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Ontario

BY E-MAIL

October 21, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Guelph Hydro Electric Systems Inc.
2012 Electricity Distribution Cost of Service Rates
Board Staff Technical Conference Questions
Board File No. EB-2011-0123

In accordance with the Procedural Order No. 2, please find attached Board Staff Technical Conference Question in the above proceeding. Please forward the following to Guelph Hydro Electric System Inc. and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Birgit Armstrong
Advisor – Applications & Regulatory Audit

Encl.

Board staff Questions for Technical Conference
2012 Electricity Distribution Rates
Guelph Hydro Electric Systems Inc. ("Guelph Hydro")
EB-2011-0123

General

1) Ref: Revenue Requirement Work Form

Please update the application to reflect changed evidence as a result of the first round of interrogatories including a table of content/exhibit list to show all relevant updates by date and schedules.

Please update the RRWF using the middle column to reflect the changes and updates to the evidence as a result of the first round of interrogatory responses.

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

2) Ref: Board staff IRR #76, Appendix Guelph_BoardStaff_IRR_#3, p.10 and 13

a) Please explain and reconcile the difference between the decrease in amortization expense as a result of increase in useful lives of distribution assets of $2,836,000 on Page 13 Note (1) (b) and $3,409,000 on Page 10 Note (2) (1).
b) If the amortization expense for 2010 will be revised as a result of the above question, please update the applicable schedules for the revenue requirement and rate base calculations, including the 2010 calculations.

3) Ref: Board Staff IRR #76, Appendix Guelph_BoardStaff_IRR_#3

In Appendix Guelph_Board staff_IRR_#3 Guelph Hydro shows decreases in amortization expense in various tables, as follows:

(1) page 13, table 5 – Grossed Up PILS calculation for 2010 of 1,995,000 ($1,988,000 + $7,000 (as included in operations and maintenance account)
(2) On page 13, table 2 – MIFRS Impact on Revenue Requirements: $2,836,000
(3) On page 10, table 1 – MIFRS Impact on Rate Base: $3,409,000

Please provide an explanation and reconcile the difference in the decreases in amortization expense shown in these tables.

4) Ref: Energy Probe IR # 2 i)

In part i) of the response to Energy Probe IR # 2, Guelph Hydro states that it has used a 15 year life for the computer software capital additions of $1.1M, and that the 15-year life is consistent with the economic life of smart meter assets. Guelph Hydro has also used a 15-year life for computer software as shown on row 62 of sheet "3. LDC Assumptions and Data" of the updated Smart Meter Model filed on September 30, 2011.

a) What is the nature of the software that was invested in?
b) Typically, computer hardware and software have shorter economic lives, in large part driven by technological obsolescence. Economic lives in the range of 3 to 5 years are more commonly used. However, the nature and cost of computer hardware and software assets may have shorter or longer lives than the norm. Please provide further explanation as to why Guelph Hydro believes that a 15 year life is appropriate for the computer software investment associated with smart meter deployment.

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

5) Ref: Board staff IRR #7b, #24, #81b) and SEC IRR #28

In Board staff IRR #7b and #24 Guelph Hydro states that a full year of depreciation calculation was used for rate making purposes for the 2012 test year. In SEC #28 Guelph states "Guelph Hydro has provided you with Appendix 2-M where years 2008 – 2011 do not use the half year rule and then 2012 applies the half year rule on all current additions".

a) Please reconcile these statements and amounts and provide a detailed explanation of how depreciation expenses were calculated for rate setting for the 2012 test year. If a full year depreciation was used please provide further explanation as to why Guelph Hydro feels that it is appropriate to use a full year depreciation calculation for rate setting purposes.
b) Please confirm that the depreciation expense of $5,487,492 for the 2012 test year as shown in Board staff IRR 81b) is based on a full year depreciation calculation.
c) If applicable, please restate the 2012 depreciation expense using the half year rule and update all relevant tables.

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

6) Ref: Board staff IRR #9

Please confirm that the summary of capital expenditures shown in table 1 below correctly represents Guelph Hydro's capital investments from 2006 to 2012.

