Narrative for the 2006 EDR Rate Application

Chapter 2 Components of the Application

2.1.1 Description of the Distributor

Distributor Name: Guelph Hydro Electric Systems Inc. (GHESI)
Licence Number: ED-2002-0565
Service Area: the City of Guelph
Adjacent Distributors: GHESI is surrounded by Hydro One
Characteristics of Service Area: urban
Embedded or Host Distributor: GHESI is not and does not contain an embedded or host distributor.
Mailing Address: 104 Dawson Road, Guelph, Ontario N1H 1A7
Key Contacts: Peter Henderson
Vice President of Finance
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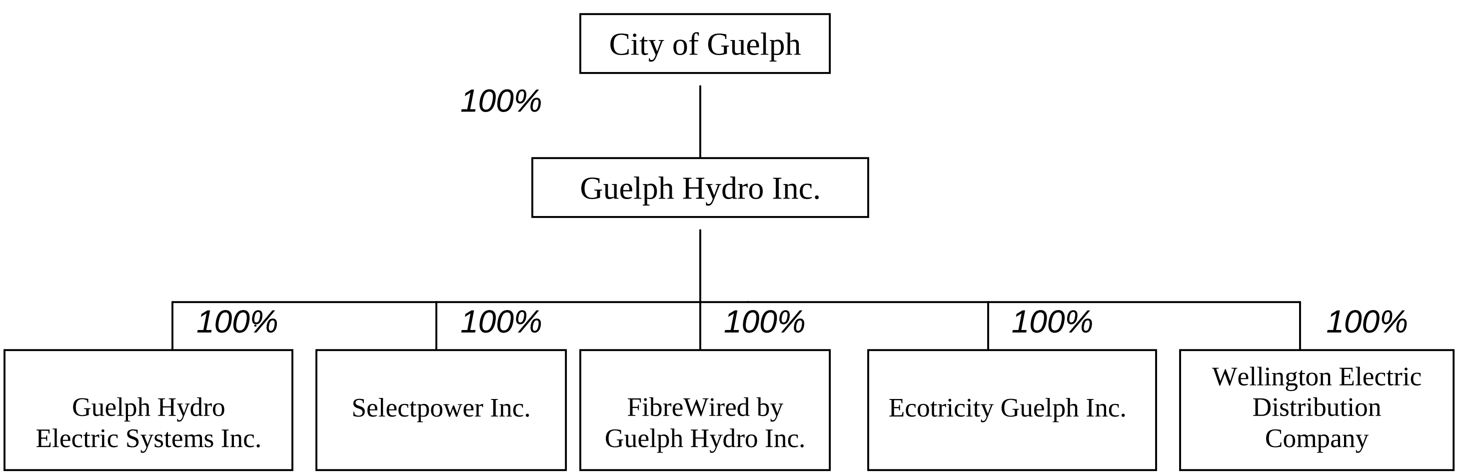
2.1.2 Corporate Structure



Guelph Hydro Inc. (GHI) is 100% owned by the City of Guelph. GHI is the 100% owner of two distribution companies: Guelph Hydro Electric Systems Inc. (GHESI) and Wellington Electric Distribution Company Inc. (WEDCO). GHI is also the 100% owner of a generating company, Ecotricity Guelph Inc. (EGI, formerly 1615151 Ontario Inc.) as well as a fibre company, FibreWired by Guelph Hydro Inc. (FW) and an energy services retailer, Selectpower Inc. (SP).

GHESI receives services from it's parent company, GHI, for the sharing of Board of Director expenses.

GHI to GHESI, WEDCO, FW, SP and EGI - GHI is the parent company and a non-operating company. The costs for the Board of Directors are incurred in GHI. They are shared with the subsidiary companies based on the number of Board meetings. In 2004 the costs were $21,000 for GHESI and $17,700 for WEDCO, FW and SP. EGI is a new company and will not incur any Board of Director costs until 2005.

GHESI provides the following services to it's affiliate companies:

GHESI to WEDCO - GHESI provides billing, credit and collection, information systems, accounting, human resources, general administration and management services by means of a service agreement based on cost sharing. The service fees in 2004 were $144,000. The fees in 2005 are budgeted to be $146,000. These fees will cease when WEDCO is merged with GHESI in 2005.

