Street to Victoria Road – \$267,281.

20 Victoria Road South, Summerfield Drive to Clair Road – \$80,061.

21 Woodlawn Road West between Woolwich Street and Home Depot - \$143,546.

22 Other miscellaneous projects – \$1,243.

23 Total Line relocations \$619,547.

24

1 **Switching Devices:**

2 Work includes installation of remote operated switches and manual load interrupter switches.  
3 Some budgeted work was advanced to 2005. - \$119,346.

4 **2006 System Rehabilitation Projects (Reliability Driven):**

5 **Replacement:**

6 Overhead rehabilitation was carried out in areas showing significant deterioration in condition or  
7 strength of the poles – \$388,618.

8 Underground reconstruction was focused on phasing out pole-trans and replacement of cables.  
9 Staff limitations reduced the amount of work we were able to complete – \$ 612,729.

10 Total Rehabilitation \$1,001,347.

11 **Transformer Upgrades:**

12 Transformer replacement and capacity upgrades in existing residential and commercial areas  
13 were less than anticipated in 2006. - \$132,166.

14 **2006 System Expansion & Upgrade Projects (Customer Driven):**

15 **Subdivisions**

16 **Residential:**

17 Construction activity in 2006 was slightly below expectation while developer contributions of  
18 \$1,720,597 were slightly higher than anticipated - \$552,680.

19 **Apartments, Commercial and Industrial Servicing**

20 There was an unusually high level of activity in this area in 2006 – 2.3 times the budgeted level.  
21 Developer contributions of \$759,235 were in line with the higher activity - \$440,009.

22 **2006 Non-System Requirements (Internally Driven):**

23 **Rolling Stock & Equipment**                      **\$337,397**


- 1 The 2006 budget provided for the replacement of a 50' aerial device, a one ton crew cab and  
 2 body and two supervisors' pick-ups.

<b>Rolling Stock and Equipment - 2006</b>	<b>Project Cost</b>
Truck #6: 2006 International 7400 Chassis	\$82,000
Truck #6: Posi-Plus 50' Aerial Device	\$114,000
Truck #6: Tandem steel body	\$32,000
Truck #18: 2006 Ford F450	\$54,000
Truck #18: 2006 Steel Utility Body	\$17,000
Truck #33: 2007 F150 4x4	\$28,000
Truck #35: 2007 F150 4x4	\$28,000
<b>Total</b>	<b>\$355,000</b>

- 3 The 50' aerial device was a 1992 model and had exceeded its life expectancy. It was replaced  
 4 with a 50' device on a heavier chassis. The crew cab pick up was a 1997 model and was  
 5 starting to experience mechanical problems. It also was replaced with a heavier chassis. The  
 6 two supervisors pick ups were 1999 models and had reached their replacement dates.

7 **Major Tools and Instruments      \$39,511**

- 8 Replacement tools and test equipment over \$1,000.

 <b>Guelph Hydro</b> <i>Electric Systems Inc.</i> <b>FINANCE POLICY</b>	<b>Subject:</b> CAPITALIZATION POLICY <b>Number:</b> <b>Date:</b> <b>Revised:</b>	<b>Page 1 of 1</b>
	<b>Approved by:</b> A.G. Stokman	<b>Signature:</b>

**Guelph Hydro Capitalization Policy**

Guelph Hydro records fixed assets at cost with depreciation taken at various rates in accordance with the Accounting Procedures Handbook and Uniform System of Accounts (USofA). Contributions in aid of construction are not included in the rate base, as they are recorded as an offset to the capital asset and amortized (as an offset to depreciation) at the same rate as the capital assets, thereby providing net depreciation amount for assets.

Guelph Hydro constructed assets are capitalized at actual labour rates plus a burden for payroll, engineering, vehicle usage (where applicable) and stores.

Gains and losses on assets sold to non-affiliates are recorded in miscellaneous income.

Guelph Hydro capitalizes expenditures that are of a capital nature, over \$1,000 and that re expected to provide future benefits for a period in excess of one year.

Expenditures incurred to improve or replace an existing asset are capitalized if the asset useful life is extended or the asset's productivity is increased or the associated operating costs are lowered.

Where a group of like assets are acquired that are individually valued below \$1,000, but meet the capitalization criteria above, and in total cost in excess of \$1,000 they are capitalized.

Software purchases and development costs are expensed in the year of acquisition.

**Approval of Capital Spending**

The Guelph Hydro Board of Directors annually review and approve a capital budget. Individual capital purchases are then reviewed and approved according to the Guelph Hydro financial authorizations policy.

**APPROVAL LEVEL GUIDELINES**

Limits apply to items included in approved budget	President	Vice-Presidents/ Directors	Managers	Purchasing Supervisor	Supervisors	Buyer
Contracts for service by tender, i.e., tree trimming, civil construction, distribution system maintenance. Contracts and consulting for services not tendered, i.e., computer maintenance, software licensing, temporary employees	Above \$50,000	\$50,000	--	--	--	--
Purchase of inventory	Above	\$50,000	--	\$50,000	--	\$25,000

items	\$50,000					
Purchase of non-inventory items, i.e., rolling stock, computer hardware	Above \$50,000	\$50,000	\$5,000	\$2,000	\$2,000	--
<ul style="list-style-type: none"> <li>• Accumulative non-budget expenditures above \$10,000 to be reviewed by the President; above \$50,000 with the Board of Directors</li> <li>• PC's - MIS Technical Review for corporate Computer Hardware (CMP PCS)</li> <li>• Corporate Consulting Services must be processed through PI for approvals and appropriate account tracking to function properly</li> <li>• Contract/Consulting Services - use SER CON</li> </ul>						



Working Capital Allowance Calculation by Account

Description	2006 Actual	Allowance for Working Capital	2007 Bridge	Allowance for Working Capital	2008 Test	Allowance for Working Capital
<b>Rate used for Working Capital Allowance</b>		15%		15%		15%
<b>Operation</b>						
5005-Operation Supervision and Engineering	519,420.71	77,913.11	488,906.00	73,335.90	656,454.00	98,468.10
5010-Load Dispatching	-	-	-	-	-	-
5012-Station Buildings and Fixtures Expense	20,955.66	3,143.35	20,200.00	3,030.00	21,500.00	3,225.00
5014-Transformer Station Equipment - Operation Labour	-	-	-	-	-	-
5015-Transformer Station Equipment - Operation Supplies and Expenses	-	-	-	-	-	-
5016-Distribution Station Equipment - Operation Labour	2,057.25	308.59	-	-	-	-
5017-Distribution Station Equipment - Operation Supplies and Expenses	5,460.20	819.03	-	-	-	-
5020-Overhead Distribution Lines and Feeders - Operation Labour	10,695.45	1,604.32	9,611.00	1,441.65	10,111.00	1,516.65
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	10,743.75	1,611.56	5,647.00	847.05	14,071.00	2,110.65
5030-Overhead Sub transmission Feeders - Operation	-	-	-	-	-	-
5035-Overhead Distribution Transformers- Operation	-	-	-	-	-	-
5040-Underground Distribution Lines and Feeders - Operation Labour	55,752.36	8,362.85	137,041.00	20,556.15	164,286.00	24,642.90
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	4,403.69	660.55	3,720.00	558.00	3,720.00	558.00
5050-Underground Sub transmission Feeders - Operation	-	-	-	-	-	-
5055-Underground Distribution Transformers - Operation	-	-	-	-	-	-
5060-Street Lighting and Signal System Expense	-	-	-	-	-	-
5065-Meter Expense	181,472.22	27,220.83	246,477.00	36,971.55	246,477.00	36,971.55
5070-Customer Premises - Operation Labour	-	-	-	-	-	-
5075-Customer Premises - Materials and Expenses	-	-	-	-	-	-
5085-Miscellaneous Distribution Expense	-	-	-	-	-	-
5090-Underground Distribution Lines and Feeders - Rental Paid	39,300.04	5,895.01	118,013.00	17,701.95	98,703.00	14,805.45
5095-Overhead Distribution Lines and Feeders - Rental Paid	10,146.62	1,521.99	8,000.00	1,200.00	8,000.00	1,200.00
5096-Other Rent	-	-	-	-	-	-
<b>Sub-Total</b>	<b>781,807.87</b>	<b>117,271.18</b>	<b>1,037,615.00</b>	<b>155,642.25</b>	<b>1,223,322.00</b>	<b>183,498.30</b>
<b>Maintenance</b>						
5105-Maintenance Supervision and Engineering	-	-	-	-	-	-
5110-Maintenance of Buildings and Fixtures - Distribution Stations	-	-	-	-	-	-
5112-Maintenance of Transformer Station Equipment	-	-	-	-	-	-
5114-Maintenance of Distribution Station Equipment	-	-	-	-	-	-
5120-Maintenance of Poles, Towers and Fixtures	89,917.83	13,487.67	97,988.00	14,698.20	99,660.00	14,949.00
5125-Maintenance of Overhead Conductors and Devices	593,554.53	89,033.18	582,844.00	87,426.60	459,916.00	68,987.40
5130-Maintenance of Overhead Services	247,112.69	37,066.90	270,058.00	40,508.70	266,823.00	40,023.45
5135-Overhead Distribution Lines and Feeders - Right of Way	235,384.25	35,307.64	76,000.00	11,400.00	95,000.00	14,250.00
5145-Maintenance of Underground Conduit	5,788.32	868.25	398.00	59.70	19,775.00	2,966.25
5150-Maintenance of Underground Conductors and Devices	124,462.63	18,669.39	186,330.00	27,949.50	166,094.00	24,914.10
5155-Maintenance of Underground Services	101,206.70	15,181.01	101,827.00	15,274.05	98,058.00	14,708.70
5160-Maintenance of Line Transformers	196,757.61	29,513.64	183,330.00	27,499.50	228,208.00	34,231.20
5165-Maintenance of Street Lighting and Signal Systems	-	-	-	-	-	-
5170-Sentinel Lights - Labour	-	-	-	-	-	-
5172-Sentinel Lights - Materials and Expenses	-	-	-	-	-	-
5175-Maintenance of Meters	168.55	25.28	-	-	-	-
5178-Customer Installations Expenses- Leased Property	-	-	-	-	-	-
5185-Water Heater Rentals - Labour	-	-	-	-	-	-
5186-Water Heater Rentals - Materials and Expenses	-	-	-	-	-	-
5190-Water Heater Controls - Labour	-	-	-	-	-	-
5192-Water Heater Controls - Materials and Expenses	-	-	-	-	-	-
5195-Maintenance of Other Installations on Customer Premises	-	-	-	-	-	-
<b>Sub-Total</b>	<b>1,594,353.11</b>	<b>239,152.97</b>	<b>1,498,775.00</b>	<b>224,816.25</b>	<b>1,433,534.00</b>	<b>215,030.10</b>

Description	2006 Actual	Allowance for Working Capital	2007 Bridge	Allowance for Working Capital	2008 Test	Allowance for Working Capital
<b>Billing and Collections</b>						
5305-Supervision	209,184.97	31,377.75	307,300.00	46,095.00	329,074.00	49,361.10
5310-Meter Reading Expense	289,736.30	43,460.45	258,444.00	38,766.60	507,262.00	76,089.30
5315-Customer Billing	1,172,749.75	175,912.46	1,214,600.00	182,190.00	1,345,584.00	201,837.60
5320-Collecting	-	-	-	-	-	-
5325-Collecting- Cash Over and Short	308.79	46.32	-	-	-	-
5330-Collection Charges	44,508.84	6,676.33	76,299.00	11,444.85	56,310.00	8,446.50
5335-Bad Debt Expense	107,637.02	16,145.55	80,000.00	12,000.00	100,000.00	15,000.00
5340-Miscellaneous Customer Accounts Expenses	415.71	62.36	300.00	45.00	8,000.00	1,200.00
<b>Sub-Total</b>	<b>1,824,541.38</b>	<b>273,681.21</b>	<b>1,936,943.00</b>	<b>290,541.45</b>	<b>2,346,230.00</b>	<b>351,934.50</b>
<b>Community Relations</b>						
5405-Supervision	-	-	-	-	-	-
5410-Community Relations - Sundry	10,242.56	1,536.38	107,500.00	16,125.00	101,500.00	15,225.00
5415-Energy Conservation	92,301.25	13,845.19	-	-	-	-
5420-Community Safety Program	-	-	-	-	-	-
5425-Miscellaneous Customer Service and Informational Expenses	-	-	-	-	-	-
5505-Supervision	-	-	-	-	-	-
5510-Demonstrating and Selling Expense	-	-	-	-	-	-
5515-Advertising Expense	-	-	-	-	-	-
5520-Miscellaneous Sales Expense	-	-	-	-	-	-
<b>Sub-Total</b>	<b>102,543.81</b>	<b>15,381.57</b>	<b>107,500.00</b>	<b>16,125.00</b>	<b>101,500.00</b>	<b>15,225.00</b>
<b>Administrative and General Expenses</b>						
5605-Executive Salaries and Expenses	655,427.03	98,314.05	1,021,762.35	153,264.35	1,001,850.75	150,277.61
5610-Management Salaries and Expenses	709,849.96	106,477.49	445,737.65	66,860.65	371,008.25	55,651.24
5615-General Administrative Salaries and Expenses	203,447.21	30,517.08	238,675.00	35,801.25	272,953.00	40,942.95
5620-Office Supplies and Expenses	307,423.49	46,113.52	556,621.00	83,493.15	442,700.00	66,405.00
5625-Administrative Expense Transferred Credit	-	-	-	-	-	-
5630-Outside Services Employed	445,189.52	66,778.43	444,000.00	66,600.00	347,500.00	52,125.00
5635-Property Insurance	33,208.25	4,981.24	31,613.00	4,741.95	31,613.00	4,741.95
5640-Injuries and Damages	130,000.00	19,500.00	123,687.00	18,553.05	130,087.00	19,513.05
5645-Employee Pensions and Benefits	1,002,844.65	150,426.70	1,281,868.00	192,280.20	1,425,490.00	213,823.50
5650-Franchise Requirements	-	-	-	-	-	-
5655-Regulatory Expenses	131,528.00	19,729.20	170,000.00	25,500.00	170,000.00	25,500.00
5660-General Advertising Expenses	99,439.97	14,916.00	64,000.00	9,600.00	64,000.00	9,600.00
5665-Miscellaneous General Expenses	604,505.56	90,675.83	725,907.00	108,886.05	571,600.00	85,740.00
5670-Rent	-	-	-	-	-	-
5675-Maintenance of General Plant	360,473.65	54,071.05	388,792.00	58,318.80	270,500.00	40,575.00
5680-Electrical Safety Authority Fees	-	-	-	-	-	-
5685-Independent Market Operator Fees and Penalties	-	-	-	-	-	-
<b>Sub-Total</b>	<b>4,342,135.78</b>	<b>651,320.37</b>	<b>5,186,726.00</b>	<b>778,008.90</b>	<b>4,836,252.00</b>	<b>725,437.80</b>
<b>Property Taxes</b>						
6105 - Property Taxes	215,000.00	32,250.00	215,092.00	32,263.80	226,904.00	34,035.60
<b>Sub-Total</b>	<b>215,000.00</b>	<b>32,250.00</b>	<b>215,092.00</b>	<b>32,263.80</b>	<b>226,904.00</b>	<b>34,035.60</b>

Description	2006 Actual	Allowance for Working Capital	2007 Bridge	Allowance for Working Capital	2008 Test	Allowance for Working Capital
<b>Cost of Power</b>						
4705-Power Purchased	85,330,624.52	12,799,593.68	85,936,745.61	12,890,511.84	85,603,501.01	12,840,525.15
4708-Charges-WMS	8,134,819.58	1,220,222.94	9,533,177.66	1,429,976.65	10,406,700.00	1,561,005.00
4710-Cost of Power Adjustments		-		-		-
4712-Charges-One-Time	74,708.69	11,206.30	-	-	-	-
4714-Charges-NW	8,420,684.51	1,263,102.68	7,251,367.98	1,087,705.20	5,168,750.00	775,312.50
4716-Charges-CN	7,145,877.71	1,071,881.66	7,115,210.36	1,067,281.55	5,249,084.00	787,362.60
4730-Rural Rate Assistance Expense	-	-	-	-	-	-
5685-Independent Market Operator Fees and Penalties	17,388.46	2,608.27	78,693.59	11,804.04	-	-
<b>Sub-Total</b>	<b>109,124,103.47</b>	<b>16,368,615.52</b>	<b>109,915,195.20</b>	<b>16,487,279.28</b>	<b>106,428,035.01</b>	<b>15,964,205.25</b>
<b>WORKING CAPITAL ALLOWANCE TOTAL</b>	<b>117,984,485.42</b>	<b>17,697,672.81</b>	<b>119,897,846.20</b>	<b>17,984,676.93</b>	<b>116,595,777.01</b>	<b>17,489,366.55</b>

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>	
<b>3 - OPERATING REVENUE</b>	1			<b>Overview</b>	
		1		Overview of Operating Revenue	
		2		Summary of Operating Revenue Table	
		3		Variance Analysis on Operating Revenue	
	2				<b>Throughput Revenue</b>
		1			Weather Normalized Forecasting Methodology
		2			Normalized Volume and Customer Count Forecast Table
		3			Variance Analysis on Normalized Volume Forecast
		4			Variance Analysis on Customer Count Forecast
		5			Historical Average Consumption
	3				<b>Other Revenue</b>
		1			Other Distribution Revenue
		2			Variance Analysis on Other Distribution Revenue
		3			Rate of Return on Other Distribution Activities
	4				<b>Revenue Sharing</b>
		1			Description of Revenue Sharing

1 **OVERVIEW OF OPERATING REVENUE:**

2 Exhibit 3 provides the details of Guelph Hydro's operating revenue for 2006 Board Approved,  
3 2006 Actual, 2007 Bridge Year and 2008 Test Year. This Exhibit also provides a detailed  
4 variance analysis by rate class of the operating revenue components.

5 Distribution revenues have been calculated using the rates approved in the OEB rate  
6 adjustment proceedings in respect of Guelph Hydro and Wellington Electric Distribution  
7 Company. In particular, delivery rates are based on the OEB's Decision and Orders as follows:  
8 EB-2007-0534 dated April 12, 2007, EB-2005-0372 dated April 12, 2006 and EB-2005-0429  
9 dated April 12, 2006. Distribution Revenue does not include revenue from commodity sales.

10 A summary of Operating Revenues is presented in Exhibit 3, Tab 1, Schedule 2.

11 **Throughput Revenue**

12 Information related to Guelph Hydro's throughput revenue includes details such as weather  
13 normalized forecasting methodology, normalized volume and customer count forecast tables.  
14 Detailed variance analysis on the forecast information is also provided. Detailed information  
15 related to throughput revenue is set out in the Schedules to Exhibit 3, Tab 2.

16 **Other Revenue**

17 Other revenues include, for example, Late Payment Charges, Miscellaneous Service Revenues  
18 and Retail Services Revenues. A summary of these operating revenues together with a  
19 materiality analysis of variances is presented in Exhibit 3, Tab 3, Schedules 1 and 2.

20 **Revenue Sharing**

21 Apart from the payment of dividends to its parent company, Guelph Hydro Inc., Guelph Hydro  
22 does not share operating revenue with its affiliates.

**SUMMARY OF OPERATING REVENUE TABLE:**

**Summary of Operating Revenues**

Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved (\$)	2007 Bridge (\$)	Variance from 2006 Actual (\$)	2008 Test (\$)	Variance from 2007 Bridge (\$)
<b>Distribution Revenues</b>							
Residential	\$12,159,416.46	\$12,890,399.00	\$730,982.54	\$13,174,804.48	\$284,405.48	\$13,665,190.13	\$490,385.65
General Service < 50 kW	\$3,096,796.04	\$3,224,405.42	\$127,609.38	\$3,355,230.39	\$130,824.97	\$3,005,364.63	(\$349,865.77)
General Service 50 to 999kW	\$4,283,996.51	\$4,307,143.34	\$23,146.83	\$4,262,589.44	(\$44,553.90)	\$4,542,734.54	\$280,145.10
General Service 1,000 to 4,999kW	\$1,506,031.71	\$1,481,297.13	(\$24,734.58)	\$1,552,222.20	\$70,925.07	\$2,082,933.61	\$530,711.41
Large Use	\$635,307.83	\$643,958.61	\$8,650.78	\$643,503.91	(\$454.70)	\$1,120,423.93	\$476,920.02
Street Lighting	\$43,335.77	\$41,306.99	(\$2,028.78)	\$46,513.28	\$5,206.29	\$108,870.96	\$62,357.68
Sentinel Lighting	\$4,914.59	\$4,288.74	(\$625.86)	\$4,340.79	\$52.05	\$5,131.36	\$790.57
Unmetered Scattered Load	\$102,295.20	\$86,002.99	(\$16,292.20)	\$86,971.29	\$968.30	\$102,266.55	\$15,295.26
Back-up/Standby Power	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal	<b>\$21,832,094.10</b>	<b>\$22,678,802.22</b>	<b>\$846,708.11</b>	<b>\$23,126,175.78</b>	<b>\$447,373.56</b>	<b>\$24,632,915.72</b>	<b>\$1,506,739.94</b>
<b>Other Distribution Revenue</b>							
Late Payment Charges	\$50,115.00	\$90,239.21	\$40,124.21	\$95,000.00	\$4,760.79	\$100,000.00	\$5,000.00
Specific Service Charges	\$126,939.00	\$205,836.05	\$78,897.05	\$123,713.28	(\$82,122.77)	\$125,213.28	\$1,500.00
Other Distribution Revenue	\$1,009,339.03	\$2,036,813.51	\$1,027,474.48	\$1,771,380.00	(\$265,433.51)	\$1,683,600.00	(\$87,780.00)
Subtotal	<b>\$1,186,393.03</b>	<b>\$2,332,888.77</b>	<b>\$1,146,495.74</b>	<b>\$1,990,093.28</b>	<b>(\$342,795.49)</b>	<b>\$1,908,813.28</b>	<b>(\$81,280.00)</b>
Total Revenue Excluding Tx Allowance	<b>\$23,018,487.13</b>	<b>\$25,011,690.99</b>	<b>\$1,993,203.85</b>	<b>\$25,116,269.06</b>	<b>\$104,578.07</b>	<b>\$26,541,729.00</b>	<b>\$1,425,459.94</b>

**Note:** This revenue analysis is net of transformer allowances credited to eligible customers. In addition, this financial data has not been adjusted for normalized throughput and rate variables

1 **VARIANCE ANALYSIS ON OPERATING REVENUE:**

2 A summary of normalized operating revenues is presented in Exhibit 3, Tab 1, Schedule 2 with  
3 all subsequent comments in this Schedule relating to it.

4 **2008 Test Year:**

5 Guelph Hydro's operating revenue is forecast to be \$26,541,729 in Fiscal 2008. Distribution  
6 revenue totals \$24,632,916 or 92.8% of total revenues. Other operating revenues account for  
7 the remaining revenue of \$1,908,813.

8 **Comparison to 2007 Bridge Year:**

9 The total operating revenue for 2008 is expected to be \$26,541,729. This is \$1,425,460 above  
10 the Bridge Year level in fiscal 2007 of \$25,116,269. This increase results from an increase in  
11 distribution revenue of \$1,506,740 due to increased Residential and General Service growth in  
12 the City of Guelph and the Village of Rockwood as well as rate increases for the GS 50 kW to  
13 999 kW and the Large User customer classes. This increase is offset by a decrease of \$81,280  
14 in other distribution revenue due to a decrease in non-utility rental income.

15 **2007 Bridge Year:**

16 Guelph Hydro's operating revenue is forecast to be \$25,116,269 in the 2007 Bridge Year.  
17 Distribution revenue totals \$23,126,176 or 92.1% of total revenues. Other operating revenues  
18 account for the remaining revenue of \$1,990,093.

19 **Comparison to Fiscal 2006 Actual:**

20 The total operating revenue for 2007 is expected to be \$25,116,269. This is \$104,578 above  
21 the 2006 Actual of \$25,011,691. This increase results from an increase in distribution revenue  
22 of \$447,374 due to the normal Residential and General Service < 50 kW growth in the City of  
23 Guelph and Village of Rockwood offset by lower other distribution revenue.

24

1    **2006 Actual:**

2    Guelph Hydro's 2006 Actual operating revenue was \$25,011,691. Distribution revenue totals  
3    \$22,678,802 or 90.7% of total revenues. Other operating revenues account for the remaining  
4    revenue of \$2,332,889.

5    **Comparison to 2006 Board Approved:**

6    The total operating revenue for 2006 was \$25,011,691. This is \$1,993,204 above the fiscal  
7    2006 Board Approved of \$23,018,487. This increase is the result of strong residential growth in  
8    the City of Guelph and Village of Rockwood along with high interest income and revenue from  
9    non-utility operations.

10   **2006 Board Approved:**

11   Guelph Hydro's 2006 Board Approved operating revenue was \$23,018,487. Distribution  
12   revenue totals \$21,832,094 or 94.8% of total revenues. Other operating revenues account for  
13   the remaining revenue of \$1,186,393.



1 **WEATHER NORMALIZED FORECASTING METHODOLOGY:**

2 As required by the Filing Requirements, Guelph Hydro is providing weather normalized 2006  
3 actual throughput and forecasted throughput for the 2007 Bridge Year and 2008 Test Year.  
4 Weather normalization has been based on normalized average use per customer (“NAC”)  
5 calculated from Guelph Hydro’ weather-normalized throughput based on 2004 actual data.

6 Guelph Hydro contracted with Hydro One to prepare weather-normalized data as part of its Cost  
7 Allocation filing in February of 2006. The Hydro One model takes into consideration thirty years  
8 of weather related data and translates this into current year normalized data as an annual  
9 consumption per customer. The Hydro One model normalized Guelph Hydro actual wholesale  
10 data for 2004. By using the latest Hydro One forecast that is specific to Guelph Hydro, the 2004  
11 weather normalized data has been used to forecast the required information for the 2007 Bridge  
12 Year and 2008 Test Year.

13 The process to obtain the weather normal data was an intensive effort for all parties involved,  
14 and Guelph Hydro is making use of this opportunity to leverage the value of that work by using it  
15 for this Application. Guelph Hydro submits that two additional years of actual data, being 2005  
16 and 2006, would not have a significant impact on the existing normalized data from 2004, as the  
17 Hydro One forecast takes into consideration 30 years of historical data for Guelph Hydro.

18 Guelph Hydro is aware that intervenors in Hydro One’s 2007 and 2008 Transmission Revenue  
19 Requirement proceeding (OEB File No. EB-2006-0501) raised concerns regarding the accuracy  
20 of Hydro One’s weather normalization methodology. However, the OEB acknowledged (at p.87  
21 of its August 16, 2007 Decision with Reasons) “that Hydro One’s weather-normalization method  
22 has been applied consistently over the years and is similar to the methods used by most North  
23 American utilities. The Board accepts Hydro One’s weather-normal peak load forecast for 2007  
24 and 2008 (before the effects of CDM).”

25 After identifying certain concerns with respect to global climate change and an apparent  
26 increase in “extreme weather events” in recent years, and with respect to the need for an  
27 explanation of inconsistencies between Hydro One’s forecasts and those of the IESO, the OEB  
28 held (at p.88 of the Decision with Reasons):

1 “Given the concerns set out in the two preceding paragraphs, the Board directs  
2 Hydro One to prepare, and to submit to the Board prior to the Company’s next  
3 transmission rates case, a study of evolving weather-normalization practices of  
4 utilities and other relevant entities. The study should include a recommendation,  
5 with supporting rationale, for either retaining the current methodology or making  
6 modifications. As noted by Hydro One’s counsel in final argument, the Board’s  
7 current three-year business plan includes an initiative to review weather  
8 normalization methodologies. That project, which has not yet been fully defined,  
9 is intended to deal specifically with the practices of gas distributors. As such, it is  
10 not a substitute for the study that the Board is directing Hydro One to undertake.

11 The Board also directs Hydro One to submit a detailed comparison of its  
12 forecasting methodology and assumptions with those used by the IESO in its  
13 monthly peak load forecasts before its next rates case. That report should, to the  
14 extent possible, identify the reasons for significant differences in the two  
15 forecasts in recent years.”

16 Guelph Hydro submits that pending the outcome of any such studies and any changes to the  
17 Hydro One methodology that may flow from it, Guelph Hydro has acted prudently in engaging  
18 Hydro One to prepare Guelph Hydro’s weather normalized data using the current Hydro One  
19 methodology.

20 Weather sensitive loads, being the Residential, General Service < 50 kW, General Service >50  
21 kW to 999 kW, General Service >1,000 kW to 4,999 kW and Large User customer classes, are  
22 calculated by using a retail normalized average use per customer (“retail NAC”). This is  
23 calculated by dividing the class weather normalized retail kWh for 2004 by the number of  
24 customers in class in 2004. Class weather normalized retail kWh for 2004 is determined by  
25 dividing the class weather normalized wholesale kWh for 2004 reported in the Hydro One  
26 weather normalization analysis by the class loss factor. The class loss factor is calculated for  
27 2004 by dividing the class weather actual wholesale consumption for 2004 by the class weather  
28 actual retail consumption. Table 1 provides Guelph Hydro’s weather actual wholesale kWh and  
29 retail kWh and associated loss factors for each weather sensitive customer class.

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**Table 1**  
**2004 Weather Actual kWh and Loss Factors for Weather Sensitive Load**

	Weather Actual Wholesale kWh	Weather Actual Retail kWh	Loss Factor
Residential	331,410,805	321,164,894	1.0319
General Service <50 kW	137,082,179	132,839,340	1.0319
General Service >50 to 999 kW	457,353,883	443,514,171	1.0312
General Service >1000 to 4999 kW	382,254,410	372,045,282	1.0274
Large User >5000 kW	262,462,104	261,286,316	1.0045

This information is used in the calculation of the NAC by weather sensitive customer class for 2004 as provided in Table 2, below.

**Table 2**  
**2004 Normalized Average Use per Customer**

	Weather Normalized Wholesale kWh	Customer Connections (2004)	Retail NAC
Residential	339,636,684	40,402	8,147
General Service <50 kW	143,227,022	3,399	40,834
General Service >50 to 999 kW	445,948,913	502	861,463
General Service >1000 to 4999 kW	402,236,641	36	10,874,829
Large User >5000 kW	261,327,897	4	65,039,297

Annual class kWh for weather sensitive loads for the 2007 Bridge Year and 2008 Test Year are calculated by multiplying retail NAC, from Table 2 above, by the forecasted number of customers in those customer classes.

The kWh's for the Unmetered Scattered Load, Sentinel Lights and Street Lighting are not weather sensitive and are not expected to differ significantly in 2007 or 2008. Guelph Hydro's forecasted 2007 Bridge Year and 2008 Test Year throughput for these classes is based on 2004-2006 consumption per customer and the forecasted growth in number of customers.

The General Service >50 kW to 999 kW, General Service >1,000 kW to 4,999 kW, Large Use, Sentinel Lighting and Street Lighting customer classes are billed based on demand charges and therefore require an estimate of billed kW. Guelph Hydro has determined 2007 Bridge Year and 2008 Test Year kW demand using a ratio of historical billed kW to historical retail kW, by class.

1 **NORMALIZED VOLUME AND CUSTOMER COUNT FORECAST TABLE:**

2 Guelph Hydro has prepared the following information in accordance with the Filing  
 3 Requirements. Guelph Hydro has provided, in Table 3, customer numbers, consumption and  
 4 demand data for years 2004 through to 2008 by customer class, reflecting both actual and  
 5 normalized consumption. The 2008 Normalized Test Year reflects no load growth in Unmetered  
 6 Scattered Load, General Service 1,000 to 4,999 kW and Large Users.

7 **Table 3**  
 8 **Actual and Normalized Volume and Customer Data**

Year	2004		2005		2006		2007		2008	
	Historical Actual	Normalized Historical Actual	Historical Actual	Normalized Historical Actual	Historical Actual	Normalized Historical Actual	Forecast Bridge Year	Normalized Forecast Bridge Year	Normalized Test Year	
<b>Customer Class</b>										
<b>Residential</b>	#	40,402	40,402	41,497	41,497	42,220	42,220	43,220	43,220	44,220
	kWh	321,164,894	329,136,461	356,241,413	338,147,093	345,895,720	344,117,926	354,769,113	352,374,818	360,631,710
<b>Streetlights</b>	#	2	2	2	2	2	2	2	2	2
	kWh	8,356,892	8,356,892	8,524,550	8,524,550	8,758,276	8,758,276	8,966,613	8,966,613	9,180,192
	kW	23,322	23,322	23,860	23,860	23,897	23,897	25,101	24,860	25,453
<b>Sentinel lights</b>	#	30	30	31	31	30	30	30	30	30
	kWh	124,534	124,534	128,473	128,473	126,848	126,848	127,630	127,630	128,416
	kW	441	439	357	357	345	345	347	351	353
<b>Unmetered</b>	#	41	41	43	43	43	43	43	43	43
<b>Scattered Load</b>	kWh	3,187,441	3,187,441	3,177,795	3,177,795	2,343,467	2,343,467	2,343,467	2,343,467	2,343,467
<b>General Service</b>	#	3,399	3,399	3,491	3,491	3,526	3,526	3,569	3,569	3,612
<b>&lt;50 kW</b>	kWh	132,839,340	138,793,994	143,238,170	142,467,197	138,269,721	143,948,915	143,104,728	145,678,094	147,407,272
<b>General Service</b>	#	502	502	475	475	489	489	502	502	515
<b>&gt;50 to 999 kW</b>	kWh	443,514,171	432,454,321	427,870,942	409,778,626	425,888,338	421,221,423	444,302,044	432,454,321	443,687,218
	kW	1,152,509	1,123,789	1,194,606	1,065,006	1,193,357	1,094,676	1,154,647	1,123,875	1,153,073
<b>General Service</b>	#	36	36	37	37	37	37	37	37	37
<b>&gt;1000 to 4999 kW</b>	kWh	372,045,282	391,493,834	424,553,499	402,368,663	420,373,256	402,368,663	402,769,979	402,368,663	402,368,663
	kW	799,327	841,112	828,598	864,476	827,810	864,476	865,338	864,476	864,476
<b>Large User</b>	#	4	4	4	4	4	4	4	4	4
<b>&gt; 500kW</b>	kWh	261,286,316	260,157,189	253,448,418	260,157,189	260,643,976	260,157,189	258,459,570	260,157,189	260,157,189
	kW	467,895	465,873	463,386	475,652	474,726	473,839	468,671	471,750	471,750

1 **VARIANCE ANALYSIS ON NORMALIZED VOLUME FORECAST:**

2 Guelph Hydro has compared the average actual kWh consumption and the average normalized  
 3 kWh consumption for the years 2004 to 2006 for Residential, General Service <50 kW, General  
 4 Service >50 kW to 999 kW, General Service >1,000 kW to 4,999 kW and Large User customer  
 5 classes. This comparison is provided below in Table 4.

6 The following weather normalization analysis indicates fairly consistent consumption patterns  
 7 between actual and normalized consumption on a per customer basis averaged over a three  
 8 year period. The weather normalization process results in changes ranging from a decrease of  
 9 2.6% in the General Service < 50 kW class to an increase of 2.6% in the General Service 50 kW  
 10 to 999 kW customer class. All other classes experience changes within this range.

11 **Table 4**

12 **Actual kWh and Normalized kWh**

Customer Rate Classes	Average 2004-2006				Normalization Impact per Year	
	Actual	Normalized	Variance	Customer #	kWh per Customer	%
Residential	341,100,676	337,133,827	3,966,849	41,373	96	1.2%
General Service < 50 kW	138,115,744	141,736,702	(3,620,958)	3,472	(1,043)	-2.6%
General Service > 50 kW to 999 kW	432,424,484	421,151,457	11,273,027	489	23,069	2.6%
General Service > 999 kW to 4999 kW	405,657,346	397,743,720	7,913,626	37	188,553	1.7%
Large User > 5000 kW	258,459,570	260,157,189	(1,697,619)	4	(424,405)	-0.7%

1 **VARIANCE ANALYSIS ON CUSTOMER COUNT FORECAST:**

2 Projections for the numbers of customers in each class for both the 2007 Bridge Year and 2008  
3 Test Year are based on Guelph Hydro's historical data from the actual numbers of customers in  
4 each rate class for years 2004 through 2006. As can be seen from Table 3, Guelph Hydro has  
5 experienced a relatively consistent growth in its customer base and has continued that growth  
6 into the 2007 and 2008 forecast.

7 The Residential customer class' total growth between 2004 and 2006 has been 1,818  
8 customers. The average annual growth was 2.24% on an average customer base of 41,373  
9 over this two-year study period. Guelph Hydro has forecasted an average annual increase of  
10 2.34% for both the 2007 Bridge Year and 2008 Test Year.

11 Customer connection forecasts for the Street Lighting, Sentinel Lights and Unmetered Scattered  
12 Load rate classes for the 2007 Bridge Year and 2008 Test Year were calculated based on the  
13 average annual connection growth rate of each class from 2004 through 2006. There are no  
14 forecasted customer connection increases to the Sentinel Lights and Unmetered Scattered  
15 Load customer classes. The Street Lighting customer number (2 customers) will remain  
16 constant for the 2007 Bridge Year and 2008 Test Year, however the forecasted volume will  
17 increase by 2.38%. The average increase in volume for the Street Lighting classes for years  
18 2004 through 2006 was calculated to be 2.37%.

19 In 2004 there was a re-classification of both general service rate groups which resulted in a shift  
20 of some customers from the General Service >50 kW to 999 kW group to the General Service  
21 <50 kW rate class. As a result of this shift in customer connections, the forecasts for both the  
22 General Service <50 kW and General Service >50 kW to 999 kW rate classes will be based the  
23 average of both rate classes annual connection growth rate between 2004 through 2006. The  
24 average annual connection growth rate from 2004 through 2006 for both classes was 1.45%.  
25 The forecasted connection growth rate for the 2007 Bridge and 2008 Test Years was calculated  
26 to be 1.38%.

27 The General Service >1,000 kW to 4,999 kW class consists of 37 customers. This class has  
28 only seen an increase of one customer between the years 2004 and 2006. Guelph Hydro does  
29 not anticipate any changes to this rate class within the study period and, therefore, has used 37  
30 customers for the balance of the 2007 Bridge Year and the 2008 Test Year.

1 The Large User class consists of four customers, and this number has remained constant since  
2 2004. Guelph Hydro does not anticipate any changes to this class within the study period and,  
3 therefore, has used four customers for the balance of the 2007 Bridge Year and the 2008 Test  
4 Year.

5 Overall, Guelph Hydro is forecasting a 2.25% average annual increase in customer connections  
6 over the 2007 Bridge and 2008 Test Years as compared to the average annual connection  
7 increase of 2.16% between years 2004 and 2006.

8 **Conservation & Demand Management (“C&DM”):**

9 Guelph Hydro has considered the impact of C&DM on the load forecasts. As shown in our  
10 LRAM and SSM request (Exhibit 10, Tab 1, Schedule 1), Guelph Hydro has recognized that  
11 C&DM activities are starting to have some impact on Guelph’s residential sector and we note an  
12 impact of less than 0.5% per year in energy consumption reduction. However, Guelph Hydro  
13 recognizes that C&DM initiatives in the electricity sector are still in their infancy and the full  
14 effects of C&DM will be experienced in upcoming years which fall outside of this study period.  
15 Guelph’s load by customer class is approximately 22% residential and 78% industrial and  
16 commercial resulting in an overall impact on Guelph’s system load forecast of approximately  
17 0.1%. Guelph Hydro believes that a small residential load reduction resulting from C&DM  
18 activities will be offset by load growth per customer in the residential sector as customers add  
19 new household devices to improve their standard of living.

1 **HISTORICAL AVERAGE CONSUMPTION:**

2 Guelph Hydro is providing its historical actual average consumption data, as required in the  
 3 Filing Requirements, in Table 5, below.

4 **Table 5**  
 5 **Historical Actual Average Consumption**

		2004	2005	2006	2007	2008
		Historical	Historical	Historical	Forecast	Normalized
		Actual	Actual	Actual	Bridge Year	Test Year
Residential	Average kWh / Customer	7,949	8,585	8,193	8,208	8,155
General Service <50 kW	Average kWh / Customer	39,082	41,031	39,214	40,097	40,810
General Service >50 to 999 kW	Average kWh / Customer	883,494	900,781	870,937	885,064	861,529
	Average kW / Customer	2,296	2,515	2,440	2,300	2,239
General Service >1000 to 4999 kW	Average kWh / Customer	10,334,591	11,474,419	11,361,439	10,885,675	10,874,829
	Average kW / Customer	22,204	22,395	22,373	23,388	23,364
Large User >5000 kW	Average kWh / Customer	65,321,579	63,362,104	65,160,994	64,614,892	65,039,297
	Average kW / Customer	116,974	115,847	118,682	117,938	117,937

6  
 7 Guelph Hydro is providing its historical actual normalized average consumption data, as  
 8 required in the Filing Requirements, in Table 6, below. As discussed above, the Hydro One  
 9 weather normalization process results in a per customer weather normalized consumption level  
 10 for each customer class. Those levels have been used to weather normalize class consumption  
 11 for each year from 2004 to the 2008 Test Year. The class consumption is calculated by  
 12 multiplying the weather normalized per customer consumption by the number of customers in  
 13 that class.

14 **Table 6**  
 15 **Historical Actual Normalized Average Consumption**

		2004	2005	2006	2007	2008
		Normalized	Normalized	Normalized	Normalized	Normalized
		Historical	Historical	Historical	Forecast	Test Year
		Actual	Actual	Actual	Bridge Year	
Residential	Average kWh / Customer	8,147	8,149	8,151	8,153	8,155
General Service <50 kW	Average kWh / Customer	40,834	40,810	40,825	40,818	40,810
General Service >50 to 999 kW	Average kWh / Customer	861,463	862,692	861,394	861,463	861,529
	Average kW / Customer	2,239	2,242	2,239	2,239	2,239
General Service >1000 to 4999 kW	Average kWh / Customer	10,874,829	10,874,829	10,874,829	10,874,829	10,874,829
	Average kW / Customer	23,364	23,364	23,364	23,364	23,364
Large User >5000 kW	Average kWh / Customer	65,039,297	65,039,297	65,039,297	65,039,297	65,039,297
	Average kW / Customer	116,468	118,913	118,460	117,937	117,937



**OTHER DISTRIBUTION REVENUE:**

**Operating Revenue Throughput Analysis**

Description	2006 Actual *	2006 Board Approved	2006 Board Approved Normalized	2006 Actual Normalized	2007 Bridge Year *	2007 Bridge Year Normalized	2008 Test Year At Existing Rates	2008 Test Year At Proposed Rates
<b>Other Distribution Revenue:</b>								
SSS Administration Revenue	\$ 133,452.97	\$ 126,939.00	\$ 126,939.00	\$ 133,452.97	\$ 107,100.00	\$ 107,100.00	\$ 108,600.00	\$ 108,600.00
Retail Services Revenue	33,986.58	0.00	0.00	33,986.58	16,241.14	16,241.14	16,241.14	16,241.14
Service Transaction Requests (STR) Revenues	38,396.50	0.00	0.00	38,396.50	372.14	372.14	372.14	372.14
Interdepartmental Rents	6,437.43	0.00	0.00	6,437.43	0.00	0.00	0.00	0.00
Rent from Electric Property	0.00	0.00	0.00	0.00	199,000.00	199,000.00	224,000.00	224,000.00
Other Electric Revenues	55,665.00	12,017.00	12,017.00	55,665.00	0.00	0.00	0.00	0.00
Late Payment Charges	90,239.21	50,115.00	50,115.00	90,239.21	95,000.00	95,000.00	100,000.00	100,000.00
Miscellaneous Service Revenue	557,476.84	342,008.03	342,008.03	557,476.84	245,650.00	245,650.00	248,600.00	248,600.00
Gain on Disposition of Utility and Other Property	0.00	0.00	0.00	0.00	50,000.00	50,000.00	2,500.00	2,500.00
Revenues from Non-Utility Operations	845,466.91	0.00	0.00	845,466.91	732,000.00	732,000.00	790,000.00	790,000.00
Expenses of Non-Utility Operations	(385,147.75)	0.00	0.00	(385,147.75)	(4,270.00)	(4,270.00)	(25,000.00)	(25,000.00)
Non-Utility Rental Income	81,830.00	0.00	0.00	81,830.00	174,000.00	174,000.00	43,500.00	43,500.00
Interest Income	875,085.08	655,314.00	655,314.00	875,085.08	375,000.00	375,000.00	400,000.00	400,000.00
<b>Sub-Total</b>	<b>2,332,888.77</b>	<b>1,186,393.03</b>	<b>1,186,393.03</b>	<b>2,332,888.77</b>	<b>1,990,093.28</b>	<b>1,990,093.28</b>	<b>1,908,813.28</b>	<b>1,908,813.28</b>

1 **VARIANCE ANALYSIS ON OTHER DISTRIBUTION REVENUE:**

2 **Materiality:**

3 The Materiality threshold used to analyze Other Distribution Revenue was the threshold used  
 4 by Guelph Hydro for OM&A costs, being \$100,000. The OM&A cost threshold was used  
 5 because other distribution revenues, like OM&A costs, are recorded in Income Statement  
 6 accounts.