Table 1

DISTRIBUTION CAPITAL BUDGET SUMMARY	2006	2007	2008	2009	2010	2011 Bridge	2012 Test
CAPITAL PROJECT: DISTRIBUTION STATIONS							
TOTAL DISTRIBUTION SUBSTATION CAPITAL				**$1,819,261**	**$762,405**	**$10,875,000**	**$0**
CAPITAL PROJECT: DISTRIBUTION FEEDERS							
Total Feeders - General	$1,344,983	$957,922	$2,671,584	$2,228,772	$1,279,381	$2,400,334	$2,388,017
Total Feeders - Line Modifications for New Projects	$17,131	$325,335	$3,350,007	$2,559,590	$452,311	$1,142,676	$360,907
Total Feeders - Line Relocations	$1,043,514	$709,593	$535,205	$1,411,002	$3,411,849	$607,670	$965,032
Total Feeders - Switching devices	$119,346	$505,872	$109,508	$342,126	$80,515	$170,368	$171,290
Total Feeders - Capacitor Banks	$0	$138,948	$54,305	$20,765	$9,888	$67,778	$68,552
TOTAL DISTRIBUTION FEEDER CAPITAL	$2,524,974	$2,637,670	$6,720,609	$6,562,255	$5,233,944	$4,388,826	$3,953,798
CAPITAL PROJECT: REHABILITATION							
Total Rehabilitation - Replacement	$1,012,445	$1,852,213	$2,125,203	$1,673,282	$955,236	$2,289,567	$2,539,392
Total Rehabilitation - Transformer Upgrades	$132,166	$102,321	$349,631	$178,112	$165,598	$222,716	$223,211
Total Rehabilitation - Protective Devices	$0	$24,714	$0	$43,490	$0	$31,223	$31,530
Total Rehabilitation - Upgrade Underground Terminations	$0	$0	$0	$0	$0	$0	$0
Total Rehabilitation - Faulted Circuit Indicators		$0	$0	$0	$0	$10,089	$10,212
TOTAL REHABILITATION CAPITAL	$1,144,611	$1,979,248	$2,474,834	$1,894,884	$1,120,834	$2,553,595	$2,804,345
CAPITAL PROJECT: SUBDIVISIONS							
Total Subdivisions - Industrial	$0	$0	$0	$0	$0	$0	$0
Total Subdivisions - Residential	$1,743,006	$2,034,891	$1,332,503	$778,357	$639,333	$1,420,763	$1,463,399
Total Subdivisions - Townhousing	$184,455	$285,355	$204,360	$29,436	$882,719	$288,468	$296,512
Total Subdivisions - Service Installations	$345,816	$237,174	$286,687	$202,427	$270,447	$237,243	$239,928
TOTAL SUBDIVISIONS CAPITAL	$2,273,277	$2,557,420	$1,823,550	$1,010,220	$1,792,499	$1,946,474	$1,999,839
CAPITAL PROJECT: AP/CM/IN SERVICING							
TOTAL AP/CM/IN SERVICING CAPITAL	$1,199,244	$876,858	$1,213,922	$559,063	$668,149	$549,378	$570,315
CAPITAL PROJECT: METERING							
Total Metering - General				$1,768,016	-$405,170	$553,043	$625,000
Total Metering - RIMS				$0	$0	$0	$0
Total Metering - Smart				$1,321,378	$6,399,161	$55,467	$0
TOTAL METERING CAPITAL	$1,610,512	$384,017	$855,835	$3,089,394	$5,993,991	$608,510	$625,000
CAPITAL PROJECT/CATEGORY: SCADA							
TOTAL SCADA CAPITAL CSC	$223,505	$25,268	$43,903	$153,167	$182,529	$253,699	$200,000
SUB-TOTAL	**$8,976,123**	**$8,460,481**	**$13,132,653**	**$15,088,244**	**$15,754,351**	**$21,175,482**	**$10,153,297**
Capital Contributions	-$2,915,053	-$2,813,022	-$5,836,182	-$3,631,517	-$3,828,745	-$3,079,402	-$2,425,000
NET CAPITAL EXPENDITURES	$ 6,061,070	$ 5,647,459	$ 7,296,471	$ 11,456,727	$ 11,925,606	$ 18,096,080	$ 7,728,297
Vehicle replacement			$ 248,000	$ 430,700	$ 628,700	$ 450,000	$ 485,000

7) Ref: Board staff IRR #14b)and E2/T4/S4 Appendix A, p. 18 and Appendix B, p. 13

Board staff IRR #14b) asked to provide a vehicle replacement schedule for the years 2008 through 2012. Board staff noted that data for the 2011 bridge years was only partially completed, while the 2012 test year was missing.

a) Please complete Board staff IRR #14 and provide Guelph Hydro's vehicle replacement schedule for the 2011 bridge year and include a forecast for the 2012 test year.
b) Please provide further explanation as to what is Guelph Hydro's policy on disposals of vehicles and explain why in the 2011 bridge year and the 2012 test year Guelph Hydro shows $0 amount on the disposal of vehicles.

Issue 3.1 Is the load forecast methodology including weather normalization appropriate?

8) Ref: Board staff IR # 15 – Load Forecasting Regression Model

a) Please confirm that the City of Guelph is a Census Metropolitan Area ("CMA"), as defined by Statistics Canada.
b) What economic statistics are available from Statistics Canada for the Guelph CMA?
c) Did Guelph Hydro try any of these variables in regression models to estimate load?
   i) If no, please explain why not.
   ii) If yes, what were the results and why did Guelph Hydro prefer the model it chose.

Issue 3.5 Is the test year forecast of other revenues appropriate?

9) Ref: Board staff IRR #18

Please provide up-to-date amounts for scrap metal sales and confirm that the forecasted amount for the 2011 bridge year is $50,000. Please provide an explanation as to why scrap metal sales for the 2012 test year will decline to a forecast of $36,401. Please update the evidence as necessary.

10) Ref: Board staff IRR #19 and E4/T2/S7

Please confirm that the increase of $58,830 in miscellaneous expenses, due to staffing level is not also included OM&A.

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

11) Ref: Board staff IRR #21c)

In response to Board staff IRR #21c) Guelph Hydro stated that "2010 MIFRS adjustments were determined at a higher level than that required for a restatement of Appendix 2-F, and as a result we can only restate Appendix 2-E".

Please clarify the above statement and provide Appendix 2-F for the 2010 pivot year in CGAAP and MIFRS as well as the 2011 bridge year and the 2012 test year in MIFRS. Please provide up-to-date actual OM&A expenses for the 2011 bridge year.

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

12) Ref: SEC IR # 27 h)

In its response to SEC IR # 27 part h), Guelph Hydro stated:

> It is Guelph Hydro and the City's intention to continue with the current arrangement for water billing services after smart meters have been fully implemented. The company has recently issued an RFP for meter reading services with a newly defined scope for post smart meter implementation. The new scope excludes approximately 48,000 electric meters that will be read remotely but still includes water meters and about 2,000 commercial electric meters. Guelph Hydro has advised the City that, depending on the responses to the RFP, an adjustment in the pricing may be required. The new meter reading contract is scheduled to become effective in mid-October.

a) What is the status of the RFP and the new contract?
b) If the contract has been awarded, what is the adjusted cost per meter read? What is the impact of this on Guelph Hydro's OM&A expenses and revenue requirement for 2012?
c) If awarding of the new contract is delayed, how is Guelph Hydro handling water meter reading costs? If there are any incremental costs due to a delay in the new water metering reading contract, are these costs recovered from the City of Guelph or are they borne by Guelph Hydro and its ratepayers? Please explain your response.