GHESI to FW - In 2004 GHESI provided billing, credit and collection, accounting, human resources, general and administration and management services by means of a service agreement based on cost sharing. The service fees in 2004 were $115,000. In 2005 FW took over their accounting and administration services and the fee is estimated at $86,000.

GHESI to SP - In 2004 GHESI provided billing, human resources and management services to SP and leased SP some storage space by means of a service agreement based on cost sharing. The service fees in 2004 were $97,000. In 2005 the fees are budgeted to be $109,000 with the inclusion of collection services.

2.1.3 Audited Financial Statements

Audited financial statements for 2002, 2003 and 2004 are included with this rate application as Schedule 2-3.

2.1.4 Compliance with Licence

Guelph Hydro Electric Systems Inc. has no special conditions in its licence and is not exempt from any conditions of its licence that will affect the review of its application.

2.1.5 Listing of Rates and Charges

A complete listing of the rates and charges that have been approved by the Board and are currently in effect is included as Schedule 2-4.

2.1.6 Summary of the Application

Chapter 3 Test Year and Adjustments

Guelph Hydro Electric Systems Inc. has chosen to use a test year derived from the 2004 trial balance with Tier 1 adjustments to move the 2004 year-end closer to a "typical" year.

We have made a number of adjustments to the 2004 Trial Balance accounting data on tab 2-4 – Adjusted Accounting Data as explained below:

(1) **Reclassification entry**
subsequent to transmission of the GHESI T/B to the OEB on June 15/05 $623,182.30 was incorrectly transferred from a/c #5005 Operation Supervision and Engineering to a/c #5065 Meter Expense

correct balances should be:	a/c #5005	Operation Supervision and Engineering	349,618.88	
	a/c #5065	Meter Expense	273,563.42	
			623,182.30	
current balances are:	a/c #5005	Operation Supervision and Engineering	-	
	a/c #5065	Meter Expense	623,182.30	
			623,182.30	
2-4 adjustment	a/c #5005	Operation Supervision and Engineering	349,618.88	dr
	a/c #5065	Meter Expense	(349,618.88)	cr
			-	

(2) **ADJ 3 (DISTRIBUTION EXPENSES - TIER 1) - OEB Annual Dues and Other Regulatory Agency Costs**

Adjustment should have been made with TIER 1 adjustments but 2004 amount re: OEB cost assessment was originally coded to a/c #5665 Miscellaneous General Expense v.s. #5655 (USoA account "Regulatory Expenses" that is linked to this item in the spreadsheet) As a result, the spreadsheet in the TIER1 working paper is not picking up the amount from our unadjusted trial balance.

Step #1	a/c #5665	Miscellaneous General Expense		(42,848.75)	cr
reclassify 2004 amounts	a/c #5655	Regulatory Expenses		42,848.75	dr
2-4 adjustment				-	
Step #2	a/c #5655	Regulatory Expenses	2005	42,869.00	dr
(calculate TIER1 increment made directly on sch 2-4)	a/c #5655	Regulatory Expenses	2004	(42,848.75)	dr
			Increment	20.25	dr
2-4 adjustment	a/c #5655	Regulatory Expenses		20.25	dr
	a/c #3055	Adjustment to Retained Earnings		(20.25)	cr

(3) **ADJ 3 (DISTRIBUTION EXPENSES - TIER 1) - Insurance**

Adjustment should have been made with TIER 1 adjustments but 2004 amount allocated to a/c #5635 "Property Insurance" includes liability, vehicle, and casualty insurance in addition to property insurance. As a result spreadsheet link in the TIER 1 working paper is picking up insurance amounts that should be excluded

Step #1	a/c #5635	property insurance	(143,713.96)	cr
reclassify 2004 amounts	a/c #5640	liability insurance	108,130.96	dr
2-4 adjustment	a/c #5640	casualty insurance	4,203.36	dr
	a/c #5130	maintenance - overhead services	15,689.82	dr
	a/c #5025	o/h distribution lines and feeders	15,689.82	dr
			0.00	
Step #2	a/c #5635	2005 amount - property insurance only	31,007.88	dr
(calculate TIER1 increment made directly on sch 2-4)	a/c #5635	2004 amount - property insurance only	32,928.12	dr
		Adjustment	(1,920.24)	dr
2-4 adjustment	a/c #5635	property insurance	(1,920.24)	cr
	a/c #3055	Adjustment to Retained Earnings	1,920.24	dr