7 **2007 Bridge Year Compared to 2008 Test Year:**

Description	<u>2007 Bridge</u>	<u>2008 Test</u>	<u>Variance</u>
Non-Utility Rental Income	174,000	43,500	(130,500)

8 Non-Utility rental income is for the rental of the former head office property (Dawson Road). The  
 9 rental in 2007 is for a full year.

10 **2006 Actual Year Compared to 2007 Bridge Year:**

Description	<u>2006 Actual</u>	<u>2007 Bridge</u>	<u>Variance</u>
Misc. Service Revenues	557,477	245,650	(311,827)
Revenue from Non-Utility Operations	845,467	732,000	(113,467)
Expenses of Non-Utility Operations	(385,148)	(4,270)	380,878
Rent from Electricity Property	0	199,000	199,000
Interest Income	875,085	375,000	(500,085)
Total	<u>1,892,881</u>	<u>1,547,380</u>	<u>(345,501)</u>

11 The decrease in Misc. Service Revenues from the 2006 Actual amounts is due to duct rentals  
 12 and pole rentals being reclassified to "Rent from Electricity Property" in 2007.

13 Non-Utility operations consist of revenues from reading and billing of water consumption for the  
 14 City of Guelph, Guelph Hydro's mapping operations and the revenues and expenses for street  
 15 light maintenance. In 2007 water billing rates were increased by 33% as the second year of a  
 16 three year program to align with market rates for this service. In 2007 the street light  
 17 maintenance revenues and expenses (approximately \$204,000) were not reported in Non-  
 18 Utility operations as they largely offset one another and have little impact on the net revenue  
 19 being reported.

1 Rent from Electricity Property is comprised of the following items: pole rentals, duct rental, and  
 2 the rental of space housing fibre optic equipment. In 2006 these items were classified with  
 3 Misc. Services Revenue.

4 Cash balances are projected to significantly decline in 2007 resulting in lower interest  
 5 income.

6 **2006 Board Approved Year Compared to 2006 Actual Year:**

Description	<u>2006</u>	<u>2006</u>	Variance
	<u>Board</u>	<u>Actual</u>	
	<u>Approved</u>	<u>Actual</u>	
Misc. Service Revenues	342,008	557,477	215,469
Revenue from Non-Utility Operations	0	845,467	845,467
Expenses of Non-Utility Operations	0	(385,148)	(385,148)
Interest Income	655,314	875,085	219,771
Total	<u>997,322</u>	<u>1,892,881</u>	<u>895,559</u>

7 For the 2006 actual totals, misc. service revenues include pole rentals, change of occupancy  
 8 charges, collection charges, reconnection charges, sale of scrap metal, RIMS sub billings, and  
 9 duct rentals. The increase from the 2006 Board Approved amounts is due to the fact that duct  
 10 rentals of \$55,000 and the sale of scrap for \$41,000 were excluded from the 2006 Board  
 11 Approved total. In addition, in 2006 there was an increase in collection charges of \$43,000. In  
 12 late 2004, there was an Ontario government moratorium on disconnects. As a result, hand  
 13 delivered disconnection notices were not sent out and collection charges were not levied for this  
 14 period. 2006 also experienced a catch-up in billing \$79,000 for pole rentals. The pole rental  
 15 billing is for a two year period.

16 Non-Utility operations consist of revenues from reading and billing water consumption for the  
 17 City of Guelph. In 2006 the rates were increased by 33% as the first year of a three year  
 18 program to align with market rates for this service. Non-Utility operations also includes  
 19 revenues and costs from the operation of Utility Solutions, Guelph Hydro's mapping business.  
 20 This service is provided by Guelph Hydro and sold to other regulated and non-regulated  
 21 organizations. Finally, Non-Utility operations consist of street light maintenance revenue which  
 22 is offset by an equal amount of street light maintenance expenses. In the 2006 EDR model,  
 23 non-utility revenues and expenses were assigned to the category of "unclassified" and,  
 24 therefore, did not appear in the 2006 Board Approved amounts.

25 Interest income was higher on higher cash balances in 2006 than forecast in the 2006 EDR.

1 **RATE OF RETURN ON OTHER DISTRIBUTION ACTIVITIES:**

- 2 Except as discussed in the section on Shared Services (Exhibit 4, Tab 2, Schedule 4), Guelph
- 3 Hydro is not involved in other distribution activities.

1 **DESCRIPTION OF REVENUE SHARING:**

- 2 Apart from the payment of dividends to its parent company, Guelph Hydro Inc.; Guelph Hydro  
3 does not share operating revenue with its affiliates.

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>	
<b>4 – OPERATING COSTS</b>	1			<b>Overview</b>	
		1		Overview of Operating Costs	
		2		Summary of Operating Costs Table	
	2				<b>OM&amp;A Costs</b>
		1			OM&A Costs Table
		2			Variance Analysis on OM&A Costs
		3			Materiality Analysis on OM&A Costs
		4			Shared Services
		5			Corporate Costs Allocation
		6			Purchase of Services
		7			Employee Compensation, Incentive Plan Expenses, Pension Expenses and Post Retirement Benefits
		8			Depreciation, Amortization and Depletion
		9			Loss Adjustment Factor Calculation
	10			Materiality Analysis on Distribution Losses	
	3				<b>Income Tax, Large Corporation Tax</b>
		1			Tax Calculations
		2			Interest Expense
		3			Capital Cost Allowance

1 **OVERVIEW OF OPERATING COSTS:**

2 **Operating Costs:**

3 The operating costs presented in this exhibit represent the annual expenditures required to  
4 sustain Guelph Hydro's Distribution Operations. Operating costs include items such as  
5 operations, maintenance, billing and collections, community relations, administrative and  
6 general expenses, amortization expenses and property tax expenses. Collectively, these costs  
7 are referred to as OM&A costs.

8 The OM&A costs in this exhibit represent Guelph Hydro's integrated set of asset maintenance  
9 and customer activity needs to meet public and employee safety objectives; to comply with the  
10 Distribution System Code, environmental requirements and Government direction; and to  
11 maintain distribution business service quality and reliability at targeted performance levels.  
12 These costs also include providing services to customers connected to Guelph Hydro's  
13 Distribution system, and to meet the service levels stipulated in the OEB's Standard Supply  
14 Service Code and Retail Settlement Code.

15 The proposed OM&A cost expenditures for the 2008 test year result from a rigorous business  
16 planning and work prioritization process that reflects risk-based decision making to ensure that  
17 the most appropriate, cost effective solutions are put in place.

18 OM&A expenditures totaled \$13.9 million in 2006 Board Approved and \$14.3 million in 2006  
19 Actual, and are forecast to be \$15.8 million in the 2007 Bridge Year and \$16.1 million in the  
20 2008 Test Year.

21 **OM&A Budgeting Process:**

22 The annual budget is prepared by management and is reviewed by the Executive Management  
23 Team and, following an intensive review, approved by the Board of Directors. The budget  
24 process begins with a review of the current year performance against budget. Capital and  
25 operating projections are developed for the current year. The budget for the next year is  
26 prepared on a zero budget basis with a strong reliance on past historical experience. This  
27 budget is prepared by the individual manager responsible for each functional area. The

1 operating and capital budgets are complemented by forecasts of load growth, revenues, taxes  
2 and cash flows.

3 **Operating Budget Plans:**

4 Each department manager is responsible for the preparation of their department budget. The  
5 budgets are built on a “bottom up” and “top down” approach. The “top down” focus is based on  
6 the corporate goals for the year. The budget is projected in the context of current City and  
7 provincial projections for inflation and overall economic conditions.

8 The payroll and benefits for existing and new hires are calculated by the Human Resources  
9 department. Any new hires are individually justified to the Executive Management Team and,  
10 secondly, to the Board of Directors by the department head. New additions or reductions are  
11 integrated into each department operating budget.

12 **Administration Budget Plans (Billing & Customer Service, Human Resources, Regulatory  
13 Affairs and Information Services (“IS”):**

14 The Administration and IS budgets are prepared in the same fashion as those for Operations.  
15 Administration budgets include the support function costs for the organization, including legal,  
16 regulatory and administration building costs.

17 **Allocations:**

18 Operations staff time is charged to capital assets, operations and maintenance using weekly  
19 time sheets. The rate used is based on a rate established annually. The labour rate includes  
20 actual labour cost based on the union contract, benefits and overhead components related to  
21 operations and engineering.

22 **Income Tax and Ontario Capital Taxes:**

23 Guelph Hydro makes payments to the Ontario Energy Finance Corporation as Payments in  
24 Lieu of Taxes (“PILs”). These payments are calculated based on current federal and provincial  
25 tax legislation. Taxes are based on detailed calculations of income taxes, and indemnity  
26 payments to the Province. Details of the expenditures are filed at Exhibit 4, Tab 3, Schedule 1.



- 1 The Income Taxes and Ontario Capital Taxes expenditures totaled \$1.9 million in 2006 Board
- 2 Approved; \$3.4 million in 2006 Actual (for the April to December 2006 period, this being the first
- 3 taxation year of the Guelph Hydro/WEDCO merged entity.) Taxes are forecast to be \$2.4
- 4 million in 2007 and \$2.6 million in 2008.

1 **SUMMARY OF OPERATING COSTS TABLE:**

**SUMMARY OF OPERATING COSTS**

Description	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test
<b>Operating Costs</b>				
Operation	1,117,605	781,808	1,037,615	1,223,322
Maintenance	1,517,143	1,594,353	1,498,775	1,433,534
Billing and Collections	1,622,591	1,824,541	1,936,943	2,346,230
Community Relations	29,591	102,544	107,500	101,500
Administrative and General Expenses	4,507,329	4,375,397	5,206,226	4,855,752
Amortization Expenses	5,100,122	5,423,227	5,817,725	5,899,200
Taxes Other Than Income Taxes	288,557	593,000	470,425	531,629
<b>Total Operating Costs</b>	<b>14,182,939</b>	<b>14,694,871</b>	<b>16,075,208</b>	<b>16,391,167</b>
<b>Less:</b>				
Charitable Donations and Penalties	1,518	33,261	19,500	19,500
Capital Taxes	288,557	378,000	255,333	304,725
<b>Total OM&amp;A Costs</b>	<b>13,892,864</b>	<b>14,283,609</b>	<b>15,800,376</b>	<b>16,066,942</b>
<b>Determination of Variance Amount (1% of OM&amp;A Costs) - Note (1)</b>	<b>138,929</b>	<b>142,836</b>	<b>158,004</b>	<b>160,669</b>

**Notes:**

(1) Variance explanations are required for changes in the OM&A Costs exceeding the variance thresholds calculated above. The lowest variance amount is normally selected as the proper threshold amount for all years. For our variance explanations we have chosen to use a threshold of \$100,000 in order to ensure a more complete explanation of all material variances.

Operating Costs

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	2006 Actual	2007 Bridge	Variance from 2006 Actual	2007 Bridge	2008 Test	Variance from 2007 Bridge
<b>Operation (Working Capital)</b>									
5005-Operation Supervision and Engineering	\$373,665.66	\$519,420.71	\$145,755.05	\$519,420.71	\$488,906.00	(\$30,514.71)	\$488,906.00	\$656,454.00	\$167,548.00
5010-Load Dispatching	\$113.00	\$0.00	(\$113.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5012-Station Buildings and Fixtures Expense	\$12,531.42	\$20,955.66	\$8,424.24	\$20,955.66	\$20,200.00	(\$755.66)	\$20,200.00	\$21,500.00	\$1,300.00
5014-Transformer Station Equipment - Operation Labour	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5015-Transformer Station Equipment - Operation Supplies and Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5016-Distribution Station Equipment - Operation Labour	\$750.00	\$2,057.25	\$1,307.25	\$2,057.25	\$0.00	(\$2,057.25)	\$0.00	\$0.00	\$0.00
5017-Distribution Station Equipment - Operation Supplies and Expenses	\$7,362.07	\$5,460.20	(\$1,901.87)	\$5,460.20	\$0.00	(\$5,460.20)	\$0.00	\$0.00	\$0.00
5020-Overhead Distribution Lines and Feeders - Operation Labour	\$19,747.38	\$10,695.45	(\$9,051.93)	\$10,695.45	\$9,611.00	(\$1,084.45)	\$9,611.00	\$10,111.00	\$500.00
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	\$199,446.77	\$10,743.75	(\$188,703.02)	\$10,743.75	\$5,647.00	(\$5,096.75)	\$5,647.00	\$14,071.00	\$8,424.00
5030-Overhead Subtransmission Feeders - Operation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5035-Overhead Distribution Transformers - Operation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5040-Underground Distribution Lines and Feeders - Operation Labour	\$153,461.37	\$55,752.36	(\$97,709.01)	\$55,752.36	\$137,041.00	\$81,288.64	\$137,041.00	\$164,286.00	\$27,245.00
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	\$7,318.39	\$4,403.69	(\$2,914.70)	\$4,403.69	\$3,720.00	(\$683.69)	\$3,720.00	\$3,720.00	\$0.00
5050-Underground Subtransmission Feeders - Operation	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5055-Underground Distribution Transformers - Operation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5060-Street Lighting and Signal System Expense	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5065-Meter Expense	\$273,563.30	\$181,472.22	(\$92,091.08)	\$181,472.22	\$246,477.00	\$65,004.78	\$246,477.00	\$246,477.00	\$0.00
5070-Customer Premises - Operation Labour	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5075-Customer Premises - Materials and Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5085-Miscellaneous Distribution Expense	\$64,126.00	(\$39,300.04)	(\$103,426.04)	(\$39,300.04)	\$118,013.00	\$157,313.04	\$118,013.00	\$98,703.00	(\$19,310.00)
5090-Underground Distribution Lines and Feeders - Rental Paid	\$0.00	\$10,146.62	\$10,146.62	\$10,146.62		(\$10,146.62)	\$0.00		\$0.00
5095-Overhead Distribution Lines and Feeders - Rental Paid	\$5,520.00	\$0.00	(\$5,520.00)	\$0.00	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00	\$0.00
5096-Other Rent	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Sub-Total</b>	<b>\$1,117,605.36</b>	<b>\$781,807.87</b>	<b>(\$335,797.49)</b>	<b>\$781,807.87</b>	<b>\$1,037,615.00</b>	<b>\$255,807.13</b>	<b>\$1,037,615.00</b>	<b>\$1,223,322.00</b>	<b>\$185,707.00</b>
<b>Maintenance (Working Capital)</b>									
5105-Maintenance Supervision and Engineering	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5110-Maintenance of Buildings and Fixtures - Distribution Stations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5112-Maintenance of Transformer Station Equipment	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5114-Maintenance of Distribution Station Equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5120-Maintenance of Poles, Towers and Fixtures	\$298,632.29	\$89,917.83	(\$208,714.46)	\$89,917.83	\$97,988.00	\$8,070.17	\$97,988.00	\$99,660.00	\$1,672.00
5125-Maintenance of Overhead Conductors and Devices	\$182,071.10	\$593,554.53	\$411,483.43	\$593,554.53	\$582,844.00	(\$10,710.53)	\$582,844.00	\$459,916.00	(\$122,928.00)
5130-Maintenance of Overhead Services	\$323,332.52	\$247,112.69	(\$76,219.83)	\$247,112.69	\$270,058.00	\$22,945.31	\$270,058.00	\$266,823.00	(\$3,235.00)
5135-Overhead Distribution Lines and Feeders - Right of Way	\$119,243.16	\$235,384.25	\$116,141.09	\$235,384.25	\$76,000.00	(\$159,384.25)	\$76,000.00	\$95,000.00	\$19,000.00
5145-Maintenance of Underground Conduit	\$51,048.64	\$5,788.32	(\$45,260.32)	\$5,788.32	\$398.00	(\$5,390.32)	\$398.00	\$19,775.00	\$19,377.00
5150-Maintenance of Underground Conductors and Devices	\$193,163.89	\$124,462.63	(\$68,701.26)	\$124,462.63	\$186,330.00	\$61,867.37	\$186,330.00	\$166,094.00	(\$20,236.00)

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	2006 Actual	2007 Bridge	Variance from 2006 Actual	2007 Bridge	2008 Test	Variance from 2007 Bridge
<b>Maintenance (Working Capital)</b>									
5155-Maintenance of Underground Services	\$133,652.63	\$101,206.70	(\$32,445.93)	\$101,206.70	\$101,827.00	\$620.30	\$101,827.00	\$98,058.00	(\$3,769.00)
5160-Maintenance of Line Transformers	\$215,998.93	\$196,757.61	(\$19,241.32)	\$196,757.61	\$183,330.00	(\$13,427.61)	\$183,330.00	\$228,208.00	\$44,878.00
5165-Maintenance of Street Lighting and Signal Systems	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5170-Sentinel Lights - Labour	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5172-Sentinel Lights - Materials and Expenses	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5175-Maintenance of Meters	\$0.00	\$168.55	\$168.55	\$168.55	\$0.00	(\$168.55)	\$0.00	\$0.00	\$0.00
5178-Customer Installations Expenses- Leased Property	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5185-Water Heater Rentals - Labour	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5186-Water Heater Rentals - Materials and Expenses	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5190-Water Heater Controls - Labour	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5192-Water Heater Controls - Materials and Expenses	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5195-Maintenance of Other Installations on Customer Premises	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
<b>Sub-Total</b>	<b>\$1,517,143.16</b>	<b>\$1,594,353.11</b>	<b>\$77,209.95</b>	<b>\$1,594,353.11</b>	<b>\$1,498,775.00</b>	<b>(\$95,578.11)</b>	<b>\$1,498,775.00</b>	<b>\$1,433,534.00</b>	<b>(\$65,241.00)</b>

**Billing and Collections**

5305-Supervision	\$191,340.50	\$209,184.97	\$17,844.47	\$209,184.97	\$307,300.00	\$98,115.03	\$307,300.00	\$329,074.00	\$21,774.00
5310-Meter Reading Expense	\$234,833.48	\$289,736.30	\$54,902.82	\$289,736.30	\$258,444.00	(\$31,292.30)	\$258,444.00	\$507,262.00	\$248,818.00
5315-Customer Billing	\$1,020,551.43	\$1,172,749.75	\$152,198.32	\$1,172,749.75	\$1,214,600.00	\$41,850.25	\$1,214,600.00	\$1,345,584.00	\$130,984.00
5320-Collecting	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5325-Collecting- Cash Over and Short	\$12.94	\$308.79	\$295.85	\$308.79	\$0.00	(\$308.79)	\$0.00	\$0.00	\$0.00
5330-Collection Charges	\$61,231.57	\$44,508.84	(\$16,722.73)	\$44,508.84	\$76,299.00	\$31,790.16	\$76,299.00	\$56,310.00	(\$19,989.00)
5335-Bad Debt Expense	\$113,523.22	\$107,637.02	(\$5,886.20)	\$107,637.02	\$80,000.00	(\$27,637.02)	\$80,000.00	\$100,000.00	\$20,000.00
5340-Miscellaneous Customer Accounts Expenses	\$1,097.76	\$415.71	(\$682.05)	\$415.71	\$300.00	(\$115.71)	\$300.00	\$8,000.00	\$7,700.00
<b>Sub-Total</b>	<b>\$1,622,590.90</b>	<b>\$1,824,541.38</b>	<b>\$201,950.48</b>	<b>\$1,824,541.38</b>	<b>\$1,936,943.00</b>	<b>\$112,401.62</b>	<b>\$1,936,943.00</b>	<b>\$2,346,230.00</b>	<b>\$409,287.00</b>

**Community Relations**

5405-Supervision	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5410-Community Relations - Sundry	\$31,807.31	\$10,242.56	(\$21,564.75)	\$10,242.56	\$107,500.00	\$97,257.44	\$107,500.00	\$101,500.00	(\$6,000.00)
5415-Energy Conservation	\$0.00	\$92,301.25	\$92,301.25	\$92,301.25	\$0.00	(\$92,301.25)	\$0.00	\$0.00	\$0.00
5420-Community Safety Program	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5425-Miscellaneous Customer Service and Informational Expenses	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5505-Supervision	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
5510-Demonstrating and Selling Expense	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5515-Advertising Expense	(\$2,216.00)	\$0.00	\$2,216.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5520-Miscellaneous Sales Expense	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Sub-Total</b>	<b>\$29,591.31</b>	<b>\$102,543.81</b>	<b>\$72,952.50</b>	<b>\$102,543.81</b>	<b>\$107,500.00</b>	<b>\$4,956.19</b>	<b>\$107,500.00</b>	<b>\$101,500.00</b>	<b>(\$6,000.00)</b>

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	2006 Actual	2007 Bridge	Variance from 2006 Actual	2007 Bridge	2008 Test	Variance from 2007 Bridge
<b>Operation (Working Capital)</b>									
<b>Administrative and General Expenses</b>									
5605-Executive Salaries and Expenses	\$814,591.48	\$655,427.03	(\$159,164.45)	\$655,427.03	\$1,021,762.35	\$366,335.32	\$1,021,762.35	\$1,001,850.75	(\$19,911.60)
5610-Management Salaries and Expenses	\$717,954.00	\$709,849.96	(\$8,104.04)	\$709,849.96	\$445,737.65	(\$264,112.31)	\$445,737.65	\$371,008.25	(\$74,729.40)
5615-General Administrative Salaries and Expenses	\$306,997.63	\$203,447.21	(\$103,550.42)	\$203,447.21	\$238,675.00	\$35,227.79	\$238,675.00	\$272,953.00	\$34,278.00
5620-Office Supplies and Expenses	\$222,622.96	\$307,423.49	\$84,800.53	\$307,423.49	\$556,621.00	\$249,197.51	\$556,621.00	\$442,700.00	(\$113,921.00)
5625-Administrative Expense Transferred Credit	(\$531,764.16)	(\$341,201.51)	\$190,562.65	(\$341,201.51)	(\$305,937.00)	\$35,264.51	(\$305,937.00)	(\$263,050.00)	\$42,887.00
5630-Outside Services Employed	\$274,742.22	\$445,189.52	\$170,447.30	\$445,189.52	\$444,000.00	(\$1,189.52)	\$444,000.00	\$347,500.00	(\$96,500.00)
5635-Property Insurance	\$33,540.60	\$33,208.25	(\$332.35)	\$33,208.25	\$31,613.00	(\$1,595.25)	\$31,613.00	\$31,613.00	\$0.00
5640-Injuries and Damages	\$112,334.00	\$130,000.00	\$17,666.00	\$130,000.00	\$123,687.00	(\$6,313.00)	\$123,687.00	\$130,087.00	\$6,400.00
5645-Employee Pensions and Benefits	\$1,056,404.93	\$1,002,844.65	(\$53,560.28)	\$1,002,844.65	\$1,281,868.00	\$279,023.35	\$1,281,868.00	\$1,425,490.00	\$143,622.00
5650-Franchise Requirements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5655-Regulatory Expenses	\$46,441.00	\$131,528.00	\$85,087.00	\$131,528.00	\$170,000.00	\$38,472.00	\$170,000.00	\$170,000.00	\$0.00
5660-General Advertising Expenses	\$27,909.75	\$99,439.97	\$71,530.22	\$99,439.97	\$64,000.00	(\$35,439.97)	\$64,000.00	\$64,000.00	\$0.00
5665-Miscellaneous General Expenses	\$867,598.77	\$604,505.56	(\$263,093.21)	\$604,505.56	\$725,907.00	\$121,401.44	\$725,907.00	\$571,600.00	(\$154,307.00)
5670-Rent	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5675-Maintenance of General Plant	\$555,695.07	\$360,473.65	(\$195,221.42)	\$360,473.65	\$388,792.00	\$28,318.35	\$388,792.00	\$270,500.00	(\$118,292.00)
5680-Electrical Safety Authority Fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5685-Independent Market Operator Fees and Penalties	\$743.28	\$0.00	(\$743.28)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6205-Charitable Donations	\$0.00	\$32,825.00	\$32,825.00	\$32,825.00	\$19,500.00	(\$13,325.00)	\$19,500.00	\$19,500.00	\$0.00
6215-Penalties	\$1,517.68	\$436.42	(\$1,081.26)	\$436.42	\$0.00	(\$436.42)	\$0.00	\$0.00	\$0.00
Sub-Total	\$4,507,329.21	\$4,375,397.20	(\$131,932.01)	\$4,375,397.20	\$5,206,226.00	\$830,828.80	\$5,206,226.00	\$4,855,752.00	(\$350,474.00)

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	2006 Actual	2007 Bridge	Variance from 2006 Actual	2007 Bridge	2008 Test	Variance from 2007 Bridge
<b>Operation (Working Capital)</b>									
<b>Taxes Other Than Income Taxes</b>									
6105- Taxes Other Than Income Taxes	\$288,557.00	\$593,000.00	\$304,443.00	\$593,000.00	\$470,424.50	(\$122,575.50)	\$470,424.50	\$531,629.00	\$61,204.50
Sub-Total	\$288,557.00	\$593,000.00	\$304,443.00	\$593,000.00	\$470,424.50	(\$122,575.50)	\$470,424.50	\$531,629.00	\$61,204.50
<b>Total Operating, Maintenance and Administration Expenses</b>	<b>\$9,082,816.94</b>	<b>\$9,271,643.37</b>	<b>\$188,826.43</b>	<b>\$9,271,643.37</b>	<b>\$10,257,483.50</b>	<b>\$985,840.13</b>	<b>\$10,257,483.50</b>	<b>\$10,491,967.00</b>	<b>\$234,483.50</b>
<b>Amortization Expenses</b>									
5705-Amortization Expense - Property, Plant, and Equipment	\$5,100,122.16	\$5,423,227.25	\$323,105.09	\$5,423,227.25	\$5,817,724.70	\$394,497.45	\$5,817,724.70	\$5,899,199.93	\$81,475.23
Sub-Total	\$5,100,122.16	\$5,423,227.25	\$323,105.09	\$5,423,227.25	\$5,817,724.70	\$394,497.45	\$5,817,724.70	\$5,899,199.93	\$81,475.23
<b>Grand-total</b>	<b>\$14,182,939.10</b>	<b>\$14,694,870.62</b>	<b>\$511,931.52</b>	<b>\$14,694,870.62</b>	<b>\$16,075,208.20</b>	<b>\$1,380,337.58</b>	<b>\$16,075,208.20</b>	<b>\$16,391,166.93</b>	<b>\$315,958.73</b>

Notes:

- Variance explanation provided on Exhibit 4, Tab 2, Schedule 3 based on \$100,000 threshold amount calculated on "Summary of Operating Costs" Schedule

1  
2  
3

1 **VARIANCE ANALYSIS ON OM&A COSTS:**

2 A summary of Guelph Hydro's Operating Costs is presented in Exhibit 4, Tab 1, Schedule 2.

3 **2008 Test Year**

4 The 2008 Test Year OM&A forecast is shown in Exhibit 4, Tab 1, Schedule 2 and in detail by  
5 account in Exhibit 4, Tab 2, Schedule 1. The total net cost, including amortization expense  
6 (\$5,899,200) is projected to be \$16,066,942. Administration and General costs are \$4,855,752  
7 or 30.2% of the total OM&A costs. Customer Billing and Collection costs account for 14.6%.

8 **Comparison of 2008 Test Year to 2007 Bridge Year:**

9 Exhibit 4, Tab 1, Schedule 2 provides a comparison of the 2008 Test Year forecast of OM&A  
10 expenses to that forecast for the 2007 Bridge Year. Total OM&A costs are forecast to increase  
11 \$266,566 or 1.69%.

12 **2007 Bridge Year:**

13 The 2007 Bridge Year OM&A forecast is shown in Exhibit 4, Tab 1, Schedule 2 and in detail by  
14 account in Exhibit 4, Tab 2, Schedule 1. The total net cost, including amortization expense  
15 (\$5,817,725) is projected to be \$15,800,376. Administration and General costs are \$5,206,226  
16 or 32.9% of the total OM&A costs. Customer Billing and Collection costs account for 12.2%.

17 **Comparison of 2007 Bridge Year to 2006 Actual:**

18 Exhibit 4, Tab 1, Schedule 2 provides a comparison of the 2007 Bridge year forecast of OM&A  
19 expenses to Guelph Hydro's 2006 Actual OM&A expenses. Total OM&A costs are projected to  
20 increase \$1,516,767 or 10.6%.

21 **2006 Actual:**

22 The 2006 Actual Year OM&A costs are shown in Exhibit 4, Tab 1, Schedule 2 and in detail by  
23 account in Exhibit 4, Tab 2, Schedule 1. The total net cost, including amortization expense  
24 (\$5,423,227) is projected to be \$14,283,609. Administration and General costs are \$4,375,397  
25 or 30.6%. Customer Billing and Collection costs account for 12.8% of the total OM&A costs.

26

1 **Comparison of 2006 Actual to 2006 Board Approved:**

2 Exhibit 4, Tab 1, Schedule 2 provides a comparison of the 2006 Actual OM&A expenses to that  
3 of the 2006 Board Approved (based on 2004). Total OM&A costs increased \$390,745 (2.8%)  
4 over the two year period.

5 **2006 Board Approved:**

6 The 2006 Board Approved OM&A forecast is shown in Exhibit 4, Tab 1, Schedule 2 and in detail  
7 by account in Exhibit 4, Tab 2, Schedule 1. The total net cost, including amortization expense  
8 (\$5,100,122) was projected to be \$13,892,864. Administration and General costs are  
9 \$4,507,329 or 32.4%. Customer Billing and Collection costs account for 11.7% of the total  
10 OM&A costs.



1 **MATERIALITY ANALYSIS ON OM&A COSTS:**

2 An explanation is provided for operating costs with a variance greater or equal to 1% of the total  
 3 distribution expense before PILs. The materiality calculation is shown in Exhibit 4, Tab 1,  
 4 Schedule 2. The calculation varies from a low of \$139,000 for 2006 EDR to \$161,000 for 2008.  
 5 Guelph Hydro has used \$100,000 as the materiality for the following analysis.

6 **OM&A Cost Variance Analysis (2008 Test vs. 2007 Bridge):**

Expense Description	2007 Bridge	2008 Test	Variance from 2007 Bridge
5005-Operation Supervision and Engineering	\$488,906.00	\$656,454.00	\$167,548.00

7 The increase in 2008 is due to:

- 8 • Addition of position in the Control Room, expanded hours in the Control Room and training  
 9 to fill anticipated retirements(s) in this group; and
- 10 • Planned increase in Hydro One MSP support services for Guelph wholesale metering points

Expense Description	2007 Bridge	2008 Test	Variance from 2007 Bridge
5125-Maintenance of Overhead Conductors and Devices	\$582,844.00	\$459,916.00	(\$122,928.00)

11 This account is typically allocated a budget of approximately \$400,000. Actual results  
 12 will vary depending on the mix of capital vs. operations and maintenance projects being  
 13 performed by staff throughout the year.

Expense Description	2007 Bridge	2008 Test	Variance from 2007 Bridge
5310-Meter Reading Expense	\$258,444.00	\$507,262.00	\$248,818.00

14 2008 costs are up due to increased activity related to the smart meter pilot project.

Expense Description	2007 Bridge	2008 Test	Variance from 2007 Bridge
5315-Customer Billing	\$1,214,600.00	\$1,345,584.00	\$130,984.00

1 The anticipated increase in 2008 is due to the hiring of one Customer Inquiry Clerk, negotiated  
 2 settlement increases, and an increase in benefit premium rates.

<b>Expense Description</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance from 2007 Bridge</b>
5620-Office Supplies and Expenses	\$556,621.00	\$442,700.00	(\$113,921.00)

3 This account also holds annual performance bonuses (Other Expenses). The decrease in 2008  
 4 is due to a reduction in network access, work order charges, stationery, vehicle expense and  
 5 the accrual for performance bonuses.

<b>Expense Description</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance from 2007 Bridge</b>
5645-Employee Pensions and Benefits	\$1,281,868.00	\$1,425,490.00	\$143,622.00

6 The increase in 2008 is the result of increases in premium rates and increased training costs.

<b>Expense Description</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance from 2007 Bridge</b>
5665-Miscellaneous General Expenses	\$725,907.00	\$571,600.00	(\$154,307.00)

7 The 2007 amount includes property taxes which were reallocated to USoA #6105 in 2008.

<b>Expense Description</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance from 2007 Bridge</b>
5675-Maintenance of General Plant	\$388,792.00	\$270,500.00	(\$118,292.00)

8 The decrease in 2008 is due to a reduction in property maintenance costs.

9

1 **OM&A Cost Variance Analysis (2007 Bridge vs. 2006 Actual):**

<b>Expense Description</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance from 2006 Actual</b>
5085-Miscellaneous Distribution Expense	(\$39,300.04)	\$118,013.00	\$157,313.04

2 The main factors causing the increase from 2006 Actual costs to 2007 Bridge costs are as  
 3 follows:

- 4 • In 2006 Guelph Hydro received R&D tax credits resulting from prior year tax  
 5 reassessments.
- 6 • SCADA system work order charges increased in 2007 by \$43,000 due to an  
 7 increase in subcontract activity.

<b>Expense Description</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance from 2006 Actual</b>
5135-Overhead Distribution Lines and Feeders - Right of Way	\$235,384.25	\$76,000.00	(\$159,384.25)

8 Guelph Hydro enters into a three-year contract for its tree trimming requirements. The City of  
 9 Guelph is divided into three areas with one area per year being designated for tree trimming  
 10 activity. In 2006, the area with the most trees was done. In 2007 trees were being trimmed in  
 11 the area with the least number of trees.

<b>Expense Description</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance from 2006 Actual</b>
5605-Executive Salaries and Expenses	\$655,427.03	\$1,021,762.35	\$366,335.32

12 This variances in this account (5605) and the following account (5610) are the result of  
 13 restructuring the management and executive areas.

<b>Expense Description</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance from 2006 Actual</b>
5610-Management Salaries and Expenses	\$709,849.96	\$445,737.65	(\$264,112.31)

14 See above note for account 5605.

<b>Expense Description</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance from 2006 Actual</b>
5620-Office Supplies and Expenses	\$307,423.49	\$556,621.00	\$249,197.51

1 This account also holds annual performance bonuses (Other Expenses). The 2007 bridge  
 2 amount contains an accrual for performance bonus cost. When bonuses are actually paid out  
 3 they are charged to the cost centre to which they apply. For this reason there is not a  
 4 corresponding amount in the 2006 actual figure. The increase in 2007 is also due to workorder  
 5 charges, telephone systems and general supplies.

<b>Expense Description</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance from 2006 Actual</b>
5645-Employee Pensions and Benefits	\$1,002,844.65	\$1,281,868.00	\$279,023.35

6 The increase in 2007 is the result of increases in premium rates.

<b>Expense Description</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance from 2006 Actual</b>
5665-Miscellaneous General Expenses	\$604,505.56	\$725,907.00	\$121,401.44

7 The 2007 Bridge amount includes the full amount of OEB fixed cost assessment fees paid. In  
 8 2006 the incremental portion of the OEB fixed cost assessment fees were reclassified to USoA  
 9 deferral account #1508.

<b>Expense Description</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>Variance from 2006 Actual</b>
6105-Taxes Other Than Income Taxes	\$593,000.00	\$470,424.50	(\$122,575.50)

10 The decrease in 2007 is due to lower capital taxes resulting from lower rates and an increase in  
 11 the capital tax deduction.

12

1 **OM&A Cost Variance Analysis (2006 Actual vs. 2006 Board Approved):**

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved
5005-Operation Supervision and Engineering	\$373,665.66	\$519,420.71	\$145,755.05

2 The main factors causing the increase from 2006 Board Approved costs to 2006 Actual costs  
 3 are as follows:

- 4 • A wholesale metering point service contract was entered into with Hydro One  
 5 commencing March 24, 2005. This \$59,000 contract did not exist in 2004 and was not  
 6 included in the costs submitted for approval in the 2006 EDR.
- 7 • In 2004 costs were reduced by \$77,000 due to an adjustment for overabsorbed  
 8 overhead. This was not repeated in 2006.

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	\$199,446.77	\$10,743.75	(\$188,703.02)

9 The main factors causing the decrease from 2006 Board Approved costs to 2006 Actual costs  
 10 are as follows:

- 11 • In 2006 a reallocation entry (\$141,000) for small tools expenses was made to overhead.  
 12 This entry was not made in 2004.
- 13 • In 2004, Guelph Hydro replaced all of the flame retardant clothing containing  
 14 formaldehyde and being used by staff since it was deemed to be unsafe. While it is  
 15 normal to replace 25% to 33% of these items each year it is unusual to replace 100%.  
 16 This cost of \$40,000 was not repeated in 2006.

17

1

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5085-Miscellaneous Distribution Expense	\$64,126.00	(\$39,300.04)	(\$103,426.04)

2 The main factor causing the decrease from 2006 Board Approved costs to 2006 Actual costs  
 3 was the receipt in 2006 of R & D tax credits in the amount of (\$339,000) resulting from prior  
 4 year tax reassessments.

5 Offsetting this large credit were the following cost increases:

- 6 • In 2006 unabsorbed overhead charges were allocated to this account. In the 2006 EDR  
 7 unabsorbed overhead charges totaling \$119,000 were allocated to USoA #5025 and  
 8 \$132,000 to USoA #4380

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5120-Maintenance of Poles, Towers and Fixtures	\$298,632.29	\$89,917.83	(\$208,714.46)

10 The decrease of \$(115,000) is due to a reduction in work order costs associated with the  
 11 maintenance of poles, towers and fixtures in 2006. Priorities were placed on capital works  
 12 including pole line rehabilitating as well as 5125 (Maintenance and Overhead Conductors and  
 13 Devices).

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5125-Maintenance of Overhead Conductors and Devices	\$182,071.10	\$593,554.53	\$411,483.43

14 The increase is the result of higher work order costs. One factor causing the increase was a  
 15 2005 work order that had its overhead burdens turned off. When they were turned back on,  
 16 overheads were applied and the amounts applicable to 2005 were charged to 2006. In addition,  
 17 the 2006 Board Approved amounts, based on 2004 actual, were not representative of the typical

1 expenditure level in this account. Budgets are normally set for approximately \$400,000 in this  
 2 area.

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5135-Overhead Distribution Lines and Feeders - Right of Way	\$119,243.16	\$235,384.25	\$116,141.09

3  
 4 Guelph Hydro enters into a three-year contract for its tree trimming requirements. The City of  
 5 Guelph is divided into three areas with one area per year being designated for tree trimming  
 6 activity. In 2006, tree trimming was being performed in the most expensive area of the three.  
 7 However, in 2004, the year upon which 2006 distribution rates were based, trees were being  
 8 trimmed in the least expensive area.

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5315-Customer Billing	\$1,020,551.43	\$1,172,749.75	\$152,198.32

9 The main factors causing the increase from 2006 Board Approved costs to 2006 Actual costs  
 10 are as follows:

- 11 • 2006 billing department payroll costs have increased by \$87,000 due to negotiated  
 12 settlements, increased benefit premiums, the hiring of 1 FTE effective June 2006, and  
 13 the requirement for temporary help for part of the year.
- 14 • An increase of \$56,000 in 2006 postage costs.
- 15 • A regulatory adjustment of \$72,000 made in 2006 to Retail Cost Variance Accounts as a  
 16 result of an OEB audit review.
- 17 • A decrease of \$(50,000) in 2006 Actual billing work order charges due to the  
 18 outsourcing of some billing department functions.

<b>• Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5605-Executive Salaries and Expenses	\$814,591.48	\$655,427.03	(\$159,164.45)

1 This variance is a result of realignment in the executive and management areas.

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5615-General Administrative Salaries and Expenses	\$306,997.63	\$203,447.21	(\$103,550.42)

2 The decrease is the result of a full time staff member changing positions in 2005 and being  
 3 allocated to USoA Account #5315 (Customer Billing). The decrease is also the result of having  
 4 only three students charged to USoA #5615 in 2006 vs. 8 in 2004.

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5625-Administrative Expense Transferred Credit	(\$531,764.16)	(\$341,201.51)	\$190,562.65

5 Since the submission of the 2006 EDR, within the Guelph Hydro group of companies there has  
 6 been the sale of an affiliate company, the closure of an affiliate company and an amalgamation  
 7 of Guelph Hydro Electric Systems Inc. (Guelph Hydro) with another affiliated company. This  
 8 has caused a reduction in the amount of intercompany services being performed by Guelph  
 9 Hydro for other entities and, hence, a reduction in the amount of administrative expense  
 10 charged out.

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5630-Outside Services Employed	\$274,742.22	\$445,189.52	\$170,447.30

11 Higher consulting fees have caused an increase in costs from the 2006 Board Approved  
 12 amounts to the 2006 Actual amounts. In 2006, an outside consultant was hired to help  
 13 administer the C&DM program. Increased consulting fees were also incurred in 2006 to assist  
 14 relationship building.

15



1

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5665-Miscellaneous General Expenses	\$867,598.77	\$604,505.56	(\$263,093.21)

2 The 2006 Board Approved amount includes property taxes which were classified to USoA  
 3 Account #6105 in the 2006 Actual amounts.

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
5675-Maintenance of General Plant	\$555,695.07	\$360,473.65	(\$195,221.42)

4 Computer hardware and software maintenance costs were lower in 2006 than in 2004. In  
 5 addition, more operating costs of the operations building were allocated out to work order costs  
 6 in 2006 vs. 2004.

<b>Expense Description</b>	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance from 2006 Board Approved</b>
6105-Taxes Other Than Income Taxes	\$288,557.00	\$593,000.00	\$304,443.00

7 The 2006 Actual amount includes property taxes which were classified to USoA account #5665  
 8 in the 2006 Board Approved amounts.

1    **SHARED SERVICES:**

2    Guelph Hydro is a wholly owned subsidiary of GHI. GHI is owned 100% by the City of Guelph.  
3    GHI has one other subsidiary, Ecotricity Guelph Inc. (EGI). Based on service agreements  
4    Guelph Hydro provides administrative services to its parent company, GHI and its affiliated  
5    company EGI. These services are identified in the service agreements discussed below.