Issue 4.2 Are the 2012 compensation costs and employee levels appropriate?

13) Ref: Board staff IRR#29

IAS 19 Employee Benefits was changed in 2011. The effective date for these changes is January 1, 2013. Earlier application is permitted. The changes to the standard eliminate the corridor method described by Guelph below.

Guelph described its IFRS election to record actuarial gains in equity [Exh.4/Tab2/Sch7/pg45].

In response to staff IR#29 d) i, pages 53-54, Guelph stated:

> Guelph Hydro expects to recover the actual expense from ratepayers as the plan pays out benefits over future years. There will be fluctuations in the present value of the

liability from year to year, however, the best estimate of actual expense will be adjusted each time a new actuary study is done in conformance with the accounting treatment prescribed by IFRS. *[Emphasis added]*

Using this methodology, any unrealized gains or losses in excess of 10% of the valuation result will be amortized over the remaining life of the plan. *[Corridor method – added by Board staff]* This has the effect of smoothing out losses and gains caused by changes in the discount rate applied as opposed to real changes caused by actual expenses paid out under the plan. Guelph Hydro believes it is appropriate to use the accounting derived expense estimate for the test year in rate applications as it represents the best available estimate of what actual expense will be.

a) Using the new IAS 19 standard, what elections and accounting entries would Guelph have to make?
b) If Guelph applied this new standard to its 2012 test year, what would be the dollar impact on its test year OPEB expenses?
c) Guelph wants to deny ratepayers the benefit of the actuarial gains in its test year expenses but expects the ratepayers to pay for the future changes in actuarial estimates. Please explain how this is equitable and symmetrical treatment of the same issue from a regulatory perspective.

14) Ref: Board staff IRR#29

The accounting entries to record changes in actuarial forecasts are non-cash in nature. Guelph does not have to finance these non-cash accounting estimates.

Guelph stated in response to IR29 d) i:

In the long run, the cost of the plan will ultimately be determined by the benefits provided and by the plan's actual experience, not by the actuarial basis adopted from time to time to estimate the cost.

Staff asked in IR29 d) ii:
For ratemaking purposes, should the Board choose another method than IFRS accounting instructions to determine what OPEB costs should be paid by ratepayers? What suggestions can Guelph make in its case?

Guelph responded:
Please see previous response. Guelph Hydro believes the current method of determining cost using IFRS accounting treatment is appropriate. Any other methodology risks introducing volatility from external sources such as general economic conditions that could in turn cause volatility in rates from time to time.

Guelph's cash costs of providing OPEBs can be met by funding the cash costs in distribution rates. These distribution rates will be adjusted over time to allow Guelph to recover the actual benefits provided to its retired employees as the benefits are paid.

a) From a regulatory ratemaking perspective, why would Guelph want to recover non-cash OPEB expenses from its ratepayers many years in advance of having to pay the actual benefits to employees who have not yet retired?

b) What would Guelph do with this money that it will collect from its ratepayers but will not pay out to retirees until many years in the future?

Issue 4.6 Is the test year forecast of PILs appropriate?

15) Ref: Board staff IRR #33 - Disposition of Account 1562 Deferred PILs

a) Is each of the tax years 2001 through 2005 statute barred?

b) Please explain the rationale Guelph used to select the tax rates it input for each year 2001 to 2005 to calculate the tax impacts and the tax amounts grossed up in sheet TAXCALC. The Board's policy has been to account for the declining tax rates. In the 2003 model used by Guelph, the tax rate should be 36.62% rather than 38.62%.

c) The Board decided that regulatory assets, regulatory liabilities, collections of PILs from customers, impairment provisions, etc. should be excluded from the true up calculations. In Guelph's evidence, it appears that regulatory assets and liabilities have been included in reserves, and thus improperly included in the true ups to ratepayers. Please calculate the impact for each year 2001-2005 by excluding changes in regulatory assets and liabilities, collections, impairments, etc. from the determination of the PILs 1562 balance.

d) Please explain the rationale for the chosen dates of recording the SIMPIL variances each year in the continuity schedule for the calculation of interest carrying charges.

e) Please explain why Guelph believes that interest and penalties on underpaid or unpaid taxes should true up to the ratepayer.

f) Please explain why gains and losses on fixed assets for tax purposes should true up to the ratepayers rather than to the shareholder.

g) Please re-file the SIMPIL model evidence using revised SIMPIL models for 2001 through 2005. This can be accomplished by using revised models as filed by Halton Hills, Hydro One Brampton and several other distributors.

h) Please exclude all data related to regulatory assets, liabilities, collections, impairments, etc. from the true-ups to ratepayers by recording the amounts on sheet TAXREC3 of the revised models.

i) Please select the correct tax rate in each year to calculate the tax impact. Please deduct 1.12% from the selected tax rate for purposes of calculating the grossed-up tax effect. These tax rates are required in sheet TAXCALC in the SIMPIL model for each tax year 2001-2005.

j) Please explain why Guelph chose the tax rate for each year 2001-2005. Guidance can be found in the Board's decision issued on June 24, 2011.

k) Please record the addition and deduction of Ontario capital tax (OCT) on sheet TAXREC3. OCT does not true up for income tax purposes under the Board's methodology since it is a component of net income.

l) Please file the full sets of financial statements that were used in the preparation of the tax returns for each tax year.

Issue 6.1 Is the proposed inclusion of the smart meter costs in the 2012 revenue requirement appropriate?

16) Ref: SEC IR # 48, Exhibit 4/Tab 2/Schedule 5/page 2/Appendix 2-F and Exhibit 4/Tab 2/Schedule 6/page 2

In the response to SEC IR # 48, Guelph Hydro states: "The test year OM&A budget includes $701,311 of smart meter expenses incurred in prior periods".