(4) **ADJ 5 (SPECIFIC DISTRIBUTION EXPENSES - TIER 1)**

Adjustment should have been made with TIER 1 adjustments but 2004 amount re: Charitable Contributions was originally coded to a/c #5410 Community Relations - Sundry v.s. #6205 (USoA account "Donations" that is linked to this item in the spreadsheet) As a result, the spreadsheet in the TIER1 working paper is not picking up the amount from our unadjusted trial balance.

a/c #5410	Community Relations - Sundry	14,796.26	
	(Guelph Hydro donation grouped with a/c#5410 vs. #6205)		
	Amount of recoverable contributions (details in Schedule 6-3	10,000.00	
	Other Contributions (non-recoverable)	4,796.26	

2-4 adjustment	a/c #3055	Adjustment to Retained Earnings	4,796.26	dr
	a/c #5410	Community Relations - Sundry	(4,796.26)	cr

(5) **Correction of 2004 regulatory adjustment**

USoA account #1586 RSVA had a credit balance therefore when recording applicable carrying charges we should have recorded an interest credit of $153,796.44 vs. a debit of $153,796.44.

2-4 adjustment	a/c #4405	Interest and Dividend Income	307,592.88	dr
	a/c #1586	RSVA cn	(307,592.88)	cr

(6) **Adjustments per "Instructions for Users of EDR 2006 Model" pp. 12-13**

2-4 adjustment	a/c #4080	Distribution Services Revenue	122,750.59	dr
	a/c #4090	Electric Services Incidental to Energy Sales	(122,750.59)	cr
2-4 adjustment	a/c #4205	Interdepartmental Rents	67,102.69	dr
	a/c #4235	Miscellaneous Service Revenues	(67,102.69)	cr
2-4 adjustment	a/c #6110	Income Taxes	288,557.00	dr
	a/c #6105	Taxes Other Than Income Taxes	(288,557.00)	cr

(7) **Correction of 2004 regulatory adjustment**

Carrying charges were not calculated on USoA account #1590 Recovery of Regulatory Asset Balances

2-4 adjustment	a/c #1590	Recovery of Regulatory Asset Balances	22,745.68	dr
	a/c #4405	Interest and Dividend Income	22,745.68	cr

3-1 Tier 1 Adjustments

Based on an OEB ruling, GHESI deferred the OEB Dues and Other Regulatory Agency Costs and CDM costs as well as the third tranche rate increase. We understand that deferred costs will be included in the rates through the truing up of the regulatory accounts. The OMERS pension costs were not deferred and are included here along with insurance costs (the increment of which is very small) and non-routine/unusual adjustments. Low voltage/wheeling adjustments do not apply to GHESI.

OEB Annual Assessments and Other Fees Paid to Energy Regulators
GHESI has included the incremental OEB annual assessments in account 1508.

Pensions
The incremental OMERS pension costs are being shown as a Tier 1 adjustment.

Insurance
The incremental insurance costs are being shown as a tier 1 adjustment.

CDM and Smart Meters
GHESI has included CDM costs in account 1565.

3-2 Tier 1 Non-Routine/Unusual Adjustments

The use of a base year has its limitations and the ability to apply for adjustments to the base year is an important component to the base year in representing the annualized costs for an LDC. As a result, we have considered these costs very carefully before including (or not including) them in this application.

INCLUDED

Staff Vacancies

The 2004 distribution expenses do not include a number of vacancies experienced during the year. It is not abnormal for a company to have vacancies, but in 2004 the number of vacancies and the time it took to fill them resulted in distribution costs being lower than normal. These are on-going costs of the distributor which are not included in the 2004 costs and, as such, should be reflected in the base year for the 2006 rates. To exclude these costs as a non-routine/unusual adjustment would understate the normal operating costs of the LDC.