6    Prior to 2007 the GHI subsidiaries included three other companies which also were provided  
7    with management and administrative services by Guelph Hydro. In 2005 and 2006 GHI  
8    disposed of two of its subsidiaries and merged WEDCO, with Guelph Hydro. In 2005 Fibrewired  
9    by Guelph Hydro was merged with Fibretech and operated under the name of Atria Networks. In  
10   2006 Guelph Hydro's investment in Atria Networks was sold. In 2006 the assets of Selectpower  
11   were sold. The Guelph Hydro/WEDCO merger was completed in 2006, and the two  
12   corporations are now continued under the Guelph Hydro name. As a result of these  
13   transactions, services shared by Guelph Hydro have been significantly reduced.

14   The services provided by Guelph Hydro are on a cost plus basis and are documented in service  
15   agreements. As a result of the dispositions and the Guelph Hydro/WEDCO merger, Guelph  
16   Hydro currently provides services to only GHI and EGI. The services currently provided to these  
17   companies are for Information Services ("IS"), Accounting, General Administration ("G&A"),  
18   Management and Engineering. In addition, Board of Directors costs accumulated in GHI are  
19   shared with Guelph Hydro and EGI based on size and number of meetings.

20   Summaries of shared services for 2006 Actual, together with the projections for the 2007 Bridge  
21   Year and 2008 Test Year, are set out below. Copies of the two current service agreements are  
22   attached.

23

1 **2006 Actual:**

2 In 2006 Guelph Hydro provided the following services to its affiliate companies:

3 **GUELPH HYDRO to WEDCO**

4 Type of Service, Cost Allocators, Explanation and Total Annual Expense

5 Guelph Hydro provided billing, credit and collection, information systems, accounting, human  
6 resources, general administration and management services by means of a service agreement  
7 based on cost sharing plus a 9% mark-up. The service fees were based on an allocation of  
8 costs prorated as follows: billing, credit and collections on the number of customers, IS on the  
9 number of users, accounting on the number of cheques and journal entries processed,  
10 management on the number of cheques processed and HR and payroll based on the number of  
11 staff. In 2006 the Guelph Hydro budget for the shared services was \$5.2 million. The fees  
12 charged to WEDCO were \$233,375 or 4.5%. These fees ceased when WEDCO was merged  
13 with Guelph Hydro on April 1, 2006.

14 **Guelph Hydro to Selectpower (SP)**

15 Type of Service, Cost Allocators, Explanation and Total Annual Expense

16 In 2006 Guelph Hydro provided billing and collection, human resources and management  
17 services to SP and leased SP some storage space by means of a service agreement based on  
18 cost sharing plus a 9% mark-up. The service fees were based on an allocation of costs  
19 prorated as follows: billing, credit and collections on the number of customers, management  
20 services on the number of cheques processed and HR and payroll based on the number of  
21 staff. The rental of space in the Guelph Hydro warehouse was based on the shared cost plus  
22 9%. In 2006 the Guelph Hydro budget for the shared services was \$5.2 million. The fees  
23 charged to SP were \$92,000 or 1.8%. These fees ceased when SP was disposed of through a  
24 series of asset sales in 2006.

25

1 **Guelph Hydro to GHI**

2 **Type of Service, Cost Allocators, Explanation and Total Annual Expense:**

3 In 2006 Guelph Hydro provided accounting and management services to GHI by means of a  
4 service agreement based on cost sharing plus a 9% mark-up. GHI was a holding company with  
5 no staff and limited requirements. The service fees were based on an allocation of costs  
6 prorated on the number of cheques processed. In 2006 the Guelph Hydro budget for the shared  
7 services was \$5.2 million. The fees charged to GHI were \$57,116 or 1.1%.

8 **GHI to Guelph Hydro, WEDCO, EGI and SP**

9 **Type of Service**

10 GHI provides the services of the Board of Directors for GHI, WEDCO, EGI and SP.

11 **Cost Allocators, Explanation and Annual Expense**

12 GHI pays for all Board of Directors expenses and allocates them between the affiliated  
13 companies based on the GHI budget and a combination of projected revenue and the number of  
14 Board meetings for the coming year. The budget for Board expenses was \$104,800. The 2006  
15 charges to affiliated companies from GHI were \$12,052 for Guelph Hydro, and \$10,968 each for  
16 WEDCO, EGI and SP.

17 **2007 Bridge Year:**

18 **Guelph Hydro to GHI**

19 **Type of Service**

20 Guelph Hydro provides IS, Accounting, General Administration and Management services to  
21 GHI.

22 **Cost Allocators, Explanation and Annual Expense**

23 IS services are calculated based on the budget and are apportioned based on the number of  
24 network users. GHI has one user. This amount is then grossed up by 9%, based on an

1 expected return on equity. The annual cost for IS services is \$1,236,000. The charge for GHI is  
2 \$21,730 or 1.8%.

3 Accounting services are based on the budget and are apportioned using the estimated number  
4 of cheques issued and journal entries processed in the year. Guelph Hydro estimated it will  
5 issue 170 of 6,050 cheques and process 97 of 690 journal entries for GHI in 2007. This amount  
6 is then grossed up by 9%, based on an expected return on equity. The annual cost for  
7 Accounting services is \$290,000. The allocation for GHI is \$26,660 or 9.2%.

8 General Administration (G&A) services include photocopier, freight, legal, stationary, telephone  
9 and other support costs. The allocation for G&A is also based on the budget and is apportioned  
10 using the estimated number of cheques issued and journal entries to be processed in the year.  
11 Guelph Hydro estimated it will issue 170 of 6,050 cheques and process 97 of 690 journal entries  
12 for GHI in 2007. This amount is then grossed up by 9%, based on an expected return on equity.  
13 The annual cost for G&A services for GHI is \$164,000. The allocation for GHI is \$15,077 or  
14 9.2%.

15 Management services include community relations and regulatory affairs (regulatory reporting).  
16 The allocation for Management services is based on the budget and is apportioned using the  
17 number of cheques issued in 2006. Guelph Hydro estimated that it will issue 170 of 6,050  
18 cheques for GHI in 2007. This amount is then grossed up by 9%, based on an expected return  
19 on equity. The annual cost for Management services for GHI is \$551,000. The allocation for GHI  
20 is \$16,862 or 3.1%.

## 21 **GHI to Guelph Hydro**

### 22 Type of Service

23 GHI provides the services of the Board of Directors for GHI and the affiliated companies.

### 24 Cost Allocators, Explanation and Annual Expense

25 GHI pays for all Board of Directors expenses and allocates them between the affiliated  
26 companies based on the GHI budget and a combination of projected revenue and the number of  
27 Board meeting for the coming year. Guelph Hydro is charged 60.5% of the projected Board

1 costs. The 2007 budget for Board expenses is \$117,200. The annual cost for Guelph Hydro for  
2 Board expenses is \$70,900.

### 3 **Guelph Hydro to EGI**

#### 4 Type of Service

5 Guelph Hydro provides IS, Accounting, General Administration and Management and  
6 Engineering services to EGI.

#### 7 Cost Allocators, Explanation and Annual Expense

8 IS services are calculated based on the budget and are apportioned based on the number of  
9 network users. EGI has one user. This amount is then grossed up by 9%, based on an expected  
10 return on equity. The annual cost for IS services is \$1,236,000. The allocation for EGI is  
11 \$21,730.

12 Accounting services are based on the budget and are apportioned using the estimated number  
13 of cheques to be issued and journal entries processed in the year. Guelph Hydro estimated it  
14 will issue 110 of 6,050 cheques and process 147 of 690 journal entries for EGI in 2007. This  
15 amount is then grossed up by 9%, based on an expected return on equity. The annual cost for  
16 Accounting services is \$290,000. The allocation for EGI is \$36,545.

17 General Administration (G&A) services include photocopier, freight, legal stationary, telephone  
18 and other support costs. The allocation for G&A is also based on the budget and is apportioned  
19 using the estimated number of cheques to be issued and journal entries processed in the year.  
20 Guelph Hydro estimated it will issue 170 of 6,050 cheques and process 147 of 690 journal  
21 entries for EGI in 2007. This amount is then grossed up by 9%, based on an expected return on  
22 equity. The annual cost for G&A services is \$164,000. The allocation for EGI is \$20,667.

23 Engineering services includes the monitoring and reporting for the Eastview Landfill site gas  
24 generation facility. All operations and maintenance services are provided by an outside supplier.  
25 The allocation for Engineering is based on an internally generated estimate of the time and  
26 costs for these services. The estimate is reviewed annually and adjusted as required. This  
27 amount is then grossed up by 9%, based on an expected return on equity. The allocation for  
28 Engineering services for EGI is \$15,000.

1 Management services include community relations and regulatory affairs (regulatory reporting).  
2 The allocation for Management services is based on the budget and is apportioned using the  
3 estimated number of cheques issued in 2007. Guelph Hydro issued 110 of 6,050 cheques for  
4 EGI in 2007. This amount is then grossed up by 9%, based on an expected return on equity.  
5 The annual cost for Management services is \$551,000. The allocation for EGI is \$10,922.

## 6 **GHI to EGI**

### 7 Type of Service

8 GHI provides the services of the Board of Directors for EGI and the affiliated companies.

### 9 Cost Allocators, Explanation and Annual Expense

10 GHI pays for all Board of Directors expenses and allocates them between the affiliated  
11 companies based on the GHI budget and a combination of projected revenue and the number of  
12 Board meetings for the coming year. EGI is charged 19.3% of the projected Board costs. The  
13 2007 budget for Board expenses is \$117,200. The allocated cost to EGI for Board expenses is  
14 \$22,600.

## 15 **2008 Test**

## 16 **Guelph Hydro to GHI**

### 17 **Type of Service**

18 Guelph Hydro provides IS, Accounting, General Administration and Management services to  
19 GHI.

### 20 **Cost Allocators, Explanation and Annual Expense**

21 IS services are calculated based on the budget and are apportioned based on the number of  
22 network users. GHI has one user. This amount is then grossed up by 9%, based on an  
23 expected return on equity. The 2008 budget for IS services \$1,387,000. The allocation for GHI  
24 is \$24,384 or 1.8%.

25 Accounting services are based on the budget and are apportioned using the number of cheques  
26 expected to be issued and the number of journal entries to be processed in 2008. Guelph Hydro

1 expects to issue 170 of 6,050 cheques and processed 97 of 690 journal entries for GHI in 2008.  
2 This amount is then grossed up by 9%, based on an expected return on equity. The 2008  
3 budget for Accounting services is \$302,000. The allocation for GHI is \$27,751.

4 General Administration (G&A) services include photocopier, freight, legal, stationary, telephone  
5 and other support costs. The allocation for G&A is also based on the budget and is apportioned  
6 using the number of cheques to be issued and the number of journal entries to be processed in  
7 2008. Guelph Hydro issued 170 of 6,050 cheques and process 97 of 690 journal entries for GHI  
8 in 2008. This amount is then grossed up by 9%, based on an expected return on equity. The  
9 2008 budget for G&A services is \$152,600. The allocation for GHI is \$14,029.

10 Management services include community relations and regulatory affairs (regulatory reporting).  
11 The allocation for Management services based on the budget and is apportioned using the  
12 number of cheques issued in 2008. Guelph Hydro expects to issue 170 of 6,050 cheques in  
13 2008. This amount is then grossed up by 9%, based on an expected return on equity. The 2008  
14 budget for Management services is \$551,000. The allocation for GHI is \$16,863.

## 15 **GHI to Guelph Hydro**

### 16 Type of Service

17 GHI provides the services of the Board of Directors for Guelph Hydro and the affiliated  
18 companies.

### 19 Cost Allocators, Explanation and Annual Expense

20 GHI pays for all Board of Directors expenses and allocates them between the affiliated  
21 companies based on the GHI budget and a combination of projected revenue and the number of  
22 Board meeting for the coming year. Guelph Hydro is charged 57.4% of the projected Board  
23 costs. The 2008 budget for Board expenses is \$88,700. The allocation to Guelph Hydro for  
24 Board expenses is \$50,900.

25



1 **Guelph Hydro to EGI**

2 Type of Service

3 Guelph Hydro provides IS, Accounting, General Administration and Management and  
4 Engineering services to EGI.

5 Cost Allocators, Explanation and Annual Expense

6 IS services are calculated based on the budget and are apportioned based on the projected  
7 number of network users. EGI has one user. This amount is then grossed up by 9%, based on  
8 an expected return on equity. The 2008 budget for IS services is \$1,387,000. The allocation for  
9 EGI is \$24,384.

10 Accounting services are based on the budget and are apportioned using the estimated number  
11 of cheques issued and journal entries processed in 2008. Guelph Hydro has estimated it will  
12 issue 110 of 6,050 cheques and process 147 of 690 journal entries for EGI in 2008. This  
13 amount is then grossed up by 9%, based on an expected return on equity. The 2008 budget for  
14 Accounting services is \$302,000. The allocation for EGI is \$38,041.

15 General Administration (G&A) services include photocopier, freight, legal, stationary, telephone  
16 and other support costs. The allocation for G&A is also based on the budget and is apportioned  
17 using the number of cheques to be issued and the number of journal entries to be processed in  
18 2008. Guelph Hydro expects to issue 110 of 6,050 cheques and 147 of 690 journal entries for  
19 EGI in 2008. This amount is then grossed up by 9%, based on an expected return on equity.  
20 The 2008 budget for G&A services is \$152,600. The allocation for EGI is \$19,230.

21 Engineering services includes the monitoring of operations and regulatory reporting for the  
22 Eastview Landfill site gas generation facility. All operations and maintenance services are  
23 provided by an outside supplier. The allocation for Engineering is based on an internally  
24 generated estimate of the time and costs for these services. The estimate is reviewed annually  
25 and adjusted as required. This amount is then grossed up by 9%, based on an expected return  
26 on equity. The allocation for Engineering services for EGI is \$15,000.

27 Management services include community relations and regulatory affairs (regulatory reporting).  
28 The allocation for Management services based on the budget and is apportioned using the

1 number of cheques issued in 2008. Guelph Hydro estimates it will issue 110 of 6,050 cheques  
2 for EGI in 2008. This amount is then grossed up by 9%, based on an expected return on equity.  
3 The 2008 budget for Management services is \$561,000. The allocation for EGI is \$10,911.

4 **GHI to EGI**

5 Type of Service

6 GHI provides the services of the Board of Directors for EGI and the affiliated companies.

7 Cost Allocators, Explanation and Annual Expense

8 GHI pays for all Board of Directors expenses and allocates them between the affiliated  
9 companies based on the GHI budget and a combination of projected revenue and the number of  
10 Board meetings for the coming year. Guelph Hydro is charged 12.6% of the projected Board  
11 costs. The 2008 budget for Board expenses is \$88,700. The allocation for Guelph Hydro for  
12 Board expenses is \$11,200.

13

## **Services Agreement**

### **Between Guelph Hydro Electric Systems Inc. and Ecotricity Guelph Inc.**

### **For the period from January 1, 2007 to December 31, 2007**

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#### **1.0 Affiliate Relationship**

Guelph Hydro Electric System Inc. ("GHESI") is a wholly owned subsidiary of Guelph Hydro Inc. ("GHI"). The company was incorporated October 31, 2000, under the Business Corporations Act (Ontario). The principal activity of the Company is to provide electrical power distribution throughout the City of Guelph.

Ecotricity Guelph Inc. ("EGI") is a wholly owned subsidiary of GHI. The company was incorporated April 19, 2004 under the Business Corporations Act (Ontario). The principal activity of the Company is to generate electricity fuelled by landfill gas at the City of Guelph's landfill site.

GHESI and EGI are affiliated companies by virtue of having the same parent company, GHI.

As an electricity distributor, GHESI is required to follow the pronouncements outlined in the Affiliate Relationships Code ("ARC") of the Ontario Energy Board ("OEB"). The purpose of the ARC is to set out the standards and conditions for the interaction between electricity distributors or transmitters and their affiliated companies.

Section 2.2.1 of the ARC requires GHESI to enter into a Services Agreement when the utility shares services or resources with an affiliate. In accordance with the ARC, this document sets out the principles and methods used by GHESI for charging and/or sharing costs of services with EGI.

#### **2.0 Services from GHESI to EGI**

##### *2.1 Information Technology and Services*

Description - EGI utilizes the computer hardware, software and network of GHESI for the processing of its accounting functions. As a result, it relies on the Information Services Department of GHESI for the acquisition, licensing, installation, configuration, maintenance and security of computer software and hardware.

Pricing mechanism – Pricing for this service is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of network users of EGI relative to the rest of the Guelph Hydro affiliates. This is an appropriate allocation base since most of the activity in this area is driven by the quantity of network users and individual service requests.

Standard of Service – Since EGI is sharing the computer resources of GHESI it is provided the same level of service in terms of quality and availability as that which is offered to GHESI:

- Computer hardware and software support – Available Monday to Friday from the hours of 8:00 am to 4:30 pm.
- Network file and print services – Available 24 hours a day, 7 days a week.
- E-mail and Internet access – Available 24 hours a day, 7 days a week.

**Services Agreement**  
**Between Guelph Hydro Electric Systems Inc. and Ecotricity Guelph Inc.**  
**For the period from January 1, 2007 to December 31, 2007**

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*2.2 Accounting Services*

Description – EGI utilizes the services of GHESI's Accounting department for the following functions:

- Transaction processing (accounts payable, accounts receivable, banking, journal entry preparation and input)
- Account reconciliations
- Financial statement preparation
- Budget preparation
- Performance measurement

Pricing mechanism – Pricing for this service is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of number of cheques and journal entries processed for EGI relative to the rest of the Guelph Hydro affiliates. This is a reasonable allocation base since the payment of invoices and the preparation journal entries represents most of the activity in this area.

Standard of Service – EGI is provided with the same level of accounting service in terms of quality and availability as that which is offered to GHESI:

- Accounting support – Available Monday to Friday from the hours of 8:00 am to 4:30 pm.
- Accounts payable cheque preparation – EGI cheque runs are completed on the same day as GHESI cheque runs showing no preferential treatment for the processing of the latter's cheques.
- The same individuals performing the accounting functions in GHESI do the transaction processing, account reconciliations, financial statement preparation etc. of EGI. This maintains a standard quality of service between the affiliate companies.

*2.3 General Administration*

Description – EGI shares resources and services with GHESI in the performance of its day-to-day activities. Some of the resultant costs include but are not limited to the following:

- Human Resources, Payroll
- Telephone and answering service costs
- Equipment maintenance costs
- Freight costs
- Insurance
- Outside services e.g. Brinks
- Postage
- Supplies

**Services Agreement**  
**Between Guelph Hydro Electric Systems Inc. and Ecotricity Guelph Inc.**  
**For the period from January 1, 2007 to December 31, 2007**

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**4.0 Confidentiality of Information**


EGL agrees that the information communicated to, or obtained through the course of activities with GHESI will be treated as confidential information for its sole use, and vice versa Both EGL and GHESI agree not to release or provide any information to any outside party without the express written consent of the other party except where confidential information is required to be disclosed:

- (a) for billing or market operation purposes;
- (b) for law enforcement purposes;
- (c) for the purpose of complying with a legal requirement; or
- (d) For the processing of past due accounts of the consumer which have been passed to a debt collection agency.

**5.0 Dispute Resolution Process**

Any dispute or conflict between EGL and GHESI, which cannot be resolved by staff, will be brought to the attention of the President and/or CFO of Guelph Hydro Inc. (the parent company for EGL and GHESI). The President and/or CFO of GHI, with reference to the Affiliate Relationship Code and other appropriate sources will propose a resolution. Should the resolution not be acceptable to the parties the matter will be referred to the Board of Directors of Guelph Hydro Inc.

The parties have executed this agreement as effective January 1, 2007.



\_\_\_\_\_  
President

Guelph Hydro Electric Systems Inc.  
395 Southgate Drive  
Guelph, ON  
N1G 4Y1



\_\_\_\_\_  
Chief Financial Officer

Ecotricity Guelph Inc.  
395 Southgate Drive  
Guelph, ON  
N1G 4Y1

**Services Agreement**  
**Between Guelph Hydro Electric Systems Inc. and Guelph Hydro Inc.**  
**For the period from January 1, 2007 to December 31, 2007**

---

**1.0 Affiliate Relationship**

Guelph Hydro Electric System Inc. ("GHESI") is a wholly owned subsidiary of Guelph Hydro Inc. ("GHI"). The company was incorporated October 31, 2000, under the Business Corporations Act (Ontario). The principal activity of the GHESI is to provide electrical power distribution throughout the City of Guelph.

Guelph Hydro Inc. ("GHI") is the parent company and holding company of GHESI and Ecotricity Guelph Inc. The company was incorporated October 31, 2000 under the Business Corporations Act (Ontario). The shares of GHI are owned 100% by the City of Guelph.

GHESI and GHI are affiliated companies by virtue of GHI's ownership of GHESI.

As an electricity distributor, GHESI is required to follow the pronouncements outlined in the Affiliate Relationships Code ("ARC") of the Ontario Energy Board ("OEB"). The purpose of the ARC is to set out the standards and conditions for the interaction between electricity distributors or transmitters and their affiliated companies.

Section 2.2.1 of the ARC requires GHESI to enter into a Services Agreement when the utility shares services or resources with an affiliate. In accordance with the ARC, this document sets out the principles and methods used by GHESI for charging and/or sharing costs of services with GHI.

**2.0 Services from GHESI to GHI**

*2.1 Information Technology and Services*

Description - GHI utilizes the computer hardware, software and network of GHESI for the processing of its accounting functions. As a result, it relies on the Information Services Department of GHESI for the acquisition, licensing, installation, configuration, maintenance and security of computer software and hardware.

Pricing mechanism – Pricing for this service is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of network users of GHI relative to the rest of the Guelph Hydro affiliates. This is an appropriate allocation base since most of the activity in this area is driven by the quantity of network users and individual service requests.

Standard of Service – Since GHI is sharing the computer resources of GHESI it is provided the same level of service in terms of quality and availability as that which is offered to GHESI:

- Computer hardware and software support – Available Monday to Friday from the hours of 8:00 am to 4:30 pm.
- Network file and print services – Available 24 hours a day, 7 days a week.
- E-mail and Internet access – Available 24 hours a day, 7 days a week.

**Services Agreement**  
**Between Guelph Hydro Electric Systems Inc. and Guelph Hydro Inc.**  
**For the period from January 1, 2007 to December 31, 2007**

---

*2.2 Accounting Services*

Description – GHI utilizes the services of GHESI's Accounting department for the following functions:

- Transaction processing (accounts payable, accounts receivable, banking, journal entry preparation and input)
- Account reconciliations
- Financial statement preparation
- Budget preparation
- Performance measurement

Pricing mechanism – Pricing for this service is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of cheques and journal entries processed for GHI relative to the rest of the Guelph Hydro affiliates. This is a reasonable allocation base since the payment of invoices and the preparation journal entries represents most of the activity in this area.

Standard of Service –GHI is provided with the same level of accounting service in terms of quality and availability as that which is offered to GHESI:

- Accounting support – Available Monday to Friday from the hours of 8:00 am to 4:30 pm.
- Accounts payable cheque preparation – GHI cheque runs are completed on the same day as GHESI cheque runs showing no preferential treatment for the processing of the latter's cheques.
- The same individuals performing the accounting functions in GHESI do the transaction processing, account reconciliations, financial statement preparation etc. of GHI. This maintains a standard quality of service between the affiliate companies.

*2.3 General Administration*

Description – GHI shares resources and services with GHESI in the performance of its day-to-day activities. Some of the resultant costs include but are not limited to the following:

- Human Resources, Payroll
- Telephone and answering service costs
- Equipment maintenance costs
- Freight costs
- Insurance – Directors & Officers Liability, etc.
- Outside services
- Postage
- Supplies
- Facilities
- Communications

**Services Agreement**  
**Between Guelph Hydro Electric Systems Inc. and Guelph Hydro Inc.**  
**For the period from January 1, 2007 to December 31, 2007**

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Pricing mechanism – Pricing for these services/resources is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of cheques and journal entries processed for GHI relative to the rest of the Guelph Hydro affiliates. This is the same methodology as that which is used to allocate accounting services. This is appropriate since it is the accounting function that is utilizing the above-mentioned services/resources in order to perform its duties.

Standard of Service – GHI is allowed the same access to these services/resources as GHESI. The third party vendors determine the quality and availability of the services/resources provided.

*2.4 Management Services*

Description – GHESI management provides communications services on GHI programs and initiatives. The Executive Assistant to the President of GHESI is the Board contact to coordinate meeting schedules, takes minutes and provides assistance as required.

Pricing mechanism – Pricing for these services is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of cheques processed for GHI relative to the rest of the Guelph Hydro affiliates. Since a major portion of Management time is spent keeping the Board of Directors fully informed of the progress of each company towards the achievements of their goals, and much of the performance is assessed by budget to actual comparisons of expenditures, the relative number of cheques processed in each company is a good indication of the level of activity i.e. scrutiny, review, and approval required by Management.

Standard of Service – GHI has the same number of Board meetings as its affiliates. Since Management must report GHI's performance to the Board on a timely basis, there is no concern that it will receive a lower level of service or support from GHESI Management.

*2.5 Other Services:*

(eg. Engineering, Billing Settlement Services) to be charged to GHI at cost plus 10%

**3.0 Financial Transactions between GHI and GHESI**

GHESI agrees that any loan, investment, or other financial support provided to or from GHI is provided on terms no more favourable than what GHI would be able to obtain on its own from capital markets and at no more favourable terms than GHESI could obtain for itself in capital markets. Loan interest rates are based on OEB deemed rates as outlined in the latest rate application.



**Services Agreement**  
**Between Guelph Hydro Electric Systems Inc. and Guelph Hydro Inc.**  
**For the period from January 1, 2007 to December 31, 2007**

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**4.0 Confidentiality of Information**

GHI agrees that the information communicated to, or obtained through the course of activities with GHESI will be treated as confidential information for its sole use, and vice versa Both GHI and GHESI agree not to release or provide any information to any outside party without the express written consent of the other party except where confidential information is required to be disclosed:

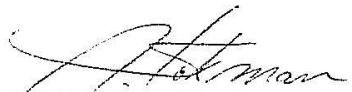
- (a) for billing or market operation purposes;
- (b) for law enforcement purposes;
- (c) for the purpose of complying with a legal requirement; or
- (d) for the processing of past due accounts of the consumer which have been passed to a debt collection agency.

GHI has one employee. This individual does not have access to GHESI customer information.

**5.0 Dispute Resolution Process**

Any dispute or conflict between GHI and GHESI, which cannot be resolved by staff, will be brought to the attention of the President of GHESI and CFO of Guelph Hydro Inc. The President of GHESI and CFO of GHI, with reference to the Affiliate Relationship Code and other appropriate sources will propose a resolution. Should the resolution not be acceptable to the parties the matter will be referred to the Board of Directors of Guelph Hydro Inc.

The parties have executed this agreement as effective January 1, 2007.



\_\_\_\_\_  
President

Guelph Hydro Electric Systems Inc.  
395 Southgate Drive  
Guelph, ON  
N1G 4Y1



\_\_\_\_\_  
Chief Financial Officer

Guelph Hydro Inc.  
395 Southgate Drive  
Guelph, ON  
N1G 4Y1

1    **CORPORATE COST ALLOCATION:**

2    The Shared Services and other OM&A costs include the provision of Common Corporate  
3    Functions and Services and Asset Management programs to support the Distribution business,  
4    as well as the maintenance of existing infrastructure, including business systems, facilities, and  
5    information technology. The Common Corporate functions and services include the provision of  
6    financial, human resource, legal, information technology services, and strategic planning. Asset  
7    Management programs include developing Distribution asset strategies, policies and standards;  
8    identifying, planning and prioritizing specific OM&A and Capital work on the distribution network;  
9    facility services; and monitoring the execution of the annual work program. Other OM&A  
10   programs include the credits for overheads capitalized and the cost of goods sold in support of  
11   external revenues.

12   Guelph Hydro allocates all of the direct labour costs for the line crews, maintenance, metering,  
13   and engineering staff along with the cost of small tools and a portion of building (including  
14   insurance and property taxes) and management to overhead. These costs are recovered  
15   through labour rates used to construct distribution assets and provide maintenance. The rates  
16   are set to absorb the overheads and are reviewed annually at the time the budget is prepared.  
17   The labour hours are balanced to the time available and the overhead costs compared to the  
18   expected amount to be absorbed by the construction and maintenance programs. The overhead  
19   allocation rates are adjusted to absorb the full amount of overhead. The labour rates are  
20   compared to those of other utilities to ensure that they are in line.

21   During the year the amount of over or under absorbed overhead is shown on the balance sheet  
22   as an asset. At year end the balance is proportionally allocated to Operations.

1 **PURCHASE OF SERVICES:**

2 Guelph Hydro purchases services and products from third parties. The following chart identifies  
 3 the vendor, service or product purchased, method of selection and the value of the purchases  
 4 for 2006 and the Bridge Year (to November 1, 2007). The criteria used to select the vendors are  
 5 based on a hurdle amount of \$50,000 for 2006 purchases and/or \$35,000 for YTD 2007  
 6 purchases.

**GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 PURCHASED SERVICES 11/01/07**

VENDOR NUMBER	VENDOR	SERVICE/COMMODITY	PURCHASING METHOD	YEAR TO DATE PURCHASES >\$35,000	2006 PURCHASES >\$50,000
10	SUNGUARD HTE	Software Support	Expertise in Field	83,279.56	90,477.50
51	ENERCONNECT -UBS ENERGY	Electricity Settlement Service	Expertise in Field	113,942.00	126,877.73
55	ACTON PRECAST CONCRETE LTD.	Concrete Vaults and Pads	RFQ-SOLE SOURCE	94,513.98	92,561.27
68	ALLEN MAINTENANCE SERVICE	Janitorial Services	RFQ-SOLE SOURCE	58,989.00	65,466.87
83	ANIXTER CANADA INC	Conductor	Tendered	39,881.49	40,043.86
92	ABB -POWER T&D COMPANY INC.	Transformers	Tendered	649,619.88	1,000,905.98
105	DAVENPORT OFFICE INC. (BASICS)	Furniture/supplies	Tendered	5,884.70	487,290.49
105	DAVENPORT OFFICE INC. (BASICS)	New Facility Office Furniture	Tendered	27,350.47	550,969.64
111	BELL CANADA	Phone System	Expertise in Field	50,031.91	87,489.29
114	BEL VOLT SALES LIMITED	Poleline Hardware	Tendered	103,177.57	108,072.37
152	CANADA POST	Postage Usage	Expertise in Field	164,536.88	185,318.46
154	NEXANS CANADA INC.	Conductor	Tendered	428,293.37	0.00
254	DREXLER CONSTRUCTION LIMITED	General Contractor/Rehab/ Subdivision	Tendered	1,339,167.94	1,659,054.03
315	HD UTILITIES SUPPLY	Poleline Hardware/Conductor	Tendered	897,026.84	379,523.02
342	GUELPH UTILITY POLE CO LTD	Wood Poles	RFQ-Sole Source	170,079.79	229,107.92
346	GUILLEVIN INTERNATIONAL INC.	Poleline Hardware	Tendered	42,047.59	46,086.73
389	IBM CANADA LIMITED	Lease Agreements	Tendered/RFQ	339,183.14	437,530.68
419	KABAR INDUSTRIES LIMITED	Poleline Hardware	Tendered	39,680.97	41,799.82
421	KVAC CONSULTING	Consulting- New Building	Expertise in Field	25,705.00	70,225.00
463	LODDER BROTHERS LIMITED	New Residential Service Installation	Tendered	44,367.47	156,234.15
524	MACKOW COMM. CONSULTS	Consulting Strategy	Expertise in Field	123,663.84	195,886.00
581	PETRONA ASSOCIATES	Communication Consulting	Expertise in Field	172,896.15	118,370.75
595	GENERAL CABLE	Conductor	Tendered	0.00	119,379.82
597	PRYSMIAN CABLE SYSTEMS	Conductor	Tendered	59,317.52	55,894.42
598	WAYNE PITMAN FORD LINCOLN	New Vehicles/Parts	Expertise in Field	138,078.71	134,010.91
627	REYNER ELECTRIC	Electric Contractor	Sole Source	95,022.10	106,936.61
633	WAYCON INTERNATIONAL TRUCKS	Truck Parts	RFQ	9,425.78	117,977.98
669	BORDEN LADNER GERVAIS	Legal Services	Expertise in Field	53,897.70	74,187.43
676	S & C ELECTRIC CANADA LTD	SCADA /Padmount Switches	RFQ-Sole Source	277,084.10	176,360.92
679	ITRON CANADA, INC.	Electric Meters/CT's/PT's	RFQ	127,894.98	167,944.96
704	STAFFORD HAENSLI	Design New Building	Sole Source		86,677.65

718	STRESS CRETE LIMITED	Concrete Poles	Tendered	68.40	190,680.69
722	SUNCOR ENERGY PROD.*SUNOCO INC	Fuel/Diesel & Gasoline	Tendered-3 year	72,325.07	94,609.46
764	HARBRIDGE & CROSS	General Contractor-New Bld.	Tendered	287,434.33	3,086,532.43
836	ABLE-ONE SYSTEMS INC.	Personal Computer/ Hardware	RFQ	114,727.49	289,861.53
895	LA PRAIRIE INC.	Pole Line Hardware	Tendered	36,598.15	34,878.87
973	DAVEY TREE EXPERT CO. LTD.	Tree Trimming Service	Tendered	70,154.62	0.00
1,049	MOLONEY ELECTRIC	Transformers	Tendered	41,609.77	40,227.25
1,109	MRC SYSTEMS	Radios/ SCADA	RFQ/Expertise in Field	86,088.29	141,149.54
1,226	BADGER DAYLIGHTING INC.	Vacuum Excavating	RFQ/Sole Source	71,953.06	73,206.16
1,265	NORAMCO WIRE & CABLE	Conductor	Tendered/RFQ	118,402.91	447,995.76
1,295	STANTEC CONSULTING	Environmental Consulting	Expertise in Field	42,165.93	
1,339	SKYCAST INC.	Concrete Poles	Tendered/2 year	200,824.85	240,663.06
1,352	PRIDE BODIES LTD.	Truck Bodies	Tendered	35,245.73	51,216.77
1,456	LAKEPORT POWER LTD. (SURELCO)	Hardware/Switch Repair	Tendered/RFQ	68,441.71	16,834.59
1,490	POSI-PLUS TECHNOLOGIES INC.	Truck Boom	Tendered/RFQ	4,191.46	121,367.76
1,494	ELECTROZAD SUPPLY CO.(LONDON)	Poleline Hardware	Tendered	52,530.32	71,340.82
1,495	WESTBURNE/RUDDY ELECTRIC	Poleline Hardware	Tendered	140,599.13	524,169.25
1,556	DOWN UNDER PIPE AND CABLE	Cable Locating	Tendered	84,252.05	321.00
1,599	ESRI CANADA	GIS Software Maintenance	Leased/Sole Source	48,187.81	81,403.61
1,617	MDMA A DIV. OF OZZ ENERGY	Meter Reading Services	Tendered-3 year with Option	206,684.94	254,722.11
1,649	GENERAL ELECTRIC CANADA	Electric Meters	RFQ	42,800.19	94,243.81
1,670	LANGLEY UTILITIES CONTRACTING	Group Relamping	Tendered	44,137.34	0.00
1,729	FUTURE DATA COMMUNICATIONS INC	Data Communications	Expertise in Field	508.80	52,953.57
1,769	TOROMONT CAT POWER SYSTEMS	Generator Supply and Install	Expertise in Field	1,686.43	348,955.45
1,776	FRONTIER TREE SERVICES	Tree Trimming Service	Tendered-3 year	0.00	217,935.54
1,813	HYDRO ONE NETWORKS- METERING,	Metering Upgrades	Expertise in Field	76,217.10	1,053,487.00
1,816	SCHNEIDER ELECTRIC INC.	Fault Indicators -SCADA	RFQ-Sole Source	41,617.78	0.00
1,848	HYDRO ONE NETWORKS-ENG	Engineering Cost Meter Upgrades	Expertise in Field	152,050.64	0.00
1,850	ONTARIO POWER CONTRACTING LTD.	New Subdivision Installation	Tendered	0.00	352,788.05
1,875	HYDRO ONE-MSP	MSP-Annual Maintenance Fees	Expertise in Field	60,100.74	61,211.69
1,887	BULLDOG FIRE & SECURITY	Security and Alarm	Expertise in Field	50,114.55	47,023.96
1,892	CENTRIX DYNAMIX INC.	Communication Training	Expertise in Field	33,390.00	
1,916	ELECTRA SUPPLY INC	Poleline Hardware	Tendered	45,304.92	13,746.94
1,980	CONESTOGA-ROVERS CONTRACTING	Installation of Generator	Expertise in Field	0.00	230,944.89
1,986	GB ENERGY CONSULTING INC.	Energy Service Consulting	Expertise in Field	79,760.56	17,767.65
2,035	PACHECOS CONTRACTORS LTD.	New Subdivision Installation	Tendered	43,349.64	0.00
2,041	TUROLIGHT	CFL Lighting/CDM	RFQ-SOLE SOURCE	144,495.00	0.00
2,055	FITNESS SOURCE	Fitness Equipment	RFQ	42,218.42	0.00
2,065	FLAMBORO CANADA SYSTEMS	Web Site Development	Expertise in Field	46,322.00	86,645.41

1 **EMPLOYEE COMPENSATION, INCENTIVE PLAN EXPENSES, PENSION EXPENSES AND**  
 2 **POST RETIREMENT BENEFITS:**

**EMPLOYEES AND COMPENSATION:**

	2006 Board Approved										
	Employees			Compensation		Benefits		Incentives			
	FTE's	PTE's	Total	Total \$	Average	Total \$	Average	Total \$	Average	Total \$	Average
Management	30	0	30	\$ 2,229,000	\$ 74,300	\$ 461,000	\$ 15,367	\$ 127,653	\$ 4,255		
Non-Unionized	0	0	0		\$ -	\$ -	\$ -	\$ -	\$ -		
Unionized	62	0	62	\$ 3,335,600	\$ 53,800	\$ 768,800	\$ 12,400				
Total	92	0	92	\$ 5,564,600		\$ 1,229,800		\$ 127,653			

	2006 Actual										
	Employees			Compensation		Benefits		Incentives			
	FTE's	PTE's	Total	Total \$	Average	Total \$	Average	Total \$	Average	Total \$	Average
Management	31	0.75	31.75	\$ 2,506,478	\$ 78,944	\$ 517,854	\$ 16,310	\$ 114,505	\$ 3,606		
Non-Unionized	0	2.25	2.25	\$ 82,555	\$ 36,691	\$ 8,191	\$ 3,640				
Unionized	64	1.50	65.5	\$ 3,659,433	\$ 55,869	\$ 811,313	\$ 12,386				
Total	95	4.50	99.5	\$ 6,248,466		\$ 1,337,358		\$ 114,505			

	2007 Bridge										
	Employees			Compensation		Benefits		Incentives			
	FTE's	PTE's	Total	Total \$	Average	Total \$	Average	Total \$	Average	Total \$	Average
Management	31	3.50	34.5	\$ 2,883,557	\$ 83,581	\$ 555,300	\$ 16,096	\$ 136,828	\$ 3,966		
Non-Unionized	0	2.75	2.75	\$ 93,311	\$ 33,931	\$ 8,784	\$ 3,194				
Unionized	64	1.00	65	\$ 3,839,389	\$ 59,068	\$ 845,116	\$ 13,002				
Total	95	7.25	102.25	\$ 6,816,257		\$ 1,409,200		\$ 136,828			

	2008 Test										
	Employees			Compensation		Benefits		Incentives			
	FTE's	PTE's	Total	Total \$	Average	Total \$	Average	Total \$	Average	Total \$	Average
Management	33	0.50	33.5	\$ 3,000,424	\$ 89,565	\$ 618,015	\$ 18,448	\$ 210,000	\$ 6,269		
Non-Unionized	0	4.50	4.5	\$ 224,062	\$ 49,792	\$ 20,066	\$ 4,459				
Unionized	72	0.50	72.5	\$ 4,510,551	\$ 62,214	\$ 1,044,366	\$ 14,405				
Total	105	5.50	110.5	\$ 7,735,037		\$ 1,682,447		\$ 210,000			

FTE - Full Time Equivalent  
 PTE - Part Time Equivalent

**COSTS CHARGED TO OPERATIONS & MAINTENANCE:**

	2006 Board Approved	2006 Actual		2007 Bridge		2008 Test	
		Total \$	Average	Total \$	Average	Total \$	Average
Management		\$ 1,689,953	\$ 53,227	\$ 1,672,711	\$ 52,684	\$ 2,069,820	\$ 65,191
Non-Unionized	Not Available	\$ 59,009	\$ 26,226	\$ 49,265	\$ 21,896	\$ 111,488	\$ 49,550
Unionized		\$ 1,303,620	\$ 19,903	\$ 1,405,572	\$ 21,459	\$ 1,700,932	\$ 25,968
Total		\$ 3,052,582		\$ 3,127,548		\$ 3,882,240	

3

8

1 **Assumptions: 2006 Board Approved:**

2 All numbers in the 2006 Board Approved column of any employee-related section (e.g. FTE's,  
3 compensation, incentives, etc.) relate to the year 2004, and not the year 2006. The most recent  
4 information provided to the OEB by Guelph Hydro relating to matters such as employee  
5 numbers and compensation was provided in the context of Guelph Hydro's 2006 EDR  
6 Application (RP-2005-0020/EB-2005-0372), and related to the year 2004. In 2004, the only  
7 information requested by the OEB related to FTE's and not PTE's. Therefore, there is no  
8 information relating to "2006 Board Approved PTE's".

9 **2007 Bridge Year:**

10 All numbers are based on projections for 2007.

11 **2008 Test Year:**

12 All numbers are based on the 2008 Plan.

13 **Full-Time Equivalents:**

14 Full-time equivalents refer to all employees employed in positions which are regular "ongoing"  
15 positions, irrespective of weekly "hours of work". It includes regular full-time employees whose  
16 normal weekly hours of work is 40 (equivalent to 1 FTE), and regular part-time employees  
17 whose normal weekly hours of work is 25 (equivalent to 0.625 FTE). All positions are 40  
18 hours/week, except for "up to 3" 25 hours/week unionized "office" employees providing direct  
19 services to customers. Any employees on any leave without pay (e.g. LTD) who are not  
20 expected to return to work are excluded.

21 **Part-Time Equivalents:**

22 Part-time equivalents refer to all employees in "temporary" positions not expected to be  
23 "ongoing" in nature, or in some instances, contractors providing services to fill "vacant FTE"  
24 gaps through a contract, which will end. This includes all temporary employees, contract  
25 "employees" and students, but excludes all "regular part-time" employees in "ongoing" positions.

26

1 **Management Employees:**

2 Management employees include the President, senior level positions reporting directly to the  
3 President and all managerial employees and/or confidential employees.

4 **Non-Unionized Employees:**

5 The only employees in this category are co-op students or summer students. Therefore all  
6 non-union PTE's listed refer to students.

7 **Compensation (Total Salary and Wages):**

8 In 2006, the OEB asked for 2004 "base wage" and "overtime" information separately, and these  
9 two numbers have been added to populate the compensation column under "2006 Board  
10 Approved". The "2006 Board Approved" numbers therefore exclude other wages such as on-call  
11 premiums. All other columns reflect "total salary and wages" which includes base salary and all  
12 wages such as overtime and on-call premiums.

