EB-2011-0123

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 System Inc. for an order or orders approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2012.

TECHNICAL CONFERENCE QUESTIONS

FROM THE

SCHOOL ENERGY COALITION

[Note: All questions have been assigned to issues. However, please provide answers that respond to each question in full, without being restricted by the issue or category. Many questions have application to multiple issues, but all have been asked only once to avoid duplication.]

1 GENERAL

Issue 1.2: Are the Applicant's overall economic and business planning assumptions for the Test Year appropriate?

1. [SEC IR#2, Appendix] Please explain the 13% rate increase for May 1, 2011 referred to on pages 4 and 20.

2. [SEC IR#14, Appendix 2, p. 177] Please explain why, for 2010, Non-Distribution Revenue exceeds Non-Distribution cost of sales by $6,081,000.

2. RATE BASE

Issue 2.1: Is the proposed rate base for the test year appropriate?

3. [EP IR#2] Please confirm that the actual cost to connect customers, or to build works subject to contributions and grants does not change under IFRS. Please discuss whether it would be appropriate to reflect the formerly capitalized amounts, now part of OM&A, in the costs for the purposes of calculating contributions and grants.

Issue 2.3: Is the capital expenditure forecast for the test year appropriate?

4. [SEC IR#7] Please update the cost-benefit analysis to reflect the higher expected cost of the MTS, and any other material changes that the Applicant believes are appropriate.

5. [SEC IR#9] Please confirm that the "detailed capital budget template" referred to in Ex. 1/2/2, p. 5, does not exist. If it does exist, please provide the original completed template, with the justifications for all major projects in the Test Year included.

4. OPERATING COSTS

Issue 4.1: Is the overall OM&A forecast for the test year appropriate?

6. [EP IR#20] Please provide the date the 2011 OM&A budget was first approved by the Board of Directors, if prior to November 23, 2010. If there were changes between the first approval and the approval of November 23, 2010, please provide details of those changes, and please provide the presentations to the Board of Directors supporting those changes.

7. [SEC IR #12] Please provide the "in depth review" referred to in Ex. 1/2/2, p. 1. If there is no such document, please describe how the review process was carried out.

Issue 4.2: Are the methodologies used to allocate shared services and other costs appropriate?

8. [SEC IR#25] Please explain the figure, on the last page of the Appendix, labeled only as "Intercompany Services".

Issue 4.3: Is the proposed level of depreciation/amortization expense for the test year appropriate?

9. [Staff IR #24] Please continue the recalculated Appendix 2-M for 2011 and 2012, with IFRS adjustments and new useful lives, but with the new December 31, 2010 starting points from this IR response.

10. [EP IR#29d] Please confirm that the identification and removal of fully depreciated assets from the asset base as of December 31, 2009 had no impact on opening PP&E or rate base for January 1, 2010, and had no impact on depreciation expense for 2010, 2011, or 2012. If there were any such impacts, please provide details of the amounts of those impacts, and why they occurred. Please confirm that assets which, under the old useful lives, would have been fully depreciated as of December 31, 2009, but under the new useful lives would not yet be fully depreciated, do not remain in rate base even though they have remaining useful lives and they continue to be used and useful.

Issue 4.4: Are the 2012 compensation costs and employee levels appropriate?

11. [Staff IR #3, Appendix p. 9] Please reconcile the figure of $2,190,000 with the figure of $1,853,903 at Ex. 4/2/7, p. 44, and the figure of $1,900,000 in Staff IR #29d.

12. [Staff IR#29d] Please explain why the $1.9 million gain is not being treated as a regulatory liability, as a) it reflects incremental income that arises from a change in accounting policy not yet approved by the Board, and b) the basis for calculating the amount to be recovered from ratepayers in the future will not change.

13. [EP IR#37d] Please advise the amount, if any, by which benefit expense was reduced in 2010 and/or 2011 as a result of the conversion to IFRS.

14. [VECC IR#22b Appendix, p. 74] Please reconcile the job description for the COO, which provides for reporting to the Board of Directors, with Ex. 1/1/13, which has the COO reporting to the CEO.

15. [SEC IR#40] Please provide details of the FTEEs allocated to and from affiliates, for each year and category covered by App. 2-K.

16. [SEC IR#44, Appendix] Please provide a verbal explanation, at the Technical Conference, of the graphs provided in the Payline Analysis.

11. MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Issue 11.1: Is the proposed revenue requirement determined using modified IFRS appropriate?

17. [Staff IR #3, Appendix, p. 8] Please provide the dollar impact on January 1, 2012 opening rate base of the effect of lower useful lives on 2010 and 2011 depreciation. Please provide a copy of the accounting order allowing the Applicant to use new useful lives for depreciation purposes in 2010 and 2011.

18. [Staff IR #79a and VECC IR #42] Please confirm that the addition of $25.764 million to 2010 PPE:

    a. Has no impact on the rate base, amortization, other revenues, interest, return or PILs for the Test Year. If there is any impact on any of those components, please provide full details.

    b. Will impact Gross and Net PP&E, amortization and other revenues in future RRR filings by the Applicant?

19. [Staff IR #79, App. A] Please restate Appendix A without the impact of the removal of contributions and grants from PP&E. Alternatively, please reconcile the figures of $25,764 and $27,790 in 2010 (i.e. what other impacts make up the difference between the

two numbers?), and provide the same breakdown for the $28,948 in 2011. In either case, please provide Appendix A in Excel spreadsheet format.

20. [Staff IR #80] Please provide the calculation getting from $1,414,000 increase in depreciation expense re contributions and grants (Note 4) to $848,000 increase in other operating revenue.

21. [SEC IR#52] Please explain how the Applicant has complied with the Board's June 13, 2011 report entitled "Addendum to Report of the Board", under Issue #2, which requires a record of the difference between IFRS and CGAAP on PP&E for the period from implementation until the utility's first cost of service application under IFRS. Please confirm that the Applicant has full CGAAP PP&E records from December 31, 2009 to January 1, 2012, and a full comparison between IFRS and CGAAP for that period.

22. [SEC IR#2, Appendix] Please describe, for each of the 2011 IFRS impacts listed on page 15, how that impact is reflected in the Application, including the evidence reference for the explanation of that impact.

23. [SEC IR#2, Appendix, p. 18] Please confirm that, for internal reporting purposes, contributions and grants are continuing to be treated as a reduction from capital spending.

24. [SEC IR#2, Appendix, p. 19] Please explain the two lines labeled "Regulatory Adjustments".

Submitted by the School Energy Coalition this 19th day of October, 2011.

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Jay Shepherd