The amount of the understatement is $186,300. This is for positions budgeted and vacant during the year. The materiality for distribution expenses established at 0.2% is $26,936. This amount exceeds materiality by $159,364.

Wholesale Metering Points

GHESI is required to spend $1,260,000 in capital for the upgrade of 6 wholesale metering points in 2006. This amount has been added to the capital as a Tier 1 Non-Routine Adjustment/Unusual Item. Please see the discussion and documentation in Schedule 3-2.

NOT INCLUDED

Construction of Southgate Administration Addition

Guelph Hydro Electric Systems Inc. is in the process of constructing an addition to its operations centre to consolidate all employees in one location. Employees in Administration, Engineering, Information Systems, Customer Inquiry, Regulatory and Executive services are currently housed at a separate location owned by the distributor. The cost to renovate the old building and maintain two buildings and the benefits from having all GHESI staff together in one location are the drivers for this consolidation in one location. The new building will cost approximately $8.0 million. The existing building will be sold.

The capital cost of the new building and the amortization are **not** being claimed as a non-routine/unusual adjustment. We anticipate that the new building cost, net of the disposal of the old building, will be included in the 2007 Rate Application filing.

3-3 Tier 2 Adjustments

GHESI is not claiming any Tier 2 adjustments in this rate application.

3-4 Conservation and Demand Management Adjustments

GHESI has included the amounts as submitted in the CDM filing and approved by the OEB (File No. RP-2004-0203 / EB-2005-0203) in the amount of $1,156,560 consistent with the third increment of MARR. These amounts, which will be spent over the next three years, are being accounted for in a deferral account. No application is being made for incremental spending for either CDM or Smart Meters in the 2006 rate application.

Chapter 4 Rate Base

4-1 Capital Expenditures

Capitalization Policy – GHESI records fixed assets at cost with depreciation taken at various rates in accordance with the Accounting Procedures Handbook and the Uniform System of Accounts (USofA). Contributions in aid of construction are not included in the rate base, they are recorded as an offset to capital assets and amortized (as an offset to depreciation) at the same rate as the capital assets, thereby providing a net depreciation amount for the assets.

GHESI constructed assets are capitalized at actual labour rates plus a burden for payroll, engineering, vehicle usage (where applicable) and stores.

Assets sold to Non-Affiliates – gains and losses on assets sold to a non-affiliate are included in miscellaneous income.

Assets sold to Affiliates - GHESI has not sold any assets to affiliates since deregulation in 2000.

Chapter 5 Cost of Capital

5-1 Weighted Debt Cost

Guelph Hydro Electric Systems Inc. has a note with the City of Guelph, dated November 1, 2000 in the amount of $36,642,500. This note carries an interest rate of 7.25% (as established by the OEB in 2000). This rate is in compliance with Table 3-1 of the PBR Distribution Rate Handbook (released in March 2000).

As explained below, the cap on the debt interest rate will have the effect of limiting the amount of interest recoverable through rates to an amount below that being paid to the City in 2006 and future years.

The following is the text of an inquiry and the OEB response to our question on interest rates on existing debt:

GHESI question to the OEB:

In the 2006 EDR there is a change to the debt rate in the rate design, as I understand the item we will have a weighted average of actual debt rate for new debt and the deemed debt rate as an upper bound. With respect to the debt we incurred in the 2000 incorporation the historical rate stays in effect.

We did not implement the full interest rate on the debt with the City right away. With the agreement of the shareholder, the interest rates are being phased-in in line with the three increases in ROE. If we use the actual interest rates, this will have an impact on the interest expense in our rate application as they were 2/3 *of 7.25% in the 2004 test year. We are currently in discussion with the shareholder on the rate to be applied for 2005 and 2006. We expect that the City will hold the interest rate at 2/3 of 7.25% until April 2006 (as we do not have access to the third tranche of the rate increases) and then move to the full 7.25% for 2006. How do you recommend we reflect this in the 2006 EDR Model?*

OEB Response:

Just as the maximum allowed ROE of 9.0% documented in the 2006 Distribution Rate Handbook reflects the best estimate currently available for 2006, the cost of debt should also be forward looking for the rate year – not the historical test year – but should be based on the most current information available. For most utilities this would be 2004 year-end with any updates for changes to the utility's debt known to occur in 2005 and into 2006. This will be for debts that expire/mature in 2005 or by May 1, 2006, or for new or renegotiated debt. Where a utility renegotiates debt (or the debt is tied to the Board-approved deemed debt rate given the utility's size), the debt rate for the loan will be the minimum of the actual rate for that loan and the updated debt rate for the utility's size from Table 5-1 of the 2006 Distribution Rate Handbook. Thus if you renegotiate the loan with your municipal shareholder, the maximum debt rate allowed for rate-making purposes for that loan will be 6.25% if your rate base is smaller than $100M.