13 For all columns, incentives are excluded from total salary and wages, as this is dealt with  
14 separately. In addition, any compensation relating to employee departures for any reason, is  
15 excluded.

16 **Compensation (Total Benefits):**

17 Costs relating to benefits relate to the following benefits: Employer Health Tax (EHT), Canada  
18 Pension Plan (CPP), Employment Insurance (EI), Workplace Safety and Insurance Board  
19 (WSIB), Ontario Municipal Employee Retirement System (OMERS), Life Insurance, Long Term  
20 Disability, Health and Dental, and the Employee Assistance Program. All employees in Guelph  
21 Hydro receive the same benefits, regardless of employee category. However since some  
22 benefit costs (OMERS, etc.) are directly related to salary, the average costs will vary by  
23 employee category.

24 **Variance Analysis:**

25 **Overview:**

26 As a general comment, Guelph Hydro's strategic plan includes exploring the opportunities of a  
27 suitable merger partner, and, therefore, to minimize negative impacts on employees to the  
28 extent possible and to encourage a culture of providing a compelling future for attracting and

1 retaining high performing employees. Various options were explored before filling positions  
2 which were vacated or created in 2006 and 2007, to avoid hiring full time employees who could  
3 be adversely affected through a merger. Options included putting positions temporarily on hold,  
4 while looking at filling the need through temporary employees or contractors with fixed terms, or  
5 simply filling the gaps through some existing employees working longer hours, some on an  
6 ongoing basis. If a merger is not achieved, the Strategic Plan reflects all FTE's put on hold or  
7 filled "temporarily" through various options that only partially filled the gaps. This trend of "partial  
8 gap closing" cannot continue into 2008, if a merger does not occur.

9

## 10 **2007 BRIDGE YEAR vs. 2008 TEST YEAR**

### 11 **Management**

12 There is an increase from 31 FTE's to 33 FTE's, resulting from filling positions put on hold in  
13 2006, such as the CDM Manager and Rate Analyst positions.

14 The decrease of 3.5 PTE's from 2007 Bridge to 0.5 PTE 2008 Test is the result of filling the  
15 FTE- CDM Manager, the FTE- Rate Analyst and the interim V.P. Finance position, should a  
16 merger not occur, thereby eliminating the need for temporary options to meet these  
17 requirements.

18 The increase in Total Compensation from 2007 to 2008 in this group is the result of yearly  
19 salary increases based on performance, market comparisons, filling of the vacant VP of Finance  
20 position and decreasing PTE's. There are no "economic" increases in this employee group. The  
21 intent is to decrease the cost related to 2007 contractors engaged to fill the temporary gaps in  
22 the Management area.

23 The increase in Benefits in this group is the result of increases in premium rates from 2007 to  
24 2008, and maintaining benefit levels such as updating of ODA fee schedules.

25 The increase in incentives in this group from 2007 to 2008 is based on comparisons with  
26 employers in the energy market, and maintaining incentives at the lower end of this market.

27



1    **Unionized**

2    There is an increase from 64 FTE's in the 2007 Bridge Year to 71 FTE's in the 2008 Test Year.  
3    While some positions are disappearing through attrition (e.g. Customer Serviceperson), others  
4    are increasing. The net increase can be explained through the plan to fill the following positions  
5    put on hold in 2007, as mentioned earlier: one Control Room Operator, one Engineering  
6    Technician and one part-time Customer Inquiry Clerk.

7    The net increase in FTE's also relates to adding positions in 2008, in the following areas.

- 8    • Control Room to expand the hours in the Control Room and to train to fill anticipated  
9    retirement(s) in this group.
- 10   • Line Department to meet an increase in planned work in 2008, and to train to fill anticipated  
11   retirement(s) in this group.
- 12   • Metering to meet planned work relating to Smart Meters, and to train to fill anticipated  
13   retirement(s) in this group.
- 14   • Part-time Customer Inquiry to provide the resources to move Customer Inquiry hours to 6  
15   pm.
- 16   • Engineering to meet an increase in planned work.

17   The increase in Total Compensation from 2007 to 2008 in this group is the result of negotiated  
18   settlements, and increase in FTE's. In 2007 the costs of one PTE, included in 2007 Union  
19   compensation, was \$47,236. The intent is to decrease this cost in 2008.

20   The increase in Benefits in this group is the result of increases in premium rates from 2007 to  
21   2008, and maintaining benefit levels such as updating of ODA fee schedules.

22   **Non-Unionized**

23   The increase of 2.75 PTE's to 4.5 PTE's is the result of planning to introduce student terms in  
24   Information Systems and Human Resources, and also adding student terms in Lines,  
25   Operations and Engineering.

26   The increase in compensation relates to increases in FTE's and a 3% increase to student rates.

1 The benefits for this group relate strictly to Canadian Pension Plan, Employment Insurance,  
2 Employer Health Tax, Workplace Safety and Insurance Board, and any increases in benefit  
3 costs relate to increases in only these benefits.

4

## 5 **2006 ACTUAL vs 2007 BRIDGE YEAR**

### 6 **Management:**

7 There is no variance in Management FTE's between 2006 Actual and 2007 Bridge Year in  
8 terms of FTE's. Guelph Hydro's strategic plan is to explore the opportunities of a merger, and  
9 some positions, which would have normally been filled on an ongoing basis with full-time  
10 employees as the positions were vacated or created, have been put on hold or filled by  
11 "temporary" employees and contractors, reflected under PTE's.

12 The increase in PTE's from 0.75 in 2006 to 3.5 in 2007 Bridge was required to fill some of the  
13 gaps resulting from delaying the filling of planned FTE's (e.g. CDM Manager, Rate Analyst,  
14 Customer Inquiry and Regulatory Affairs Supervisor and a temporary VP Finance), in order to  
15 minimize impacts on employees should a merger occur. There was also a greater need in 2007  
16 for agency staff given the activities in the executive and human resources areas related to union  
17 negotiations and merger related work.

18 The increase in Total Compensation from 2006 to 2007 in this group is the result of salary  
19 increases based on performance, and market comparisons. There are no "economic" increases  
20 in this employee group. In addition, the total cost of contractors/agency staff engaged to fill the  
21 gaps in CDM, Regulatory, Finance and support to the Executive and Human Resources areas,  
22 is reflected in the total 2007 Management compensation.

23 The increase in Benefits in this group is the result of increases in premium rates from 2006 to  
24 2007, and maintaining benefit levels such as updating of ODA fee schedules and increasing  
25 vision care.

26 The increase in incentives in this group from 2006 to 2007 is based on comparisons with  
27 employers in the energy market. Guelph Hydro participated in two market surveys: the EDA  
28 Compensation Survey and the Utilities Sector Compensation Group (part of the Hay Group).

29

1 **Unionized:**

2 While there is no variance between 2006 Actual and 2007 Bridge Year, Guelph Hydro's  
3 strategic plan is to merge, and, where possible, the filling of positions which were vacated in  
4 2007 have been temporarily delayed. For example, the filling of one Control Room Operator  
5 position recently vacated, one Engineering Technician, and one regular part-time Customer  
6 Inquiry Clerk.

7 The decrease from 1.5 PTE's to one PTE relates to a decrease in the need for temporary help.

8 The increase in Total Compensation from 2006 to 2007 in this group is the result of negotiated  
9 settlements. In 2006 the costs of 1.5 PTE included in the total 2006 Union compensation is  
10 \$62,294, while the costs of 1 PTE in 2007 included in 2007 Union compensation is \$47,236.

11 The increase in Benefits in this group is the result of increases in premium rates from 2006 to  
12 2007, and maintaining benefit levels such as updating of ODA fee schedules and increasing  
13 vision care.

14 **Non-unionized:**

15 These numbers all relate to coop and summer students. The increase from 2.25 PTE's in 2006  
16 to 2.75 PTE's in 2007 is the result of introducing two student term positions in Operations – Line  
17 Department.

18 The increase in compensation relates to increases in FTE's and a 3% increase to student rates.

19 The benefits for this group relate strictly to Canadian Pension Plan, Employment Insurance,  
20 Employer Health Tax, Workplace Safety and Insurance Board, and any increases in benefit  
21 costs relate to increases in only these benefits.

22

23 **2006 BOARD APPROVED VS 2006 ACTUAL:**

24 **Management:**

25  
26 The restructuring of Management from 2006 Board Approved to 2006 Actual results in adding  
27 one FTE.

28 Guelph Hydro's strategic plan is to explore the possibilities of a merger, and some positions,  
29 which would have normally been filled on an ongoing basis with full-time employees as the

1 positions were vacated or created, have been put on hold or filled by “temporary” employees  
2 and contractors, reflected under PTE’s.

3 The increase in Total Compensation from 2006 Board Approved to 2006 Actual in this group is  
4 the result of salary increases based on performance, and market comparisons.

5 The increase in Benefits in this group is the result of increases in premium rates from 2006  
6 Board Approved to 2006 Actual, and maintaining benefit levels such as updating of ODA fee  
7 schedules and increasing vision care.

8 There was no increase in incentives in this group from 2006 Board Approved to 2006 Actual.

9 **Unionized:**

10 FTE’s increased from 62 in 2004 to 64 in 2006. The increase is a result of the need to increase  
11 FTE’s in Customer Inquiry and in Line Apprentices.

12 The increase in Total Compensation from 2006 Board Approved to 2006 Actual in this group is  
13 the result of negotiated settlements, and an increase of two FTE’s.

14 The increase in Benefits in this group is the result of increases in premium rates from 2006  
15 Board Approved to 2006 Actual, and maintaining benefit levels such as updating of ODA fee  
16 schedules and increasing vision care.

17 **TOTAL COSTS CHARGED TO O&M:**

18 Total Costs charged to O&M include salaries and benefits directly charged to the following cost  
19 centres: Control Room, Operations, Administration, Information Systems, Billing, Credit,  
20 Accounting, CEO, HR and Regulatory Affairs. These amounts do not include termination  
21 compensation and do include contract staff.

22 The 2006 Board approved filing did not include costs charged to O&M. As a result these  
23 columns have not been completed.

24 The variances explained above relating to staff numbers and compensation for the 2006, 2007  
25 Bridge Year and 2008 Test Year provide the explanations of the changes year-to-year in the  
26 costs charged to O&M. There have been no changes to internal corporate policies or  
27 procedures during this period that would impact these allocations.

28

1    **STATUS OF PENSION FUNDING:**

2    Guelph Hydro and its employees are members of the Ontario Municipal Employees Pension  
3    Plan (OMERS). OMERS is a multi-employer pension plan which provides pensions for  
4    employees of Ontario municipalities, local boards, public utilities and school boards. The fund is  
5    a contributory defined benefit pension plan, financed by equal contributions from participating  
6    employers and employees and by the investment earnings of the Fund.

7    **POST RETIREMENT BENEFITS:**

8    Guelph Hydro pays certain medical and life insurance benefits on behalf of its retired  
9    employees. These post retirement costs are recognized in the period in which employees'  
10   services are rendered. Guelph Hydro conducts an actuarial evaluation every three years to  
11   evaluate the cost and liability of post retirement non-pension benefits. The last evaluation was  
12   performed as at January 1, 2005 for 2005. At December 31, 2006 the accrued post retirement  
13   benefits liability was \$7,757,000.

14   **INCENTIVE PAY AMOUNTS:**

15   Guelph Hydro has an incentive pay plan for management employees. The incentive amount is  
16   paid on a yearly basis and is based on completion of goals as identified by the Board of  
17   Directors and senior staff. The goals and targets related to incentive payments are all related to  
18   customers and providing better service, safety, distribution system reliability and employee  
19   relations, while meeting annual operation and construction objectives.

1 **DEPRECIATION, AMORTIZATION AND DEPLETION:**

**ACCUMULATED DEPRECIATION TABLE**  
 (Source data for 2006 Board Approved Accumulated Depreciation is in the Cost Allocation filing)

Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved	2006 Actual (\$)	2007 Bridge (\$)	Variance from 2006 Actual	2007 Bridge (\$)	2008 Test (\$)	Variance from 2007 Bridge
<b>Land and Buildings</b>									
1805-Land									
1806-Land Rights									
1808-Buildings and Fixtures	867,075.00	1,631,462.45	764,387.45	1,631,462.45	2,049,749.04	418,286.59	2,049,749.04	2,465,135.63	415,386.59
1905-Land									
1906-Land Rights									
1810-Leasehold Improvements									
<b>Sub-Total-Land and Buildings</b>	<b>867,075.00</b>	<b>1,631,462.45</b>	<b>764,387.45</b>	<b>1,631,462.45</b>	<b>2,049,749.04</b>	<b>418,286.59</b>	<b>2,049,749.04</b>	<b>2,465,135.63</b>	<b>415,386.59</b>
<b>TS Primary Above 50</b>									
1815-Transformer Station Equipment - Normally Primary above 50 kV									
<b>Sub-Total-TS Primary Above 50</b>									
<b>DS</b>									
1820-Distribution Station Equipment - Normally Primary below 50 kV		4,882.39	4,882.39	4,882.39	5,706.39	824.00	5,706.39	30,236.39	24,530.00
<b>Sub-Total-DS</b>		<b>4,882.39</b>	<b>4,882.39</b>	<b>4,882.39</b>	<b>5,706.39</b>	<b>824.00</b>	<b>5,706.39</b>	<b>30,236.39</b>	<b>24,530.00</b>
<b>Poles and Wires</b>									
1830-Poles, Towers and Fixtures	2,307,020.00	4,266,478.92	1,959,458.92	4,266,478.92	5,121,256.87	854,777.95	5,121,256.87	5,981,352.21	860,095.34
1835-Overhead Conductors and Devices	1,835,610.00	3,572,441.06	1,736,831.06	3,572,441.06	4,297,085.68	724,644.62	4,297,085.68	5,022,066.66	724,980.98
1840-Underground Conduit	3,562,720.00	6,957,117.73	3,394,397.73	6,957,117.73	8,364,190.39	1,407,072.66	8,364,190.39	9,763,241.06	1,399,050.67
1845-Underground Conductors and Devices	2,892,452.00	6,186,439.41	3,293,987.41	6,186,439.41	7,453,243.68	1,266,804.27	7,453,243.68	8,708,724.95	1,255,481.27
<b>Sub-Total-Poles and Wires</b>	<b>10,597,802.00</b>	<b>20,982,477.12</b>	<b>10,384,675.12</b>	<b>20,982,477.12</b>	<b>25,235,776.62</b>	<b>4,253,299.50</b>	<b>25,235,776.62</b>	<b>29,475,384.88</b>	<b>4,239,608.26</b>
<b>Line Transformers</b>									
1850-Line Transformers	2,183,164.00	3,948,689.70	1,765,525.70	3,948,689.70	4,693,026.40	744,336.70	4,693,026.40	5,439,418.11	746,391.71
<b>Sub-Total-Line Transformers</b>	<b>2,183,164.00</b>	<b>3,948,689.70</b>	<b>1,765,525.70</b>	<b>3,948,689.70</b>	<b>4,693,026.40</b>	<b>744,336.70</b>	<b>4,693,026.40</b>	<b>5,439,418.11</b>	<b>746,391.71</b>
<b>Services and Meters</b>									
1855-Services	631,349.00	1,425,825.18	794,476.18	1,425,825.18	1,702,954.18	277,129.00	1,702,954.18	1,975,979.59	273,025.41
1860-Meters	1,002,317.00	1,965,661.03	963,344.03	1,965,661.03	2,347,520.85	381,859.82	2,347,520.85	2,757,611.86	410,091.01
1861-Smart Meters		21,158.90	21,158.90	21,158.90	30,247.09	9,088.19	30,247.09	214,610.09	184,363.00
<b>Sub-Total-Services and Meters</b>	<b>1,633,666.00</b>	<b>3,412,645.11</b>	<b>1,778,979.11</b>	<b>3,412,645.11</b>	<b>4,080,722.12</b>	<b>668,077.01</b>	<b>4,080,722.12</b>	<b>4,948,201.54</b>	<b>867,479.42</b>

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1 **ACCUMULATED DEPRECIATION TABLE - CONTINUED**

Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved	2006 Actual (\$)	2007 Bridge (\$)	Variance from 2006 Actual	2007 Bridge (\$)	2008 Test (\$)	Variance from 2007 Bridge
<b>General Plant</b>									
1908-Buildings and Fixtures									
1910-Leasehold Improvements									
<b>Sub-Total-General Plant</b>									
<b>IT Assets</b>									
1920-Computer Equipment - Hardware	453,652.00	799,596.64	345,944.64	799,596.64	956,017.04	156,420.40	956,017.04	1,061,207.58	105,190.54
1921-Computer Equipment - Hardware post March 22, 2004									
1925-Computer Software									
<b>Sub-Total-IT Assets</b>	<b>453,652.00</b>	<b>799,596.64</b>	<b>345,944.64</b>	<b>799,596.64</b>	<b>956,017.04</b>	<b>156,420.40</b>	<b>956,017.04</b>	<b>1,061,207.58</b>	<b>105,190.54</b>
<b>Equipment</b>									
1915-Office Furniture and Equipment	228,510.00	539,005.64	310,495.64	539,005.64	487,296.91	(51,708.73)	487,296.91	566,842.15	79,545.24
1930-Transportation Equipment	1,092,621.00	1,185,092.05	92,471.05	1,185,092.05	1,509,873.21	324,781.16	1,509,873.21	1,853,139.29	343,266.08
1935-Stores Equipment	48,188.00	78,793.84	30,605.84	78,793.84	90,516.08	11,722.24	90,516.08	94,373.05	3,856.97
1940-Tools, Shop and Garage Equipment	200,948.00	319,292.38	118,344.38	319,292.38	384,422.69	65,130.31	384,422.69	427,991.37	43,568.68
1945-Measurement and Testing Equipment	2,231.00	7,435.99	5,204.99	7,435.99	8,923.19	1,487.20	8,923.19	10,410.39	1,487.20
1950-Power Operated Equipment									
1955-Communication Equipment									
1960-Miscellaneous Equipment	1,071,197.00	59,283.50	(1,011,913.50)	59,283.50	55,283.38	(4,000.12)	55,283.38	56,929.73	1,646.35
1965-Water Heater Rental Units		11,749.82	11,749.82	11,749.82	11,749.82		11,749.82	11,749.82	
<b>Sub-Total-Equipment</b>	<b>2,643,695.00</b>	<b>2,200,653.22</b>	<b>(443,041.78)</b>	<b>2,200,653.22</b>	<b>2,548,065.28</b>	<b>347,412.06</b>	<b>2,548,065.28</b>	<b>3,021,435.80</b>	<b>473,370.52</b>
<b>Other Distribution Assets</b>									
1825-Storage Battery Equipment									
1970-Load Management Controls - Customer Premises	73,313.00	125,177.95	51,864.95	125,177.95	146,784.74	21,606.79	146,784.74	167,323.77	20,539.03
1975-Load Management Controls - Utility Premises									
1980-System Supervisory Equipment		1,558,769.13	1,558,769.13	1,558,769.13	1,762,213.88	203,444.75	1,762,213.88	1,912,562.88	150,349.00
1985-Sentinel Lighting Rental Units									
1990-Other Tangible Property									
1995-Contributions and Grants - Credit		(2,826,670.65)	(2,826,670.65)	(2,826,670.65)	(3,636,794.74)	(810,124.09)	(3,636,794.74)	(4,433,316.83)	(796,522.09)
1996-Hydro One S/S Contribution									
<b>Sub-Total-Other Distribution Assets</b>	<b>73,313.00</b>	<b>(1,142,723.57)</b>	<b>(1,216,036.57)</b>	<b>(1,142,723.57)</b>	<b>(1,727,796.12)</b>	<b>(585,072.55)</b>	<b>(1,727,796.12)</b>	<b>(2,353,430.18)</b>	<b>(625,634.06)</b>
<b>ACCUMULATED DEPRECIATION TOTAL</b>	<b>18,452,367</b>	<b>31,837,683</b>	<b>13,385,316</b>	<b>31,837,683</b>	<b>37,841,267</b>	<b>6,003,584</b>	<b>37,841,267</b>	<b>44,087,590</b>	<b>6,246,323</b>

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3

1 **LOSS ADJUSTMENT FACTOR CALCULATION:**

2 **Total Loss Factor:**

3 Guelph Hydro has calculated the total loss factor to be applied to customers' consumption  
 4 based on the average wholesale and retail kWh for the years 2002 to 2006. The calculations  
 5 are summarized below in Table 1.

6 **Table 1**  
 7 **Total Loss Factor Calculation**

	2002 (May-Dec)	2003	2004	2005	2006	Total
A "Wholesale" kWh IESO plus Embedded Generation	1,017,624,252	1,510,459,639	1,578,638,924	1,641,085,763	1,633,788,132	7,381,596,710
B "Wholesale" kWh for Large Use Customer(s)	155,303,509	224,351,882	261,286,315	253,448,418	260,643,976	1,155,034,100
C Net "wholesale" kWh (A)-(B)	862,320,743	1,286,107,757	1,317,352,609	1,387,637,345	1,373,144,156	6,226,562,610
D "Retail" kWh (Distributor)	961,178,774	1,471,466,579	1,521,895,683	1,599,562,382	1,594,266,949	7,148,370,367
E "Retail" kWh for Large Use Customer(s)	155,303,509	224,351,882	261,286,315	253,448,418	260,643,976	1,155,034,100
F Net "Retail" kWh (D)-(E)	805,875,265	1,247,114,698	1,260,609,367	1,346,113,964	1,333,622,972	5,993,336,267
G Loss Factor [(C)/(F)]	7.0042%	3.1267%	4.5013%	3.0847%	2.9634%	
H Distribution Loss Factor Adjustment (5 Year Average)						3.8914%
Supply Facility Loss Factor	0.6699%	0.6609%	0.6473%	0.4432%	0.6182%	0.6015%
Total Loss Factor Adjustment (5 Year Average)						4.5163%

8  
 9 **Supply Facility Loss Factor:**

10 The supply facility loss factor (SFLF) is calculated in Table 2 and represents the losses on the  
 11 supply to Guelph Hydro. The SFLF is calculated on the measured quantities between the  
 12 transformer stations and the wholesale meter points. The SFLF is used in the calculations of  
 13 the total loss factor shown in the table 1 above.

14 **Table 2**  
 15 **Supply Facility Loss Factor**

	2002 (May-Dec)	2003	2004	2005	2006	5 Year Average
"Wholesale" kWh IMO with Losses	1,024,441,142	1,520,441,831	1,588,857,373	1,638,460,654	1,624,706,723	7,396,907,723
"Wholesale" kWh IMO No Losses	1,017,624,252	1,510,459,639	1,578,638,924	1,631,231,586	1,614,724,236	7,352,678,637
Supply Facility Loss Factor	0.6699%	0.6609%	0.6473%	0.4432%	0.6182%	0.6015%

16



1 **Total Loss Factor by Class:**  
2 Table 3 sets out the class-specific Loss Factors used by Guelph Hydro in the calculation of  
3 commodity and other non-distribution charges.

4 **Table 3**  
5 **Total Loss Factor by Class**

	Loss Adjustment Factor
Supply Facility Loss Factor	1.0060
Distribution Loss Factors	
Secondary Metered Customer	
Distribution Loss Factor - Secondary Metered Customer < 5,000kW	1.0389
Distribution Loss Factor - Secondary Metered Customer > 5,000kW	1.0100
Primary Metered Customer	
Distribution Loss Factor - Primary Metered Customer < 5,000kW	1.0285
Distribution Loss Factor - Primary Metered Customer > 5,000kW	1.0000
Total Loss Factor	
Secondary Metered Customer	
Total Loss Factor - Secondary Metered Customer < 5,000kW	1.0452
Total Loss Factor - Secondary Metered Customer > 5,000kW	1.0161
Primary Metered Customer	
Total Loss Factor - Primary Metered Customer < 5,000kW	1.0347
Total Loss Factor - Primary Metered Customer > 5,000kW	1.0060

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7

1 **MATERIALITY ANALYSIS ON DISTRIBUTION LOSSES:**

- 2 Guelph Hydro's combined total loss factor is 4.52%. In accordance with Filing Requirements,  
3 Guelph Hydro is not required to provide an explanation of, or justification for, its loss adjustment  
4 factor since it is below 5%.

1

**TAX CALCULATIONS:**

**INCOME TAX, LARGE CORPORATION TAX AND ONTARIO CAPITAL TAX TABLE**

**Detailed Tax Calculation**

Description	2006 Board Approved	2006 Actual (Apr - Dec)	2007 Bridge	2008 Test
<b>Determination of Taxable Income</b>	see Notes			
Utility Income Before Taxes	4,073,404.00	4,827,000.00	6,191,909.38	7,293,062.58
Book to Tax Adjustments				
<b>Additions to Accounting Income:</b>				
Interest and Penalties on taxes	0.00		76,201.78	0.00
Depreciation and amortization	5,070,075.00	4,288,394.00	6,154,228.10	6,246,322.98
Recapture of capital cost allowance from Schedule 8	0.00		0.00	0.00
Income or Loss for tax Purposes-joint ventures or partnerships	14,120.00		0.00	0.00
Employee Benefit Plans - accrued, not paid	0.00			
Charitable donations	2,250.00		0.00	0.00
Scientific research expenditures deducted on financial statements	0.00		0.00	0.00
Meals & entertainment / Mileage	7,371.00	5,307.00	7,000.00	7,000.00
Non-deductible club fees and dues	0.00		0.00	0.00
Taxable Capital Gains	0.00		0.00	0.00
Tax reserves beginning of year	0.00		0.00	0.00
Reserves from financial statements -balance at year end	8,003,051.00	8,998,000.00	8,187,000.00	8,707,467.00
Ontario Specified Tax Credits	11,430.00		0.00	0.00
Regulatory asset write-downs and recoveries	0.00			
Debt financing expenses for book purposes	0.00		0.00	0.00
<b>Total Additions</b>	<b>13,108,297.00</b>	<b>13,291,701.00</b>	<b>14,424,429.88</b>	<b>14,960,789.98</b>
<b>Deductions from Accounting Income:</b>				
Capital Cost Allowance	4,639,076.00	3,755,911.00	5,874,719.18	6,244,422.70
Gain on disposal of assets per financial statements	0.00		0.00	0.00
Cumulative eligible capital deduction	317,143.00	218,382.00	274,565.06	255,345.51
Tax reserves end of year	0.00		0.00	0.00
Scientific research expenses claimed in year	0.00		0.00	0.00
Reserves from financial statements balance at beginning of year	7,547,102.00	5,348,000.00	7,757,000.00	8,187,000.00
Capital tax included with income taxes	292,290.00		0.00	0.00
Excess Interest	12,879.00			
Amortization of Capitalized Fleet Depreciation	0.00		0.00	0.00
Charitable Donations	2,250.00		0.00	0.00
ITC Booked in Accounting Income	0.00		0.00	0.00
Non-Distribution Elimination	0.00		838,194.00	695,231.00
<b>Total Deductions</b>	<b>12,810,740.00</b>	<b>9,322,293.00</b>	<b>14,744,478.24</b>	<b>15,381,999.21</b>
<b>Regulatory Taxable Income</b>	<b>4,370,961.00</b>	<b>8,796,408.00</b>	<b>5,871,861.01</b>	<b>6,871,853.35</b>
Corporate Income Tax Rate	36.12%		36.12%	33.50%
<b>Subtotal</b>	<b>1,577,029.00</b>			
<b>Less: R&amp;D ITC (0.3)</b>				
<b>Regulatory Income Tax</b>	<b>1,577,029.00</b>	<b>3,156,920.00</b>	<b>2,120,916.20</b>	<b>2,302,070.87</b>
<b>Calculation of Utility Income Taxes</b>				
Income Taxes	1,577,029.00	3,156,920.00	2,120,916.20	2,302,070.87
Large Corporation Tax	18,172.00	0.00	0.00	0.00
Ontario Capital Tax - Note (1)	275,085.00	257,445.00	256,938.98	301,832.77
<b>Total Taxes</b>	<b>1,870,286.00</b>	<b>3,414,365.00</b>	<b>2,377,855.18</b>	<b>2,603,903.64</b>

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Description	2006 Board Approved	2006 Actual (Apr - Dec)	2007 Bridge	2008 Test
<b>Tax Rates</b>				
Federal Tax	22.12%	22.12%	22.12%	19.50%
Federal Surtax				
Provincial Tax	14.00%	14.00%	14.00%	14.00%
<b>Total Tax Rate</b>	<b>36.12%</b>	<b>36.12%</b>	<b>36.12%</b>	<b>33.50%</b>

**Calculation of Large Corporation Tax**

Total Rate Base	103,281,051.00		102,549,039.02	0.00
Less: Exemption	49,580,048.00			
<b>Taxable Capital</b>	<b>53,701,003.00</b>			
LCT Rate	0.1250%		0.0000%	0.0000%
<b>Subtotal</b>	<b>67,126.25</b>		<b>0.00</b>	<b>0.00</b>
Federal Surtax	48,955.00		0.00	0.00
<b>Large Corporation Tax</b>	<b>18,171.25</b>		<b>0.00</b>	<b>0.00</b>

**Calculation of Ontario Capital Tax - Note (1)**

Total Rate Base	101,610,924.00		102,549,039.02	0.00
Less Exemption	9,916,009.00		12,395,011.25	0.00
<b>Taxable Capital /Deemed taxable capital</b>	<b>91,694,915.00</b>		<b>90,154,027.77</b>	<b>0.00</b>
OCT Rate	0.3000%		0.2850%	0.2850%
<b>Ontario Capital Tax</b>	<b>275,084.75</b>	<b>257,445.00</b>	<b>256,938.98</b>	<b>0.00</b>

**Summary of Income Taxes**

Description	2006 Board Approved	2006 Actual (Apr - Dec)	2007 Bridge	2008 Test
Income Taxes	1,577,029.00	3,156,920.00	2,120,916.20	2,302,070.87
Large Corporation Tax	18,171.25	0.00	0.00	0.00
Ontario Capital Tax - Note (1)	275,084.75	257,445.00	256,938.98	301,832.77
<b>Total Taxes</b>	<b>1,870,285.00</b>	<b>3,414,365.00</b>	<b>2,377,855.18</b>	<b>2,603,903.64</b>

**Notes:**

Effective March 31, 2006 Guelph Hydro Electric Systems Inc. amalgamated with its affiliate company Wellington Electric Distribution Company. As of March 31, 2006 there was a deemed year end for both companies, and each entity filed separate tax returns for the three month period ended March 31, 2006. The 2006 Actual column in this schedule represents the tax results for the amalgamated entity of Guelph Hydro Electric Systems Inc., and Wellington Electric Distribution Company for the nine month period ended December 31, 2006.

(1) Rate base is not being used as a proxy for paid-up capital in the "2008" test above. The actual paid-up capital is being used to determine an estimated capital tax provision of \$301,833. See Exhibit 4, Tab 3, Schedule 3, Page 3 for a detailed calculation of this amount.

If Rate Base is proxy for paid-up capital, use **Section A**  
 If using actual paid-up capital, use **Section B**  
Enter the LCT amount from either Section A or B in tab "Tax Provision" cell D28

**Section A**

**Wires Only**

**- N/A since using actual paid-up capital calculation in Section B**

**ONTARIO CAPITAL TAX**

Rate Base	0
Less: Exemption	-
Deemed Taxable Capital	0
Rate in 2006	0.285%
Net Amount (Taxable Capital x Rate)	0

**Section B**

*Detailed Calculation of the Ontario Capital Tax*

**ONTARIO CAPITAL TAX**

(From Ontario CT23)

**PAID-UP CAPITAL**

	From 2008 Trial Balance	Non-Distribution Elimination	Wires Only
Paid-up capital stock	43,374,000		43,374,000
Retained earnings (if deficit, use negative sign)	13,261,229	695,231	12,565,998
Capital and other surplus excluding appraisal surplus			0
Loans and advances	45,332,000		45,332,000
Bank loans			0
Bankers acceptances			0
Bonds and debentures payable			0
Mortgages payable			0
Lien notes payable			0
Deferred credits	12,187,467		12,187,467
Contingent, investment, inventory and similar reserves			0
Other reserves not allowed as deductions	7,320,785		7,320,785
Share of partnership(s), joint venture(s) paid-up capital			0
<b>Sub-total</b>	<b>121,475,480</b>	<b>695,231</b>	<b>120,780,249</b>

**Subtract:**

Amounts deducted for income tax purposes in excess of amounts booked			0
Deductible R&D expenditures and ONTTI costs deferred for income tax			0
<b>Total (Net) Paid-up Capital</b>	<b>121,475,480</b>	<b>695,231</b>	<b>120,780,249</b>

**ELIGIBLE INVESTMENTS**

Bonds, lien notes, interest coupons			0
Mortgages due from other corporations			0
Shares in other corporations			0
Loans and advances to unrelated corporations	0		0
Eligible loans and advances to related corporations			0
Share of partnership(s) or joint venture(s) eligible investments			0
<b>Total Eligible Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TOTAL ASSETS**

	From 2008 Trial Balance	Non-Distribution Elimination	Wires Only
Total assets per balance sheet	111,205,722	0	111,205,722
Mortgages or other liabilities deducted from assets			0
Share of partnership(s)/ joint venture(s) total assets			0
Deduct			
Investment in partnership(s)/joint venture(s)			0
<b>Total assets as adjusted</b>	111,205,722	0	111,205,722
Add: (if deducted from assets)			
Contingent, investment, inventory and similar reserves			0
Other reserves not allowed as deductions	7,320,785		7,320,785
Deduct			
Amounts deducted for income tax purposes in excess of amounts booked	0		0
Deductible R&D expenditures and ONTTI costs deferred for income tax			0
Deduct			
Appraisal surplus if booked			0
Other adjustments (if deducting, use negative sign)			0
<b>Total Assets</b>	118,526,506	0	118,526,506
<b>Investment Allowance</b>	0	0	0
<b><u>Taxable Capital</u></b>			
Net paid-up capital	121,475,480	695,231	120,780,249
Investment Allowance	0	0	0
<b>Taxable Capital</b>	121,475,480	695,231	120,780,249
<b><u>Capital Tax Calculation</u></b>			
Deduction from taxable capital up to \$15,000,000	14,874,014		14,874,014
Net Taxable Capital			105,906,236
Rate			0.2850%
<b>Ontario Capital Tax (Deductible, not grossed-up)</b>			301,833

1 **INTEREST EXPENSE:**

2 The following table sets out Guelph Hydro's interest expense for 2005, 2006, 2007 and  
 3 2008.

	(\$)
<b><u>2005</u></b>	
2005 Actual Interest Expense	2,760,540
2005 Capitalized Interest (USoA 6040)	-
2005 Capitalized Interest (USoA 6042)	-
Interest on capitalized lease	-
2005 Actual Interest	<u>2,760,540</u>
Interest Forecast for Tier 1 or 2	
Adjustments	-
Total Interest	<u><u>2,760,540</u></u>
Excess Interest Expense for 2005 PILs	-
<b><u>2006</u></b>	
2006 Actual Interest Expense	3,238,138
2006 Capitalized Interest (USoA 6040)	-
2006 Capitalized Interest (USoA 6042)	-
Interest on capitalized lease	-
2006 Actual Interest	<u>3,238,138</u>
Interest Forecast for Tier 1 or 2	
Adjustments	-
Total Interest	<u><u>3,238,138</u></u>
Excess Interest Expense for 2006 PILs	-
<b><u>2007</u></b>	
2007 Actual Interest Expense	2,867,045
2007 Capitalized Interest (USoA 6040)	-
2007 Capitalized Interest (USoA 6042)	-
Interest on capitalized lease	-
2007 Actual Interest	<u>2,867,045</u>
Interest Forecast for Tier 1 or 2	
Adjustments	-
Total Interest	<u><u>2,867,045</u></u>
Excess Interest Expense for 2007 PILs	-

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<b><u>2008</u></b>	
2008 Actual Interest Expense	2,879,892
2008 Capitalized Interest (USoA 6040)	-
2008 Capitalized Interest (USoA 6042)	-
Interest on capitalized lease	-
2008 Actual Interest	<u>2,879,892</u>
Interest Forecast for Tier 1 or 2	
Adjustments	-
Total Interest	<u><u>2,879,892</u></u>
Excess Interest Expense for 2008 PILs	-

2



**CAPITAL COST ALLOWANCE:**

GUELPH HYDRO ELECTRIC SYSTEMS INC.  
 2008 Forward Test Year Rate Application of January 12, 2008, License Number EB-2002-0565, File Number EB-2007-0742

These figures are provided from the CFO  
 from our tax return

**CCA Continuity Schedule (2007)**

Class	Class Description	UCC Prior Year Ending Balance	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	66,890,669	0	0	66,890,669	0	0	66,890,669	0	66,890,669	4%	2,675,627	64,215,042
2	Distribution System - pre 1988	13,047,233	0	0	13,047,233	0	0	13,047,233	0	13,047,233	6%	782,834	12,264,399
3	Buildings (Dawson Rd and Truck Shed)	684,141	0	0	684,141	0	0	684,141	0	684,141	6%	41,048	643,093
6	Buildings (No footings below ground)	0	0	0	0	0	0	0	0	0	10%	0	0
8	General Office/Stores Equip	2,725,283	0	0	2,725,283	333,000	0	3,058,283	166,500	2,891,783	20%	578,357	2,479,926
10	Computer Hardware/ Vehicles	969,477	0	0	969,477	600,000	0	1,569,477	300,000	1,269,477	30%	380,843	1,188,634
10.1	Certain Automobiles	0	0	0	0	0	0	0	0	0	30%	0	0
12	Computer Software	0	0	0	0	0	0	0	0	0	100%	0	0
13.1	Lease # 1	0	0	0	0	0	0	0	0	0	20%	0	0
13.2	Lease # 2	0	0	0	0	0	0	0	0	0	0	0	0
13.3	Lease # 3	0	0	0	0	0	0	0	0	0	0	0	0
13.4	Lease # 4	0	0	0	0	0	0	0	0	0	0	0	0
14	Franchise	0	0	0	0	0	0	0	0	0	0	0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	110,573	0	0	110,573	0	0	110,573	0	110,573	8%	8,846	101,727
42		622	0	0	622	0	0	622	0	622	8%	50	572
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Hardware acq'd post Mar 22/04	476,350	0	0	476,350	0	0	476,350	0	476,350	45%	214,358	261,993
45.1	Computers & Systems Hardware acq'd post Mar 19/07	0	0	0	0	268,500	0	268,500	134,250	134,250	55%	73,838	194,663
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	10,277,891	0	0	10,277,891	7,417,210	0	17,695,101	3,708,605	13,986,496	8%	1,118,920	16,576,181
	<b>SUB-TOTAL - UCC</b>	<b>95,182,239</b>	<b>0</b>	<b>0</b>	<b>95,182,239</b>	<b>8,618,710</b>	<b>0</b>	<b>103,800,949</b>	<b>4,309,355</b>	<b>99,491,594</b>		<b>5,874,719</b>	<b>97,926,230</b>

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CCA Continuity Schedule (2008)

Class	Class Description	UCC Prior Year Ending Balance	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	64,215,042	0	0	64,215,042	0	0	64,215,042	0	64,215,042	4%	2,568,602	61,646,440
2	Distribution System - pre 1988	12,264,399	0	0	12,264,399	0	0	12,264,399	0	12,264,399	6%	735,864	11,528,535
3	Buildings (Dawson Rd and Truck Shed)	643,093	0	0	643,093	0	0	0	0	0	6%	0	0
6	Buildings (No footings below ground)	0	0	0	0	0	0	0	0	0	10%	0	0
8	General Office/Stores Equip	2,479,926	0	0	2,479,926	90,000	0	2,569,926	45,000	2,524,926	20%	504,985	2,064,941
10	Computer Hardware/ Vehicles	1,188,634	0	0	1,188,634	230,000	0	1,418,634	115,000	1,303,634	30%	391,090	1,027,544
10.1	Certain Automobiles	0	0	0	0	0	0	0	0	0	30%	0	0
12	Computer Software	0	0	0	0	0	0	0	0	0	100%	0	0
13.1	Lease # 1	0	0	0	0	0	0	0	0	0	20%	0	0
13.2	Lease # 2	0	0	0	0	0	0	0	0	0	0	0	0
13.3	Lease # 3	0	0	0	0	0	0	0	0	0	0	0	0
13.4	Lease # 4	0	0	0	0	0	0	0	0	0	0	0	0
14	Franchise	0	0	0	0	0	0	0	0	0	0	0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	101,727	0	0	101,727	0	0	101,727	0	101,727	8%	8,138	93,589
42		572	0	0	572	0	0	572	0	572	8%	46	526
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Hardware acq'd post Mar 22/04	261,993	0	0	261,993	0	0	261,993	0	261,993	45%	117,897	144,096
45.1	Computers & Systems Hardware acq'd post Mar 19/07	194,663	0	0	194,663	130,000	0	324,663	65,000	259,663	55%	142,814	181,848
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	16,576,181	0	0	16,576,181	11,222,304	0	27,798,485	5,611,152	22,187,333	8%	1,774,987	26,023,499
	<b>SUB-TOTAL - UCC</b>	<b>97,926,230</b>	<b>0</b>	<b>0</b>	<b>97,926,230</b>	<b>11,672,304</b>	<b>0</b>	<b>108,955,441</b>	<b>5,836,152</b>	<b>103,119,289</b>		<b>6,244,423</b>	<b>102,711,019</b>

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<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>5 - DEFERRAL AND VARIANCE ACCOUNTS</b>	1	1		Description of Deferral and Variance Accounts
		2		Calculation of Balances by Account
		3		Method of Recovery
				A

1 **DESCRIPTION OF DEFERRAL AND VARIANCE ACCOUNTS:**

2 This Schedule contains descriptions of Deferral and Variance Accounts (“DVAs”) currently used  
3 by Guelph Hydro.

4 **Commodity Accounts:**

5 Commodity Accounts are classified as follows:

6 **1588 Retail Settlement Variance Account – Power**

7 This account is used to record the net difference between the energy amount billed to  
8 customers, and the energy charge to a distributor using the settlement invoice received from the  
9 IESO, host distributor or embedded generator

10 **1588 Retail Settlement Variance Account - Power, Sub-account Global Adjustments**

11 This sub-account is used to record the net difference between the global adjustment amount  
12 billed to non-RPP customers, and the global adjustment charge to a distributor using the  
13 settlement invoice received from the IESO, host distributor or embedded generator.

14 **Non-commodity Accounts:**

15 Non-commodity Accounts are classified in two categories as follows:

16 **Wholesale and Retail Market Variance Accounts:**

17 **1518 Retail Cost Variance Account – Retail**

18 This account is used to record the net of (i) revenues derived from the following services: a)  
19 Establishing Service Agreements; b) Distributor-Consolidated Billing c) Retailer-Consolidated  
20 Billing; and d) Split Billing and (ii) the costs of entering into Service Agreements, and related  
21 contract administration, monitoring, and other expenses necessary to maintain the contract, as  
22 well as the incremental costs incurred to provide the services in (b) and (d) above, as  
23 applicable, and the avoided cost credit arising from Retailer-Consolidated Billing.

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1    **1548   Retail Cost Variance Account – STR**

2    This account is used to record the net of (i) revenues derived from Service Transaction  
3    Requests, and charged in one of the following forms: a) Request fee; b) Processing fee; c)  
4    Information Request fee; d) Default fee; and e) Other Associated Costs fee; and (ii) the  
5    incremental cost of labour, internal information system maintenance costs, and delivery costs  
6    related to the provision of the services associated with the above items.