In Appendix 2-F, Guelph Hydro documents a 2012 test year forecast of $1,059,614 for Account 5065 – Meter Expense.

a) Please provide a breakdown of this amount by:
   iii) ongoing meter expenses for the 2012 test year;
   iv) one-time meter expense to be incurred in the 2012 test year; and
   v) smart meter expenses incurred prior to the 2012 test year.

b) In the updated Smart Meter model filed on September 30, 2011, Guelph Hydro shows $173,901 of operating expenses related to smart meter deployment in 2010 and $527,410 of operating expenses in 2011. The two-year total is $701,311, equal to what Guelph Hydro has documented in its response to SEC IR # 48.

i) Please confirm whether the $701,311 that Guelph Hydro has included the 2012 operating expense is this amount;
ii) In the Smart Meter Model, the 2010 and 2011 operating expenses are factored into the deferred revenue requirement for each year, and recovered through the combination of Smart Meter Funding Adder revenues collected since May 1, 2006 and through the proposed Smart Meter Disposition Rider for the variance between the Funding Adder Revenues collected and the deferred revenue requirement to December 31, 2011. Please explain why Guelph Hydro has included the prior period OM&A expenses in 2012 OM&A expenses? Does not Guelph Hydro consider that this would result in a double-recovery of these prior period costs?

Issue 6.2 Is the proposed disposition of the balances in variance accounts 1555 and 1556 appropriate?

17) Ref: Energy Probe IR # 41

In the response to part a) of Energy Probe IR # 41, Guelph Hydro states:

Computer hardware and systems software are included in the same CCA class (Class 50, Class 52). Applications software should be allocated to Class 12. Guelph Hydro has identified $186,427 that should be reclassified to Class 12.

In the updated Smart Meter Model filed on September 30, 2011, computer hardware and software are still shown as combined.

Has Guelph Hydro calculated the impact if the $186,427 of application software was reclassified to Class 12. If so, what is the impact on the deferred revenue requirement for each of 2010 and 2011?

18) Ref: Smart Meter Model

Please rerun and submit a revised version of the Smart Meter Model adjusting for the following two matters:

a) It appears the current (and recent models) calculate compounded interest on funding adder revenues. Please revise the model applying simple interest (i.e. interest on the opening monthly balance of the principal only) on funding adder revenues, and
b) Please revise the model to calculate simple interest expense on the opening monthly balance for OM&A and amortization expenses.

19) Ref: Smart Meter Disposition Rate Rider

Please re-calculate the smart meter disposition rider using the following methodology that is based on the approach approved by the Board in PowerStream's 2010 smart meter application (EB-2010-0209):

a) Allocate the total revenue requirement for the historical years, as revised per the previous interrogatory, using the following cost allocation methodology:

- Allocate the return (deemed interest plus return on equity) and amortization based on the allocation of Account 1860 in the cost allocation model (CWMC in the cost allocation model)
- Allocate the OM&A based on the number of meters installed for each class
- Allocate PILs based on the revenue requirement allocated to each class before PILs

b) Sum the allocated amounts and calculate the percentages of costs allocated to customer rate classes.

c) Subtract the revenues generated from the smart meter funding adder from the overall revenue requirement.

d) Allocate the amount calculated in part (c) by using the allocation factors derived in part (b)

e) To calculate the smart meter disposition rider, divide the allocated amount by rate class derived in part (d) by the number of customers in each class, and then divide by 12.

f) If the proposed disposition period is greater than 1 year, divide the result of part (e) by the proposed number of years.

Issue 6.3 Is the proposal related to stranded meters appropriate?

20) Ref: Exhibit 9/Tab 3/Schedule 1/Appendices C and D and Board staff IR # 44 – Stranded Meter Rate Rider

In Exhibit 9/Tab 3/ Schedule 1, Guelph Hydro documents that it removed the net book value of meters stranded upon replacement by smart meters as of December 31, 2010. In Exhibit 9/Tab 3/Schedule 1/Appendix C, Guelph Hydro documented that the Gross Book Value of the stranded meters as of December 31, 2010 was $4,364,163, and the associated accumulated depreciation as of December 31, 2010 for these meters was $2,270,935. Guelph Hydro also documented that it had net proceeds from the sale or

disposal of the stranded meters of $31,728. This resulted in a Net Book Value of stranded meters net of proceeds of $2,061,500 as of December 31, 2010.

In its response to Board staff IR # 44, Guelph Hydro stated:

> Guelph Hydro confirms that the stranded meter costs recorded in Account 1555 are comprised of the gross costs of the stranded meters, less the accumulated depreciation. Guelph Hydro inadvertently omitted the deduction of unamortized capital contributions and the proceeds of disposition of the meters from the gross cost of the stranded meters. Including these two items reduces the cost of stranded meters by $183,006 based on the following values:
>
> Unamortized capital contributions related to stranded meters: $151,278
> Proceeds of disposition of stranded meters: $31,728

a) Please confirm whether it is only the unamortized capital contributions related to stranded meters, documented as $151,278, that was omitted, and thus that the net residual value of stranded meters as of December 31, 2010 was $2,061,500 - $151,278 = $1,910,222.
b) Since no adjustments were made to base rates for 2011 to remove the recovery of costs related to the stranded meters (specifically the cost of capital, related taxes/PILs and depreciation expense), please provide Guelph Hydro's views as to whether the residual value of stranded meters should not be updated to reflect the 2011 depreciation expense recovered in base rates for stranded meters.
c) Based on responses to a) and b), please provide an updated Stranded Meter Rate Rider, showing the calculations.

Issue 7.1 Is Guelph Hydro's cost allocation appropriate?