Schedule 5-1 in the 2006 EDR model will be designed to accommodate this.

The Board will probably rely on supporting information such as the audited financial statements to understand the various loans – principal, term, and rates – that will be documented in Schedule 5-1. For new or renegotiated loans which are not shown in the 2004 audited financial statements, the utility should provide some documentation or explanation in the Summary of its Application.

We have submitted the 2006 Rate Application with the interest expense of 7.25%. This is the actual interest that GHESI will pay the City of Guelph in 2006.

5-2 Actual Capital Structure of the Distributor

The debt structure deviates from the deemed debt structure by 3.6%. This is within the tolerance of ten percentage points. The improved debt equity ratio is the result of the repayment of $4,264,000 of debentures (being original debentures of $5,684,000 less $1,420,000 remaining at December 31, 2004) and the accumulation of $14,143,000 of retained earnings. In 2005 GHESI began paying dividends to its owner Guelph Hydro Inc. for fiscal years 2003 and 2004. Dividends of $2,800,500 have been paid in 2005.

Chapter 6 Distribution Expenses

6.2.1 Insurance Expense

Actual insurance expense for the past three years has been as follows:

2002 $ 138,718
2003 $ 136,943
2004 $ 176,642

The vehicle insurance premium for 2003 totaled $27,961. This amount was expensed to non-insurance expense accounts in 2002 as it was included in the fleet burden for that year. If this amount had been properly allocated to 2003 expenditures the total insurance expense would have been $164,904.

The main factor causing the increase in insurance expense during this three year period is the increase in the liability insurance premium. This premium has increased by $27,000 due to rate increases. In addition, the property insurance premium has increased by $7,000 from 2002 to 2004 due to a combination of rate increases and increased coverages. Automobile insurance premiums have increased by $6,000 due to rate increases.

For additional information see schedule 6-1.

6.2.2 Bad Debts Expense

Actual bad debts expense for the past three years has been as follows:

2002 $ 58,784
2003 $ 14,472
2004 $104,223

The allowance for doubtful accounts provision (AFDA) was understated in 2003. In 2004 the allowance was increased to reflect a more reasonable estimate of uncollectible accounts. This increase in the AFDA caused an increase in bad debt expense in 2004. Although the AFDA was increased in 2004 we feel that it is still understated. We have identified approximately $80,000 in accounts receivable from 2003 and $110,000 in accounts receivable from 2004 that we have determined to be uncollectible. The full amount of these writeoffs has not yet been reflected in the AFDA. As a result of this we do not feel that the bad debt expense is overstated for 2004, and we do not consider any portion of the bad debt expense to be “Non-Recoverable 2004 Amounts”.

For additional information see schedule 6-2.

6.2.3 Information Technology Expenses

The Information Technology expenses for GHESI are accumulated in a separate cost centre within Administration Expenses and are not charged out to the other parts of the distribution business.

The IS department consists of a Vice-President of Information Systems and four staff. IS staff responsibilities include network, PC deployment and support, system analysis and programming, and the telephone system. GHESI uses a US based software system (Sunguard HTE) designed for government and municipal entities. GHESI participates in a Canadian user group to share knowledge and costs for maintenance and on-going improvements.

6.2.4 Other Specific Distribution Expenses

Advertising
The advertising expenses incurred by GHESI have been examined and the amounts relating to the promotion of corporate branding or image have been excluded.

Political Contributions
GHESI has made no political donations.

Employee Dues
All amounts paid by GHESI for employee dues are related to health and fitness memberships. This program is offered to all GHESI employees and, therefore, the amounts paid out are recoverable.