7    **1580   Retail Settlement Variance Account - Wholesale Market Service Charges**

8    This account is used to record the net of: (i) the amount charged by the Independent Electricity  
9    System Operator (“IESO”), based on the settlement invoice, for the operation of the IESO-  
10   administered markets and the operation of the IESO-controlled grid (as defined in the *Electricity*  
11   *Act, 1998*), specified by the Board and (ii) the amount billed to customers using the Board -  
12   approved Wholesale Market Service Rate.

13   **1582   Retail Settlement Variance Account - One-time Wholesale Market Service Charges**

14   This account is used to record the net of: (i) the amount charged by the IESO, based on the  
15   settlement invoice, for Wholesale Market Service, specified by the Board (these charges are not  
16   normally incorporated in Wholesale Market Service Rate), and (ii) the amount billed to  
17   customers for the same services using the Board approved Rate.

18   **1584   Retail Settlement Variance Account - Retail Transmission Network Charges**

19   This account is used to record the net of: (i) the amount charged by the IESO, based on the  
20   settlement invoice, for transmission network services and ii) the amount billed to customers for  
21   the same services using the OEB approved Retail Transmission Network Charge Rate. For  
22   embedded distribution operations, this account is used to record the net difference between the  
23   amount charged by the host distributor (based on the settlement invoice) for transmission  
24   network services and the amount billed to customers using the Board-approved Transmission  
25   Network Charge Rate.

26

1    **1586 Retail Settlement Variance Account - Retail Transmission Connection Charges**

2    This account is used to record the net of: (i) the amount charged by the IESO, based on the  
3    settlement invoice, for transmission network services and (ii) the amount billed to customers for  
4    the same services using the OEB approved Retail Transmission Connection Charge Rate. For  
5    embedded distribution operations this account is used to record the net difference between the  
6    amount charged by the host distributor (based on the settlement invoice) for transmission  
7    connection services and the amount billed to customers using the Board-approved  
8    Transmission Connection Charge Rate.

9    **Utility Deferral Accounts:**

10   **1508 Other Regulatory Assets**

11   This account is used to record the difference between OEB costs assessments invoiced for the  
12   Board's 2004/05, 2005/06 and 2006/07 fiscal years and OEB costs assessments previously  
13   included the distributor's rates. This account is also used to record the pension costs  
14   associated with cash contributions paid to Ontario Municipal Employees Retirement Savings  
15   ("OMERS").

16   **1525 Miscellaneous Deferred Debits**

17   This account includes all debits not elsewhere provided for, which will benefit future periods and  
18   be carried forward and charged to expense over the term of the benefit. Currently expenses  
19   associated with the implementation of Bill 210 are recorded in this account.

20   **1550 LV Variance Account**

21   On a monthly basis, this account shall be used to record the net of: (i) the amount charged by a  
22   host distributor to an embedded distributor for transmission or low voltage services and (ii) the  
23   amount billed to the embedded distributor's customers based on the embedded distributor's  
24   approved LV rate(s).

25

1 **1555 Smart Meter Capital and Recovery Offset Variance**

2 Amounts recorded in this account include the revenues approved by the OEB for smart meters  
3 and related capital costs incurred by Guelph Hydro.

4 **1556 Smart Meter OM&A Variance**

5 This account is used to record the incremental operating, maintenance, amortization and  
6 administrative expenses directly related to smart meters. To date, there have been no  
7 expenditures of this type.

8 **1562 Deferred Payments in Lieu of Taxes**

9 This account is used to record the amount resulting from the OEB-approved PILs methodology  
10 for determining the deferral account allowance and any amounts included in rates.

11 **1565 Conservation and Demand Management Expenditures and Recoveries**

12 This account tracks the costs incurred for conservation and demand management activities and  
13 expenditures, and the revenue proxy amount approved by the OEB (third tranche of market  
14 adjusted revenue requirement).

15 **1566 Conservation and Demand Management Contra**

16 This account is used to record the offsetting entry for amounts recorded in account 1565,  
17 Conservation and Demand Management (CDM) Expenditures and Recoveries, for the reversal  
18 of entries to the accounts of original entries.

19 **1570 Qualifying Transition Costs**

20 This account is used to record transition costs that meet the criteria established in the 2000  
21 Electricity Distribution Rate Handbook.

22 **1571 Pre-Market Opening Energy Variances Total**

23 This account is used to record the difference between the utility's purchased cost of power  
24 based on time-of-use (TOU) and the amounts billed to non-TOU customers (charged at an  
25 average rate) for the period starting January 1, 2001 and ending on the date prior to the opening  
26 of the electricity market in Ontario.

1    **1590 Recovery of Regulatory Asset Balances**

2    This account is used to record the regulatory asset or liability balances authorized by the Board  
3    for recovery in rates or payments/credits made to customers.

4    **Carrying Charges on Deferral and Variance Accounts:**

5    Where permitted by the OEB, carrying charges are calculated on Deferral and Variance  
6    Accounts using the methodologies and rates approved by the OEB.

7    **CALCULATION OF BALANCES BY ACCOUNT:**

8    On Tables 1 and 2, a separate itemization of opening balances, net accruals/adjustments,  
9    carrying charges and closing balances has been provided for each of the years 2005 and 2006.



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**Table 1**  
**Deferral and Variance Account Analysis for 2005**

Account	G/L Balance December 31, 2004	Net Accruals/ Adjustments	Carrying Charges	G/L Balance December 31, 2005
<b>Commodity Accounts</b>				
1588 Retail Settlement Variance Account - Power	1,373,952	3,664,270.00	174,020.69	5,212,242.69
<b>Sub Total</b>	<b>1,373,952.00</b>	<b>3,664,270.00</b>	<b>174,020.69</b>	<b>5,212,242.69</b>
<b>Non-Commodity Accounts</b>				
1518 Retail Cost Variance Account - Retail	(41,676.00)	(36,409.56)	(1,709.85)	(79,795.41)
1548 Retail Cost Variance Account - STR	(63,628.00)	(44,934.25)	(2,441.26)	(111,003.51)
1550 Low Voltage Charges	0.00	0.00	0.00	0.00
1580 Retail Settlement Variance Account - Wholesale Market Service Charges	2,144,462.00	1,274,054.37	162,459.75	3,580,976.12
1582 Retail Settlement Variance Account - One-time Wholesale Market Service	226,463.00	86,546.62	17,395.59	330,405.21
1584 Retail Settlement Variance Account - Retail Transmission Network Charges	341,707.00	261,271.46	27,426.80	630,405.26
1586 Retail Settlement Variance Account - Retail Transmission Connection Charges	(2,347,115.00)	(458,423.74)	(24,709.25)	(2,830,247.99)
<b>Sub Total</b>	<b>260,213.00</b>	<b>1,082,104.90</b>	<b>178,421.78</b>	<b>1,520,739.68</b>
<b>Utility Deferral Accounts</b>				
1508 Other Regulatory Assets	57,945.00	496,630.37	9,581.09	564,156.46
1525 Miscellaneous Deferred Debits	50,445.00	(3,889.50)	0.00	46,555.50
1555 Smart Meter Capitaland Recovery Offset Variance	0.00	0.00	0.00	0.00
1556 Smart Meter OM&A Variance	0.00	0.00	0.00	0.00
1562 Deferred Payments in Lieu of Taxes	0.00	1,287,365.72	93,485.05	1,380,850.77
1565 Conservation and Demand Management Expenditures and Recoveries	(622,529.19)	(0.30)	220.13	(622,309.36)
1566 Conservation and Demand Management Contra	0.00	625,364.19	0.00	625,364.19
1570 Qualifying Transition Costs	15.30	496,476.23	131,979.93	628,471.46
1571 Pre-Market Opening Energy Variances Total	534,391.00	(66,858.71)	119,043.87	586,576.16
<b>Sub Total</b>	<b>20,267.11</b>	<b>2,835,088.00</b>	<b>354,310.07</b>	<b>3,209,665.18</b>
<b>Regulatory Deferral &amp; Variance Disposal Account</b>				
1590 Recovery of Regulatory Asset Balances	(1,396,353.89)	(871,444.04)	0.00	(2,267,797.93)
<b>Grand Total</b>	<b>258,078.22</b>	<b>6,710,018.86</b>	<b>706,752.54</b>	<b>7,674,849.62</b>

3



1    **METHOD OF RECOVERY:**

2    Guelph Hydro is seeking approval to dispose of certain DVA balances, with a total credit  
3    balance of \$1,619,991. Guelph Hydro proposes to dispose of this balance over a three year  
4    period, beginning May 1, 2008. The three year period has been chosen rather than a shorter  
5    period in order to mitigate the impact of future rate changes on customers. Table 3 provides the  
6    details of the projected DVA balances at April 30, 2008, for the account balances in respect of  
7    which Guelph Hydro is applying for disposition. These projected balances were derived by  
8    taking the December 31, 2006 ending balances and adding OEB-approved carrying charges for  
9    the period from January 1, 2007 to April 30, 2008 (where applicable). Guelph Hydro has  
10   assumed no other changes to the DVA balances for this period with the exception of the Smart  
11   Meter Variance Account as discussed below.

12   Guelph Hydro has calculated the proposed DVA rate riders using the OEB Regulatory Asset  
13   model provided to LDCs as part of the 2006 EDR process. Hard copies of Sheets 1 and 2 of  
14   that model (the sheets necessary to perform these calculations for this Application) accompany  
15   this Schedule as Appendix A. The allocators for the accounts are shown in Sheet 2 of the  
16   model, at page 3 of Appendix A.

17   **Smart Meter Variance Account**

18   Guelph Hydro has included the first year projected costs for smart meter deployment and  
19   support in its 2008 capital budget. This will include smart meters in Guelph Hydro's 2008 rate  
20   base. As a result of this treatment, the amount of the Smart Meter Variance Account has been  
21   calculated up to May 1, 2008 and is being included as a negative amount in the DVA account  
22   balances being requested for recovery. Guelph Hydro is requesting recovery over a one year  
23   period, since it anticipates that the OEB will provide for updated smart meter rate riders in 2009  
24   and 2010 that will accurately reflect the investment in the smart meter program for those years.

25

1 **DVA BALANCES NOT INCLUDED FOR DISPOSITION**

2 **1562 Deferred Payments in Lieu of Taxes**

3 The administration of PILs from 2001 to 2006 resulted in many LDCs reflecting the  
4 deduction/add back of commodity pass through amounts in their Ministry of Finance PILs  
5 returns. Since the original PILs proxy did not assume any timing differences between the  
6 payment of commodity related costs and their recoveries from customers, PILs true-up  
7 obligations/recoveries were recorded by some LDCs in the PILs-related deferral and variance  
8 accounts. The approach used by LDCs to calculate the value of such true-ups has not been  
9 consistent in part because not all PILs circumstances were addressed in the OEB's PILs Proxy  
10 and SIMPIL filing models and in part because LDC interpretation of the same circumstance  
11 resulted in different treatment on the PILs returns and/or Deferred PILs accounts. Further  
12 clarification and direction are required from the OEB on how such matters are to be transitioned  
13 from the pre- and post-2006 EDR PILs regime when the variances were created under the initial  
14 regime but the recoveries of the timing differences occurred after the introduction of the 2006  
15 EDR regime. As a result, Guelph Hydro is not seeking approval of the disposition of these  
16 accounts at this time.

17 The following other DVA balances are not being included for dispositions at this time as the  
18 balances in these specific variance accounts are still subject to change:

19 **1565 Conservation and Demand Management Expenditures and Recoveries**

20 No disposition sought in this rate application.

21 **1566 Conservation and Demand Management Contra**

22 No disposition sought in this rate application.

23

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**Table 3**  
**Recovery of Deferral and Variance Account Balances for Recovery in 2008 Rates**

Account Description	Account Number	Principal to December 31, 2006	Interest to April 30, 2008	Additions to April 30, 2008	Total For Recovery
<b>Variable Distribution Rate Rider Components:</b>					
RSVA - wholesale market services	1580	(739,492.80)	(19,862.00)		(759,354.80)
RSVA - one time wholesale market services	1582	82,395.53	9,825.00		92,220.53
RSVA - retail transmission network charge	1584	184,129.86	17,366.00		201,495.86
RSVA - retail transmission connection charge	1586	(1,184,917.51)	220,500.00		(964,417.51)
RSVA - power	1588	2,354,985.28	260,980.00		2,615,965.28
<b>Sub-total</b>		<b>697,100.36</b>	<b>488,809.00</b>		<b>1,185,909.36</b>
Other Regulatory Assets	1508	670,810.00	77,937.00		748,747.00
RCVA retail	1518	(14,243.58)	2,404.00		(11,839.58)
Miscellaneous Deferred Debits	1525	5,663.03	1,421.00		7,084.03
RCVA str	1548	(37,710.20)	4,914.00		(32,796.20)
Low Voltage	1550	9,588.53	726.00		10,314.53
Qualifying Transition Costs	1570	0.00	19,234.00		19,234.00
Pre-Market Opening Energy Variances Total	1571	4,634.92	0.00		4,634.92
<b>Sub-total</b>		<b>638,742.70</b>	<b>106,636.00</b>		<b>745,378.70</b>
<b>Total For Variable Distribution Rate Rider</b>		<b>1,335,843.06</b>	<b>595,445.00</b>		<b>1,931,288.06</b>
<b>Fixed Distribution Rate Rider Components:</b>					
Smart Meter Revenue and Capital	1555	(91,126.10)	(13,249.82)	(206,920.86)	(311,296.78)
Smart Meter Operating Expenses	1556	0.00	0.00		0.00
<b>Total For Fixed Distribution Rate Rider</b>		<b>(91,126.10)</b>	<b>(13,249.82)</b>	<b>(206,920.86)</b>	<b>(311,296.78)</b>
<b>Total For Distribution Rate Rider</b>		<b>1,244,716.96</b>	<b>582,195.18</b>	<b>(206,920.86)</b>	<b>1,619,991.28</b>

2

## **APPENDIX A**

# **EXTRACTS FROM OEB REGULATORY ASSET MODEL USED FOR CALCULATION OF CURRENT DVA ACCOUNT BALANCES**

**SHEET 1 - December 31, 2006 Regulatory Assets**

<b>NAME OF UTILITY</b>	Guelph Hydro Electric Systems Inc.	<b>LICENCE NUMBER</b>	EB-2002-0565
<b>NAME OF CONTACT</b>	Art Stokman	<b>DOCID NUMBER</b>	EB-2007-0742
<b>E-mail Address</b>	<a href="mailto:astokman@guelphhydro.com">astokman@guelphhydro.com</a>	<b>PHONE NUMBER</b>	(519) 837-4715
<b>VERSION NUMBER</b>		<b>(extension)</b>	

Enter appropriate data in cells which are highlighted in yellow only.  
 Enter the total applied for Regulatory Asset amounts for each account in the appropriate cells below:  
 (These amounts should correspond to your December 31, 2006 Regulatory Asset filings with the OEB.)

Account Description	Account Number	Principal Amounts as of Dec-31 2006	Interest to Dec31-06	Regulatory Asset Bal at Dec31-06	Smart Meter 2007 Principal Additions	Smart Meter 2008 Principal Additions	Interest Jan-1 to Dec31-07	Interest Jan1-08 to Apr30-08	Total Claim
RSVA - Wholesale Market Service Charge	1580	\$ (739,493)	\$ 27,767	\$ (711,726)			\$ (34,960)	\$ (12,670)	\$ (759,355)
RSVA - One-time Wholesale Market Service	1582	\$ 82,396	\$ 4,519	\$ 86,914			\$ 3,895	\$ 1,412	\$ 92,221
RSVA - Retail Transmission Network Charge	1584	\$ 184,130	\$ 5,506	\$ 189,636			\$ 8,705	\$ 3,155	\$ 201,496
RSVA - Retail Transmission Connection Charge	1586	\$ (1,184,918)	\$ 296,818	\$ (888,099)			\$ (56,017)	\$ (20,302)	\$ (964,418)
RSVA - Power	1588/1589	\$ 2,354,985	\$ 109,300	\$ 2,464,285			\$ 111,332	\$ 40,349	\$ 2,615,966
Sub-Totals		\$ 697,100	\$ 443,910	\$ 1,141,010	\$ -	\$ -	\$ 32,955	\$ 11,944	\$ 1,185,909
Other Regulatory Assets	1508	\$ 670,810	\$ 34,731	\$ 705,541			\$ 31,713	\$ 11,493	\$ 748,747
Retail Cost Variance Account - Retail	1518	\$ (14,244)	\$ 3,321	\$ (10,923)			\$ (673)	\$ (244)	\$ (11,840)
Miscellaneous Deferred Debits	1525	\$ 5,663	\$ 1,056	\$ 6,719			\$ 268	\$ 97	\$ 7,084
Retail Cost Variance Account - STR	1548	\$ (37,710)	\$ 7,343	\$ (30,368)			\$ (1,783)	\$ (646)	\$ (32,796)
Smart Meters Revenue and Capital	1555	\$ (91,126)	\$ (131)	\$ (91,257)	\$ (154,662)	\$ (52,259)	\$ (8,348)	\$ (4,771)	\$ (311,297)
Low Voltage	1550	\$ 9,589	\$ 110	\$ 9,698			\$ 453	\$ 164	\$ 10,316
Transition Costs	1570	\$ -	\$ 19,234	\$ 19,234			\$ -	\$ -	\$ 19,234
Pre Market Opening Energy	1571	\$ 4,635	\$ -	\$ 4,635			\$ -	\$ -	\$ 4,635
Sub-Totals		\$ 547,617	\$ 65,664	\$ 613,280	\$ (154,662)	\$ (52,259)	\$ 21,629	\$ 6,094	\$ 434,082
Totals per column		\$ 1,244,717	\$ 509,573	\$ 1,754,290	\$ (154,662)	\$ (52,259)	\$ 54,585	\$ 18,037	\$ 1,619,991
	<b>May 06 - June 06</b>	<b>July 06 - Sept 07</b>	<b>Oct 07 - April 08</b>						
	Annual interest rate: 4.14%	4.59%	5.14%						
	Monthly interest rate: 0.3450%	0.3825%	0.4283%						

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2006 Data By Class	kW	kWhs	Cust. Num.'s	Number of	
				Metered Customers	Dx Revenue
RESIDENTIAL CLASS		345,895,720	42,220	42,220	\$ 11,665,248
GENERAL SERVICE <50 KW CLASS		138,269,721	3,526	3,526	\$ 3,257,696
GENERAL SERVICE 50 to 999kW	1,193,339	425,888,338	489	489	\$ 3,921,876
GENERAL SERVICE 1,000 to 4,999kW	827,828	420,373,256	37	37	\$ 1,511,898
LARGE USER >5,000KW	474,726	260,643,976	4	4	\$ 674,780
UNMETERED & SCATTERED LOADS		2,343,467	43	0	\$ 48,012
SENTINEL LIGHTS	345	126,848	30	0	\$ 37,360
STREET LIGHTING	23,897	8,758,276	2	0	\$ 78,592
<b>Totals</b>	<b>2,520,135</b>	<b>1,602,299,602</b>	<b>46,351</b>	<b>46,276</b>	<b>\$ 21,195,461</b>

Allocators	kW	kWhs	Cust. Num.'s	Number of	
				Metered Customers	Dx Revenue
RESIDENTIAL CLASS	0.0%	21.6%	91.1%	91.2%	55.0%
GENERAL SERVICE <50 KW CLASS	0.0%	8.6%	7.6%	7.6%	15.4%
GENERAL SERVICE >50 KW NON TIME OF USE	47.4%	26.6%	1.1%	1.1%	18.5%
GENERAL SERVICE >50 KW TIME OF USE	32.8%	26.2%	0.1%	0.1%	7.1%
STANDBY	0.0%	0.0%	0.0%	0.0%	0.0%
LARGE USER CLASS	18.8%	16.3%	0.0%	0.0%	3.2%
UNMETERED & SCATTERED LOADS	0.0%	0.1%	0.1%	0.0%	0.2%
SENTINEL LIGHTS	0.0%	0.0%	0.1%	0.0%	0.2%
STREET LIGHTING	0.9%	0.5%	0.0%	0.0%	0.4%
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**Sheet 2 - Rate Riders Calculation**

<b>NAME OF UTILITY</b>	Guelph Hydro Electric Systems Inc.	<b>LICENCE NUMBER</b>	EB-2002-0565
<b>NAME OF CONTACT</b>	Art Stokman	<b>DOCID NUMBER</b>	EB-2007-0742
<b>E-mail Address</b>	astokman@guelphhydro.com	<b>PHONE NUMBER</b>	(519) 837-4715
<b>VERSION NUMBER</b>		<b>(extension)</b>	
<b>Date</b>			

Regulatory Asset Accounts:	Decision Ref.#	Amount	ALLOCATOR	Unmetered										Total
				Residential	GS < 50 KW	GS 50 to 999KW	GS 1,000 to 4,999KW	Standby	Large Users > 5,000KW	Scattered Load	Sentinel Lighting	Street Lighting		
WMSC - Account 1580	2.0.35	\$ (759,355)	kWh	\$ (163,925)	\$ (65,528)	\$ (201,835)	\$ (199,222)	\$ -	\$ (123,523)	\$ (1,111)	\$ (60)	\$ (4,151)	\$ (759,355)	
One-Time WMSC - Account 1582	2.0.35	\$ 92,221	kWh	\$ 19,908	\$ 7,958	\$ 24,512	\$ 24,195	\$ -	\$ 15,001	\$ 135	\$ 7	\$ 504	\$ 92,221	
Network - Account 1584	2.0.35	\$ 201,496	kWh	\$ 43,498	\$ 17,388	\$ 53,557	\$ 52,864	\$ -	\$ 32,777	\$ 295	\$ 16	\$ 1,101	\$ 201,496	
Connection - Account 1586	2.0.35	\$ (964,418)	kWh	\$ (208,193)	\$ (83,224)	\$ (256,341)	\$ (253,021)	\$ -	\$ (156,881)	\$ (1,411)	\$ (76)	\$ (5,272)	\$ (964,418)	
Power - Account 1588	2.0.35	\$ 2,615,966	kWh	\$ 564,720	\$ 225,744	\$ 695,319	\$ 686,315	\$ -	\$ 425,536	\$ 3,826	\$ 207	\$ 14,299	\$ 2,615,966	
<b>Subtotal - RSVA</b>		\$ 1,185,909		\$ 256,008	\$ 102,337	\$ 315,213	\$ 311,131	\$ -	\$ 192,910	\$ 1,734	\$ 94	\$ 6,482	\$ 1,185,909	
Other Regulatory Assets - Account 1508		\$ 748,747	Dx Revenue	\$ 412,084	\$ 115,081	\$ 138,543	\$ 53,409	\$ -	\$ 23,837	\$ 1,696	\$ 1,320	\$ 2,776	\$ 748,747	
Retail Cost Variance Account - Account 1518		\$ (11,840)	# of Customers	\$ (10,785)	\$ (901)	\$ (125)	\$ (9)	\$ -	\$ (1)	\$ (11)	\$ (8)	\$ (1)	\$ (11,840)	
			# of Customers (residential and small business)	\$ 6,538	\$ 546								\$ 7,084	
Miscellaneous Deferred Debits - Account 1525		\$ 7,084	# of Customers	\$ (29,873)	\$ (2,495)	\$ (346)	\$ (26)	\$ -	\$ (3)	\$ (30)	\$ (21)	\$ (1)	\$ (32,796)	
Retail Cost Variance Account (STR) - Account 1548		\$ (32,796)	# of Customers	\$ 2,227	\$ 890	\$ 2,742	\$ 2,706	\$ -	\$ 1,678	\$ 15	\$ 1	\$ 56	\$ 10,316	
Low Voltage - Account 1550		\$ 10,316	kWh	\$ 17,520	\$ 1,463	\$ 203	\$ 15	\$ -	\$ 2	\$ 18	\$ 12	\$ 1	\$ 19,234	
Transition Costs - Account 1570		\$ 19,234	# of Customers	\$ 1,745	\$ 697	\$ 2,148	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 44	\$ 4,635	
Pre Market Opening Energy - Account 1571		\$ 4,635	KWh for Non TOU Cust	\$ 399,455	\$ 115,282	\$ 143,165	\$ 56,095	\$ -	\$ 25,513	\$ 1,688	\$ 1,305	\$ 2,876	\$ 745,379	
<b>Subtotal - Non RSVA, Variable</b>		\$ 745,379		\$ 399,455	\$ 115,282	\$ 143,165	\$ 56,095	\$ -	\$ 25,513	\$ 1,688	\$ 1,305	\$ 2,876	\$ 745,379	
Smart Meters Revenue and Capital, 1555 (Fixed)		\$ (311,297)	# of Metered Customers	\$ (284,012)	\$ (23,719)	\$ (3,289)	\$ (249)	\$ -	\$ (27)	\$ -	\$ -	\$ -	\$ (311,297)	
<b>Subtotal - Non RSVA Fixed</b>		\$ (311,297)		\$ (284,012)	\$ (23,719)	\$ (3,289)	\$ (249)	\$ -	\$ (27)	\$ -	\$ -	\$ -	\$ (311,297)	
<b>Total to be Recovered</b>		\$ 1,619,991		\$ 371,451	\$ 193,900	\$ 455,088	\$ 366,977	\$ -	\$ 218,396	\$ 3,422	\$ 1,399	\$ 9,358	\$ 1,619,991	

Balance to be collected or refunded, Variable	\$ 1,931,288	\$ 655,463	\$ 217,619	\$ 458,378	\$ 367,226	\$ -	\$ 218,423	\$ 3,422	\$ 1,399	\$ 9,358	\$ 1,931,288
Balance to be collected or refunded, Fixed	\$ (311,297)	\$ (284,012)	\$ (23,719)	\$ (3,289)	\$ (249)	\$ -	\$ (27)	\$ -	\$ -	\$ -	\$ (311,297)
Number of years for Variable	3										
Number of years for Fixed (Smart Meters)	1										
Balance to be collected or refunded per year, Variable	\$ 643,763	\$ 218,488	\$ 72,540	\$ 152,793	\$ 122,409	\$ -	\$ 72,808	\$ 1,141	\$ 466	\$ 3,119	\$ 643,763
Balance to be collected or refunded per year, Fixed	\$ (311,297)	\$ (284,012)	\$ (23,719)	\$ (3,289)	\$ (249)	\$ -	\$ (27)	\$ -	\$ -	\$ -	\$ (311,297)

Class	Unmetered									
	Residential	GS < 50 KW	GS 50 to 999KW	GS 1,000 to 4,999KW	Standby	Large Users > 5,000KW	Scattered Load	Sentinel Lighting	Street Lighting	
<b>Regulatory Asset Rate Riders, Variable</b>	\$ 0.0006	\$ 0.0005	\$ 0.1280	\$ 0.1479	\$ -	\$ 0.1534	\$ 0.0005	\$ 1.3503	\$ 0.1305	
<b>Billing Determinants</b>	kWh	kWh	kW	kW	kW	kWh	kW	kW	kW	
<b>Regulatory Asset Rate Riders, Fixed (per month)</b>	\$ (0.5606)	\$ (0.5606)	\$ (0.5606)	\$ (0.5606)	\$ -	\$ (0.5606)	\$ -	\$ -	\$ -	
<b>Billing Determinants</b>	# metered cust.	# metered cust.	# metered cust.	# metered cust.	# metered cust.	# metered cust.	# metered cust.	# metered cust.	# metered cust.	
Components of 2008 Riders:										
Variable RSVA	\$ 0.0002	\$ 0.0002	\$ 0.0880	\$ 0.1253	\$ -	\$ 0.1355	\$ 0.0002	\$ 0.0906	\$ 0.0904	
Variable Non RSVA	\$ 0.0004	\$ 0.0003	\$ 0.0400	\$ 0.0226	\$ -	\$ 0.0179	\$ 0.0002	\$ 1.2597	\$ 0.0401	
Fixed, per month	\$ (0.5606)	\$ (0.5606)	\$ (0.5606)	\$ (0.5606)	\$ -	\$ (0.5606)	\$ -	\$ -	\$ -	

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>6 - COST OF CAPITAL AND RATE OF RETURN</b>	1	1		Overview
		2		Capital Structure
		3		Cost of Debt
		4		Return on Equity
				A

1 **OVERVIEW:**

2 The purpose of this Exhibit is to summarize the method and cost of financing the Applicant's  
3 capital requirements for the 2008 Test Year.

4 **Capital Structure:**

5 Guelph Hydro has a current capital structure of 50% debt, and 50% equity, and a return on  
6 equity of 9.00%, consistent with the return specified in the Board's 2006 Electricity Distribution  
7 Rate Handbook and with the OEB's Decision in Guelph Hydro's 2006 EDR Application (RP-  
8 2005-0020/EB-2005-0372),. The Applicant is requesting Board approval of a capital structure of  
9 53.3% debt, 46.7% equity including an equity return of 8.86% for the 2008 Test Year as the first  
10 step in the move to a 60/40 debt/equity ratio, as shown at Exhibit 6, Tab 1, Schedule 2.

11 Guelph Hydro is requesting this change in capital structure and associated return on equity  
12 primarily to comply with the Report of the Board on Cost of Capital and 2nd Generation  
13 Incentive Regulation for Ontario Electricity Distributors dated December 20, 2006. That Report  
14 requires all licensed Ontario electricity distributors to move toward a 60% debt/40% equity ratio.  
15 Guelph Hydro believes the requested capital structure and equity return will provide continued  
16 access to long-term debt at reasonable rates.

17 **Return on Equity:**

18 Guelph Hydro is requesting an equity return of 8.86% for the 2008 Test Year per the cost of  
19 capital study filed at Exhibit 6, Tab 1, Schedule 2. Guelph Hydro has used an ROE of 8.86% in  
20 the design of its proposed 2008 distribution rates, based on the OEB's methodology as set out  
21 in its December 20, 2006 Report on Cost of Capital and 2nd Generation Incentive Regulation for  
22 Ontario's Electricity Distributors (referred to here as the "Report" – OEB File No. EB-2006-0088)  
23 and subject to the OEB factoring into rates a "final" ROE based on Consensus Forecasts and  
24 Bank of Canada data effective three months prior to the effective date of the 2008 rate change.

25 **Cost of Debt:**

26 Exhibit 6, Tab 1, Schedule 3 provides the detailed calculation of the Applicant's forecast long-  
27 term debt cost of 6.25% for 2007 and 6.25% for 2008. Copies of the notes with the City of  
28 Guelph (long-term debt information) and the request for repayment of a portion of the notes are  
29 filed at Appendix A.

30

1 **CAPITAL STRUCTURE:**

2 **2006 Board Approved**

Elements	\$ 000's	Ratio (%)	Interest Rate (%)	Return on Equity (%)
Long-term debt	37,690	46.5	6.25	
Unfunded short-term debt				
Preference shares				
Common equity	43,374	53.5		9.0
<b>Total</b>	<b>81,064</b>	<b>100.0</b>		

3 **2006 Actual**

Elements	\$ 000's	Ratio (%)	Interest Rate (%)	Return on Equity (%)
Long-term debt	37,690	46.5	6.25	
Unfunded short-term debt				
Preference shares				
Common equity	43,374	53.5		9.0
<b>Total</b>	<b>81,064</b>	<b>100.0</b>		

4 **2007 Bridge**

Elements	\$ 000's	Ratio (%)	Interest Rate (%)	Return on Equity (%)
Long-term debt	30,000	34.9	6.25	
Demand Note	12,558	14.6	6.25	
Unfunded short-term debt				
Common equity	43,374	50.5		9.0
<b>Total</b>	<b>85,932</b>	<b>100.0</b>		

5 **2008 Test**

Elements	\$ 000's	Ratio (%)	Interest Rate (%)	Return on Equity (%)
Long-term debt	30,000	34.9	6.25	
Demand Note	12,558	14.6	6.25	
Unfunded short-term debt				
Common equity	43,374	50.5		8.86
<b>Total</b>	<b>85,932</b>	<b>100.0</b>		

1 In December 2006, Guelph Hydro paid or redeemed \$7,690,000 of the original note leaving a  
2 balance outstanding of \$30,000,000.

3 In 2005 and 2006 Guelph Hydro added an administration wing to its Southgate Drive facility to  
4 house the administrative and engineering functions and to consolidate all staff in at one location.  
5 Construction was financed with a promissory loan from the parent company Guelph Hydro Inc.  
6 at the OEB-approved rate of 6.25%. Other cash requirements (including, in part, the redemption  
7 of the \$7.7 million City of Guelph note) resulted in a loan for \$12,558,000 with the parent  
8 company Guelph Hydro Inc. The loan, currently a demand loan, will be repaid over a term in  
9 excess of one year (the term is to be decided). The loan is at 6.25%. The loan term has not  
10 been set pending the completion of merger negotiations with Horizon Utilities Inc.

1 **COST OF DEBT:**

All \$ in thousands

	2006 Board Approved			2006 Actual			2007 Bridge			2008 Test		
	Principal Dec. 31	Carrying Costs	Calculated Cost Rate	Principal Dec. 31	Carrying Costs	Calculated Cost Rate	Principal Dec. 31	Carrying Costs	Calculated Cost Rate	Principal Dec. 31	Carrying Costs	Calculated Cost Rate
<b>Long-Term Debt</b>												
City of Guelph	36,642	2,290	6.25%	30,000	2,356	6.25%	30,000	1,875	6.25%	30,000	1,875	6.25%
City of Guelph	1,048	66	6.25%									
<b>Total</b>	<b>37,690</b>	<b>2,356</b>	<b>6.25%</b>	<b>30,000</b>	<b>2,356</b>	<b>6.25%</b>	<b>30,000</b>	<b>1,875</b>	<b>6.25%</b>	<b>30,000</b>	<b>1,875</b>	<b>6.25%</b>
<b>Demand Note</b>												
Guelph Hydro Inc.							12,558	785	6.25%	12,558	785	6.25%
<b>Operating Loan</b>												
<b>Total</b>							<b>12,558</b>	<b>785</b>	<b>6.25%</b>	<b>12,558</b>	<b>785</b>	<b>6.25%</b>

2 **NOTE:**

3 The current short-term debt of \$12,558,000 is a demand loan with Guelph Hydro's parent company, Guelph Hydro Inc. The loan was put in place  
 4 to finance the construction of the Administration addition to the Southgate Operations Centre and, in part, to fund the reduction of \$7,690,000 in  
 5 the notes with the City of Guelph in 2006. The loan is currently in the form of a demand note. As Guelph Hydro is in merger discussions the term  
 6 and repayment schedule of this note has not been fixed. Should the negotiations not proceed the term of the note will be established for a term of  
 7 more than one year and will be treated as long term debt.

1 **RETURN ON EQUITY:**

2 As noted above, the calculations used to determine the ROE and the debt rate are taken from  
3 the "Report to the Board on Cost of Capital and 2nd Generation Incentive Regulation for  
4 Ontario's Electricity Distributors" issued December 20, 2006 (the "Report").

5 The following are extracts from Appendix A and Appendix B to the Report.

6 **Method to Update the Deemed Long-term Debt Rate**

7 The Board will use the Long Canada Bond Forecast plus an average spread with  
8 "A/BBB" rated corporate bond yields to determine the updated deemed debt rate.

9 The following approach is consistent with the ROE method. As per the approach  
10 adopted in the 2006 EDRH, the ROE and the long-term debt rates are based on the  
11 same risk-free rate forecast. Therefore, they differ only through the risk premiums that  
12 reflect their distinct natures and for which lenders/investors seek commensurate returns.  
13 This approach simplifies the calculations and aims to make it easier to understand the  
14 numbers. Specifically, the Long Canada Bond Forecast ( $LCBF_t$ ) used will be the same  
15 as that used for updating the ROE. The average spread between "A/BBB" rated  
16 corporate bond yields and 30-year (long) Government of Canada Bond yields will be  
17 calculated as the average spread over the weeks of the month corresponding to the  
18 Consensus Forecasts.

19 The deemed Long-Term Debt Rate ( $LTDR_t$ ) will be calculated as follows:

$$LTDR_t = LCBF_t + \frac{\sum_w (CorpBonds_{w,t} - {}_{30}CB_{w,t})}{n}$$

20

21 Where:

- 22 • **CorpBonds**  $w,t$  is the average long-term corporate bond yield from Scotia Capital  
23 Inc. for week  $w$  of period  $t$  [Series V121761];
- 24 •  **${}_{30}CB_{w,t}$**  is the 30-year (long) Government of Canada bond yield for week  $w$  of period  
25  $t$  [Series V121791]; and
- 26 •  **$n$**  is the number of weeks in the month for which data are reported.

27 **Method to Update ROE - ROE Update for any Period**

28 Using March 1999 as the starting calculation and substituting for the initial ROE and  
29 Long Canada Bond Forecast approved by the Board in the Decision RP-1998-0001 the  
30 following is the adjustment formula for calculating the ROE at time  $t$ :

$$ROE_t = 9.35\% + 0.75 \times (LCBF_t - 5.50\%)$$

The ROE must be set in advance of the approved rates. The final ROE will be factored into rates using the Long Canada Bond Forecast based on *Consensus Forecasts* (as detailed below) and Bank of Canada data three months in advance of the effective date for the rate change. Therefore, for May 1 rate changes, the ROE will be based on January data – effectively *Consensus Forecasts* published during that month and Bank of Canada data for all business days during the month of January. The necessary data is available within the first or second business days after the end of the month and thus poses no delay for determining rates.

**Long Canada Bond Forecast for any Period**

For any period  $t$  the Long Canada Bond Forecast  $LCBF_t$  can be expressed as:

$$LCBF_t = \left[ \frac{{}_{10}CBF_{3,t} + {}_{10}CBF_{12,t}}{2} \right] + \frac{\sum_i ({}_{30}CB_{i,t} - {}_{10}CB_{i,t})}{I_t}$$

Where:

${}_{10}CB_{3,t}$  is the 3-month forecast of the 10-year Government of Canada bond yield as published in *Consensus Forecasts* at time  $t$ ,

${}_{10}CB_{12,t}$  is the 12-month forecast of the 10-year Government of Canada bond yield as published in *Consensus Forecasts* at time  $t$ ,

${}_{30}CB_{i,t}$  is the actual rate for the 30-year Government of Canada bond yield at the close of day  $i$  (as published by the Bank of Canada) [Series V39056] during the month (this is the previous month data, the same as used for updating the ROE for natural gas distribution) corresponding to time  $t$ ,

${}_{10}CB_{i,t}$  is the actual rate for the 10-year Government of Canada bond yield at the close of day  $i$  (as published by the Bank of Canada) [Series V39055] during the month corresponding to time  $t$ , and

$I_t$  is the number of business days for which published 10- and 30- Government of Canada bond yields are published during the month corresponding to time  $t$ .

Accordingly, there is no “final” OEB-approved ROE at this time for use in this Application. However, an ROE is clearly necessary for the purpose of preparing this Application and establishing Guelph Hydro’s proposed 2008 rates, and Guelph Hydro has applied the methodology used by Horizon Utilities in EB-2007-0697 for this purpose. Specifically, Horizon Utilities used the rates for the Government of Canada Bond Series V39056 and Series V39055



1 from the Bank of Canada published results as at August 3, 2007. Horizon Utilities established  
2 an ROE of 8.86% for its application, and Guelph Hydro has used that ROE in this Application.  
3 The following Table 1 sets out the inputs to this calculation:

4 Table 1  
5 Government of Canada Bond Yields

3-month forecast of the 10-year bond yield	4.80%
12-month forecast of the 10-year bond yield	4.90%
Average actual prior month 30-year bond yield	4.51%
Average actual prior month 10-year bond yield	4.58%
Long Canada Bond Forecast (LCBF)	<b>4.85%</b>
<b>Return On Equity</b>	<b>8.86%</b>

6  
7 This rate is to be used as a “place holder” and will be adjusted in accordance with Appendix B of  
8 the Report based on January 2008 published rates.

## **APPENDIX A**

### **COPIES OF THE PROMISSORY NOTES**

## PROMISSORY NOTE

FOR VALUE RECEIVED, Guelph Hydro Electric Systems Inc. ("GHESI") hereby promises to pay, effective November 1, 2000, to or to the order of The Corporation of the City of Guelph (the "City") the principal sum of **THIRTY-SIX MILLION, SIX HUNDRED AND FORTY TWO THOUSAND AND FIVE HUNDRED DOLLARS** (\$36,642,500) on a date which is no later than eighteen (18) months from the date of demand in writing by the City (the "Maturity Date"), with interest at the rate specified herein.

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from March 1, 2001 until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing June 30, 2001 and each subsequent interest payment being made on the last business day of the ensuing third month after the last payment date. In this paragraph, "Permitted Rate" means the interest rate which the Ontario Energy Board or its successor may, from time to time, permit GHESI to recover for rate making purposes.

*As of the date of this Promissory Note the Permitted Rate is as follows:*

*For the year March 1, 2001 to March 1, 2002 – (7.25 x 1/3) %*

*For the year March 1, 2002 to March 1, 2003 – (7.25 x 2/3) %*

*For the year March 1, 2003 to March 1, 2004 – 7.25%*

The payment of the principal amount and all interest on this Promissory Note is subordinated to debt issued by GHESI from time to time to a financial institution or other third party for the purposes of GHESI and the City shall execute such documents as may reasonably be required by GHESI to evidence the subordination.

At the option of the City, on twelve (12) months prior written notice to GHESI, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the City in consultation with GHESI.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the City on October 25, 2000 as By-law No. (2000)-16466.

This Promissory Note is not assignable by the City without the consent of GHESI.

DATED as of the 3<sup>rd</sup> Day of April, 2002.

### GUELPH HYDRO ELECTRIC SYSTEMS INC.

By: J. D. Macleod  
Authorized Signing Officer

By: [Signature]  
Authorized Signing Officer

## PROMISSORY NOTE

FOR VALUE RECEIVED, Wellington Electric Distribution Company Inc. ("WEDCO") hereby promises to pay, effective November 1, 2000, to or to the order of The Corporation of the City of Guelph (the "City") the principal sum of **ONE MILLION, FORTY NINE THOUSAND DOLLARS** (\$1,049,000) on a date which is no later than eighteen (18) months from the date of demand in writing by the City (the "Maturity Date"), with interest at the rate specified herein.

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from March 1, 2001 until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing June 30, 2001 and each subsequent interest payment being made on the last business day of the ensuing third month after the last payment date. In this paragraph, "Permitted Rate" means the interest rate which the Ontario Energy Board or its successor may, from time to time, permit WEDCO to recover for rate making purposes.

*As of the date of this Promissory Note the Permitted Rate is as follows:*

*For the year March 1, 2001 to March 1, 2002 – (7.25 x 1/3) %*

*For the year March 1, 2002 to March 1, 2003 – (7.25 x 2/3) %*

*For the year March 1, 2003 to March 1, 2004 – 7.25%*

The payment of the principal amount and all interest on this Promissory Note is subordinated to debt issued by WEDCO from time to time to a financial institution or other third party for the purposes of WEDCO and the City shall execute such documents as may reasonably be required by WEDCO to evidence the subordination.

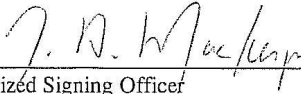
At the option of the City, on twelve (12) months prior written notice to WEDCO, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the City in consultation with WEDCO.

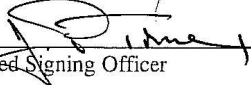
The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the City on October 25, 2000 as By-law No. (2000)-16466.

This Promissory Note is not assignable by the City without the consent of WEDCO.

DATED as of the 3<sup>rd</sup> Day of April, 2002.