21) Ref: Board staff IRR #49

a) Guelph Hydro stated that street light connections are based on new design standards as well as legacy connections. Please describe a typical connection for each scenario.
b) When did Guelph Hydro start connecting street lights based on the new design?
c) How many legacy connections were connected prior to the implementation of the new design standard?
d) How many legacy connections are still in place?
e) If possible, please use the information in the previous responses to refine the 10:1 ratio of fixtures to connections and the weighting factor of 1.0 that has been applied to the street lighting class.

Issue 7.2 Are the proposed revenue to cost ratios for each class appropriate?

22) Ref: Board staff IRR #56

In response to Board staff IRR #56 Guelph Hydro provided an updated proposed adjustment to cost allocation based on the updated Cost allocation model filed as appendix Guelph_Board staff_IRR_47b_CostAllocationModel. Board staff noted changes to the CA_v2 results, which could have a significant impact on the adjustments required to attain the proposed revenue to cost ratio.

a) Please provide a table comparing class revenue requirements as per the original CA model and the updated CA_v2.
b) Please file updated proposed rates and charges that would yield revenues equal to the updated class revenue requirements.
c) Please provide bill impact calculations based on the updated information.
d) Please explain the components that have affected the changes in the Large Use customer class revenue requirements.

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

23) Ref: Board staff IRR #63

In its response to the Board staff interrogatory #63, Guelph stated that

> Guelph Hydro was recording the $200,000 credit to variance account 1592 on a prorated basis over the original period of rebasing. i.e. September 1, 2008 to April 30, 2011. Since Guelph Hydro is requesting disposition of account 1592 as of December 31, 2010, the full amount of the PILs tax allowance has not yet been credited to variance account 1592. In order to comply with the Decision and Order (EB-2007-0742), Guelph Hydro needs to increase the balance of 1592 by $25,000.

a) Please clarify if the proration recording of the $200,000 credit in account 1592 was directed by the Board? If so, please provide the references. If not, please provide the reason why Guelph is using the proration method.

Please clarify if Guelph Hydro is requesting the disposition of the $200,000 credit in account 1592 in this proceeding (EB-2011-0123) despite the fact that Guelph Hydro is showing an account balance of $175,000 as at December 31, 2010 under account 1592 in above reference Appendix 2-T.

24) Ref: Board staff IRR #64

In part (a) of its reply to the Board staff interrogatory #64, Guelph stated that:

> Guelph Hydro calculates the incremental IC that should have been recorded in account 1592 sub-account HST/OVAT ITCs to be $729,166.

In part (b) of its reply to the Board staff interrogatory #64, Guelph stated that:

> Guelph Hydro has not followed the December 2010 FAQs accounting guidance regarding Account 1592 sub-account HST/OVAT ITCs.

And in response to interrogatory #64.

In this rate proceeding, Guelph Hydro request for the disposition of the balance in Account 1592 sub-account HST/OVAT ITCs calculated in accordance to the related accounting guidance found in the December 2010 FAQs.

a) Please confirm that the requested amount of $729,166 is calculated by Guelph in accordance with APH FAQs December 2010.
b) Please provide an explanation of how Guelph Hydro calculated the amount for $729,166. Please provide supporting document for the calculation including a copy of the Guelph Hydro's analysis.
c) Please provide the balance of Account 1592 sub-account HST/OVAT ITCs as of December 31, 2010 and projected balance as of December 31, 2011.
d) Please clarify what amount Guelph Hydro is seeking disposition of the balance in Account 1592 sub-account HST/OVAT ITCs in this proceeding (EB-2011-0123).
e) Please provide an update to Appendix 2-T, Deferred PILs Account 1592 Balances for PILs tax allowance. Please supplement Appendix 2-T with the amount for HST/OVAT ITCs and provide updated Table 8 (Method of Disposition of Accounts) for PILs & Taxes Variance – sub-account 1592.

25) Ref: Board staff IRR #70 b)

Please provide the December 2010 Journal Entry to record the RPP portion of GA variance in Account 1588 control account.

9.2 Are the proposed rate riders to dispose of the account balances appropriate?

26) Ref: Board staff IRR #72c)

Guelph's response to question c) states that "Guelph didn't forecast balances in account 1518 and 1548 for 2011 and 2012 as it assumes revenue and costs will net to zero." Please explain on what basis Guelph concluded that the revenue and costs will net to zero given that Guelph has not considered a change to the retail service charges. Please provide evidence that the revenue and costs will net to zero.

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

27) Ref: Board staff IRR #77, table 1

Please confirm if Table 1 on page 11 of Part 2_Responses to Board Staff Interrogatories Delivered on Oct 11, 2011 replaced Table 2 on pg 14 of 22 of the Appendix Board Staff IRR #3 filed on Sep 30, 2011

28) Ref: Board staff IRR #77, table 2

a) Please confirm if Table 2 on page 12 of Part 2_Responses to Board Staff Interrogatories Delivered on Oct 11, 2011 replaced Table 4 on pg 14 of 22 of the Appendix Board Staff IRR #3 filed on Sep 30, 2011

b) Please provide the comparative balances under CGAAP to be presented beside the MIFRS column for the rate base calculation in Table 2 – Rate Base Calculation for 2010 and explain the difference between MIFRS and CGAAP in a similar format as Table 1

c) Please reconcile the Fixed Assets Opening Balance 2010 net of contributions and grants of $90,412,000 to Table 7 Appendix 2-B Fixed Assets Continuity Schedule As at Dec 31, 2010 opening NBV of $90,470,272 ($140,123,475 - $49,653,203) filed on October 18, 2011 in response to Board Staff IR #7(a)

d) In it response to the Board staff interrogatory #7a, Guelph Hydro provided a number of updates to its Fixed Asset continuity schedules for 2008 to 2012 years on October 18, 2011. Please clarify if the Fixed Asset continuity schedules for 2010 to 2012 are prepared under CGAAP or MIFRS. If the updates are all related to CGAAP, are there any updates to Fixed Asset continuity schedule for 2010 to 2012 under MIFRS? If so, please file the updates.

e) Please provide explanation on how Guelph Hydro calculated the figure for $91,197,000 for Fixed Assets Closing Balance 2010 net of contributions and grants and reconcile this balance to the applicable Fixed Assets Continuity Schedules for 2010 under MIFRS.