Charitable Contributions
Charitable donations that do not relate to assistance to customers in paying their electrical bills have been excluded.

For additional information see schedule 6-3.

Meals/travel and business entertainment
GHESI has two policies relating to meals and entertainment. Policy FIN-1 outlines the policy for expenses incurred while attending meetings, seminars, workshops and training sessions. It identifies acceptable and not acceptable expenses and meal allowances and requires that these expenses be reported on an Expense Report and that the expense report be approved by the appropriate Vice-President.

Policy FIN-2 identifies the requirements for the use of company issued VISA cards and the approvals required for these expenses. Policies FIN-1 and FIN-2 are attached at the end of this narrative section.

Research and Development

GHESI does not directly pursue research and development and is not reporting any R&D expenditures as part of its distribution expenses. In 2004 GHESI submitted a claim as part of its 2004 tax return for Scientific Research and Experimental Development. This is the first claim submitted under this program. The claim is included in the PIL's filing.

6-1 Employee Compensation
(See Schedule 6-4)

6-2 Employee Incentive Plan Expense
(See Schedule 6-5)

This material has been marked as CONFIDENTIAL AND PROPRIETARY. The Employee Incentive Plan has been developed by the company for the company. This is an internal document that contains intimate commercial materials that provide a competitive advantage in the attraction and retention of key employees. We do not wish this proprietary information to be made public.

6-3 OMERS Pension Expense and Post Retirement Benefits
(See Schedule 6-6)

6-4 Non-OMERS Pension Expense and Post Retirement Benefits
(not applicable)

6-5 Distribution Expenses Paid to Affiliates

GHESI does not pay any distribution expenses to any affiliates. It does, however, charge its affiliates for services that it provides. The charges for these services are recorded as an offset to the expenses incurred in GHESI. Services provided between associated companies:

GHI to GHESI, WEDCO, FW and SP – GHI is the parent company and a non-operating company. The costs for the Board of Directors are incurred in this company. They are shared with the subsidiary companies based on the number of Board meetings.

GHESI provides the following services to it's affiliate companies:

GHESI to WEDCO – GHESI provides billing, credit and collection, information systems, accounting, human resources, general administration and management services by means of a service agreement based on cost sharing.

GHESI to FW – In 2004 GHESI provided billing, credit and collection, accounting, human resources, general and administration and management services by means of a service agreement based on cost sharing.

GHESI to SP – In 2004 GHESI provided billing, human resources and management services to SP and leased them some storage space by means of a service agreement based on cost sharing.

6-6 Distribution Expenses Incurred Though Sharing Services with Affiliates
(see 6-5 above)

6-7 Outsourced Distribution Services
(not applicable)

Chapter 7 PIL's

7-1 Sharing Loss Carry-Forwards
(not applicable)

7-2 October 2001 FMV Adjustment
(not applicable)

7-3 Interest Expense
(see Chapter 5 – comments on Weighed Debt Cost)

Chapter 8 Revenue Requirement

8-1 Derivation of Base Revenue Requirement
(no comment)

8-2 Revenue from Sources Other than Board Approved Rates and Charges
See Schedule 8-3.

8-3 Regulatory Asset Recovery
See Worksheet 8-4 – Rate Riders in 2006 EDR Model.

Chapter 9 Cost Allocation

9-1 Customer Classification

GHESI's submission maintains the existing customer classes as we consider that they are suitable in 2006. The customer class definitions stated by the 2006 EDR Handbook have been applied in the current practice. GHESI does not have changes to customer classifications.

9-2 Customer Eligibility Criteria

GHESI bills its customers according to the 2006 EDR Handbook classification criteria.

The customer classes are:

Residential
Residential class 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 < 50 kW
This customer class 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 kW
The GS>50 kW class includes non residential accounts where monthly average peak demand is greater than, or is forecast to be greater than, 50 kW but less than 5,000 kW.

General Service greater than 50 kW (Time of Use)
This class includes non residential accounts where monthly average peak demand is greater than 1,000 kW but less than 5,000 kW (TOU metering).

Large Use
The Large Use classification refers to an account where monthly average peak demand is greater than, or is forecast to be greater than, 5,000 kW.