**WELLINGTON ELECTRIC DISTRIBUTION COMPANY INC.**

By:   
Authorized Signing Officer

By:   
Authorized Signing Officer



FINANCE DEPARTMENT  
City Hall, 59 Carden Street  
Guelph, Ontario, Canada N1H 3A1  
Telephone: (519) 837-5610 Fax: (519) 837-5631  
www.city.guelph.on.ca

October 3, 2006

Mr. Peter Henderson  
Chief Financial Officer  
Guelph Hydro Inc.  
395 Southgate Drive  
Guelph, ON N1G 4Y1

Dear Peter:

**Re: Partial Monetization of Promissory Notes**

At a meeting of Guelph City Council held on June 26, 2006 the following resolution was passed:

"That the Board of Guelph Hydro Inc. be requested to proceed with the partial monetization of the Notes Receivable presently held by the City of Guelph, in the amount of \$7,690,000."

By way of this letter, I am requesting that you proceed with the partial monetization of the Promissory Notes in the total amount of \$7,690,000 which will leave a balance of \$30 M remaining on the notes.

Yours very truly,

David A. Kennedy, C.A.  
Director of Finance

DAK/js



837-5610



<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>7 - CALCULATION OF REVENUE DEFICIENCY OR SURPLUS</b>	1	1		Overview of Calculation of Revenue Deficiency or Surplus
		2		Determination of Net Utility Income

1 **OVERVIEW OF CALCULATION OF REVENUE DEFICIENCY OR SURPLUS:**

2 This exhibit presents an overview of the revenue deficiency for Guelph Hydro.

3 The information in this exhibit supports the Guelph Hydro request for an increase in revenue to  
4 provide a return on rate base consistent with OEB recommendations and to implement the  
5 capital and operating budgets for 2008 in order to continue to provide a safe, reliable supply of  
6 electricity to the customers of the City of Guelph and Village of Rockwood.

7 Guelph Hydro has determined that its net Revenue Deficiency for 2008 Test Year is \$1,110,979.

8 The calculations on which the revenue deficiency is based are set out in Schedule 2 to this  
9 Exhibit. The revenue deficiency does not include the following, which are discussed elsewhere  
10 in this application:

- 11 • Deferred Variance Account (“DVA”) adjustments (proposed regulatory asset  
12 adjustments) which are being treated as a rate rider and are a balance sheet settlement  
13 and not recorded as revenue (Exhibit 5).
- 14 • Proposed LRAM and SSM related adjustments (Exhibit 10).
- 15 • Proposed smart metering adjustments.
- 16 • Proposed Hydro One Low Voltage Allocation.
- 17 • Proposed Transformer Allowance.

18 The revenue requirement for Guelph Hydro is comprised of the following components:

- 19 • Operations, maintenance and administration expenses;
- 20 • Amortization expense;
- 21 • PILs, income tax and capital tax; and
- 22 • Return on rate base (debt, interest expense and return on equity)

23 Guelph Hydro derives its service revenue requirement through distribution rates charged to  
24 customers. Other revenues received are for OEB approved specific service charges, rents from

1 electricity property, late payment charges, interest, billing for water and sewage and other  
2 miscellaneous sources. These revenues are described in detail in Exhibit 3, Tab 3, Schedule 2.  
3 Non-distribution revenues are treated as offsets against service revenue requirements, reducing  
4 distribution revenue requirements from customers.

5 **DETERMINATION OF NET INCOME:**

6 Guelph Hydro has determined the 2008 required return on the 2008 Test Year rate base to be  
7 \$7,870,884. The following table provides the detailed calculations for the 2008 Test Year. To  
8 achieve this net income, Guelph Hydro requires total revenues of \$26,541,729. Other  
9 Operating Revenues then reduce the distribution revenue requirement by \$1,908,813, leaving a  
10 Distribution Revenue Requirement of \$24,632,916 which includes the revenue shortfall of  
11 \$1,110,979, mentioned previously.



## DETERMINATION OF NET UTILITY INCOME:

Revenue Deficiency Determination			
Description	2007 Bridge Actual	2008 Test Existing Rates	2008 Test - Required Revenue
<b>Revenue</b>			
Revenue Deficiency			<b>1,110,978.51</b>
Distribution Revenue	23,126,175.78	23,521,937.49	23,521,937.49
Other Operating Revenue (Net)	1,990,093.28	1,908,813.28	1,908,813.28
Smart Meter Deferral Account Adjustment	-		
<b>Total Revenue</b>	<b>25,116,269.06</b>	<b>25,430,750.77</b>	<b>26,541,729.28</b>
<b>Costs and Expenses</b>			
Administrative & General, Billing & Collecting	7,446,261.00	7,510,886.00	7,510,886.00
Operation & Maintenance	2,536,390.00	2,656,856.00	2,656,856.00
Depreciation & Amortization	5,817,724.70	5,899,199.93	5,899,199.93
Capital Taxes - Note (1)	256,938.98	301,832.77	301,832.77
Actual Interest	2,867,045.00	3,484,479.58	3,484,479.58
<b>Total Costs and Expenses</b>	<b>18,924,359.68</b>	<b>19,853,254.28</b>	<b>19,853,254.28</b>
<b>Total Costs and Expenses</b>	<b>18,924,359.68</b>	<b>19,853,254.28</b>	<b>19,853,254.28</b>
<b>Utility Income Before Income Taxes</b>	<b>6,191,909.38</b>	<b>5,577,496.49</b>	<b>6,688,475.00</b>
<b>Income Taxes:</b>			
Corporate Income Taxes	2,120,916.20	1,929,893.07	2,302,070.87
<b>Total Income Taxes</b>	<b>2,120,916.20</b>	<b>1,929,893.07</b>	<b>2,302,070.87</b>
<b>Utility Net Income</b>	<b>4,070,993.18</b>	<b>3,647,603.42</b>	<b>4,386,404.13</b>
<b>Capital Tax Expense Calculation - Note (1):</b>			
Total Rate Base	102,549,039.02	106,012,734.99	106,012,734.99
Exemption	12,395,011.25	14,874,013.50	14,874,013.50
Deemed Taxable Capital	<b>90,154,027.77</b>	<b>91,138,721.49</b>	<b>91,138,721.49</b>
Ontario Capital Tax	256,938.98	259,745.36	259,745.36
<b>Income Tax Expense Calculation:</b>			
Accounting Income	6,191,909.38	5,577,496.49	6,688,475.00
Tax Adjustments to Accounting Income	- 320,048.36	183,378.35	183,378.35
<b>Taxable Income</b>	<b>5,871,861.01</b>	<b>5,760,874.84</b>	<b>6,871,853.35</b>
<b>Income Tax Expense</b>	<b>2,120,916.20</b>	<b>1,929,893.07</b>	<b>2,302,070.87</b>
	36.12%	33.50%	33.50%
<b>Actual Return on Rate Base:</b>			
Rate Base	102,549,039.02	106,012,734.99	106,012,734.99
Interest Expense	2,867,045.00	3,484,479.58	3,484,479.58
Net Income	4,070,993.18	3,647,603.42	4,386,404.13
<b>Total Actual Return on Rate Base</b>	<b>6,938,038.18</b>	<b>7,132,083.00</b>	<b>7,870,883.71</b>
<b>Actual Return on Rate Base</b>	<b>6.77%</b>	<b>6.73%</b>	<b>7.42%</b>
<b>Required Return on Rate Base:</b>			
Rate Base	102,549,039.02	106,012,734.99	106,012,734.99
<b>Return Rates:</b>			
Return on Debt (Weighted)	6.25%	6.17%	6.17%
Return on Equity	9.00%	8.86%	8.86%
Deemed Interest Expense	3,845,588.96	3,484,479.58	3,484,479.58
Return On Equity	3,691,765.40	4,386,404.13	4,386,404.13
<b>Total Return</b>	<b>7,537,354.37</b>	<b>7,870,883.71</b>	<b>7,870,883.71</b>
<b>Expected Return on Rate Base</b>	<b>7.35%</b>	<b>7.42%</b>	<b>7.42%</b>
<b>Revenue Deficiency(Surplus) After Tax</b>	<b>599,316.19</b>	<b>738,800.71</b>	<b>- 0.00</b>
<b>Revenue Deficiency(Surplus) Before Tax</b>	<b>938,190.65</b>	<b>1,110,978.51</b>	<b>- 0.00</b>

**Notes:**

(1) Rate base is not being used as a proxy for paid-up capital in the "2008" columns above. The actual paid-up capital is being used to determine an estimated capital tax provision of \$301,833. See Exhibit 4, Tab 3, Schedule 3, Page 3 for a detailed calculation of this amount.

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>8 – COST ALLOCATION</b>	1	1		Cost Allocation Overview
		2		Summary of Results and Proposed Changes
				A

1 **COST ALLOCATION OVERVIEW:**

2 **Introduction:**

3 On September 29, 2006 the OEB issued its Directions on Cost Allocation Methodology for  
4 Electricity Distributors (the "Directions"). On November 15, 2006 the OEB issued the Cost  
5 Allocation Information Filing Guidelines for Electricity Distributors (the "Guidelines"), the Cost  
6 Allocation Model (the "Model") and User Instructions (the "Instructions") for the Model. Guelph  
7 Hydro prepared its information filing consistent with its understanding of the Directions, the  
8 Guidelines, the Model and the Instructions. The cost allocation data was filed on a harmonized  
9 basis consistent with the application to the OEB for approval of the merger of Guelph Hydro and  
10 Wellington Electric Distribution Company ("WEDCO"). Guelph Hydro has also followed the  
11 November 28, 2007 Report of the OEB in EB-2007-0667 - "Application of Cost Allocation for  
12 Electricity Distributors" (the "OEB Cost Allocation Report") - in determining its Revenue-to-Cost  
13 Ratio Ranges by Class and Monthly Service Charges. One of the main objectives of the filing  
14 was the provision of information that will indicate any apparent cross-subsidization among rate  
15 classifications within a distributor.

16 **Background:**

17 In the mid-1980's, Ontario Hydro, the regulator at the time, completed the most recent cost  
18 allocation study that reflected the distribution function. However, this was an integrated cost  
19 allocation study that reviewed the full costs of providing electricity to customers, which included  
20 energy, transmission and distribution. Distribution represented only approximately 15% of the  
21 total costs reviewed. The results of this study assisted Ontario Hydro in developing the  
22 Standard Application of Rates that were used by Municipal Electric Utilities to develop the  
23 bundled rates they charged customers until 2000.

24

25 Under the *Energy Competition Act, 1998*, the former Ontario Hydro was restructured into  
26 separate transmission/distribution (Hydro One) and generation (Ontario Power Generation)  
27 companies (among others). This was in part to facilitate the establishment of competitive  
28 markets for electricity as a commodity. To further that objective, the rates charged by  
29 distributors were unbundled from transmission and commodity portions of the customer's bill.  
30 The unbundling also facilitated the addition of commercial returns on equity and debt as well as  
31 Payments in Lieu of Taxes ("PILs") to the distribution rates, in keeping with government policy.

1 The unbundling of distribution from generation and transmission was completed in the  
2 2000/2001 timeframe using the OEB's 2000 Electricity Distribution Rate Handbook and the Rate  
3 Unbundling and Design Model (the "RUD" model). The Rate Handbook and RUD model  
4 provided a method to unbundle distribution rates from the other rates by rate classification but  
5 they did not determine whether the unbundled rates fully collected the cost of providing  
6 distribution service to each rate classification.

7 As part of the 2006 rate application process, cost allocation by rate class was included and  
8 represented the first time a cost allocation study has been conducted in Ontario that focused  
9 completely on distribution costs to determine whether or not the distribution rates were  
10 collecting the cost of providing distribution service to the corresponding rate classifications. This  
11 filing was comprised of a first run ("Run 1") and a second run ("Run 2"). An optional Run 3 was  
12 available but in Guelph Hydro's case, was not applicable. For Guelph Hydro, Run 1 reflects the  
13 rate classifications as they were prior to May 1, 2006. Prior to May 1, 2006 the Unmetered  
14 Scattered Load ("USL") customers were included in the General Service < 50kW rate  
15 classification. Run 2 has the USL customers removed from the GS <50 kW class to form a  
16 class of their own which is consistent with the current rate classifications. Also in Run 2, Guelph  
17 Hydro has renamed the Time of Use class (TOU) to be referred to as the General Service 1,000  
18 to 4,999 kW class. All customers that fall within the demand range of 1,000 to 4,999 kW are  
19 included in this class.

20 In order to prepare this Cost Allocation Filing, Guelph Hydro used the services of Hydro One to  
21 prepare the utility specific weather normalized load data profiles by rate classification.

1 **SUMMARY OF RESULTS AND PROPOSED CHANGES:**

2 **Results of the Cost Allocation Study:**

3 The cost/financial data used in the Model is consistent with Guelph Hydro's cost data that  
 4 supported its 2006 approved distribution rates. Consistent with the Guidelines, the Guelph  
 5 Hydro assets were broken out into primary and secondary distribution functions. The breakout  
 6 of assets, capital contributions, depreciation, accumulated depreciation, customer data and load  
 7 data by primary, line transformer and secondary categories was developed from the best data  
 8 available from Guelph Hydro's customer and financial information systems.

9 The results of a cost allocation study are typically presented in the form of revenue to cost  
 10 ratios. The ratio is shown by rate classification and is the percentage of distribution revenue  
 11 collected by rate classification compared to the costs allocated to the classification. The  
 12 percentage shows the rate classifications that are being subsidized and those that are over-  
 13 contributing. A percentage of less than 100% means the rate classification is under-contributing  
 14 and is being subsidized by other classes. A percentage of greater than 100% indicates the rate  
 15 classification is over-contributing and is subsidizing other classes of customers.

16 The following Table 1 outlines the revenue to cost ratios from Run 2. The results for Run 1 are  
 17 similar. In addition, the dollar amount by which each rate classification is being subsidized or  
 18 over-contributing is provided.

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**Table 1**  
**Revenue to Cost Ratios**  
**Summary of Results Prior to Adjustment for Transformer Allowance**

<b>Rate Classification</b>	<b>Revenue to Cost Ratio</b>	<b>\$(Being Subsidized)/ Over Contributing</b>
Residential	90.56%	(1,364,948)
General Service <50 kW	130.83%	806,946
General Service 50 kW to 999 kW	123.18%	869,949
General Service 1,000 kW to 4,999 kW	105.64%	111,148
Large Users	88.35%	(140,808)
Street Lights	10.18%	(230,853)
Sentinel Lights	72.56%	(1,938)
USL	59.91%	(49,496)
<b>Total</b>	<b>100.00%</b>	<b>0</b>

1 Minor changes have been made to the Allocation model previously submitted to the OEB in  
2 February, 2007 in order to properly reflect the results in this 2008 Rate Application.

3 **Methodology of Allocating Transformer Allowance:**

4 Guelph Hydro submits that the method in which the transformer ownership credit (the  
5 "Transformer Allowance") was handled in the OEB's Cost Allocation Model should be changed  
6 as follows. The Model allocated the Transformer Allowance across all customer classes, as if it  
7 were a distribution system cost, for cost allocation purposes. The Transformer Allowance is  
8 provided to those customers that install their own transformation and is a credit per kW of  
9 demand and applied to the customer's bill. Guelph Hydro calculates a Transformer Allowance  
10 in Exhibit 9. Guelph Hydro submits that since the Transformer Allowance is a credit that is  
11 deducted from total revenue it should not be included as a cost and should therefore not be  
12 included in the Cost Allocation Model. As such, Guelph Hydro has removed the Transformer  
13 Allowance from the Cost Allocation Model and rerun the OEB's Model to correctly allocate  
14 Guelph Hydro's actual costs of providing distribution services to each class. A copy of the  
15 revised model is attached as Appendix "A" to this Schedule.

16 The revenue component used in the Model to determine class revenues, which are in turn used  
17 to determine the revenue to cost ratios, is based on historical rate design. The historical rate  
18 design process, which is still used today, requires the distributor to calculate its distribution  
19 revenue requirement and then add the expected Transformer Allowance to be paid out. In the  
20 OEB's 2006 EDR Model, Guelph Hydro's Distribution Revenue Requirement was calculated as  
21 \$22,366,148; however, rates were set to recover \$23,207,080, which includes \$840,932 in  
22 Transformer Allowances. Table 2 below is provided as an illustration of the above explanation.  
23 As can be seen from the table, the Transformer Allowance is simply deducted from the total  
24 revenue to determine the base revenue. The Transformer Allowance is not recovered through  
25 the specific classes to which it may relate but rather from all class rate related revenue in  
26 general.

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**Table 2**  
**2006 EDR Base Revenue Calculations & Transformer Allowance**

	<b>Base Revenue Requirement Allocated (adjusted for Transformer Credit)</b>		
	<b>Guelph Hydro</b>	<b>Wellington Electric</b>	<b>Overall Allocation to Classes</b>
Residential	11,970,672	411,300	12,381,972
General Service <50 kW	3,235,066	83,737	3,318,802
General Service 50 kW to 999 kW	4,447,748	11,088	4,458,836
General Service 1,000 kW to 4,999 kW	2,004,352		2,004,352
Large Use	1,019,298		1,019,298
Sentinel Lighting	4,861	24	4,885
Street Lighting	17,187	1,748	18,935
<b>TOTALS</b>	<b>22,699,183</b>	<b>507,897</b>	<b>23,207,080</b>
Less Transformer Credit	<b>840,932</b>	<b>0</b>	<b>840,932</b>
Base Revenue Requirement	<b>21,858,251</b>	<b>507,897</b>	<b>22,366,148</b>

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Since the OEB's Cost Allocation Model is not a rate design model, it is not possible to correct for the recovery of the Transformer Allowance across all customer classes. However, Guelph Hydro has corrected the distribution revenue received from the General Service >50 - 999 kW, General Service 1000 - 4999 kW and Large User customer classes by reducing the distribution revenue received from these classes by the amounts of the Transformer Allowance credit provided to these customer classes. This adjustment corrects the revenue to cost ratios for these three classes of customers. However, the remaining individual class revenues continue to be overstated by the amount of the Transformer Allowance included in current rates for those classes. In summary, the allocations of the Transformer Allowance have been removed from the costs to service all of the individual customer classes, and the revenues received from the General Service > 50 – 999 kW, General Service 1000 - 4999 kW and Large User customer classes on account of the Transformer Allowance having been removed from the distribution revenues received from those three classes in order to correct the calculations of the revenue to cost ratios.

1 The following Table 3 shows the impact on the revenue to cost ratios of correcting for the  
 2 Transformer Allowance:

3 **Table 3**  
 4 **Revenue to Cost Ratios**  
 5 **Summary of Results After Removal of Transformer Allowance All Classes**

Rate Classification	Revenue to Cost Ratio	\$(Being Subsidized) /\$Over Contributing
Residential	93.19%	(\$955,744)
General Service <50 kW	137.49%	\$933,755
General Service 50 kW to 999kW	131.01%	\$1,055,935
General Service 1,000 kW to 4,999kW	83.34%	(\$335,314)
Large Users	64.57%	(\$436,420)
Street Lights	10.90%	(\$213,822)
Sentinel Lights	75.51%	(\$1,662)
USL	61.28%	(\$46,728)
<b>Total</b>	<b>100.00%</b>	<b>0</b>

6 Guelph Hydro has included the allocation and calculations of the Transformer Allowance in  
 7 Exhibit 9 - Rate Design.

8 The General Service 1,000-4,999 kW and Large User classes are supplied from Guelph Hydro's  
 9 primary distribution system and thus, have a share of the associated costs of Guelph Hydro's  
 10 primary system allocated accordingly. However, by virtue of being primary fed, the General  
 11 Service 1,000-4,999 kW and Large User classes do not have an allocation of transformation or  
 12 secondary costs assigned to them. The OEB's Cost Allocation Model eliminated the provision  
 13 of a Transformer Allowance for primary fed customer classes, thus, no related transformation  
 14 costs were assigned to these classes. As a result, the General Service 1,000-4,999 kW and  
 15 Large User classes will no longer receive the Transformer Allowance effective May 1, 2008,  
 16 when Guelph Hydro proposes to begin implementing the results of its Cost Allocation Study.

17 **Proposed Adjustment to Cost Allocation:**

18 Sections 3.1 through 3.6 of the OEB Cost Allocation Report set out the revenue to cost ratios  
 19 established by the Board for different rate classes. Table 4, below, summarizes the Board  
 20 Established Ranges, as well as Guelph Hydro's results from the Cost Allocation Model. As can



1 be seen from the table, the Residential, General Service 50 kW to 999 kW, General Service  
 2 1,000 – 4,999 kW and Sentinel Lighting are the classes that currently fall within the revenue to  
 3 cost ratio ranges established by the OEB.

4 Section 2.3.4 of the OEB Cost Allocation Report states "... However, if a large increase is  
 5 required to move closer to one, rate mitigation plans should be proposed by the distributor...".  
 6 Guelph Hydro is proposing to re-align its revenue to cost ratio in this Application by adjusting the  
 7 allocations of revenue among its rate classes in order to reduce cross-subsidization. It should  
 8 be noted that the allocations used in this Schedule are based on the revised Cost Allocation  
 9 Model adjusted by Guelph Hydro to correct for the Transformer Allowance.

10 **Table 4**  
 11 **OEB Established Revenue to Cost Ratio Ranges and Guelph Hydro Results**

<b>Customer Class</b>	<b>Low</b>	<b>High</b>	<b>Guelph Hydro</b>
Residential	85%	115%	93.19%
General Service <50 kW	80%	120%	<b>137.49%</b>
General Service 50 kW to 999 kW	80%	180%	131.01%
General Service 1,000 kW to 4,999 kW	80%	180%	83.34%
Large User	85%	115%	<b>64.57%</b>
Street Lighting	70%	120%	<b>10.90%</b>
Sentinel Lighting	70%	120%	75.51%
USL	80%	120%	<b>61.28%</b>

12 In order to begin applying the results of Guelph Hydro's Cost Allocation Study and set the frame  
 13 work for the design of future distribution rates, Guelph Hydro first reviewed the breakdown of  
 14 distribution revenues by rate classification assuming all rate classifications were moved to a  
 15 revenue to cost ratio of 100%, thus assuming no cross-subsidization. Guelph Hydro then  
 16 calculated the revenue by rate classifications assuming no change to existing rates. Guelph  
 17 Hydro is proposing a partial re-alignment of class revenues. Table 5 provides the proportionate  
 18 share of Guelph Hydro's 2008 revenue requirement that would be required from each customer  
 19 class by moving to a 100% revenue to cost ratio; by making no change to the proportionate  
 20 share of class revenue, and by moving Guelph Utilities proposed class share of its 2008 base  
 21 distribution revenue requirement, and further discussion is detailed below.

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**Table 5**  
**Class Share of 2008 Distribution Revenue**

Customer Class	100% Cost Allocation	Allocation at Existing Rates	Proposed Cost Allocation	Revenue Share at 100% Cost Allocation	Revenue Share at Existing Rates	Revenue Share Proposed
Residential	59.57%	54.72%	55.47%	14,674,668	13,479,708	13,664,455
GS < 50 kW	10.23%	14.03%	12.21%	2,521,019	3,454,927	3,008,332
GS 50 kW to 999 kW	14.59%	18.44%	18.44%	3,593,577	4,542,490	4,542,490
GS 1,000-4,999 kW	8.69%	8.45%	8.45%	2,141,033	2,081,018	2,081,018
Large User	5.32%	3.80%	4.55%	1,310,352	935,617	1,120,364
Street Lighting	1.05%	0.19%	0.44%	258,453	47,283	108,865
Sentinel Lighting	0.03%	0.02%	0.02%	7,259	4,392	5,131
USL	0.52%	0.35%	0.42%	126,555	87,481	102,261
TOTAL	100.00%	100.00%	100.00%	24,632,916	24,632,916	24,632,916

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4 As evidenced in the above table, in order to avoid cross-subsidization of other customer  
 5 classes, Guelph Hydro must reduce the proportionate share of distribution revenue derived from  
 6 the GS < 50 kW customer class from 14.03% to 10.23% and GS > 50 kW to 999 kW from  
 7 18.44% to 14.59%. In order to accomplish this, the proportionate share of distribution revenue  
 8 received from the remaining classes would need to be increased.

9 As a means of mitigating potential bill impacts arising from this cost allocation-related  
 10 adjustment, Guelph Hydro is proposing to implement a partial shift towards full cost of service  
 11 resulting in the cost allocation percentages and revenue shares as summarized in Table 5  
 12 above. Guelph Hydro proposes to adjust the percentage of 2008 Distribution Revenue as  
 13 follows:

- 14 • 0.75% has been added to the Residential Class;
- 15 • 1.82% has been deducted from the GS < 50 kW
- 16 • 0.75% has been added to the Large User Class;
- 17 • 0.25% has been added to the Street Light Class;
- 18 • 0.003% has been added to the Sentinel Light Class; and
- 19 • 0.07% has been added to the USL Class

1 There are no changes proposed at this time for the General Service 50 – 999 kW and the  
 2 General Service 1,000 – 4,999 kW classes as a result of the cost allocation.

3 Guelph Hydro's proposed revenue to cost ratios are compared to the Board Established  
 4 revenue to cost ranges in Table 6 below. As evidenced in this table, Guelph Hydro customer  
 5 classes now fall within the ranges established by the OEB with the exception of the Street Light  
 6 class.

7 **Table 6**  
 8 **Proposed Revenue to Cost Ratio**

<b>Customer Class</b>	<b>Low</b>	<b>High</b>	<b>Guelph Hydro</b>
Residential	85%	115%	93.12%
GS < 50 kW	80%	120%	119.33%
GS 50 kW to 999kW	80%	180%	126.41%
GS 1,000 – 4,999kW	80%	180%	97.20%
Large Use	85%	115%	85.50%
Street Lighting	70%	120%	42.12%
Sentinel Lighting	70%	120%	70.68%
USL	80%	120%	80.80%

9 The Street Lighting class total bill impact will be 7.8% and despite this increase the revenue  
 10 derived from the Street Lighting class continues to be insufficient to cover the costs of servicing  
 11 this class. After the re-alignment of class revenues, the Street Lighting revenue is only  
 12 recovering 42.1% of the costs to service this class. Guelph Hydro understands that this is not  
 13 only an issue for Guelph Hydro, but also a province-wide issue for all distributors. As the OEB  
 14 recognized in Section 3.6 of its Cost Allocation Report, "...the Street Lighting and Sentinel  
 15 Lighting Classes present significant issues that need to be resolved in respect to the allocation  
 16 of costs and the model's sensitivity to changes in assumptions". The current revenue to cost  
 17 ratios that resulted from Guelph Hydro's Cost Allocation Study support an increase in the  
 18 proportionate share of revenue derived from the Street Lighting Class. However, in light of the  
 19 uncertainty identified by the Board with respect to the analysis of Cost Allocation results for this  
 20 class, Guelph Hydro submits that its approach to the implementation of the Cost Allocation  
 21 Study in respect of the Street Lighting class, as proposed in this Application, is appropriate for  
 22 the 2008 Test Year pending further consideration being given on a sector-wide basis to the  
 23 allocation of cost to service the Street Light class.

1 **Cost Allocation Summary:**

2 The discussion and tables above support Guelph Hydro's proposed reallocation of distribution  
3 costs across customer classes, in order to begin moving toward revenue to cost ratios of 100%  
4 and reducing cross-subsidization. Guelph Hydro submits that the proposed reallocation of  
5 distribution revenue is fair and reasonable for the following reasons:

- 6 • Customer class revenues will more closely reflect the actual costs of providing  
7 distribution service to those classes;
- 8 • Rate impacts due to the Cost Allocation process will be mitigated across all but two  
9 customer classes (i.e., where revenue to cost ratios were within OEB guidelines); and
- 10 • Partial reallocation provides time for further refinement of the cost allocation model and  
11 movement between classes

12 **Monthly Service Charge (MSC):**

13 The Model produces customer unit costs per month for each rate classification. To assist with  
14 reviewing the range of current monthly service charges, the Model generates three scenarios of  
15 cost-based monthly customer unit costs for each rate classification. These unit costs are  
16 determined by the Model and compared to the current approved monthly service charge.

17 In Section 4.2.1 of the OEB Cost Allocation Report, the OEB has established that the use of  
18 avoided costs is an appropriate basis for establishing the minimum or floor amount for the  
19 monthly service charge at this time.

20 In Section 4.2.2 of the Board Report it is stated "The Board considers it to be inappropriate to  
21 make significant changes to the ceiling for the MSC at this time, given the number of issues that  
22 remain to be examined." The Board defines the ceiling as 120% of the avoided costs plus the  
23 allocated customer costs. The Board further states "Distributors that are currently above this  
24 value are not required to make changes to their current MSC to bring it to or below this level at  
25 this time." Guelph Hydro has complied with these directions and had not made adjustments to  
26 the monthly service charge of any customer class that exceeds the ceiling.

27 **Transformer Ownership Allowance:**

28 Currently, Guelph Hydro provides a transformer ownership allowance to those customers that  
29 own their transformation facilities. Guelph Hydro's present transformer ownership allowance is  
30 \$0.60 per kW and this same charge is applied consistently across the province. The amount of

1 the allowance has not been reviewed on a generic basis in recent years. The filings will be  
2 used by the OEB to review this allowance from a cost based perspective.

3 The present allowance is intended to reflect the costs to a distributor of providing step down  
4 transformation facilities to the customer's utilization voltage level. Since it is assumed that the  
5 distributor provides electricity at utilization voltage, the cost of this transformation is captured as  
6 part of the costs to be allocated to the appropriate class in the cost allocation study and then  
7 recovered through distribution rates. Therefore, when a customer provides the step down  
8 transformation from primary to secondary, it should receive a credit for these costs already  
9 included in the distribution rates.

10 In Guelph Hydro's case, based on the Model's calculations in Exhibit 9, the transformer  
11 ownership allowance from a cost based perspective should be \$0.72 per kW for the GS 50 - 999  
12 kW class for those customers who provide their own transformation. Guelph Hydro also  
13 proposed above that the GS 1,000 – 4,999 kW and Large User customer classes will not  
14 receive a Transformer Allowance effective May 1, 2008 as all customers in each class own their  
15 transformers and do not have transformation costs allocated to their customer classes in the  
16 Cost Allocation Study.

**APPENDIX A**

**GUELPH HYDRO COST ALLOCATION MODEL**



**Sheet 01 Revenue to Cost Summary Worksheet -  
Second Run**

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base	Assets	Total	1	2	3	4	6	7	8	9
			Residential	GS <50	GS 50-999 kW	GS 1000-4999 kW	Large Use >5MW	Street Light	Sentinel	Unmetered Scattered Load
<b>crev</b>	Distribution Revenue (sale)	\$22,366,148	\$12,381,972	\$3,250,697	\$4,296,070	\$1,598,463	\$747,020	\$18,935	\$4,885	\$68,105
<b>mi</b>	Miscellaneous Revenue (mi)	\$1,186,392	\$706,771	\$174,046	\$164,763	\$79,192	\$48,309	\$7,218	\$238	\$5,854
	<b>Total Revenue</b>	<b>\$23,552,540</b>	<b>\$13,088,743</b>	<b>\$3,424,743</b>	<b>\$4,460,833</b>	<b>\$1,677,655</b>	<b>\$795,330</b>	<b>\$26,153</b>	<b>\$5,123</b>	<b>\$73,959</b>
	<b>Expenses</b>									
<b>di</b>	Distribution Costs (di)	\$2,361,185	\$1,561,972	\$170,334	\$276,535	\$182,402	\$116,790	\$35,443	\$1,004	\$16,704
<b>cu</b>	Customer Related Costs (cu)	\$1,730,260	\$1,073,693	\$373,859	\$232,041	\$34,540	\$7,975	\$81	\$138	\$7,934
<b>ad</b>	General and Administration (ad)	\$4,521,755	\$2,910,242	\$599,912	\$563,093	\$241,584	\$139,134	\$39,343	\$1,263	\$27,183
<b>dep</b>	Depreciation and Amortization (dep)	\$5,100,122	\$3,086,229	\$471,025	\$718,562	\$450,697	\$283,957	\$61,693	\$1,675	\$26,284
<b>INPUT</b>	PILs (INPUT)	\$2,767,221	\$1,523,751	\$247,288	\$447,253	\$310,928	\$195,407	\$29,624	\$774	\$12,198
<b>INT</b>	Interest	\$2,824,961	\$1,555,545	\$252,447	\$456,585	\$317,415	\$199,484	\$30,242	\$790	\$12,452
	<b>Total Expenses</b>	<b>\$19,305,506</b>	<b>\$11,711,432</b>	<b>\$2,114,864</b>	<b>\$2,694,069</b>	<b>\$1,537,567</b>	<b>\$942,747</b>	<b>\$196,427</b>	<b>\$5,645</b>	<b>\$102,755</b>
	<b>Direct Allocation</b>	<b>\$179,089</b>	<b>\$93,070</b>	<b>\$12,599</b>	<b>\$53,346</b>	<b>\$18,325</b>	<b>\$1,746</b>	<b>\$0</b>	<b>\$2</b>	<b>\$0</b>
<b>NI</b>	Allocated Net Income (NI)	\$4,067,946	\$2,239,985	\$363,524	\$657,482	\$457,078	\$287,257	\$43,548	\$1,138	\$17,932
	<b>Revenue Requirement (includes NI)</b>	<b>\$23,552,540</b>	<b>\$14,044,487</b>	<b>\$2,490,988</b>	<b>\$3,404,898</b>	<b>\$2,012,970</b>	<b>\$1,231,750</b>	<b>\$239,976</b>	<b>\$6,785</b>	<b>\$120,687</b>
	Revenue Requirement Input equals Output									
	<b>Rate Base Calculation</b>									
	<b>Net Assets</b>									
<b>dp</b>	Distribution Plant - Gross	\$97,254,202	\$55,521,644	\$8,656,695	\$14,936,603	\$10,157,375	\$6,395,880	\$1,097,967	\$29,138	\$458,901
<b>gp</b>	General Plant - Gross	\$5,441,030	\$3,079,520	\$477,959	\$842,993	\$584,728	\$368,304	\$60,612	\$1,605	\$25,309
<b>accum dep</b>	Accumulated Depreciation	(\$18,452,367)	(\$10,921,294)	(\$1,734,465)	(\$2,727,636)	(\$1,688,824)	(\$1,061,781)	(\$220,132)	(\$5,886)	(\$92,349)
<b>co</b>	Capital Contribution	(\$11,275,003)	(\$7,465,810)	(\$883,003)	(\$1,273,710)	(\$865,653)	(\$556,433)	(\$156,319)	(\$4,408)	(\$69,666)
	<b>Total Net Plant</b>	<b>\$72,967,862</b>	<b>\$40,214,061</b>	<b>\$6,517,186</b>	<b>\$11,778,249</b>	<b>\$8,187,626</b>	<b>\$5,145,969</b>	<b>\$782,127</b>	<b>\$20,449</b>	<b>\$322,195</b>
	<b>Directly Allocated Net Fixed Assets</b>	<b>\$132,660</b>	<b>\$76,060</b>	<b>\$3,662</b>	<b>\$26,632</b>	<b>\$26,276</b>	<b>\$3</b>	<b>\$1</b>	<b>\$25</b>	<b>\$0</b>
<b>COP</b>	Cost of Power (COP)	\$107,351,420	\$22,685,122	\$9,538,331	\$30,361,656	\$24,835,190	\$19,357,822	\$534,488	\$6,832	\$31,978
	OM&A Expenses	\$8,613,201	\$5,545,907	\$1,144,104	\$1,071,669	\$458,526	\$263,899	\$74,868	\$2,405	\$51,821
	Directly Allocated Expenses	\$165,894	\$85,505	\$12,235	\$50,697	\$15,711	\$1,746	\$0	\$0	\$0
	<b>Subtotal</b>	<b>\$116,130,515</b>	<b>\$28,316,535</b>	<b>\$10,694,670</b>	<b>\$31,484,022</b>	<b>\$25,309,428</b>	<b>\$19,623,466</b>	<b>\$609,356</b>	<b>\$9,238</b>	<b>\$83,799</b>
	<b>Working Capital</b>	<b>\$17,419,577</b>	<b>\$4,247,480</b>	<b>\$1,604,201</b>	<b>\$4,722,603</b>	<b>\$3,796,414</b>	<b>\$2,943,520</b>	<b>\$91,403</b>	<b>\$1,386</b>	<b>\$12,570</b>
	<b>Total Rate Base</b>	<b>\$90,520,099</b>	<b>\$44,537,600</b>	<b>\$8,125,049</b>	<b>\$16,527,485</b>	<b>\$12,010,316</b>	<b>\$8,089,492</b>	<b>\$873,532</b>	<b>\$21,860</b>	<b>\$334,765</b>
	Rate Base Input equals Output									
	<b>Equity Component of Rate Base</b>	<b>\$45,260,049</b>	<b>\$22,268,800</b>	<b>\$4,062,524</b>	<b>\$8,263,742</b>	<b>\$6,005,158</b>	<b>\$4,044,746</b>	<b>\$436,766</b>	<b>\$10,930</b>	<b>\$167,383</b>
	<b>Net Income on Allocated Assets</b>	<b>\$4,067,946</b>	<b>\$1,284,241</b>	<b>\$1,297,280</b>	<b>\$1,713,418</b>	<b>\$121,764</b>	<b>(\$149,163)</b>	<b>(\$170,274)</b>	<b>(\$524)</b>	<b>(\$28,796)</b>
	<b>Net Income on Direct Allocation Assets</b>	<b>\$5,556</b>	<b>\$3,186</b>	<b>\$153</b>	<b>\$1,115</b>	<b>\$1,101</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1</b>	<b>\$0</b>
	<b>Net Income</b>	<b>\$4,073,502</b>	<b>\$1,287,427</b>	<b>\$1,297,433</b>	<b>\$1,714,533</b>	<b>\$122,865</b>	<b>(\$149,163)</b>	<b>(\$170,274)</b>	<b>(\$523)</b>	<b>(\$28,796)</b>
	<b>RATIOS ANALYSIS</b>									
	REVENUE TO EXPENSES %	100.00%	93.19%	137.49%	131.01%	83.34%	64.57%	10.90%	75.51%	61.28%
	EXISTING REVENUE MINUS ALLOCATED COSTS	\$0	(\$955,744)	\$933,755	\$1,055,935	(\$335,314)	(\$436,420)	(\$213,822)	(\$1,662)	(\$46,728)
	RETURN ON EQUITY COMPONENT OF RATE BASE	9.00%	5.78%	31.94%	20.75%	2.05%	-3.69%	-38.99%	-4.78%	-17.20%

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>9 - RATE DESIGN</b>	<b>1</b>	<b>1</b>		<b>Rate Design Overview</b>
		<b>2</b>		<b>Rate Mitigation</b>
		<b>3</b>		<b>Existing Rate Classes</b>
		<b>4</b>		<b>Existing Rate Schedule</b>
		<b>5</b>		<b>Proposed Rate Classes if different than existing</b>
		<b>6</b>		<b>Proposed Rate Schedule</b>
		<b>7</b>		<b>Reconciliation of Rate Class Revenue to Total Revenue Requirement</b>
		<b>8</b>		<b>Bill Impacts</b>



1 **RATE DESIGN OVERVIEW:**

2 This Exhibit documents the calculation of Guelph Hydro's proposed distribution rates by rate  
 3 class for the 2008 Test Year, based on the allocation of the base revenue requirement across  
 4 customer classes as proposed in Exhibit 8 and Rate Design as proposed in this Exhibit.

5 Guelph Hydro has determined its total 2008 service revenue requirement to be \$26,541,730.  
 6 The total revenue offset, as set out in Exhibit 3, in the amount of \$1,908,814 reduces Guelph  
 7 Hydro's total service revenue requirements to a base revenue requirement of \$24,632,916, which  
 8 is used to determine the proposed distribution rates. The base revenue requirement is derived  
 9 from Guelph Hydro's 2008 capital and operating forecasts and regulated return on rate base.  
 10 The revenue requirement is summarized in Table 1:

11 **Table 1**  
 12 **Calculation of Revenue Requirement and Base Revenue Requirement**

OM&A Expenses and Deemed Interest	10,167,742
Amortization Expenses	<u>5,899,200</u>
Total Distribution Expenses	16,066,942
Regulated Return on Capital	7,870,884
PILs	<u>2,603,904</u>
<b>Total Service Revenue Requirement</b>	26,541,730
Less: Revenue Offsets	<u>(1,908,814)</u>
<b>Base Distribution Revenue Requirement</b>	24,632,916

13 **Class Allocation:**

14 Guelph Hydro has proposed a re-alignment of the base revenue requirement in Table 1 above, in  
 15 order to partially reduce the cross subsidization between customer classes.

16 Ignoring the results of the cost allocation filing and making no changes to the class revenue  
 17 requirements does not correct the over-contribution of revenue to costs by the General  
 18 Service < 50 kW customer class. In fact, making no changes in class revenue requirements only  
 19 perpetuates the cross subsidization by the General Service < 50 kW customer class and may  
 20 only be corrected at the time of the next rebasing of rates.

21

1 Implementation of full cost allocation would result in each customer class paying for 100% of the  
2 costs of providing service to that class. In Guelph Hydro's case, this would increase the base  
3 revenue requirement for the Residential, General Service 1000 to 4999 kW, Large User, Street  
4 Lighting, Sentinel Lighting and Unmetered Scattered Load customer classes. The revenue  
5 requirements for the General Service < 50 kW and the General Service 50 to 999 kW customer  
6 classes would decrease.

7 Guelph Hydro is proposing to implement partial reallocation of distribution revenue across  
8 customer classes to better align the revenue to cost contribution by each customer class. Partial  
9 reallocation will result in a reduction to the total monthly bill for the General Service < 50 kW  
10 customer class. The Residential, Large Users, Sentinel Lighting and USL customer classes are  
11 below the minimum for their classes and would have a monthly increase in their distribution rates  
12 to bring them within the range for the class.

13 The Street Lighting customer class will experience a larger total bill impact, based on Guelph  
14 Hydro's proposed reallocation of costs. Partial reallocation as proposed by Guelph Hydro will  
15 raise this class to a revenue to cost ratio of 42.1% from the current revenue to cost ratio of  
16 10.9%.

17 Guelph Hydro submits that in developing reasonable electricity distribution rates, it would be  
18 inappropriate to leave the revenue to cost ratio for the General Service < 50 kW customer class  
19 as it currently exists and continue to perpetuate the cross subsidization by that customer class.  
20 Guelph Hydro has the opportunity to begin reducing this cross subsidization through the filing of  
21 its 2008 Test Year Application.

22 Guelph Hydro is proposing to design rates based on the partial reallocation of customer class  
23 distribution revenue while proposing to mitigate the average total bill impact for the Residential,  
24 General Service < 50 kW, General Service 50 to 999 kW, General Service 1,000 to 4,999 kW  
25 and Large User customer classes.

26

1 The proportionate shares of 2008 class revenues as determined in Exhibit 8 and summarized in  
 2 Table 2 below establish the base revenue requirement upon which Guelph Hydro's proposed  
 3 distribution rates have been determined.