29) Ref: Board staff IRR #77, table 3

Please confirm if Table 3 on page 13 of Part 2_Responses to Board Staff Interrogatories Delivered on Oct 11, 2011 replaced Table 5 on pg 15 of the Appendix Board Staff IRR #3 filed on Sep 30, 2011

30) Ref: Board staff IRR #77 h)

Please provide the burden rates related to the capitalization of costs of self-constructed assets for the prior and after transition to IFRS.

31) Ref: Board staff IRR #78

Guelph's response confirmed that it has not recognized any assets retirement obligation. Please confirm whether that includes any recognition of constructive obligation under IAS 37 from its current pool of owned assets. If not, please identify if Guelph has any constructive obligation related to its assets.

32) Ref: Board staff IRR #80

Please explain the difference between $1,414,000 and $848,000 as presented in note (4) in note (1) of the Statement of Revenue and Expenses respectively, given both balances refer to the amortization of deferred revenue on customer contribution and it is a reclassification from amortization to deferred revenue.

Issue 12.1 Is Guelph Hydro's Green Energy Act Plan, including the Smart Grid component of the plan appropriate?

33) Ref: E 2/T4/S 6/Appendix D/p. 3, and E 2/T 4/S 6/Appendix D/Table 6/p. 14

In the first reference, it is indicated that in 2013, an estimated $ 500,000 is the net cost to Guelph Hydro for connecting a 10 MW ground mounted solar photovoltaic project.

At Table 6 of the second reference, under Hanlon TS, it is indicated that a 10 MW FIT Generation would be connected to Feeder M23.

a) Did the project proponent for the 10 MW obtain a contract from the OPA? If so, what is the date the contract was signed.

b) Did the noted project proponent apply for connection to Guelph Hydro? If so, when is Guelph Hydro expected to complete its Connection Impact Assessment ("CIA") for that project?
c) Please confirm that the noted project would be connected as shown in the second reference (at Feeder M23 supplied from Hanlon TS).
d) Did Guelph Hydro issue an Offer to Connect to that project proponent? If so when is the Connection Agreement expected to be completed?
e) Does the project size require that Guelph Hydro advise Hydro One and the Independent Electricity System Operator ("IESO") of this project including its 10 MW capacity, intended connection point (the feeder designation), and the Hydro One owned transformer station to which this feeder is connected?

34) Ref: E 2/T4/S 6/Appendix D/p. 5 and Ref: E 2/T4/S 6/Appendix D/p. 16

In the first reference, Table 1 indicates capital investments for renewable generation connection upgrades of $50,000 for each of the years 2014 and 2015.

In the second reference, Tables 7 and 8 under Mid-Size Generation [>500 kW, ≤ 10 MW] show that there is one 3 MW project expected in service in 2014 and another project of 1.14 MW capacity expected in service in 2015.

a) Are the $50,000 capital investments in each of the two years in 2014 and 2015 triggered by the two projects noted in Reference 2; i.e., the 3 MW capacity project expected in-service in 2014 and the 1.14 MW capacity project expected in-service in 2015?
b) Please provide a description of the work to be carried out in 2014 and in 2015, including for each case the split between material/ equipment and labour.

35) Ref: E 2/T 4/S 6/Appendix D/pp. 15-16, and E 2/T 4/S 6(Appendix E)/p.3

In the first reference under section 6.2 on page 15, lines 14-18, it is indicated that at the time of writing the plan, Guelph Hydro received requests for and completed over 80 pre-FIT consultations with the following breakdown:

- Generation <= 250 kW (CAE): 90%
- Generation > 250 kW, <= 500 kW: 2%
- Generation > 500 kW, <= 10 MW: 8%

In the first reference under section 6.2, in Table 7, page 16, the number of anticipated renewable generation connections is listed for the years 2011 to 2015, broken down into four category sizes, and the corresponding MW for each of the four categories is listed in Table 8.

In the second reference, page 3, the OPA states in part that:

> "Guelph Hydro did not provide specific information on the FIT and microFit projects received to date…..To date, the OPA has received 23 capacity allocation exempt FIT applications and 148 microFIT applications in Guelph Hydro's system for a total of 5.45 MW of FIT applications and 1.041 MW of microFIT applications
> At this time, 1 capacity allocation exempt FIT contract has expired (leaving a total of 5.25 MW of FIT applications), 30 microFIT applications have already been connected and 9 microFIT applications have been terminated (leaving a total of 0.824 MW of microFIT applications to be connected."

a) Did all 80 completed pre-Fit consultations identified on page 15 of the first reference, have signed contracts from the OPA? If no, please indicate the number of projects that had signed OPA contracts under each of the three categories of generation sizes.
b) Please indicate the anticipated in-service year for these 80 projects.
c) Please describe in detail the forecast methodology used in producing the numbers in Tables 7 and 8 shown on page 16 of the first reference, and how those numbers reconcile with the project numbers and MW shown in reference 2, and quoted above for convenience.

36) Ref: Board staff IRR #84 and Appendix Guelph_IRR_#85_GEA Rate Adder calculation

In Board staff IRR Guelph Hydro stated that "if the GEA Plan is approved as presented, Guelph Hydro will seek recovery of 100% of the OM&A costs to the 2012 test year through this filing, and proposes to recover the capital expenditures in the next rate rebasing".

a) Please clarify if Guelph Hydro is seeking to include the OM&A in the amount of $721,000 in the revenue requirement calculation for the 2012 test year or if the statement above relates to the calculation of the GEA Rate Adder provided in Appendix_Guelph_IRR_#85_GEA Rate Adder calculation.
b) Please explain the rationale for Guelph Hydro seeking to recovery of OM&A costs for the test year while it is proposing to defer the recovery of capital expendiure to the next rebasing application.