Sentinel Lights (Non Time of Use)
This class includes only sentinel lights accounts.

Street Lighting (Non Time of Use)
This class includes only one account - 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

Unmetered Scattered Load
This class 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 unmetered load.

- GHESI bills this customer class with the same rates used for general service less than 50 kW

- The UM class was not requested in the worksheet “6-1 - Customer classes-input” and the UM billed consumption has been considered under GS< 50 kW in the 2006 EDR Model

9-3 Allocation Factors to Customer Classification

The Base Revenue Requirement has been allocated based on default allocation factors.

The allocation factors were calculated based on kWh and kW billed in 2002, 2003 and 2004 (2006 EDR Model Worksheet 6-2 – Demand, Rates and 7-1-Allocation Base Rev.Req.-).

9-4 Non-default Allocation Factors to Customers Classification

No changes have been proposed to the default allocation methodology.

Chapter 10 Rates and Charges

10-1 Determination of the Fixed/Variable Splits

The fixed/variable splits have been used as determined in the 2006 EDR Model.

10-2 Unmetered Scattered Loads

GHESI will maintain the status quo in its 2006 rate treatment of unmetered scattered loads. We do wish to go on record as follows:

Error in original rate submission to OEB: In GHESI’s original rate submission to the OEB, in the new Electricity Market we made an error in our application for unmetered scattered loads. Specifically, this error was made in our application RP-2000-0039 by submitting a monthly service charge (i.e. $8.98) *per customer,* instead of *per point*. At that time Rogers Cable had 253 power supply points attached to our distribution system. *(Note: Rogers' connections represented approximately 50% of our unmetered scattered loads.)* Our new billing rate for unmetered scattered loads was to be revenue neutral for the rate classification, however, this was not correctly reflected in our rate submission. For example, Rogers' monthly billing was lowered by approximately $2300, commencing April 1, 2001, in comparison to previous months’ billing. This was an instant loss to our required revenue level for this rate group. Since our original rate application, there has been no mechanism in the OEB’s prescriptive rate submissions to correct this error.

GHESI’s Proposal for 2006: GHESI proposes that it's monthly service charge per point for unmetered scattered loads be increased to 50% of the General Service <50 kW rate. This would be in keeping with Rogers’ proposal to the OEB in the 2006 Rate Application Handbook. We understand that this figure would be among the lowest distribution rates in the province.

10-3 Time of Use Distribution Rates
GHESI chooses to continue to use this customer classification.

10-4 Transformer Ownership Allowance
No change

10-5 Determination of Loss Adjustment Factors
Schedule 10-5 Determination of Loss Adjustment Factors is included. The three year average loss factor for GHESI is 3.4%. We believe distributors with low loss factors should see a financial benefit in their ROE.

10-6 Standby Charges
No change

10-7 Low Voltage Charges
Not applicable

10-8 Demand Determinants
No change

10-9 Recovery of CDM, Smart Meter and Regulatory Asst Revenue Requirements
No additional expenditures or related revenues are being requested.

Chapter 11 Specific Service Charges

11-1 Specific Service Charges: Standard Amounts
No changes are being requested from existing GHESI rates.

11-2 Specific Service Charges: Standard Formula and Amounts
No changes are being requested from existing formula and GHESI amounts.

11-3 Specific Service Charges: Revenue

Contractual Arrangements
GHESI has a contractual arrangement with the City of Guelph to bill residents for water and sewage use. The rates for this service are on a cost recovery basis and there is no cross-subsidy from ratepayers.

GHESI has a number of contracts to provide mapping services to other LDCs. The rates for this service are on a cost recovery basis and there is no cross-subsidy from ratepayers.

Chapter 12 Other Regulated Charges

12.1 RPP (formerly SSS) Administration Charge
No change

12.2 Retail Service Charges
No change

12.3 Non-Competitive Electricity Charges
No change

Chapter 13 Mitigation

13-1 Description of Mitigation Plan
No mitigation plan is required.

Chapter 14 Comparators and Cohorts

No comment

Chapter 15 Service Quality Regulation

15-1 Service Quality and Reliability Performance 2002 to 2004
See attached Schedule 15.1.