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**Table 2**  
**Class Share 2008 Base Revenue Requirement**

<b>Customer Class</b>	<b>Proposed Revenue Allocation</b>	<b>2008 Base Revenue Allocation</b>
Residential	55.47%	13,644,455
General Service < 50kW	12.21%	3,008,332
General Service 50 - 999kW	18.44%	4,542,490
General Service 1000 - 4999kW	8.45%	2,081,018
Large User	4.55%	1,120,364
Street Lighting	0.44%	108,865
Sentinel Lighting	0.02%	5,131
Unmetered Scattered Load	0.42%	102,261
Total	100.00%	24,632,916*

\* Excluding Low Voltage Charges and Transformer Allowance

6

1 **Determination of Fixed Monthly Charges:**

2 Guelph Hydro's current OEB-approved monthly fixed charges based on its 2007 IRM application,  
 3 and before the smart meter adder, by customer class are summarized in Table 3 below.

4 **Table 3**  
 5 **Current Monthly Fixed Charge**

Customer Class	Guelph		Wellington/Rockwood	
	Connection	Customer	Connection	Customer
Residential		13.27		13.90
General Service < 50 kW		10.84		17.18
General Service 50 – 999 kW		230.36		274.79
General Service 1,000 – 4,999 kW		613.29		
Large User		897.69		
Street Lighting	0.14		0.48	
Sentinel Lighting	6.46		1.29	
Unmetered Scattered Load	5.42			17.45

6 Guelph Hydro proposes to maintain the fixed distribution rates in its 2008 application, with the  
 7 exception of the General Service < 50 kW rate class.

8 In September 2006 the OEB completed its Cost Allocation Review and issued its direction on  
 9 Cost Allocation Methodology for Electricity Distributors (OEB File No. RP-2005-0317). These  
 10 directions stem from at least three years of discussions and work groups which included OEB  
 11 staff, electricity distributors, interveners and experts at various stages of the review process. In  
 12 November of 2006, the OEB issued the Cost Allocation Informational Filing Guidelines for  
 13 Electricity Distributors (the "Guidelines") and the Cost Allocation Model. The Guidelines and  
 14 Model provided LDC's with the framework to complete their Cost Allocation studies which were  
 15 filed in early 2007.

16 In its follow-up to the review of the Cost Allocation filings, the OEB issued its November 28, 2007  
 17 Cost Allocation Report in which the OEB staff established ranges for revenue to cost ratios as  
 18 well as directions for establishing the monthly service charge.

19 Sections 3.1 through 3.6 of the OEB Cost Allocation Report set out the revenue-to-cost ratios  
 20 established by the OEB for different rate classes. Section 2.3.4 of the Board Report states:

1 “...However, if a large increase is required to move closer to one, rate mitigation plans should be  
2 proposed by the distributor....” Guelph Hydro agrees with the OEB staff suggestions on both  
3 counts – firstly, that rates need to better reflect the costs of servicing the particular customer  
4 class; and, secondly, that there is a range of factors which need to be considered in providing  
5 immediate full adjustment to rates including the potential impacts on rates. Guelph Hydro is  
6 proposing to begin to adjust the revenue to cost allocations in a reasoned and principled manner  
7 so as to mitigate the overall rate impacts of its 2008 Forward Test Year Application.

8 In Section 4.2.1 of the OEB Cost Allocation Report, the Board has established that the use of  
9 avoided costs is an appropriate basis for establishing the minimum or floor amount for the  
10 monthly service charge at this time. The Cost Allocation Study (filed on a harmonized basis)  
11 resulted in a monthly service charge of \$12.26 for the GS < 50 kW customer class, higher than its  
12 existing monthly service charge of \$10.84, and Guelph Hydro has proposed to increase the  
13 monthly service charge of this class to the avoided cost of \$12.26.

14 In Section 4.2.2 of the OEB Cost Allocation Report it is stated “The Board considers it to be  
15 inappropriate to make significant changes to the ceiling for the MSC at this time, given the  
16 number of issues that remain to be examined.” The Board defines the ceiling as 120% of the  
17 avoided costs plus the allocated customer costs. The Board further states “Distributors that are  
18 currently above this value are not required to make changes to their current MSC to bring it to or  
19 below this level at this time.” Guelph Hydro has complied with these directions and has not made  
20 adjustments to the monthly service charge of any customer class that exceeds the ceiling.

21

1 Guelph Hydro is proposing to continue the existing fixed rates, with the exception of moving GS <  
 2 50 kW to 12.26 from 10.84, pending the outcome of the OEB proceeding on Rate Design for  
 3 Electricity Distributors, OEB File No. EB-2007-0031. Table 4 below provides Guelph Hydro's  
 4 calculations of its proposed monthly fixed distribution charges for the 2008 Test Year.

5 **Table 4**  
 6 **Proposed Fixed Distribution Charge**

Customer Class	Base Revenue Requirement	Fixed Distribution Revenue	Annualized Customer/Connection	2008 Proposed Fixed Rate
Residential	13,664,454	7,041,593	44,220	13.27
GS < 50 kW	3,008,332	531,397	3,612	<b>12.26</b>
GS 50 – 999 kW	4,542,490	1,423,625	515	230.36
GS 1,000 – 4,999 kW	2,081,017	272,301	37	613.29
Large User	1,120,363	43,089	4	897.69
Street Lighting	108,865	22,966	13,670	0.14
Sentinel Lighting	5,131	2,326	30	6.46
USL	102,261	38,439	591	5.42
	<b>24,632,916*</b>	<b>9,375,735</b>		

\* Excluding Hydro One Low Voltage Charges and Transformer Allowance

7 **Proposed Volumetric Charges:**

8 Guelph Hydro has calculated the proposed variable distribution revenue requirement by  
 9 subtracting the fixed distribution revenue from the total distribution revenue requirement and  
 10 adjusting for the Transformer Allowance for the General Service 50 kW – 999 kW customer  
 11 class. The variable distribution charge is calculated by dividing the variable distribution revenue  
 12 requirement by the appropriate 2008 Test Year usage, kWh or kW, as the class charge  
 13 determinant. Table 5 summarizes the proposed variable distribution revenue.

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**Table 5**  
**Variable Distribution Charge Calculation**

Customer Class	Base Revenue Requirement	Fixed Distribution Revenue	Variable Distribution Revenue	Transformer Allowance	Total Variable Revenue Requirement	2008 Test Year Usage	2008 Variable Rate
Residential	13,664,454	7,041,593	6,622,862		6,622,862	360,631,709 kWh	0.0184
GS < 50 kW	3,008,332	531,397	2,476,935		2,476,935	147,407,271 kWh	0.0168
GS 50 – 999 kW	4,542,490	1,423,625	3,118,865	319,609	3,438,474	1,153,073 kW	2.9820
GS 1,000 – 4,999 kW	2,081,017	272,301	1,808,717		1,808,717	864,476 kW	2.0923
Large User	1,120,363	43,089	1,077,275		1,077,275	471,750 kW	2.2836
Street Lighting	108,865	22,966	85,900		85,900	25,453 kW	3.3748
Sentinel Lighting	5,131	2,326	2,805		2,805	353 kW	7.9415
USL	102,261	38,439	63,822		63,822	2,343,467 kWh	0.0272
	<b>24,632,916</b>	<b>9,375,735</b>	<b>15,257,181</b>	<b>319,609</b>	<b>15,576,790</b>		

3 **Proposed Adjustment to Transformer Allowance:**

4 Guelph Hydro proposes that the amount of the Transformer Allowance expected to be provided  
 5 to those GS 50 - 999 kW customers that own their own transformers should be included in the  
 6 GS 50 - 999 kW volumetric charge. The proposed volumetric charge of \$2.982 per kW for the  
 7 GS 50 - 999 kW customer class, includes the recovery of the Transformer Allowance.

8 Currently, Guelph Hydro provides a Transformer Allowance to those customers that own their  
 9 transformation facilities. Guelph Hydro's current approved Transformer Allowance is \$0.60 per  
 10 kW. The Transformer Allowance is intended to reflect the costs to Guelph Hydro of providing  
 11 step down transformation facilities to the customer's utilization voltage. Since Guelph Hydro  
 12 provides electricity at utilization voltage, the cost of Guelph Hydro's transformers are captured in  
 13 and recovered through the distribution rates. However, the distribution rates only reflect the cost  
 14 of Guelph Hydro's transformers and not the cost associated with the transformers owned by the  
 15 customer. Therefore, the rate should reflect every customer using Guelph Hydro's transformers  
 16 and the Transformer Allowance should be applied to this rate for those customers that own their  
 17 transformers. To accomplish this, the amount of Transformer Allowance should be added back  
 18 to the volumetric rate in the GS 50 - 999 kW class to produce a rate that assumes every  
 19 customer is using Guelph Hydro's transformers. Then the customer that owns its transformer will  
 20 receive a credit for their transformer and Guelph Hydro will collect sufficient revenue to cover the  
 21 cost of providing transformation to the customer using Guelph Hydro's transformers.

1 Guelph Hydro has calculated the proposed Transformer Allowance for this Application as \$.72  
 2 per kW as shown in Table 6 below. This calculation is consistent with the Transformer Allowance  
 3 calculated in the Cost Allocation Model.

4 **Table 6**  
 5 **Transformer Allowance Calculation for GS 50-999 kW**

	Reference to Cost Allocation Model - Tab and Cell	2006 EDR Cost Allocation	Formula
A	B	C	
1 kW for Customers with Own Transformers	I6 Customer Data - F23	271,276	
2 kW for Customers using Guelph Line Transformers		866,054	C3-C1
3 Total Class kW's	I6 Customer Data - F22	1,137,330	
4			
5 Total Net Distribution Revenue for Rate Year	I3 TB Data - F18	23,552,540	
6 Total Transformer Cost For All Classes - 2006 EDR Cost Alloc	O3.1 Line Tran Unit Cost - C23	2,254,588	
7 Total Transformer Cost Allocated to GS 50 - 999 kW	O3.1 Line Tran Unit Cost - F23	622,335	
8			
9 Transformer Cost per kW (or new Transformer Allowance)		\$0.72	C7/C2

6 Guelph Hydro proposes to change its Transformer Allowance from \$0.60 per kW to \$.72 per kW  
 7 for GS 50 – 999 kW customers. Based on the results of the Cost Allocation study, the  
 8 Transformer Allowance for the GS 1,000 – 4,999 kW and Large User customer classes has been  
 9 eliminated since the transformation costs were excluded from these rate classes.

10 **Proposed Adjustment for Low Voltage Charges:**

11 Low voltage transactions are not part of the electricity wholesale market but rather are specific  
 12 charges between Hydro One, as the Host Distributor, and Local Distribution Companies for  
 13 shared low voltage lines and distribution stations. Low voltage charges are paid to Hydro One  
 14 and recovered from customers. Payments and recoveries have been recorded in USoA account  
 15 1550 - LV Variance Account effective May 1, 2006 in accordance with the OEB direction on  
 16 matters arising from the Board's 2006 EDR Decision on common or generic issues, Board File  
 17 No. EB-2006-0136.



1 In the 2006 EDR Guelph Hydro's LV charges apply to customers in the Village of Rockwood only  
 2 and, as Rockwood does not have any customers in the Large User or GS 1,000 – 4,999 class, no  
 3 Low Voltage charges were allocated to these classes. Guelph Hydro's calculations for the  
 4 allocation of LV charges are provided in Table 7, below.

5 **Table 7**  
 6 **2008 Guelph Hydro Low Voltage Charges**

<b>Shared LV Lines:</b>	<b>kW</b>	<b>Rate/kW</b>	<b>Annual Cost</b>
<b>Total volume</b>	52,631.45	0.633	33,316
<b>Shared Distribution Feeder:</b>	<b>kW</b>	<b>Rate/kW</b>	<b>Annual Cost</b>
<b>Total volume</b>	28,094.65	2.12	59,561
 <b>Total Low Voltage Charges From Hydro One</b>			 <b>92,876</b>

7 In order to allocate the LV charges appropriately across the customer classes, Guelph Hydro  
 8 calculated the transmission connection charges that would be billed to each customer class  
 9 based on the 2008 Test Year usage. Guelph Hydro believes this approach to be appropriate  
 10 based on the OEB decision of December 9, 2004, on Regulatory Assets - Phase II, which  
 11 directed embedded distributors to use Account 1586, RSVA connection for LV charges from  
 12 Hydro One Networks Inc., on an interim basis. Guelph Hydro has allocated the LV charges to  
 13 each customer class based on the class proportionate share of the total transmission connection  
 14 charges for the 2008 Test Year. Table 8 provides the allocation of LV charges to customer  
 15 classes, as appropriate.

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**Table 8**  
**Low Voltage Costs Allocated by Customer Class**

Customer Class	Retail Transmission Connection Rate (\$)		Basis for Allocation (\$)	Allocation Percentages	Allocated \$
	per kWh	per kW			
Residential	0.0050	0.0000	1,803,158.55	38.68%	35,920.69
GS <50 kW	0.0045	0.0000	663,332.72	14.23%	13,214.24
GS 50 to 999 kW	0.0000	1.8569	2,141,141.38	45.93%	42,653.64
GS 1,000 to 4,999 KW	0.0000	0.0000	0.00	0.00%	0.00
Large Use >5MW	0.0000	0.0000	0.00	0.00%	0.00
Street Lighting	0.0000	1.7106	43,539.80	0.93%	867.36
Sentinel Lighting	0.0000	1.4217	502.24	0.01%	10.01
Unmetered Scattered Load	0.0045	0.0000	10,545.60	0.23%	210.08
<b>TOTALS</b>			<b>4,662,220.29</b>	<b>100.00%</b>	<b>92,876.00</b>

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Guelph Hydro has calculated the variable LV component to be added to the variable distribution charge based on the allocations in Table 8 above and 2008 Test Year usage. The following Table 9 summarizes the variable charge required to recover the LV charges.

**Table 9**  
**Variable Charge to Recover Low Voltage Charges**

Customer Class	LV Charge Allocated	2008 Test Year kWh	2008 Test Year kW	Volumetric Rate Type	LV/ Adj. Rates/kWh	LV Adj. Rates/kW
Residential	35,920.69	360,631,709	0	kWh	0.0001	
GS <50 kW	13,214.24	147,407,271	0	kWh	0.0001	
GS 50 to 999 kW	42,653.64	443,687,219	1,153,073	kW		0.0370
GS 1,000 to 4,999 KW	0.00	402,368,663	864,476	kW		0.0000
Large Use >5MW	0.00	260,157,189	471,750	kW		0.0000
Street Lighting	867.36	9,180,193	25,453	kW		0.0341
Sentinel Lighting	10.01	128,416	353	kW		0.0283
USL	210.08	2,343,467	0	kWh	0.0001	
<b>TOTALS</b>	<b>92,876.00</b>	<b>1,625,904,127</b>	<b>2,515,105</b>			

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The variable rate for the General Service 1,000 – 4,999 kW and Large User customer classes is zero as there are no customers in these classes in Rockwood.

1 **Proposed Distribution Rates**

2 The following Table 10 sets out Guelph Hydro's proposed 2008 electricity distribution rates based  
 3 on the foregoing calculations, excluding adjustments for the recovery of LV costs:

4 **Table 10**  
 5 **Proposed 2008 Electricity Distribution Rates**

Customer Class	Fixed Distribution Charge		Variable Distribution Charge	
	Connection	Customer	kW	kWh
Residential		13.27		0.0184
GS < 50kW		12.26		0.0168
GS 50 - 999kW		230.36	2.9820	
GS 1000 - 4999kW		613.29	2.0923	
Large User		897.69	2.2836	
Street Lighting	0.14		3.3748	
Sentinel Lighting	6.46		7.9415	
USL	5.42			0.0272
Transformer Allowance (GS 50 – 999 kW)			(0.72)	

6

1 **RATE MITIGATION:**

2 For ease of reference, Guelph Hydro has summarized its proposed rate mitigation plan in this  
3 section:

4 **Distribution Rates:**

5 Distribution Rates -

6 Guelph Hydro has determined the 2008 required return on the 2008 Test Year rate base to be  
7 \$7,870,884. To achieve this net income, Guelph Hydro requires total revenues of \$26,541,729.  
8 Other Operating Revenues then reduce the distribution revenue requirement by \$1,908,813,  
9 leaving a Distribution Revenue Requirement of \$24,632,916 which includes the revenue shortfall  
10 of \$1,110,979, mentioned previously. This revenue shortfall of \$1,110,978 is reflected in the  
11 proposed 2008 Rate Schedule

12 Cost Allocation –

13 As a means of mitigating potential bill impacts arising from the cost allocation-related adjustment,  
14 Guelph Hydro is proposing to implement a partial shift towards full cost of service. In order to shift  
15 towards full cost of service, Guelph Hydro proposes to adjust the percentage of 2008 Distribution  
16 Revenue as follows:

- 17 • 0.75% has been added to the Residential Class;
- 18 • 1.82% has been deducted from the GS < 50 kW
- 19 • 0.75% has been added to the Large User Class;
- 20 • 0.25% has been added to the Street Light Class;
- 21 • 0.003% has been added to the Sentinel Light Class; and
- 22 • 0.07% has been added to the USL Class

23 There are no changes proposed at this time for the General Service 50 – 999 kW and the  
24 General Service 1,000 – 4,999 kW classes as a result of the cost allocation.

25 Guelph Hydro submits that the proposed reallocation of distribution revenue is fair and  
26 reasonable for the following reasons:

- 27 • Customer class revenues will more closely reflect the actual costs of providing  
28 distribution service to those classes;

- 1           • Rate impacts due to the Cost Allocation process will be mitigated across all but two  
2           customer classes (i.e., where revenue to cost ratios were within OEB guidelines); and  
3           • Partial reallocation provides time for further refinement of the cost allocation model and  
4           movement between classes

5   **LRAM and SSM:**

6   Guelph Hydro proposes two rate riders for recovery of the total LRAM and SSM: a three-year  
7   rate rider for the recovery of the Residential class LRAM and SSM, from May 1, 2008 to April 30,  
8   2011, and a three-year rate rider for the recovery of the Unmetered Scattered Load class LRAM  
9   and SSM, from May 1, 2008 to April 30, 2011.

10 **Regulatory Assets:**

11 Guelph Hydro is seeking approval to dispose of certain DVA account balances, with a total credit  
12 balance of \$1,619,991 over a three year period, beginning May 1, 2008. The three year period  
13 has been chosen rather than a shorter period in order to mitigate the impact of future rate  
14 changes on customers.

15 **Low Voltage Charges:**

16 The low voltage charge is applicable to only the following classes:

- 17           • Residential rate class  
18           • GS < 50 kW  
19           • GS > 50 kW to 999 kW  
20           • Sentinel lighting  
21           • Street lighting  
22           • Unmetered scattered loads

23 and is reflected as a rate rider addition to the volumetric distribution charge. All other classes are  
24 primary metered and supply their own transformation and are therefore not subject to distribution  
25 charges.

26 **Transformer Charges:**

27 In Guelph Hydro's case, based on the Model's calculations in Exhibit 9, the transformer  
28 ownership allowance from a cost based perspective should be \$0.72 per kW for the GS 50 - 999  
29 kW class for those customers who provide their own transformation. Guelph Hydro also  
30 proposed that the GS 1,000 – 4,999 kW and Large User customer classes will not receive a

1 Transformer Allowance effective May 1, 2008 as all customers in each class own their  
2 transformers and do not have transformation costs allocated to their customer classes in the Cost  
3 Allocation Study.

4 **Smart Meters:**

5 Guelph Hydro is requesting recovery over a one year period, since we it anticipates that the OEB  
6 will provide for updated smart meter rate riders in 2009 and 2010 that will accurately reflect the  
7 investment in the smart meter program for those years.

1 **EXISTING RATE CLASSES:**

2 Guelph Hydro is not proposing any changes to its existing customer classes. The following  
3 definitions are provided from Guelph Hydro's OEB-approved 2007 Tariff of Rates and Charges.

4 **Residential**

5 This classification includes accounts taking electricity at 750 volts or less where the electricity is  
6 used exclusively in a separately metered living accommodation. Customers shall be residing in  
7 single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex,  
8 triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a  
9 town house complex or apartment building also qualify as residential customers.

10 **General Service Less than 50 kW**

11 This classification includes non-residential accounts taking electricity at 750 volts or less where  
12 monthly average peak demand is less than, or is forecast to be less than, 50 kW.

13 **General Service 50 to 999 kW**

14 This classification includes non-residential accounts where monthly average peak demand is  
15 equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than  
16 1,000 kW. Note that for the application of the Retail Transmission Rate - Network Service Rate  
17 and the Retail Transmission Rate - Line and Transformation Connection Service Rate, the  
18 following sub-classifications apply:

19       General Service 50 to 999 kW non-interval metered

20       General Service 50 to 999 kW interval metered

21 **General Service 1,000 to 4,999 kW**

22 This classification includes non-residential accounts where monthly average peak demand is  
23 equal to or greater than, or is forecast to be equal to or greater than, 1,000 kW but less than  
24 5,000 kW. Note that for the application of the Retail Transmission Rate - Network Service Rate

1 and the Retail Transmission Rate - Line and Transformation Connection Service Rate, the  
2 following sub-classifications apply:

3           General Service 1,000 to 4,999 kW non-interval metered

4           General Service 1,000 to 4,999 kW interval metered

5   **Large User**

6 This classification refers to an account where monthly average peak demand is equal to or  
7 greater than, or is forecast to be equal to or greater than, 5,000 kW.

8   **Unmetered Scattered Load**

9 This classification includes accounts taking electricity at 750 volts or less where monthly  
10 average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is  
11 unmetered. These connections included cable TV power packs, bus shelters, telephone  
12 booths, traffic lights, railway crossings, etc. The customer provides detailed manufacturer  
13 information/documentation with regard to electrical demand/consumption of the proposed load.

14   **Sentinel Lights**

15 This classification refers to accounts that are an unmetered lighting load supplied to a sentinel  
16 light.

17   **Street Lighting**

18 This classification is for roadway lighting with the Municipality. The consumption for this  
19 customer is based on the calculated connected load times the required lighting times  
20 established in the approved OEB street lighting load shape template.



**Existing Rate Schedule:**

Ontario Energy  
Board

Commission de l'énergie  
de l'Ontario



EB-2007-053

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998, S.O. 1998, c.15 (Schedule B)*;

**AND IN THE MATTER OF** an application by Guelph Hydro Electric Systems Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2007.

**BEFORE:** Paul Sommerville  
Presiding Member

Paul Vlahos  
Member

Ken Quesnelle  
Member

### **DECISION AND ORDER**

Guelph Hydro Electric Systems Inc. ("Guelph Hydro") is a licensed distributor providing electrical service to consumers within its licensed service area. Guelph Hydro filed an application with the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective May 1, 2007.

Guelph Hydro is one of 85 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board issued its *Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Report") on December 20, 2006. The Report contained the relevant guidelines for 2007 rate adjustments ("the guidelines") for distributors applying for rates only on the basis of the cost of capital and 2<sup>nd</sup> generation incentive regulation mechanism policies set out in the Report.

Public notice of Guelph Hydro's rate application was given through newspaper publication in Guelph Hydro's service area. The evidence filed as part of the rate application was made available to the public. Both Guelph Hydro and interested parties had the opportunity to file written submissions in relation to the rate application. The Board received no submissions. While the Board has considered the entire record in this rate application, it has made reference only to such evidence as is necessary to provide context to its findings.

Guelph Hydro's rate application was filed on the basis of the guidelines. In fixing new rates and charges for Guelph Hydro, the Board has applied the policies described in the Report.

After confirming the accuracy of the 2006 rate tariff and accompanying materials submitted in the rate application, the Board applied its approved price cap index adjustment to distribution rates (fixed and variable) uniformly across all customer classes. The price cap index is calculated as a price escalator less an X-factor of 1.0%, intended to represent input price and productivity trends. Based on the final 2006 data published by Statistics Canada, the Board has established the price escalator to be 1.9%. The resulting price cap index adjustment is therefore 0.9%.

The large corporation tax allowance component that was included in 2006 rates was removed prior to the application of the price cap index adjustment.

The price cap index adjustment was not applied to the following components of the rates:

- the specific service charges;
- the regulatory asset recovery rate rider; and
- the smart meter rate adder (an amount in the fixed components of the rates associated with smart meter cost recovery).

Guelph Hydro requested an amount of \$0.59 for smart meter costs. Regulation 153/07 under the *Electricity Act, 1998*, which amends regulation 427/06 under the same Act, was filed on April 10, 2007. As a result, it is the Board's understanding that Guelph Hydro will not be undertaking any smart metering activity (i.e. discretionary metering activity) in 2007.

However, the Board has approved an amount of \$0.27 per month per metered customer to be collected through a smart meter rate adder. This nominal funding amount was calculated using the Board's model for inactive distributors, as described in the Smart Metering Rates Addendum to the Report. The amount collected through the smart meter rate adder will be booked into the existing variance accounts, and retained in those accounts, to help fund future smart meter activity. As the notice of this application indicated, the Board will be holding a combined proceeding to consider, among other things, appropriate recovery of smart meter costs.

The Board has made the necessary adjustments to Guelph Hydro's filed 2006 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2007. The Board finds the rates and charges in the Tariff of Rates and Charges attached as Appendix A to this decision to be just and reasonable.

**THE BOARD ORDERS THAT:**

1. The Tariff of Rates and Charges set out in Appendix A of this order is approved, effective May 1, 2007, for electricity consumed or estimated to have been consumed on and after May 1, 2007.
2. The Tariff of Rates and Charges set out in Appendix A of this order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Guelph Hydro, and is final in all respects.
3. Guelph Hydro shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

**DATED** at Toronto, April 12, 2007.

ONTARIO ENERGY BOARD

*Original signed by*

Peter H. O'Dell  
Assistant Board Secretary

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Appendix A

EB-2007-0534

April 12, 2007

ONTARIO ENERGY BOARD

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**Guelph Hydro Electric Systems Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective May 1, 2007**

**This schedule supersedes and replaces all previously  
approved schedules of Rates, Charges and Loss Factors**

EB-2007-0534

**APPLICATION**

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

**EFFECTIVE DATES**

- DISTRIBUTION RATES - May 1, 2007 for all consumption or deemed consumption services used on or after that date.
- SPECIFIC SERVICE CHARGES - May 1, 2007 for all charges incurred by customers on or after that date.
- LOSS FACTOR ADJUSTMENT - May 1, 2007 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

**Guelph Hydro Electric Systems Inc.**

(excluding the service area formerly served by Wellington Electric Distribution Company)

**SERVICE CLASSIFICATIONS: GUELPH HYDRO ELECTRIC SYSTEMS INC.**

**Residential**

This classification includes accounts taking electricity at 750 volts or less where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers.

**General Service Less Than 50 kW**

This classification includes non residential accounts taking electricity at 750 volts or less where monthly average peak demand is less than, or is forecast to be less than, 50 kW.

**General Service 50 to 999 kW**

This classification includes non residential accounts where monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,000 kW. Note that for the application of the Retail Transmission Rate - Network Service Rate and the Retail Transmission Rate - Line and Transformation Connection Service Rate the following sub-classifications apply:

- General Service 50 to 999 kW non-interval metered
- General Service 50 to 999 kW interval metered

**General Service 1,000 to 4,999 kW**

This classification includes non residential accounts where monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 1,000 kW but less than 5,000 kW. Note that for the application of the Retail Transmission Rate - Network Service Rate and the Retail Transmission Rate - Line and Transformation Connection Service Rate the following sub-classifications apply:

- General Service 1,000 to 4,999 kW non-interval metered
- General Service 1,000 to 4,999 kW interval metered

**Large Use**

This classification refers to an account where monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

**Guelph Hydro Electric Systems Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective May 1, 2007**

**This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors**

EB-2007-0534

**Unmetered Scattered Load**

This classification includes accounts taking electricity at 750 volts or less where monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. These connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer provides detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed load.

**Sentinel Lighting**

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light.

**Street Lighting**

This classification is for roadway lighting with the Municipality. The consumption for this customer is based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

**MONTHLY RATES AND CHARGES: GUELPH HYDRO ELECTRIC SYSTEMS INC.**

**Residential**

Service Charge	\$	13.54
Distribution Volumetric Rate	\$/kWh	0.0178
Regulatory Asset Recovery	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0058
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0050
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**General Service Less Than 50 kW**

Service Charge	\$	11.11
Distribution Volumetric Rate	\$/kWh	0.0201
Regulatory Asset Recovery	\$/kWh	0.0001
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**General Service 50 to 999 kW**

Service Charge	\$	230.63
Distribution Volumetric Rate	\$/kW	2.6771
Regulatory Asset Recovery	\$/kW	0.0079
Retail Transmission Rate – Network Service Rate	\$/kW	2.1761
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8569
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2574
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9263
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Guelph Hydro Electric Systems Inc.**  
**TARIFF OF RATES AND CHARGES**  
 Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2007-0534

**General Service 1,000 to 4,999 kW**

Service Charge	\$	613.56
Distribution Volumetric Rate	\$/kW	2.0791
Regulatory Asset Recovery	\$/kW	(0.1613)
Retail Transmission Rate – Network Service Rate	\$/kW	2.2574
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9263
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2574
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9263
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Large Use**

Service Charge	\$	897.96
Distribution Volumetric Rate	\$/kW	1.8811
Regulatory Asset Recovery	\$/kW	(0.1603)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.7260
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.3261
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Unmetered Scattered Load**

Service Charge (per connection)	\$	5.42
Distribution Volumetric Rate	\$/kWh	0.0201
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Sentinel Lighting**

Service Charge (per connection)	\$	6.46
Distribution Volumetric Rate	\$/kW	5.9597
Regulatory Asset Recovery	\$/kW	0.4049
Retail Transmission Rate – Network Service Rate	\$/kW	1.6662
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4217
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Street Lighting**

Service Charge (per connection)	\$	0.14
Distribution Volumetric Rate	\$/kW	0.7927
Regulatory Asset Recovery	\$/kW	(0.1292)
Retail Transmission Rate – Network Service Rate	\$/kW	2.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7106
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

**Guelph Hydro Electric Systems Inc.**  
**TARIFF OF RATES AND CHARGES**  
 Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2007-0534

**Specific Service Charges**

<b>Customer Administration</b>		
Returned Cheque (plus bank charges)	\$	8.55
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	8.75
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	10.00
<b>Non-Payment of Account</b>		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	9.00
Disconnect/Reconnect at Meter – during regular hours	\$	20.00
Disconnect/Reconnect at Meter – after regular hours	\$	50.00
Disconnect/Reconnect at Pole – during regular hours	\$	50.00
Disconnect/Reconnect at Pole – after regular hours	\$	95.00
Service Call – customer-owned equipment	\$	17.50
Service Call – after regular hours	\$	95.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
<b>Allowances</b>		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

**LOSS FACTORS**

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0319
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0216
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045

**Guelph Hydro – Rockwood Division**  
 (the service area formerly supplied by Wellington Electric Distribution Company)

**SERVICE CLASSIFICATIONS: GUELPH HYDRO – ROCKWOOD DIVISION**

**Residential**

This classification includes accounts taking electricity at 750 volts or less where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers.

**General Service Less Than 50 kW**

This classification includes non residential accounts taking electricity at 750 volts or less where monthly average peak demand is less than, or is forecast to be less than, 50 kW.

**General Service 50 to 4,999 kW**

This classification includes non residential accounts where monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW.

**Unmetered Scattered Load**

This classification includes accounts taking electricity at 750 volts or less where monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. These connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc.



**Guelph Hydro Electric Systems Inc.**  
**TARIFF OF RATES AND CHARGES**  
 Effective May 1, 2007

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**Sentinel Lighting**

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light.

**Street Lighting**

This classification includes roadway lighting with the Municipality. The consumption for this customer is based on the calculated connected load times and the required lighting times.

**MONTHLY RATES AND CHARGES: GUELPH HYDRO – ROCKWOOD DIVISION**

**Residential**

Service Charge	\$	14.17
Distribution Volumetric Rate	\$/kWh	0.0134
Regulatory Asset Recovery	\$/kWh	0.0029
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0061
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0052
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**General Service Less Than 50 kW**

Service Charge	\$	17.45
Distribution Volumetric Rate	\$/kWh	0.0181
Regulatory Asset Recovery	\$/kWh	0.0028
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0056
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0047
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**General Service 50 to 4,999 kW**

Service Charge	\$	275.06
Distribution Volumetric Rate	\$/kW	9.7422
Regulatory Asset Recovery	\$/kW	1.7096
Retail Transmission Rate – Network Service Rate	\$/kW	2.2738
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8568
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2535
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9603
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Unmetered Scattered Load**

Service Charge (per customer)	\$	17.45
Distribution Volumetric Rate	\$/kWh	0.0181
Regulatory Asset Recovery	\$/kWh	0.0028
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0056
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0047
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Guelph Hydro Electric Systems Inc.**  
**TARIFF OF RATES AND CHARGES**  
 Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2007-0534

**Sentinel Lighting**

Service Charge (per connection)	\$	1.29
Distribution Volumetric Rate	\$/kW	5.5744
Regulatory Asset Recovery	\$/kW	0.1951
Retail Transmission Rate – Network Service Rate	\$/kW	1.7235
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4655
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Street Lighting**

Service Charge (per connection)	\$	0.48
Distribution Volumetric Rate	\$/kW	3.6798
Regulatory Asset Recovery	\$/kW	1.1390
Retail Transmission Rate – Network Service Rate	\$/kW	1.7148
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4355
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Specific Service Charges**

Customer Administration		
Arrears Certificate	\$	15.00
Returned Cheque (plus bank charges)	\$	9.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	9.50
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	9.00
Disconnect/Reconnect at Pole – during regular hours	\$	185.00
Install/Remove load control device – during regular hours	\$	20.00
Service Call – after regular hours	\$	95.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

**LOSS FACTORS**

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0847
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0738

- 1 **PROPOSED RATE CLASSES IF DIFFERENT THAN EXISTING:**
- 2 As noted above, no changes to rate classes are being requested.

1 **PROPOSED RATE SCHEDULE:**

2 The following rate schedules set out Guelph Hydro's proposed electricity distribution rates to be  
3 implemented with an effective date of May 1, 2008.

4 Guelph Hydro is proposing to maintain the existing service charge rates as approved in the  
5 OEB's May 1, 2007 Decision in EB-2007-0534, for all of its customers harmonized for the City of  
6 Guelph and the Village of Rockwood.

7

**RATES SCHEDULE (Part 1) – COMBINED**  
**Schedule of Distribution Rates and Charges Effective May 1, 2008**  
**BASED ON 2006 EDR COST ALLOCATION STUDY**

Customer Class	Item Description	Unit	Rate (\$)
RESIDENTIAL	Monthly Service Charge	per month	13.27
	Distribution Volumetric Rate	per kWh	0.0184
	LRAM and SSM Rate Rider	per kWh	0.0001
	Smart Meter Rate Rider	per month	(0.5600)
	Low Voltage Charge	per kWh	0.0001
	Regulatory Assets Rate Rider	per kWh	0.0006

Customer Class	Item Description	Unit	Rate (\$)
GENERAL SERVICE < 50 kW	Monthly Service Charge	per month	12.26
	Distribution Volumetric Rate	per kWh	0.0169
	Smart Meter Rate Rider	per month	(0.5600)
	Low Voltage Charge	per kWh	0.0001
	Regulatory Assets Rate Rider	per kWh	0.0005

Customer Class	Item Description	Unit	Rate (\$)
GENERAL SERVICE 50 – 999 kW	Monthly Service Charge	per month	230.36
	Distribution Volumetric Rate	per kW	2.9820
	Smart Meter Rate Rider	per month	(0.5600)
	Low Voltage Charge	per kW	0.0370
	Regulatory Assets Rate Rider	per kW	0.1280
	Transformer Allowance	per kW	(0.72)

Customer Class	Item Description	Unit	Rate (\$)
GENERAL SERVICE 1,000 – 4,999 kW	Monthly Service Charge	per month	613.29
	Distribution Volumetric Rate	per kW	2.0923
	Smart Meter Rate Rider	per month	(0.5600)
	Regulatory Assets Rate Rider	per kW	0.1479

Customer Class	Item Description	Unit	Rate (\$)
LARGE USER (> 5,000 kW)	Monthly Service Charge	per month	897.69
	Distribution Volumetric Rate	per kW	2.2836
	Smart Meter Rate Rider	per month	(0.5600)
	Regulatory Assets Rate Rider	per kW	0.1534

Customer Class	Item Description	Unit	Rate (\$)
STREET LIGHTING	Monthly Service Charge	per month	0.14
	Distribution Volumetric Rate	per kW	3.3748
	Low Voltage Charge	per kW	0.0341
	Regulatory Assets Rate Rider	per kW	0.1305

Customer Class	Item Description	Unit	Rate (\$)
SENTINEL LIGHTING	Monthly Service Charge	per month	6.46
	Distribution Volumetric Rate	per kW	7.9415
	Low Voltage Charge	per kW	0.0283
	Regulatory Assets Rate Rider	per kW	1.3503

Customer Class	Item Description	Unit	Rate (\$)
UNMETERED SCATTERED LOAD	Monthly Service Charge	per month	5.42
	Distribution Volumetric Rate	per kWh	0.0272
	LRAM and SSM Rate Rider	per kWh	0.0025
	Low Voltage Charge	per kWh	0.0001
	Regulatory Assets Rate Rider	per kWh	0.0005

Customer Class	Item Description	Unit	Rate (\$)
BACK-UP/STANDBY POWER	Contracted kW per month	per kW	0.00
	Regulatory Assets Rate Rider	per kW	0.0000

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**RATES SCHEDULE (Part 2) – COMBINED**  
**Schedule of Distribution Rates and Charges Effective May 1, 2008**  
**BASED ON 2006 EDR COST ALLOCATION STUDY**

Item Description (Rate Code)	Calculation Basis	GHESI Rate (\$)	WEDCO Rate (\$)	Requested Rate (\$)
Arrears certificate (1)	Standard		15.00	15.00
Statement of account (2)	Standard			
Pulling post dated cheques (3)	Standard			
Duplicate invoices for previous billing (4)	Standard			
Request for other billing information (5)	Standard			
Easement letter (6)	Standard			
Income tax letter (7)	Standard			
Notification change (8)	Standard			
Account history (9)	Standard			
Credit reference/credit check (plus credit agency costs) (10)	Standard			
Returned cheque charge (plus bank charges) (11)	Standard	8.55	9.00	8.55
Charge to certify cheque (12)	Standard			
Legal letter charge (13)	Standard			
Account set up charge/change of occupancy charge (plus credit agency costs, if applicable) (14)	Standard	8.75	9.50	8.75
Special meter reads (15)	Standard			
Collection of account charge – no disconnection (16)	Standard	9.00	9.00	9.00
Collection of account charge – no disconnection – after regular hours (17)	Standard			
Disconnect/Reconnect at meter – during regular hours (18)	Standard	20.00		20.00
Install/Remove load control device – during regular hours (19)	Standard		20.00	20.00
Disconnect/Reconnect at meter – after regular hours (20)	Standard	50.00		50.00
Install/Remove load control device – after regular hours (21)	Standard			
Disconnect/Reconnect at pole – during regular hours (22)	Standard	50.00	185.00	50.00
Disconnect/Reconnect at pole – after regular hours (23)	Standard	95.00		95.00
Meter dispute charge plus Measurement Canada fees (if meter found correct) (24)	Standard	10.00		10.00
Service call – customer owned equipment (25)	Standard	17.50		17.50
Service call – after regular hours (26)	Standard	95.00	95.00	95.00
Temporary service install & remove – overhead – no transformer (27)	Standard			
Temporary service install & remove – underground – no transformer (28)	Standard			
Temporary service install & remove – overhead – with transformer (29)	Standard			
Specific Charge for Access to Power Poles \$/pole/year (30)	Standard	22.35	22.35	22.35
Administrative Billing Charge	Additional Charge			

4

Loss Factors	
Supply Facilities Loss Factor	1.0060
Distribution Loss Factor – Secondary Metered Customer < 5,000 kW	1.0389
Distribution Loss Factor – Secondary Metered Customer > 5,000 kW	1.0100
Distribution Loss Factor – Primary Metered Customer < 5,000 kW	1.0285
Distribution Loss Factor – Primary Metered Customer > 5,000 kW	1.0000
Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0452
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0161
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0347
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0060

5

1 **Retail Transmission Rate - Network Service and Line and Transformation Connection**  
 2 **Service Rates Reduction:**

3 Guelph Hydro has calculated the decrease as follows:

<b>Impact of Board EB-2007-0759 New Uniform Rates for Ontario Transmitters</b>				
	<b>Network Charge</b>	<b>Line Connection Charge</b>	<b>Transformation Connection Charge</b>	<b>Total</b>
2008 rates \$/kW	\$ 2.31	\$ 0.59	\$ 1.61	\$ 4.51
2007 rates \$/kW	\$ 2.83	\$ 0.82	\$ 1.50	\$ 5.15
2008 as % of 2007	82%	95%		88%
Decrease for 14 months	18%	5%		12%
<b>Annualized Decrease</b>	<b>21%</b>	<b>6%</b>		<b>14%</b>

4

5 On November 1, 2007, the OEB approved the Uniform Transmission Rates schedule for the  
 6 recovery of the revenue requirements of all Ontario transmitters. The decreases in network and  
 7 connection rates have been included in this rate Application. In order to achieve an overall  
 8 anticipated 12% decrease for the fourteen (14) month period, Guelph Hydro proposes to  
 9 decrease its Retail Transmission Rate – Network Service by 21% and its Retail Transmission  
 10 Rate – Line and Transformation Connection Service by 6% for the period May 1, 2008 to April  
 11 30, 2009. The resulting rates for the 2008 Test Year are shown in the following table. Rates  
 12 beyond May 1, 2009 are subject to further OEB rate orders.

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**Retail Transmission Rates Proposed for 2008**

		2007 Rate	Adjustment for 2008	2008 Rate
<b>Residential</b>				
Network Service Rate	\$/kWh	0.0058	(-21%)	0.0046
Line and Transformation Connection Service	\$/kWh	0.0050	(-6%)	0.0047
<b>GS &lt; 50 kW</b>				
Network Service Rate	\$/kWh	0.0053	(-21%)	0.0042
Line and Transformation Connection Service	\$/kWh	0.0045	(-6%)	0.0042
<b>GS 50 kW - 999 kW</b>				
Network Service Rate	\$/kW	2.1761	(-21%)	1.7191
Line and Transformation Connection Service	\$/kW	1.8569	(-6%)	1.7455
Network Service Rate (IM)	\$/kW	2.2574	(-21%)	1.7833
Line and Transformation Connection Service (IM)	\$/kW	1.9263	(-6%)	1.8107
<b>GS 1,000 kW - 4,999 kW</b>				
Network Service Rate	\$/kW	2.2574	(-21%)	1.7833
Line and Transformation Connection Service	\$/kW	1.9263	(-6%)	1.8107
Network Service Rate (IM)	\$/kW	2.2574	(-21%)	1.7833
Line and Transformation Connection Service (IM)	\$/kW	1.9263	(-6%)	1.8107
<b>Large User</b>				
Network Service Rate	\$/kW	2.7260	(-21%)	2.1535
Line and Transformation Connection Service	\$/kW	2.3261	(-6%)	2.1865
<b>Unmetered Scattered Load</b>				
Network Service Rate	\$/kWh	0.0053	(-21%)	0.0042
Line and Transformation Connection Service	\$/kWh	0.0045	(-6%)	0.0042
<b>Sentinel Lighting</b>				
Network Service Rate	\$/kW	1.6662	(-21%)	1.3163
Line and Transformation Connection Service	\$/kW	1.4217	(-6%)	1.3364
<b>Street Lighting</b>				
Network Service Rate	\$/kW	2.0047	(-21%)	1.5837
Line and Transformation Connection Service	\$/kW	1.7106	(-6%)	1.6080

2 For those customers billed on demand, Guelph Hydro will calculate its Retail Transmission  
 3 Rates being the greater of 90% kVa or kW, consistent with its calculation of the Distribution  
 4 Charge. This will treat all customers fairly and equitably with respect to these charges.