37) Ref: Board staff IRR #85 and Appendix Guelph_IRR_#85_GEA Rate Adder calculation

In the first reference Guelph Hydro stated that "Guelph has categorized the estimated anticipated $600,000 in FIT and microFIT capital connection investments as 100% Renewable Enabling Improvement ("REI") projects, which results in a direct benefit calculation as per the following table:

Average Net Fixed Assets	Direct Benefit %	2012	2013	2014	2015
Renewable Connections Capital - Expansions	17%	$ -	$ -	$ -	$ -
Renewable Connections Capital - Renewable Enabling Improvements	6%	$ -	$ 245,000	$ 504,500	$ 532,500
Feeder Automation Projects	100%	$ -	$ -	$ -	$ -
		$ -	$ 245,000	$ 504,500	$ 532,500
Direct Benefit		$ -	$ 14,700	$ 30,270	$ 31,950
Weighted Average Direct Benefit %		0.00%	6.00%	6.00%	6.00%

Please state what percentage and $ amount of this capital investment is attributed to the connection of mircoFIT projects.

38) Ref: IRR 85, filed on September 30, 2011/page 140, Appendix Guelph_IRR_#85_GEA Rate Adder calculation

In the second reference, the spread sheet titled "Incremental Revenue Requirement Calculation" is basing the calculations on Net Fixed Assets as follows:

YEAR	NFA
2012	$245,000
2013	$504,500
2014	$532,000

In the second reference, the spread sheet titled "Weighted Average Direct Benefits" the Net Fixed Assets are shown as follows:

YEAR	NFA
2013	$245,000
2014	$504,500
2015	$532,000

a) Please prepare a revised evaluation of the spread sheet titled "Incremental Revenue Requirement Calculation" of the second reference (Appendix A) to reflect the correct amounts of the Net Fixed Assets.

39) Ref: IRR #84 and 85 and Appendix Guelph_IRR_#85_GEA Rate Adder calculation

a) Following updates to the Incremental Revenue Requirement spread sheet in the GEA Rate Adder calculation, please re-state the GEA rate adder requested for the 2012 test year, the 2013 rate year, the 2014 rate year and the 2015 rate year.

b) Please clarify if this funding adder(s) is/are incremental to a Smart Grid Rate Adder, which Guelph Hydro stated it might apply for at a later date.

40) Ref: IRR 85, filed on September 30, 2011/page 140, Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09, June 10, 2010[EB-2009-0349]/page 3, IRR 94 filed on September 30, 2011

The Direct Benefit calculation shown on page 140 of the first reference, is based on 6% of the capital for each of the years 2013, 2014, and 2015, and does not include any up-front OMA costs necessary for the purpose of "enabling the connection of a qualifying generation facility".

At the second reference on page 3 the bullet titled "Eligible investment" costs, it states in part that:

> "Eligible investment" costs, as set out in O. Reg. 330/09 and section 79.1 (5) of the Act, are not limited to only the initial capital investment costs but also includes the up-front OM&A costs necessary for the purpose of "enabling the connection of a qualifying generation facility". However, given that section 79.1 focuses solely on the initial investment, ongoing OM&A costs that are incurred by the distributor after the investment has been made will not be eligible for provincial recovery.

At the third reference, Guelph's response to IRR 94 provided percentage of time spent by each of the two new Resources (hired staff) in 2012 on the various activities including the "Renewable Generator Connection Upgrades".

a) Please prepare a revised evaluation of the direct benefits on page 140 of the first reference based on the direction outlined in the second reference where the upfront OM&A is incorporated for each qualifying generation facility.

41) Ref. Board staff IRR 86a)/pp.25 -28, IRR87a)/p.30, Exh. 2/Tab 4/Sch. 6 (Appendix D)/p.20 & p.21(Table), and Filing Requirements: Distribution System Plans – Filing Under Deemed Conditions of Licence, March 25, 2010

In the first reference, in response to question a), Guelph Hydro indicated that the minimum functionality the IHD must have is displaying basic energy consumption and pricing information, and Guelph Hydro's intention is to take advantage of the existing smart meter infrastructure to expand the use of the IHD beyond the basic customer energy consumption, and stated in part that:

> Our intentions are to take advantage of the existing smart meter infrastructure, including LDC to meter communications channel, along with the Zigbee chip

> included in all of our smart meters, to expand the use of the IHD beyond the basic customer energy consumption and pricing information required for the CDM initiative as described above. We view this element of the program to be related to smart grid development and not strictly a CDM activity, although we acknowledge that the IHD messaging would be used to support CDM programs, whether electric or water.

Guelph Hydro in the first reference also stated in part that:

> As previously mentioned, Guelph Hydro has invested in smart meters containing a ZigBee chip. ZigBee is a two-way communications protocol similar to Bluetooth. A variety of devices will be able to use the ZigBee protocol in the home, potentially including smart appliances, electric vehicle charging systems, lighting controls, heating and cooling systems and sources of renewable energy. Guelph Hydro would like to leverage the ZigBee chip investment to enable customers to use their in-home display for a variety of different purposes including activities that are more "smart grid" related that we expect would not be funded through the OPA CDM programs:

In the third reference, the Filing Requirements on page 18 states in part that:

> "At the present time, smart grid development activities and expenditures should be limited to smart grid demonstration projects, smart grid studies or planning exercises and smart grid education and training."

