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July 12, 2004

Mr. Peter O'Dell
Assistant Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Mr. O'Dell:

Re: Comments on the Process to Establish 2006 Electricity Distribution Rates

I would like to thank the OEB for the opportunity to attend and participate in the meetings on the process for establishing 2006 electricity distribution rates on July 6 and 7 at the Ontario Science Centre. I congratulate the OEB on providing this opportunity for LDCs to share their thoughts. The meetings were very informative and provided a good forum for open discussion.

As a relative newcomer to this industry, I learnt that many of the issues are complex and that there are no simple solutions – let alone one that will satisfy all stakeholders.

I have attached comments from Guelph Hydro on the items that made up the final issues list. We may have other thoughts or comments and would like to offer these in the future. In addition to the identified issues, I offer a number of comments for consideration:

- As a basis for moving forward on DSM, and other initiatives, it would be useful to have an independent study that identifies and rates organizations on level of trust by Ontario electricity users (LDCs, OEB, EDA, Municipalities, Provincial Government). I recommend that the OEB or EDA initiate such a study to find out where we stand with our ultimate customers.
- I observed that there was very little thought or reference given to shareholder input in the rate setting process. Input from shareholders (largely municipalities) should be a part of the process.
- The OEB appears to question, and sometimes challenge, standards and judgements from professionals such as the Institute of Chartered Accountants, the Insurance industry and Actuaries. Given the issues within the electricity

industry, the OEB should do everything that it can to support these professions and rely on their expertise rather attempt to “re-invent the wheel”.

- The Canadian Standards Association has an excellent standards setting process from which the OEB can learn. The process results in consensus standards that are recognized across Canada and often around the world. The process begins with a committee balanced to represent all stakeholders and chaired by an individual trained in meeting management and standard setting. I recommend the OEB investigate and consider using this internationally respected process for developing industry documents.
- In addition, I recommend that the OEB look into the quality management process. This is a different method of achieving an end result. Rather than regulating the process (something that is labour intensive, intrusive and prone to abuse), quality management regulates compliance and allows participants to achieve the goal in their own way. I believe that this process could significantly improve the OEB’s effectiveness and the value that electricity users and distributors receive for their investment in the OEB.

Thank you once again for the opportunity to participate in this process. Please call me at (519) 837-4703 if any further details are required with regard to the above.

Yours sincerely,

GUELPH HYDRO ELECTRIC
SYSTEMS INC.

Peter Henderson, C.A.
Vice-President of Finance

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