1 **RECONCILIATION OF RATE CLASS REVENUE TO TOTAL REVENUE REQUIREMENT:**

2 Guelph Hydro has provided the reconciliation between its proposed distribution rates and 2008  
 3 Test Year volumes and the expected distribution revenue derived from Guelph Hydro's rate  
 4 model in Table 1 below. Guelph Hydro submits that the difference of \$12,217 is due to rounding  
 5 and is immaterial to this 2008 rate application. Table 1 below summarizes the results by  
 6 customer class.

7 **Table 1**  
**2008 Test Year Distribution Revenue Reconciliation**

Customer Class	Fixed Distribution Revenue	Variable Distribution Revenue	Transformer Allowance Credit	Total Distribution Revenue	Expected
Residential	\$ 7,041,593	\$ 6,671,687		\$ 13,713,279	\$ 13,702,401
GS <50 kW	\$ 531,397	\$ 2,491,183		\$ 3,022,580	\$ 3,021,993
GS 50 to 999 kW	\$ 1,423,625	\$ 3,481,819	(\$319,608)	\$ 4,585,835	\$ 4,585,817
GS 1,000 to 4,999 KW	\$ 272,301	\$ 1,809,002	0.00	\$ 2,081,303	\$ 2,081,326
Large Use >5MW	\$ 43,089	\$ 1,077,430	0.00	\$ 1,120,519	\$ 1,120,530
Street Light	\$ 22,966	\$ 86,784		\$ 109,750	\$ 109,749
Sentinel	\$ 2,326	\$ 2,816		\$ 5,142	\$ 5,142
Unmetered Scattered Load	\$ 38,439	\$ 63,977		\$ 102,415	\$ 102,486
<b>Total</b>	<b>\$ 9,375,735</b>	<b>\$ 15,684,698</b>	<b>(\$319,608)</b>	<b>\$ 24,740,824</b>	<b>\$ 24,729,443</b>

27 Difference Due to Rate Rounding

29 \$ 12,217

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1 Guelph Hydro has also provided a summary of the components that make up its proposed 2008  
 2 distribution rates included in this Application in Table 2 below.

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**Table 2**  
**Proposed Distribution Rate Components for 2008**

Customer Class	Fixed Distribution Charge		Unit of Measure	Variable Distribution Charge		
	Proposed Fixed Charge	Smart Meter Variance Account Rider		Proposed Distribution Variable Charge*	Regulatory Asset Rider	LRAM/SSM Rider
Residential	13.27	(0.56)	kWh	0.0185	0.0006	0.0001
GS < 50kW	12.26	(0.56)	kWh	0.0169	0.0005	
GS 50 - 999kW	230.36	(0.56)	kW	3.0196	0.1280	
GS 1000 - 4999kW	613.29	(0.56)	kW	2.0926	0.1479	
Large User	897.69	(0.56)	kW	2.2839	0.1534	
Street Lighting	0.14		kW	3.4096	0.1305	
Sentinel Lighting	6.46		kW	7.9719	1.3503	
USL	5.42		kWh	0.0273	0.0005	0.0025
Transformer Ownership Allowance for GS 50-999 kW			kW	(0.72)		

\* Includes Low Voltage Charges as specified in Exhibit 9, Tab 1, Schedule 1, Table 9.

5

1 **BILL IMPACTS:**

2 Guelph Hydro has proposed to implement a partial cost reallocation in its 2008 rate application  
3 in order to minimize the cross subsidization across customer classes. Guelph Hydro has  
4 proposed the recovery of its Regulatory Deferral and Variance Account balances outstanding as  
5 at December 31, 2006 and has included the required rate riders to dispose of these balances.  
6 Guelph Hydro has recalculated its revenue requirements for smart meters up to April 30, 2008  
7 and is proposing to reverse this revenue by way of a negative rate rider to be included in the  
8 fixed distribution charge. The 2008 customer class revenue and rates have been calculated  
9 using Guelph Hydro's 2008 Test Year forecasted usage.

10 Guelph Hydro has designed its 2008 rates so as to mitigate the average total bill rate increase  
11 within each class to less than 1% as shown in the Bill Impacts in Table 3 following. The  
12 exceptions to this are the Street Lighting and Sentinel Lighting customer classes which currently  
13 have a low revenue to cost ratio as discussed in Exhibit 8, as well as the USL class which has  
14 had a new LRAM/SSM Rate Adder

15 Table 3 summarizes the bill impacts for the average customers in each customer class  
16 separately for the City of Guelph and the Village of Rockwood. Explanations for these changes  
17 can be found at Exhibit 1, Tab 2, Schedule 1 Pages 6 to 12. While Guelph Hydro is proposing  
18 harmonized rates for the City of Guelph and the Village of Rockwood, bill impacts for each set of  
19 customers have been calculated.

20

**Table 3**  
**Bill Impacts arising out of Proposed 2008 Distribution Rates - Guelph Customers**

**RESIDENTIAL**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>750 kWh</b>									
Monthly Service Charge			13.27			13.27	0.00	0.00%	0.00%
Distribution (kWh)	750	0.0178	13.35	750	0.0185	13.88	0.53	3.93%	0.61%
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.97%)
LRAM & SSM Rider (kWh)	750			750	0.0001	0.08	0.08	#DIV/0!	0.09%
Regulatory Assets (kWh)	750	0.0006	0.45	750	0.0006	0.45	0.00	0.00%	0.00%
<b>Sub-Total</b>			<b>27.34</b>			<b>27.11</b>	<b>(0.23)</b>	<b>(0.84%)</b>	<b>(0.27%)</b>
Other Charges (kWh)	774	0.0240	18.57	784	0.0225	17.62	(0.95)	(5.12%)	(1.11%)
Cost of Power Commodity (kWh)	600	0.0500	30.00	600	0.0500	30.00	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	174	0.0590	10.26	184	0.0590	10.85	0.59	5.71%	0.68%
<b>Total Bill</b>			<b>86.18</b>			<b>85.58</b>	<b>(0.60)</b>	<b>(0.69%)</b>	<b>(0.70%)</b>

**GENERAL SERVICE < 50 kW**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Consumption</b>									
<b>2,000 kWh</b>									
Monthly Service Charge			10.84			12.26	1.42	13.10%	0.68%
Distribution (kWh)	2,000	0.0201	40.20	2,000	0.0169	33.80	(6.40)	(15.92%)	(3.07%)
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.40%)
Regulatory Assets (kWh)	2,000	0.0001	0.20	2,000	0.0005	1.00	0.80	400.00%	0.38%
<b>Sub-Total</b>			<b>51.51</b>			<b>46.50</b>	<b>(5.01)</b>	<b>(9.73%)</b>	<b>(2.41%)</b>
Other Charges (kWh)	2,064	0.0230	47.47	2,090	0.0216	45.19	(2.28)	(4.81%)	(1.10%)
Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	1,314	0.0590	77.52	1,340	0.0590	79.08	1.56	2.02%	0.75%
<b>Total Bill</b>			<b>214.00</b>			<b>208.27</b>	<b>(5.73)</b>	<b>(2.68%)</b>	<b>(2.75%)</b>

**GENERAL SERVICE > 50 to 999KW**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>40,000 kWh</b>									
<b>100 kW</b>									
Monthly Service Charge			230.36			230.36	0.00	0.00%	0.00%
Distribution (kWh)	40,000	0.0000	0.00	40,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	100	2.6771	267.71	100	3.0190	301.90	34.19	12.77%	0.96%
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.02%)
Regulatory Assets (kW)	100	0.0079	0.79	100	0.1280	12.80	12.01	1,520.25%	0.34%
<b>Sub-Total</b>			<b>499.13</b>			<b>544.50</b>	<b>45.37</b>	<b>9.09%</b>	<b>1.27%</b>
Other Charges (kWh)	41,277	0.0132	544.86	41,807	0.0132	551.85	6.99	1.28%	0.20%
Other Charges (kW)	100	4.0330	403.30	100	3.4646	346.46	(56.84)	(14.09%)	(1.59%)
Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	#DIV/0!	0.00%
Cost of Power Commodity (kWh)	41,277	0.0510	2,105.12	41,807	0.0510	2,132.13	27.01	1.28%	0.76%
<b>Total Bill</b>			<b>3,552.41</b>			<b>3,574.94</b>	<b>22.53</b>	<b>0.63%</b>	<b>0.63%</b>

**GENERAL SERVICE > 1000 - 4,999KW**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>1,000,000 kWh</b>									
<b>2,800 kW</b>									
Monthly Service Charge			613.29			613.29	0.00	0.00%	0.00%
Distribution (kWh)	1,000,000	0.0000	0.00	1,000,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	2,800	2.0791	5,821.48	2,800	2.0923	5,858.44	36.96	0.63%	0.04%
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.00%)
Regulatory Assets (kW)	2,800	(0.1613)	(451.64)	2,800	0.1479	414.12	865.76	191.69%	1.03%
<b>Sub-Total</b>			<b>5,983.40</b>			<b>6,885.29</b>	<b>901.89</b>	<b>15.07%</b>	<b>1.07%</b>
Other Charges (kWh)	1,031,923	0.0132	13,621.38	1,045,163	0.0132	13,796.15	174.77	1.28%	0.21%
Other Charges (kW)	2,800	4.1837	11,714.36	2,800	3.5941	10,063.39	(1,650.97)	(14.09%)	(1.96%)
Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	#DIV/0!	0.00%
Cost of Power Commodity (kW)	1,031,923	0.0510	52,628.07	1,045,163	0.0510	53,303.32	675.25	1.28%	0.80%
<b>Total Bill</b>			<b>83,947.21</b>			<b>84,048.15</b>	<b>100.94</b>	<b>0.12%</b>	<b>0.12%</b>

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**LARGE USER (> 5000)**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>20,000,000 kWh</b>									
<b>40,000 kW</b>									
Monthly Service Charge			897.69			897.69	0.00	0.00%	0.00%
Distribution (kWh)	20,000,000	0.0000	0.00	20,000,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	40,000	1.8811	75,244.00	40,000	2.2836	91,344.00	16,100.00	21.40%	1.03%
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.00%)
Regulatory Assets (kW)	40,000	(0.1603)	(6,412.00)	40,000	0.1534	6,136.00	12,548.00	195.70%	0.80%
<b>Sub-Total</b>			<b>69,729.96</b>			<b>98,377.13</b>	<b>28,647.17</b>	<b>41.08%</b>	<b>1.83%</b>
Other Charges (kWh)	20,090,000	0.0132	265,188.00	20,120,300	0.0132	265,587.96	399.96	0.15%	0.03%
Other Charges (kW)	40,000	5.0521	202,084.00	40,000	4.3401	173,602.96	(28,481.04)	(14.09%)	(1.82%)
Cost of Power Commodity (kWh)	0	0.0600	0.00	0	0.0500	0.00	0.00	#DIV/0!	0.00%
Cost of Power Commodity (kW)	20,090,000	0.0510	1,024,590.00	20,120,300	0.0510	1,026,135.30	1,545.30	0.15%	0.10%
<b>Total Bill</b>			<b>1,561,591.96</b>			<b>1,563,703.35</b>	<b>2,111.39</b>	<b>0.14%</b>	<b>0.14%</b>

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**Street Lighting**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Billing Determinants</b>									
<b>15,000 Connections</b>									
<b>850,000 kWh</b>									
<b>2,400 kW</b>									
Monthly Service Charge	15,000	0.1400	2,100.00	15,000	0.1400	2,100.00	0.00	0.00%	0.00%
Distribution (kWh)	850,000	0.0000	0.00	850,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	2,400	0.7927	1,902.48	2,400	3.4089	8,181.36	6,278.88	330.04%	7.62%
Regulatory Assets (kW)	2,400	(0.1292)	(310.08)	2,400	0.1305	313.20	623.28	201.01%	0.76%
<b>Sub-Total</b>			<b>3,692.40</b>			<b>10,594.56</b>	<b>6,902.16</b>	<b>186.93%</b>	<b>8.38%</b>
Other Charges (kWh)	877,134	0.0132	11,578.17	888,389	0.0132	11,726.73	148.56	1.28%	0.18%
Other Charges (kW)	2,400	3.7153	8,916.72	2,400	3.1917	7,660.02	(1,256.70)	(14.09%)	(1.53%)
Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
Cost of Power Commodity (kW)	876,384	0.0590	51,706.68	887,639	0.0590	52,370.68	664.00	1.28%	0.81%
<b>Total Bill</b>			<b>75,931.48</b>			<b>82,389.49</b>	<b>6,458.02</b>	<b>8.51%</b>	<b>7.84%</b>

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**Sentinel Lighting**

Billing Determinants	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge	2	6.4600	12.92	2	6.4600	12.92	0.00	0.00%	0.00%
Distribution (kWh)	25	0.0000	0.00	25	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	1	5.9597	2.98	1	7.9698	3.98	1.01	33.73%	4.89%
Regulatory Assets (kW)	1	0.4049	0.20	1	1.3503	0.68	0.47	233.49%	2.30%
<b>Sub-Total</b>			<b>16.10</b>			<b>17.58</b>	<b>1.48</b>	<b>9.18%</b>	<b>7.19%</b>
Other Charges (kWh)	26	0.0132	0.34	26	0.0132	0.34	0.00	1.28%	0.02%
Other Charges (kW)	1	3.0879	1.54	1	2.6494	1.32	(0.22)	(14.20%)	(1.07%)
Cost of Power Commodity (kWh)	26	0.0500	1.29	26	0.0500	1.31	0.02	1.28%	0.08%
Cost of Power Commodity (kW)	0	0.0590	0.00	0	0.0590	0.00	0.00	#DIV/0!	0.00%
<b>Total Bill</b>			<b>19.28</b>			<b>20.56</b>	<b>1.28</b>	<b>6.64%</b>	<b>6.22%</b>

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**Unmetered Scattered Load**

Consumption	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge	200	5.42	1,084.00	200	5.4200	1,084.00	0.00	0.00%	0.00%
Distribution (kWh)	65,000	0.0201	1,306.50	65,000	0.0273	1,774.50	468.00	35.82%	5.91%
Distribution (kW)	0	0.0000	0.00	0	0.0000	0.00	0.00		0.00%
Smart Meter Rider (per month)						0.00	0.00		0.00%
LRAM & SSM Rider (kWh)	65,000	0.0000	0.00	65,000	0.0025	162.50	162.50	#DIV/0!	2.05%
Regulatory Assets (kWh)	0	0.0000	0.00	65,000	0.0005	31.64	31.64	0.00%	0.40%
<b>Sub-Total</b>			<b>2,390.50</b>			<b>3,052.64</b>	<b>662.14</b>	<b>27.70%</b>	<b>8.36%</b>
Other Charges (kWh)	67,075	0.0230	1,542.72	67,936	0.0216	1,468.56	(74.16)	(4.81%)	(0.94%)
Other Charges (kW)			0.00			0.00	0.00		0.00%
Cost of Power Commodity (kWh)	67,075	0.0500	3,353.75	67,936	0.0500	3,396.78	43.03	1.28%	0.54%
Cost of Power Commodity (kW)	0	0.0590	0.00	0	0.0000	0.00	0.00		0.00%
<b>Total Bill</b>			<b>7,286.97</b>			<b>7,917.98</b>	<b>631.01</b>	<b>8.66%</b>	<b>7.97%</b>

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1 **Bill Impacts arising out of Proposed 2008 Distribution Rates - Rockwood Customers**

2 **RESIDENTIAL**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>1,000 kWh</b>									
Monthly Service Charge			13.90			13.27	(0.63)	(4.53%)	(0.56%)
Distribution (kWh)	1,000	0.0142	14.20	1,000	0.0185	18.50	4.30	30.28%	3.85%
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.74%)
LRAM & SSM Rider (kWh)	1,000			1,000	0.0001	0.10	0.10	#DIV/0!	0.09%
Regulatory Assets (kWh)	1,000	0.0029	2.90	1,000	0.0006	0.60	(2.30)	(79.31%)	(2.06%)
<b>Sub-Total</b>			<b>31.27</b>			<b>31.91</b>	<b>0.64</b>	<b>2.05%</b>	<b>0.57%</b>
Other Charges (kWh)	1,085	0.0245	26.57	1,045	0.0225	23.50	(3.08)	(11.58%)	(2.76%)
Cost of Power Commodity (kWh)	600	0.0500	30.00	600	0.0500	30.00	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	485	0.0590	28.60	445	0.0590	26.26	(2.33)	(8.15%)	(2.09%)
<b>Total Bill</b>			<b>116.44</b>			<b>111.67</b>	<b>(4.77)</b>	<b>(4.09%)</b>	<b>(4.27%)</b>

3 **GENERAL SERVICE < 50 kW**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Consumption</b>									
<b>2,000 kWh</b>									
Monthly Service Charge			17.18			12.26	(4.92)	(28.64%)	(2.36%)
Distribution (kWh)	2,000	0.0189	37.80	2,000	0.0169	33.80	(4.00)	(10.58%)	(1.92%)
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.40%)
Regulatory Assets (kWh)	2,000	0.0028	5.60	2,000	0.0005	1.00	(4.60)	(82.14%)	(2.21%)
<b>Sub-Total</b>			<b>60.85</b>			<b>46.50</b>	<b>(14.35)</b>	<b>(23.58%)</b>	<b>(6.89%)</b>
Other Charges (kWh)	2,169	0.0235	50.98	2,090	0.0216	45.19	(5.79)	(11.36%)	(2.78%)
Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	1,419	0.0590	83.74	1,340	0.0590	79.08	(4.66)	(5.57%)	(2.24%)
<b>Total Bill</b>			<b>233.07</b>			<b>208.27</b>	<b>(24.80)</b>	<b>(10.64%)</b>	<b>(11.91%)</b>

4 **GENERAL SERVICE > 50 to 999KW**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Consumption</b>									
<b>15,000 kWh</b>									
<b>60 kW</b>									
Monthly Service Charge			274.79			230.36	(44.43)	(16.17%)	(2.54%)
Distribution (kWh)	15,000	0.0000	0.00	15,000	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	60	10.0797	604.78	60	3.0190	181.14	(423.64)	(70.05%)	(24.19%)
Smart Meter Rider (per month)			0.27			(0.56)	(0.83)	(307.41%)	(0.05%)
Regulatory Assets (kW)	60	1.7096	102.58	60	0.1280	7.68	(94.90)	(92.51%)	(5.42%)
<b>Sub-Total</b>			<b>982.42</b>			<b>418.62</b>	<b>(563.80)</b>	<b>(57.39%)</b>	<b>(32.19%)</b>
Other Charges (kWh)	16,270	0.0132	214.76	15,677	0.0132	206.94	(7.82)	(3.64%)	(0.45%)
Other Charges (kW)	60	3.5417	212.50	60	3.4646	207.88	(4.63)	(2.18%)	(0.26%)
Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	15,520	0.0510	791.52	14,927	0.0590	880.72	89.20	11.27%	5.09%
<b>Total Bill</b>			<b>2,238.70</b>			<b>1,751.66</b>	<b>(487.05)</b>	<b>(21.76%)</b>	<b>(27.80%)</b>

5 **Street Lighting**

	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Billing Determinants</b>									
<b>1 Connection</b>									
<b>325 kWh</b>									
<b>2 kW</b>									
Monthly Service Charge	1	0.4800	0.48	1	0.1400	0.14	(0.34)	(70.83%)	(1.08%)
Distribution (kWh)	325	0.0000	0.00	325	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	2	3.9310	7.86	2	3.4089	6.82	(1.04)	(13.28%)	(3.33%)
Regulatory Assets (kW)	2	1.1390	2.28	2	0.1305	0.26	(2.02)	88.54%	(6.43%)
<b>Sub-Total</b>			<b>10.62</b>			<b>7.22</b>	<b>(3.40)</b>	<b>(32.03%)</b>	<b>(10.84%)</b>
Other Charges (kWh)	353	0.0132	4.65	340	0.0132	4.48	(0.17)	(3.64%)	(0.54%)
Other Charges (kW)	2	2.7041	5.41	2	3.1917	6.38	0.98	18.03%	3.11%
Cost of Power Commodity (kWh)	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	-397	0.0590	(23.45)	-410	0.0590	(24.21)	(0.76)	3.23%	(2.41%)
<b>Total Bill</b>			<b>34.73</b>			<b>31.38</b>	<b>(3.35)</b>	<b>(9.65%)</b>	<b>(10.69%)</b>

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**Sentinel Lighting**

Billing Determinants	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge	2	1.2900	2.58	2	6.4600	12.92	10.34	400.78%	50.30%
Distribution (kWh)	25	0.0000	0.00	25	0.0000	0.00	0.00	#DIV/0!	0.00%
Distribution (kW)	1	5.8879	2.94	1	7.9698	3.98	1.04	35.36%	5.06%
Regulatory Assets (kW)	1	0.1951	0.10	1	1.3503	0.68	0.58	592.11%	2.81%
<b>Sub-Total</b>			<b>5.62</b>			<b>17.58</b>	<b>11.96</b>	<b>212.73%</b>	<b>58.18%</b>
Other Charges (kWh)	27	0.0132	0.36	26	0.0132	0.34	(0.01)	(3.64%)	(0.06%)
Other Charges (kW)	1	2.7391	1.37	1	2.6494	1.32	(0.04)	(3.28%)	(0.22%)
Cost of Power Commodity (kWh)	27	0.0500	1.36	26	0.0500	1.31	(0.05)	(3.64%)	(0.24%)
Cost of Power Commodity (kW)	0	0.0590	0.00	0	0.0590	0.00	0.00	#DIV/0!	0.00%
<b>Total Bill</b>			<b>8.70</b>			<b>20.56</b>	<b>11.85</b>	<b>136.15%</b>	<b>57.65%</b>

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**Unmetered Scattered Load**

Consumption	2007 BILL			2008 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge	8	17.45	139.60	8	5.4200	43.36	(96.24)	(551.52%)	(23.40%)
Distribution (kWh)	3,500	0.0181	63.35	3,500	0.0273	95.55	32.20	50.83%	7.83%
Distribution (kW)	0	0.0000	0.00	0	0.0000	0.00	0.00		0.00%
Smart Meter Rider (per month)						0.00	0.00		0.00%
LRAM & SSM Rider (kWh)	3,500	0.0000	0.00	3,500	0.0025	8.75	8.75	#DIV/0!	2.13%
Regulatory Assets (kW)	3,500	0.0028	9.80	3,500	0.0005	1.70	(8.10)	0.00%	(1.97%)
<b>Sub-Total</b>			<b>212.75</b>			<b>149.36</b>	<b>(63.39)</b>	<b>(29.79%)</b>	<b>(15.41%)</b>
Other Charges (kWh)	3,796	0.0235	89.21	3,658	0.0216	79.08	(10.14)	(11.36%)	(2.46%)
Other Charges (kW)			0.00			0.00	0.00		0.00%
Cost of Power Commodity (kWh)	3,796	0.0500	189.82	3,658	0.0500	182.90	(6.91)	(3.64%)	(1.68%)
Cost of Power Commodity (kW)	0	0.0590	0.00	0	0.0590	0.00	0.00		0.00%
<b>Total Bill</b>			<b>491.78</b>			<b>411.34</b>	<b>(80.44)</b>	<b>(16.36%)</b>	<b>(19.55%)</b>

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<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>10 – REQUEST FOR LRAM and SSM ADJUSTMENTS</b>	1	1		Overview
		2		Summary of LRAM/SSM Request
		3		Lost Revenue Adjustment Mechanism (“LRAM”)
		4		Shared Savings Mechanism (“SSM”)
		5		Relief Requested
		6		Bill Impacts

1    **OVERVIEW:**

2    On May 31, 2004, the Ministry of Energy granted approval to all electricity distributors in Ontario  
3    to apply to the OEB for adjustments to their previously approved 2005 electricity distribution  
4    rates that would enable them to recover the third tranche of their incremental market adjusted  
5    revenue requirements ("MARR"). The Minister's approval was conditional on a commitment to  
6    reinvest an equivalent amount in CDM initiatives.

7    The CDM Plans of Guelph Hydro and WEDCO were approved by the OEB in December of  
8    2004, with a Final Order issued in March 2005. As noted in the 2005 CDM Annual Report, the  
9    OEB issued a Decision and Order granting leave for Guelph Hydro and WEDCO to amalgamate  
10   on February 21, 2006. All reporting on CDM efforts and results for the Lost Revenue  
11   Adjustment Mechanism ("LRAM") and Shared Savings Mechanism ("SSM") adjustments and  
12   their recovery have been combined for both 2005 and 2006 for the amalgamated Guelph Hydro.

13   Guelph Hydro's CDM efforts have been successful, but as a result, with decreases in kWh  
14   consumption and kW demand, Guelph Hydro has experienced distribution revenue losses. The  
15   OEB authorized distributors to apply for LRAM and SSM adjustments. The authorization to  
16   apply for LRAM and SSM adjustments for 2005 and 2006 is derived from the OEB's December  
17   2004 decision on the Pollution Probe motion in file No. RP-2004-0203, and the OEB's May 2005  
18   Report on the 2006 Electricity Distribution Rate Handbook (the "Report", OEB File No. RP-2004-  
19   0188).

20   At page 107 of the Report, the OEB addressed LRAM recoveries, stating:

21            "In its December 2004 Decision RP-2004-0203, the board concluded that an LRAM was  
22            appropriate and that it should apply to 3<sup>rd</sup> tranche expenditures. The Board indicated, at  
23            that time, that the LRAM formula would be established as part of the 2006 proceeding.

24            The Board continues to believe that an LRAM is appropriate and concludes that it will be  
25            retrospective, not prospective. At this time, greater accuracy will be achieved if the  
26            LRAM is calculated after-the-fact, based on actual results.

1           Accordingly, a distributor will be expected to calculate the energy savings by customer  
2           class and to value those energy savings by the board-approved distribution charge  
3           appropriate to that class. The resulting amount may be claimed in a subsequent rate  
4           year as compensation for lost revenue.”

5           With respect to SSM, at page 110 of its Report, the OEB wrote:

6           “The Board, in its RP-2004-0203 Decision, found that a distributor shareholder incentive  
7           was an appropriate way to encourage distributors to pursue CDM programs. The Board  
8           continues to be of this view. Distributors should be rewarded with 5 percent of the net  
9           savings established by the TRC test. The Board recognizes that it will be essential to  
10          establish certain inputs and to define avoided costs. Accordingly, the Board’s  
11          Conservation Manual will address these matters. This will allow parties to Screen CDM  
12          programs and calculate the relevant incentives.”

13          At page 111 of the Report, the OEB wrote:

14          “The SSM will apply to TRC benefits achieved by 3<sup>rd</sup> tranche expenditures as well as any  
15          incremental expenditures that are approved in 2006. However, as in the case of the  
16          Board’s Decision with respect to 2005, the incentive will not apply to utility-side activities.  
17          Because the SSM will be retrospective, no claims for a shareholder incentive should be  
18          made in the 2006 rate applications.

19          There has been considerable discussion in this proceeding as to whether CDM  
20          expenditures on the utility side should be differentiated from customer-side expenditures.  
21          The Board recognizes that conservation programs should have a balance between the  
22          two. It is important to recall however, the Board’s earlier finding that the SSM incentive  
23          does not apply to utility-side investments. The Board previously ruled with respect to the  
24          2005 SSM that the inclusion of capitalized assets into rate base provides sufficient  
25          incentives. The Board continues to hold that view.”

26          In accordance with the Report, Guelph Hydro’s LRAM & SSM request includes only customer-  
27          side activities. Guelph Hydro has calculated energy savings by customer class and valued

1 those savings by the OEB-approved distribution charge appropriate to each class, as required  
2 by the Report.

3 In its April 28, 2005 “Guidelines for Electricity Distributors Wishing to Apply for SSM Incentive  
4 for 2005 Implementation of CDM Plans” (referred to here as the “SSM Guidelines”), the OEB  
5 stated (at page 2):

6 “Inputs and assumptions of the TRC Test have to be clearly stated in the pre-filed  
7 evidence. Applicants may use the standard inputs for TRC calculation which are  
8 contained in the Board’s Conservation Manual (available late June 2005). Where an  
9 applicant wishes to use other inputs, the applicant must provide supporting evidence, an  
10 explanation of its choice and, for comparison, the TRC Test results using the inputs  
11 contained in the Conservation Manual.”

12 On September 8, 2005 the OEB issued its Conservation Manual, under the name of the Total  
13 Resource Cost Guide (the “TRC Guide”). The TRC Guide set out an OEB-approved  
14 methodology and associated parameters for the financial evaluation of CDM programs. The  
15 TRC Guide was revised October 2, 2006 to reflect the OEB’s Decision in the EB-2005-0523  
16 proceeding concerning the attribution of benefits between utilities and non-rate-regulated third  
17 parties.

18 On November 14, 2006, the OEB issued a document titled “Filing Requirements for  
19 Transmission and Distribution Applications” (the “Filing Requirements”). The Filing  
20 Requirements contain provisions relating to applications for LRAM and SSM. Guelph Hydro  
21 submits that it has relied on and complied with the LRAM and SSM provisions of the Report, the  
22 OEB’s TRC Guide and the Filing Requirements in preparing this request for LRAM and SSM  
23 adjustments for the years 2005 and 2006. This request is also consistent with the OEB’s  
24 September 11, 2007 Decision and Order in EB-2007-0096 – the application by Toronto Hydro  
25 Electric System Limited for an Order or Orders granting approval and recovery of amounts  
26 related to CDM activities (the “Toronto Hydro Decision”) for 2005 and 2006.

1 **SUMMARY OF LRAM AND SSM REQUEST:**

2 Guelph Hydro seeks approval for the recovery of 2005 and 2006 LRAM and SSM amounts as  
3 part of this Application, for the amalgamated Guelph Hydro and WEDCO as described  
4 previously. Recovery is to be based on volumetric rate riders. Guelph Hydro proposes two rate  
5 riders for recovery of the total LRAM and SSM: a three-year rate rider for the recovery of the  
6 Residential class LRAM and SSM, from May 1, 2008 to April 30, 2011, and a three-year rate  
7 rider for the recovery of the Unmetered Scattered Load class LRAM and SSM, from May 1,  
8 2008 to April 30, 2011.

9 The LRAM calculations are based on the kWh or kW load reduction for each of the years 2005  
10 and 2006 times the applicable variable distribution rate for that rate class. The LRAM  
11 calculation, in the amount of \$71,676, includes an adjustment for “free ridership” (FR) in  
12 accordance with the TRC Guide and the Toronto Hydro Decision. The LRAM is a before tax  
13 amount as the basis for calculations is variable distribution rates derived from revenue  
14 requirement which includes a provision for PILs.

15 The SSM calculation, in the amount of \$47,360, has been prepared in accordance with the SSM  
16 Guidelines and the TRC Guide which provide for 5 percent of the net savings established by the  
17 TRC test. In accordance with the Toronto Hydro Decision, Guelph Hydro has not grossed up  
18 the SSM amount for taxes and as such the SSM amount proposed for recovery is a pre-tax  
19 value. As with the LRAM calculation, the SSM calculation includes an adjustment for “free  
20 ridership” in accordance with the TRC Guide and the Toronto Hydro Decision.

21 Guelph Hydro notes that it implemented one program that was included in its CDM plan and  
22 approved by the OEB, but that is not clearly identified in the Assumptions and Measures list in  
23 the TRC Guide. This program is similar to the Toronto Hydro program “LED Traffic Lights”,  
24 which involved the replacing of traffic signals with LED technology. In accordance with the  
25 Toronto Hydro Decision, Guelph Hydro has applied a 30% free ridership (FR) to the program  
26 results.

27 The total combined LRAM and SSM amount for recovery is \$119,036. The LRAM and SSM  
28 amounts and corresponding rate riders are set out by rate class in Table 1 (LRAM and SSM  
29 Total Amounts and Rate Riders by Class), below. As noted above, Guelph Hydro proposes two

1 rate riders for recovery of the total LRAM and SSM: a three-year rate rider for the recovery of  
 2 the Residential class LRAM and SSM, from May 1, 2008 to April 30, 2011, and a three-year rate  
 3 rider for the recovery of the Unmetered Scattered Load class LRAM and SSM, from May 1,  
 4 2008 to April 30, 2011.

5 **Table 1: LRAM and SSM Total Amounts and Rate Riders by Class**

Rate Class	Amounts (2005 + 2006)		Billing Units (2006)	Rate Riders			Three Year Rate Rider
	LRAM \$	SSM \$		LRAM \$/kWh	SSM \$/kWh	Total \$/kWh	Total \$/kWh
<b>Residential</b>	62,111	38,630	357,636,843 kWh	0.00017	0.00011	0.00028	0.0001
<b>Unmetered Scattered Load</b>	9,566	8,729	2,421,593 kWh	0.00395	0.0036	0.00755	0.0025
<b>TOTAL</b>	<b>71,676</b>	<b>47,360</b>					

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1 **LOST REVENUE ADJUSTMENT MECHANISM (“LRAM”):**

2 The purpose of an LRAM adjustment is to account for the variance between forecasted volumes  
 3 used to set class rates and actual volumes resulting from CDM programs. The LRAM recovery  
 4 has been calculated as the approved savings per measure multiplied by the number of  
 5 measures implemented for the particular programs targeted at each rate class.

6 The Guelph Hydro budgeted load forecasts for revenue requirement calculations for the years  
 7 2005 and 2006 were not adjusted for CDM programs. In accordance with the Toronto Hydro  
 8 Decision, Guelph Hydro has reduced the calculated load reduction for free ridership. Table 2  
 9 below summarizes the CDM load impacts by program and customer class for both 2005 and  
 10 2006.

11 **Table 2: CDM Load Impacts by Program and Class**

Rate Class - Program	GHESI or WEDCO	CDM Report Year	Actual kWh Savings Net of FR
<b>Residential</b>			
EnerConnect Coupon Program	GHESI	2005	901,756
Guelph Environmental Leadership	GHESI	2005	8,833
Seasonal Light Exchange	GHESI	2005	22,586
Switch to Cold	GHESI	2005	560,700
Holiday Hampers	GHESI	2005	606,422
Enerconnect Coupon	WEDCO	2005	498
Switch to Cold	WEDCO	2005	20,325
Holiday Hampers	WEDCO	2005	17,665
Education - Spring EKC	GHESI	2006	178,135
Education - Fall EKC	GHESI	2006	1,009,589
Education - Guelph Partnership for Innovation	GHESI	2006	37,505
Low Income - Seasonal Hampers	GHESI	2006	84,281
Low Income - Washer Dryer Replacement	GHESI	2006	17,904
Low Income - Light Up A Life	GHESI	2006	36,831
<b>Subtotal</b>			<b>3,503,029</b>
<b>Unmetered Scattered Load</b>			
LED Traffic Lights	GHESI	2005	942,614
<b>Subtotal</b>			<b>942,614</b>
<b>TOTAL</b>			<b>4,445,643</b>

1 The reduction in distribution revenue is calculated on the forgone volumes resulting from CDM  
 2 activities by class and at the variable distribution rate applicable to that class and year. As the  
 3 variable distribution rate decreased on May 1, 2006, Guelph Hydro elected to use the lower  
 4 distribution rate for the entire twelve month period. This will reduce LRAM-related customer bill  
 5 impacts.

6 Guelph Hydro is not requesting the recovery of carrying costs on the forgone distribution  
 7 revenue in this Application as Guelph Hydro considers this to be immaterial to its Application.

8 **Table 3: Forgone Revenue by Class**

Rate Class - Program	CDM Report Year	In Year kWh Savings Net of FR	Rate 2005 (\$ per kWh)	Revenue 2005 \$	Rate 2006 (\$ per kWh)	Revenue 2006 \$	Lost Revenue \$
<b>Residential</b>							
EnerConnect Coupon Program	2005	450,878	0.0178	8,003	0.0177	8,003	16,006
Guelph Environmental Leadership	2005	4,416	0.0178	79	0.0177	78	157
Seasonal Light Exchange	2005	11,293	0.0178	201	0.0177	200	401
Switch to Cold	2005	280,350	0.0178	4,990	0.0177	4,962	9,952
Holiday Hampers	2005	303,211	0.0178	5,397	0.0177	5,367	10,764
EnerConnect Coupon	2005	249	0.0178	4	0.0177	4	9
Switch to Cold	2005	10,163	0.0178	181	0.0177	180	361
Holiday Hampers	2005	8,833	0.0178	157	0.0177	156	314
Education - Spring EKC	2006	178,135	0.0178	0	0.0177	3,153	3,153
Education - Fall EKC	2006	1,009,589	0.0178	0	0.0177	17,870	17,870
Education - GPI	2006	37,505	0.0178	0	0.0177	664	664
Low Income - Seasonal Hampers	2006	84,281	0.0178	0	0.0177	1,492	1,492
Low Income - Washer Dryer	2006	17,904	0.0178	0	0.0177	317	317
Low Income - Light Up A Life	2006	36,831	0.0178	0	0.0177	652	652
<b>Subtotal</b>				<b>19,035</b>		<b>43,075</b>	<b>62,111</b>
<b>Unmetered Scattered Load</b>							
LED Traffic Lights	2005	471,307	0.0199	9,379	0.0199	187	9,566
<b>Subtotal</b>				<b>9,379</b>		<b>187</b>	<b>9,566</b>
<b>TOTAL</b>				<b>28,414</b>		<b>43,262</b>	<b>71,676</b>

9 Guelph Hydro proposed to allocate the forgone distribution revenue from each class to that  
 10 class for recovery through a rate adder to be applied to the variable distribution rate component  
 11 for each class. As stated previously, Guelph Hydro proposes two rate riders for recovery of the  
 12 total LRAM and SSM, a three-year rate rider for the recovery of the Residential class LRAM and  
 13 SSM, from May 1, 2008 to April 30, 2011, and a three-year rate rider for the recovery of the  
 14 Unmetered Scattered Load class LRAM and SSM, from May 1, 2008 to April 30, 2011.



1 **SHARED SAVINGS MECHANISM (“SSM”):**

2 SSM amounts are calculated based on the results of a cost effectiveness test known as the total  
3 resource cost (“TRC”) test which is defined as a test that “*measures the net costs of a demand-*  
4 *side management program as a resource option based on the total costs of the program,*  
5 *including both the participant’s and the LDC’s costs.*”

6 In measuring the effectiveness of a program the TRC test examines the benefits of a program,  
7 which is typically the avoided resource costs such as electricity, with program costs which  
8 includes both the LDC’s costs and the participant’s costs, over the life of the program. The  
9 stream of future net benefits is net present valued (“NPV”) to a single number and must be  
10 greater than zero to be cost effective.

11 The TRC test also provides for free ridership such that a program with a high degree of free  
12 ridership is therefore less cost effective for the LDC to pursue as the program costs will exceed  
13 the program benefits.

14 The amount of the SSM incentive is based on 5% of the NPV of the net benefits of GHESI’s  
15 CDM programs. Guelph Hydro has calculated the SSM amount in accordance with the  
16 methodology set out in the TRC Guide. In accordance with the Guidelines for applying for the  
17 SSM incentive, Guelph Hydro is only making application for customer focused initiatives that  
18 reduce the demand for electricity.

19 The total SSM calculated in this application amounts to \$47,360. Guelph Hydro is filing for  
20 recovery of this amount without gross up for PILs in accordance with Toronto Hydro Decision.

21 Table 4 summarizes the SSM calculations by program and by customer class.

22

1

**Table 4: SSM Amounts by Program and Class**

Rate Class - Program	Net TRC Benefits	SSM Amount @ 5% (\$)
<b>Residential</b>		
EnerConnect Coupon Program	\$161,105	\$8,055
Guelph Environmental Leadership	122	6
Seasonal Light Exchange	2,636	132
Switch to Cold	11,894	595
Holiday Hampers	72,273	3,614
EnerConnect Coupon	881	44
Switch to Cold	73	4
Holiday Hampers	2,007	100
Education - Spring EKC	76,805	3,840
Education - Fall EKC	403,430	20,172
Education - Guelph Partnership for Innovation	6,673	334
Low Income - Seasonal Hampers	19,610	981
Low Income - Washer Dryer Replacement	6,528	326
Low Income - Light Up A Life	8,570	428
<b>Subtotal</b>	<b>\$772,608</b>	<b>\$38,630</b>
<b>Unmetered Scattered Load</b>		
LED Traffic Lights	\$174,589	\$8,729
<b>Subtotal</b>	<b>\$174,589</b>	<b>\$8,729</b>
<b>TOTAL</b>	<b>\$947,197</b>	<b>\$47,360</b>

2 As with the LRAM adjustment, Guelph Hydro proposes that the SSM amount arising from CDM  
 3 activities in each rate class be allocated to that class, and that the SSM be recovered through a  
 4 variable distribution rate rider applicable to that class. As stated previously, Guelph Hydro  
 5 proposes two rate riders for recovery of the total LRAM and SSM, a three-year rate rider for the  
 6 recovery of the Residential class LRAM and SSM, from May 1, 2008 to April 30, 2011, and a  
 7 three-three rate rider for the recovery of the Unmetered Scattered Load class LRAM and SSM,  
 8 from May 1, 2008 to April 30, 2011.

1 **RELIEF REQUESTED:**

2 Guelph Hydro proposes that the LRAM and SSM rate riders are recovered through rate riders  
3 as provided in the preceding Table 1, through two rate riders; a three-year rate rider for the  
4 recovery of the Residential class LRAM and SSM, from May 1, 2008 to April 30, 2011, and a  
5 three-three rate rider for the recovery of the Unmetered Scattered Load class LRAM and SSM,  
6 from May 1, 2008 to April 30, 2011.

7 Guelph Hydro notes that at page 11 of the Toronto Hydro Decision, the OEB states “The board  
8 believes that for future claims relating the third tranche and 2006 incremental spending, the  
9 Board and stakeholders could be assisted by an independent third party review of program  
10 results, and claim amounts.” Guelph Hydro submits that its claim for LRAM and SSM in the  
11 amount of \$119,036, as calculated with the guidance of Total Energy Advice & Management  
12 Ltd. (TEAM), meets the OEB requirements and represents only 0.47% of its distribution revenue  
13 requirement and, therefore, does not have a material impact on distribution rates, and that any  
14 such impact on the Residential or Unmetered Scattered Load classes has been mitigated by  
15 recovering the LRAM and SSM over three rate years for the affected customer class. This can  
16 be seen in the following discussion of bill impacts.

17 In light of the foregoing, Guelph Hydro requests approval of its proposed LRAM and SSM  
18 without being subject to further review.

1 **BILL IMPACTS:**

2 Guelph Hydro proposes that the LRAM and SSM amounts be recovered over three years  
3 through rate riders effective May 1, 2008 until April 30, 2011. Table 5 below provides a  
4 summary of the impacts of the proposed LRAM and SSM adjustments on the variable  
5 distribution rate, the percent change in distribution cost, and the percent change in total bill,  
6 from 2007 to 2008, for the average customer in each rate class.

7 **Table 5: LRAM & SSM Rate Impacts by Class**

Standard Consumption per Month	% Change Variable Rate	% Change Distribution Cost	% Change Total Bill
Residential (1000 kWh)	0.56%	0.32%	0.09%
Unmetered Scattered Load (340 kWh)	12.45%	6.94%	2.24%

8 Guelph Hydro submits that the recovery of the LRAM and SSM adjustments over three years for  
9 the Residential customer class and the Unmetered Scattered Load class satisfactorily mitigates  
10 the rate impact to customers, and that further mitigation is not required.