Guelph Hydro has indicated that the IHD falls within the Demand Response program schedule of the OPA (2011-2014). Some DR activities fall clearly within demand management while others display more Smart Grid/Infrastructure attributes (IRR 86a).

a) Please file a copy of the OPA program schedule for the Demand Response ("DR") program that includes the use of an IHD.
b) To clarify the boundary between CDM and Smart Grid activities please point to and file relevant documentation (OPA or other) that helps define DR/CDM vs. DR/Smart Grid.
c) Please expand on the above and indicate whether the OPA program schedule for DR makes provisions for the use of devices with attributes and functionalities similar to Guelph's longer term plans for in-home display.
d) Focusing your answers on the IHD functionality (ies), please outline what Guelph views as:
    - Strictly CDM
    - Strictly Smart Grid
    - Potentially Smart Grid
e) When does Guelph plan to expand the capabilities beyond basic energy consumption and pricing information display? (yr 3, yr 4, yr 5 of the GEA Plan?)

f) When does Guelph plan to expand the project beyond those customers participating in the OPA Demand Response program? (yr 3, yr 4, yr 5 of the GEA Plan?)

42) Ref: IRR 86a)/pp.25 -27, IRR87a)/p.30, and Exh. 2/Tab 4/Sch. 6 (Appendix D)/p.20 & p.21(Table)

For the basic IHD minimum functionality of displaying basic energy consumption and pricing information, please indicate whether or not this can be accomplished without the installation of the back-office support installation that is estimated to cost $479,000 in 2011 as shown in the second reference.

a) Does the IHD system need to be integrated to interface with Guelph AMI in order to yield the desirable results (i.e., Energy consumption and pricing info. Display) that the CDM program schedule recognizes?
b) If the answer is no, can additional subsequent upgrades be done to (fully take advantage of all of the IHD functionalities) allow interface with Guelph's AMI? If feasible, what are the costs of upgrades? Would these costs of upgrade far outweigh those of immediate installation?
c) Based on above answers, if applicable, please revise CAPEX at reference 2.

43) Ref: Board staff IRR 86a)/pp.25 -27, Board staff IRR87a)/p.30, Exh. 2/Tab 4/Sch. 6 (Appendix D)/p.20 & p.21(Table), and Filing Requirements: Distribution System Plans – Filing Under Deemed Conditions of Licence, March 25, 2010

a) Using past residential Guelph pilots as a guide, please provide a range of residential customers involved in each pilot.
b) To help clarify between the "planned" roll-out of IHDs vs. the wider roll-out, does the OPA presently cap the number of participants in market transformation programs such as the IHD?
c) From the evidence one presumes that the current roll-out will be delivered through the OPA CDM program, what percentage of the residential customer base is involved in this roll-out? Is the remainder percentage presumably in this wider roll-out?

44) Ref: Board staff IRR 86a),pp.25 -27, Board staff IRR87a), p.30,

In the third reference, Guelph lists a number of possible education and messaging opportunities, which appear to include messaging related to energy consumption and pricing, conservation messaging, and other utility-related information (i.e. safety, maintenance, power outage). In addition, Guelph indicates that possible education and messaging opportunities include, among others:

- Municipal water conservation messaging and program notification;
- Municipal Emergency Services messaging and notification (ie. “Amber Alert”, Smog Day warnings, etc); and
- Other Community messaging (Earth Hour, Snow Days – school closures, road work, etc).

a) Please explain whether the IHD will be used by third parties? Please list the parties.
b) If the answer is yes, at what point in the five year plan will these additional entities make use of the IHD?
c) What is the useful life of the IHD?
d) If applicable, will Guelph charge other parties for the use of the IHD infrastructure in order to provide notification and messaging?

45) Ref. Board staff IRR #90, Board staff IRR #91, Exh. 2/Tab 4/Sch. 6 (Appendix D)/pp.22 – 24, and Filing Requirements: Distribution System Plans – Filing Under Deemed Conditions of Licence, March 25, 2010, p. 19

In the fourth reference, on page 19 the Filing Requirements lists a series of six information requirements for a Smart Grit demonstration project., for example,

- *a discussion of the technology to be anticipated benefits from a successful application of the technology.*

The Filing Requirements do not mention “pilot projects” as expenses eligible for inclusion in the Smart Grid deferral accounts. While the evidence in reference 3 describes the electric vehicle project as a “Pilot” project, in reference 1 the IRR indicates that Guelph considers the project to be a demonstration project.

While the evidence and the IR provide much interesting information (e.g. a review of other demonstration projects), there is no systematic discussion of how the project meets the six requirements. For example it is not clear what “technology” is the subject of the demonstration. The evidence (reference 3) lists a number of items: electric vehicles, charging stations, home charging units, “business models”, and Zigbee chip functionality. In addition IRR 91 (reference 2) indicates that:
“the purpose in conducting the EV pilot project is to educate residents…”

a) Please provide a direct response to each of six information requirements listed in the Filing Requirements.
b) Please explain how Guelph interprets the Filing Requirements as identifying the education of residents as an eligible Smart Grid expense.

46) Ref. Board staff IRR 93, Exh. 2/Tab 4/Sch. 6 (Appendix D)/pp.28 – 31, and Filing Requirements: Distribution System Plans – Filing Under Deemed Conditions of Licence, March 25, 2010

In the first reference Board staff IRR 93a), Guelph indicates that the lessons to be learned from the Smart Home Demonstration Project are all related to the responses of the community and consumers to various smart grid technologies, including EVs. In that same first reference Board staff IRR 93f), Guelph Hydro equates public education on electrical safety with public education on in-home smart grid technology and goes on to indicate that the project will assist in building a "culture of conservation".

In the third reference, the Filing Requirements state in part that the following information is required:

> a description of the formal evaluation that will be performed to assess the value of the projects.

a) Please provide a description of the formal evaluation that Guelph will perform in relation to the lessons to be drawn from the project.
b) Please indicate how the lessons from this project are expected to differ from those of the EV pilot with respect to assessing "how much interest there is in electric vehicle charging systems".
c) Please indicate how this project relates to Guelph's CDM activities with respect to the "culture of conservation" and especially with regard to potential duplication of effort.