

**Ontario Energy Board**  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'énergie de l'Ontario**  
C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone: 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**VIA E-MAIL AND WEB POSTING**

November 28, 2012

To: All Licensed Electricity Distributors

**Re: Board Determination of Stretch Factor Rankings for 2013 3<sup>rd</sup> Generation Incentive Regulation Applications (IRM3)**

The Board's policy approach to 3<sup>rd</sup> generation incentive regulation (IRM3) is set out in the "Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors" dated July 14, 2008. The Board determined that stretch factors will be a feature of the IR mechanism, and that benchmarking will provide the architecture for their assignment to distributors.

Specifically, the Board determined that it will use the results of two benchmarking evaluations to divide the Ontario industry into three efficiency cohorts. The two evaluations will be compared and those distributors that rank superior in both will be assigned to Group 1. Those distributors that rank inferior in both will be assigned to Group 3. All other distributors, including those that rank superior or inferior in only one of the evaluations, will be included in the broad middle cohort, Group 2.

A Supplemental Report of the Board setting out the Board's determination of the values for the productivity factor, the stretch factors, and the capital module materiality threshold for use in IRM3 was issued on September 17, 2008. With regard to appropriate stretch factor values for the three groups, the Board determined the following:

**Table 1: Stretch Factor Values**

<b>Group</b>	<b>Benchmarking Evaluations</b>	<b>Stretch Factor Value</b>
1	Statistically superior on the econometric benchmarking model and in the top quartile on the unit cost benchmarking model	0.2%
2	All other distributors, including those that rank superior or inferior in only one of the evaluations	0.4%
3	Statistically inferior on the econometric benchmarking model and in the bottom quartile on the unit cost benchmarking model	0.6%

The Board confirmed its determinations made on July 14, 2008 on the model it will use to assign stretch factors to distributors and that each year the cohorts for the entire sector will be re-evaluated<sup>1</sup>. This approach recognizes and rewards distributors for efficiency improvements during the term of the IR plan.

As the result of a RFP bid process, the Board chose Power System Engineering, Inc. (PSE) to prepare the stretch factor update analysis for the IRM3 applications. In its report which can be found on the Board’s website, PSE has followed the same methodology as for 2009, 2010, 2011 and 2012 stretch factors and has ranked the distributors into three efficiency cohorts.

For the 2013 rate year, the Board has determined and confirmed the following stretch factor assignments for those distributors whose rates are set using IRM3.

---

1

<http://www.ontarioenergyboard.ca/OEB/Industry/Regulatory+Proceedings/Policy+Initiatives+and+Consultations/3rd+Generation+Incentive+Regulation/3rd+Generation+Incentive+Regulation>

**Table 2: 2013 Stretch Factor Assignments for IRM3 Applications**

<b>Distributor</b>	<b>Stretch Factor Group</b>	<b>Stretch Factor</b>
Entegrus (Chatham-Kent)	1	0.2%
Entegrus (Middlesex Power)	1	0.2%
Festival Hydro Inc.	1	0.2%
Grimsby Power Inc.	1	0.2%
Hydro Hawkesbury Inc.	1	0.2%
Hydro One Brampton Networks Inc.	1	0.2%
Kitchener-Wilmot Hydro Inc.	1	0.2%
North Bay Hydro Distribution Ltd.	1	0.2%
Northern Ontario Wires Inc.	1	0.2%
Renfrew Hydro Inc.	1	0.2%
Atikokan Hydro Inc.	2	0.4%
Bluewater Power Distribution Corp	2	0.4%
Brantford Power Inc.	2	0.4%
Burlington Hydro Inc.	2	0.4%
Cambridge and North Dumfries Hydro	2	0.4%
Canadian Niagara Power Inc. Fort Erie & Eastern Ontario Power	2	0.4%
Chapleau Public Utilities Corporation	2	0.4%
Cooperative Hydro Embrun Inc.	2	0.4%
E.L.K. Energy Inc.	2	0.4%
Enersource Hydro Mississauga Inc.	2	0.4%
EnWin Utilities Ltd.	2	0.4%
Espanola Regional Hydro Distribution	2	0.4%
Essex Powerlines Corporation	2	0.4%
Fort Frances Power Corp.	2	0.4%
Greater Sudbury Hydro Inc.	2	0.4%
Guelph Hydro Electric Systems Inc.	2	0.4%
Haldimand County Hydro Inc.	2	0.4%
Halton Hills Hydro Inc.	2	0.4%
Hearst Power Distribution Co. Ltd.	2	0.4%
Horizon Utilities Corporation	2	0.4%

<b>Distributor</b>	<b>Stretch Factor Group</b>	<b>Stretch Factor</b>
Hydro 2000 Inc.	2	0.4%
Hydro One Networks Inc.	2	0.4%
Hydro Ottawa Limited	2	0.4%
Innisfil Hydro Distribution Systems Inc.	2	0.4%
Kenora Hydro Electric Corporation Ltd.	2	0.4%
Kingston Hydro Corporation	2	0.4%
Lakefront Utilities Inc.	2	0.4%
Lakeland Power Distribution Limited	2	0.4%
London Hydro Inc.	2	0.4%
Midland Power Utility Corporation	2	0.4%
Milton Hydro Distribution Inc.	2	0.4%
Newmarket-Tay Power Distribution Ltd.	2	0.4%
Niagara Peninsula Energy Inc.	2	0.4%
Niagara-on-the-Lake Hydro Inc.	2	0.4%
Norfolk Power Distribution Inc.	2	0.4%
Oakville Hydro Electricity Distribution	2	0.4%
Orangeville Hydro Limited	2	0.4%
Oshawa PUC Networks Inc.	2	0.4%
Ottawa River Power Corporation	2	0.4%
Parry Sound Power Corporation	2	0.4%
Peterborough Distribution Incorporated	2	0.4%
PowerStream Inc. (Barrie & South)	2	0.4%
PUC Distribution Inc.	2	0.4%
Rideau St. Lawrence Distribution Inc.	2	0.4%
St. Thomas Energy Inc.	2	0.4%
Sioux Lookout Hydro Inc.	2	0.4%
Thunder Bay Hydro Distribution	2	0.4%
Veridian (including Gravenhurst)	2	0.4%
Wasaga Distribution Inc.	2	0.4%
Waterloo North Hydro Inc.	2	0.4%
Welland Hydro Electric System Corp.	2	0.4%
Westario Power Inc.	2	0.4%
Whitby Hydro Electric Corporation	2	0.4%

<b>Distributor</b>	<b>Stretch Factor Group</b>	<b>Stretch Factor</b>
Woodstock Hydro Services Inc.	2	0.4%
Algoma Power Inc.	3	0.6%
Brant County Power	3	0.6%
Canadian Niagara Power Inc. Port Colborne	3	0.6%
Centre Wellington Hydro Inc.	3	0.6%
COLLUS Power Corporation	3	0.6%
Erie Thames Powerlines Corporation	3	0.6%
Orillia Power Distribution Corporation	3	0.6%
Tillsonburg Hydro Inc.	3	0.6%
Toronto Hydro-Electric System Limited.	3	0.6%
Wellington North Power Inc.	3	0.6%
West Coast Huron Energy Inc.	3	0.6%

All queries on the stretch factor rankings for 2013 should be directed to the Board's Market Operations hotline, at 416-440-7604 or [market.operations@ontarioenergyboard.ca](mailto:market.operations@ontarioenergyboard.ca)

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary