

**PROCEDURAL ORDER NO.2**  
**GUELPH HYDRO ELECTRIC SYSTEMS INC. (“Guelph Hydro”)**  
**TCQ \_ RESPONSES TO THE ENERGY PROBE’S INTERROGATORIES ON**  
**2012 ELECTRICITY DISTRIBUTION COST OF SERVICE RATES**  
**FILE NUMBER EB-2011-0123**

***October 26, 2011***

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**Issue 2.2 Is the working capital allowance for the test year appropriate?**

**Question #1**

**Ref: Energy Probe Interrogatory #4**

**Please update the calculation to reflect the October 2011 RPP Price Report.**

**Guelph Hydro's Response:**

The 2012 Cost of Power calculation updated with October 17, 2011 Board's RPP Price Report and with October 4, 2011 Ontario Wholesale Electricity Market Price Forecast (Navigant's forecast) follows:

Please note that Guelph Hydro corrected its original Load Forecast submitted on June 30, 2011 to reflect the 2012 Leap Year (February of 29 days).

<u>Electricity - Commodity</u>			Test year				%		RPP and Non-RPP Cost of Power		
Class per Load Forecast	2012 Forecasted Metered kWhs	2012 Proposed Loss Factor	Kwhs adjusted by DLF	RPP Prices	HOEP	Global Adjustm ent	RPP	Non-RPP	RPP \$	Non-RPP \$	Total Cost Of Power
Residential	377,742,193	1.0209	385,629,472	0.07565	0.03183	\$0.04008	86.96%	13.04%	\$25,369,070	\$3,615,747	\$28,984,817
GS<50kW	148,344,402	1.0209	151,441,842	0.07565	0.03183	\$0.04008	85.03%	14.97%	\$9,741,647	\$1,630,145	\$11,371,792
GS 50kW to 999kW	398,859,229	1.0209	407,187,432	0.07565	0.03183	\$0.04008	0.00%	100.00%	\$0	\$29,280,848	\$29,280,848
GS 1000kW to 4999kW	464,907,759	1.0209	474,615,059	0.07565	0.03183	\$0.04008	0.00%	100.00%	\$0	\$34,129,569	\$34,129,569
Large Use	271,062,702	1.0209	276,722,507	0.07565	0.03183	\$0.04008	0.00%	100.00%	\$0	\$19,899,115	\$19,899,115
Unmetered Scattered Load	2,229,301	1.0209	2,275,849	0.07565	0.03183	\$0.04008	0.00%	100.00%	\$0	\$163,656	\$163,656
Sentinel Lighting	88,740	1.0209	90,593	0.07565	0.03183	\$0.04008	99.62%	0.38%	\$6,827	\$25	\$6,852
Street Lighting	9,777,748	1.0209	9,981,908	0.07565	0.03183	\$0.04008	2.80%	97.20%	\$21,144	\$697,700	\$718,844
<b>TOTAL</b>	<b>1,673,012,075</b>		<b>1,707,944,661</b>						<b>\$35,138,688</b>	<b>\$89,416,806</b>	<b>\$124,555,494</b>

<b>Transmission - Network</b>		<b>Volume Metric</b>	<b>Test Year</b>		
<b>Class per Load Forecast</b>					
Residential		kWh	385,629,472	\$0.0067	\$2,576,834
GS<50kW		kWh	151,441,842	\$0.0062	\$932,898
GS 50kW to 999kW		kW	1,039,899	\$2.6452	\$2,750,732
GS 1000kW to 4999kW		kW	1,014,732	\$2.6452	\$2,684,159
Large Use		kW	489,755	\$3.1944	\$1,564,465
Unmetered Scattered Load		kWh	2,275,849	\$0.0062	\$14,019
Sentinel Lighting		kW	251	\$1.9524	\$489
Street Lighting		kW	27,447	\$2.3492	\$64,478
<b>TOTAL</b>					<b>\$10,588,074</b>

<b>Transmission - Connection</b>		<b>Volume Metric</b>	<b>Test Year</b>		
<b>Class per Load Forecast</b>					
Residential		kWh	385,629,472	\$0.0052	\$2,013,319
GS<50kW		kWh	151,441,842	\$0.0046	\$701,149
GS 50kW to 999kW		kW	1,039,899	\$2.0055	\$2,085,519
GS 1000kW to 4999kW		kW	1,014,732	\$2.0055	\$2,035,045
Large Use		kW	489,755	\$2.4217	\$1,186,037
Unmetered Scattered Load		kWh	2,275,849	\$0.0046	\$10,537
Sentinel Lighting		kW	251	\$1.4802	\$371
Street Lighting		kW	27,447	\$1.7809	\$48,880
<b>TOTAL</b>					<b>\$8,080,856</b>

<b>Wholesale Market Service</b>			<b>Test Year</b>		
<b>Class per Load Forecast</b>					
Residential		kWh	385,629,472	\$0.0052	\$2,005,273
GS<50kW		kWh	151,441,842	\$0.0052	\$787,498
GS 50kW to 999kW		kWh	407,187,432	\$0.0052	\$2,117,375
GS 1000kW to 4999kW		kWh	474,615,059	\$0.0052	\$2,467,998
Large Use		kWh	276,722,507	\$0.0052	\$1,438,957
Unmetered Scattered Load		kWh	2,275,849	\$0.0052	\$11,834
Sentinel Lighting		kWh	90,593	\$0.0052	\$471
Street Lighting		kWh	9,981,908	\$0.0052	\$51,906
<b>TOTAL</b>			<b>1,707,944,661</b>		<b>\$8,881,312</b>

<b>Rural Rate Assistance</b>			<b>Test Year</b>		
<b>Class per Load Forecast</b>					
Residential		kWh	385,629,472	\$0.0013	\$501,318
GS<50kW		kWh	151,441,842	\$0.0013	\$196,874
GS 50kW to 999kW		kWh	407,187,432	\$0.0013	\$529,344
GS 1000kW to 4999kW		kWh	474,615,059	\$0.0013	\$617,000
Large Use		kWh	276,722,507	\$0.0013	\$359,739
Unmetered Scattered Load		kWh	2,275,849	\$0.0013	\$2,959
Sentinel Lighting		kWh	90,593	\$0.0013	\$118
Street Lighting		kWh	9,981,908	\$0.0013	\$12,976
<b>TOTAL</b>			<b>1,707,944,661</b>		<b>\$2,220,328</b>

<b>Test Year</b>	
4705-Power Purchased	\$124,555,494
4708-Charges-WMS	\$8,881,312
4714-Charges-NW	\$10,588,074
4716-Charges-CN	\$8,080,856
4730-Rural Rate Assistance	\$2,220,328
4750-Low Voltage	\$36,400
<b>TOTAL</b>	<b>154,362,464</b>

monthly average  
12,863,539

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

**Question #2**

**Ref: Energy Probe Interrogatory #7**

- a) Is the table shown in response to part (a) capital expenditures in 2011 or capital additions in 2011 that will be closed to rate base in 2011?**

**Guelph Hydro Response:**

The table shown in response to part (a) is the capital expenditures in 2011.

- b) The response to part (b) shows 5 projects with a total expenditure of \$1,865,808 that are now scheduled to be in service in 2012 rather than in 2011. Please explain how this amount has been reflected in the figures shown in the table provided in part (a) of the response.**

**Guelph Hydro Response:**

The 2011 capital budget projections shown in the table provided in part (a) of the response do not include the cost of the 5 projects deferred to 2012 with the exception of the Clair Rd, Crawley Rd to Southgate Drive project which was elected to be rebuilt and put into service in 2011. The cost associated with this project is included in the 2011 capital budget projections.

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

**Issue 3.3 Is the impact of CDM appropriately reflected in the load forecast?**

**Question #3**

**Ref: Energy Probe Interrogatory #9 &  
Board Staff Interrogatory #16**

**Please provide a table similar to corrected Table 4 in Board Staff interrogatory #16, including a forecasts for 2011 and 2012, but based on the predicted results from the equation estimated in Energy Probe interrogatory #9.**

**Guelph Hydro's Response:**

Guelph Hydro's Total System Purchases (using HDD base of 18 C) GWh

	<u>Actual</u>	<u>Predicted</u>	% Difference
1998	1,368	1,337	-2.26%
1999	1,420	1,427	0.50%
2000	1,492	1,505	0.89%
2001	1,489	1,509	1.35%
2002	1,521	1,550	1.87%
2003	1,508	1,534	1.69%
2004	1,579	1,561	-1.11%
2005	1,641	1,616	-1.57%
2006	1,634	1,601	-2.01%
2007	1,632	1,631	-0.07%
2008	1,594	1,602	0.49%
2009	1,504	1,539	2.34%
2010	1,641	1,612	-1.78%
2011 (B) (WN)	0	1,676	
2012 (T) (WN)	0	1,689	

**Issue 3.2 Are the proposed customers/ connections and load forecasts (both kWh and kW) for the test year appropriate?**

**Question #4**

**Ref: Energy Probe Interrogatory #13**

**The response provided is not complete.**

- a) Please confirm that Guelph Hydro did not use 29 days in the forecast for February 2012.**

**Guelph Hydro's Response:**

Guelph Hydro did not use 29 days in the forecast for February 2012.

- b) Please confirm that based on 29 days in February 2012, the 2012 forecast would increase by 2 GWh.**

**Guelph Hydro's Response:**

Guelph Hydro confirms that based on 29 days in February 2012, the 2012 forecast wholesale consumption would increase by 2 GWh.



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

**Question #5**

**Ref: Energy Probe Interrogatory #17 &  
Exhibit 3, Tab 4, Schedule 2, Appendix 2-C**

- a) The response provided to part (a) did not provide a complete first page of Appendix 2-C. Please provide a complete first page of Appendix 2-C, including the totals at the bottom of this page.**

**Guelph Hydro's Response:**

Attached is the complete first page of Appendix 2-C.

Appendix 2-C							
Other Operating Revenue							
Actual YTD (Jan - July) 2011 vs Same period 2010							
Uniform System of Account #	Description		Actual 2010	Bridge Year 2011	Uniform System of Account #	Description	Variance from 2010 to 2011
<b>Revenue from Services- Distribution</b>			Actual Jan ~Jul	Actual Jan ~Jul	<b>Revenue from Services- Distributi</b>		
4080-1	Distribution Services Revenue - SSS Admin Charges		74,483	78,620	4080-1	Distribution Services Revenue - SSS	4,137
4082	Retail Services Revenue		4,812	4,815	4082	Retail Services Revenue	3
4084	Serv Tx Requests		4,843	4,845	4084	Serv Tx Requests	2
4090	Electric Services Incidental to Energy Sales		-	-	4090	Electric Services Incidental to Energy	-
<b>Other Operating Revenues</b>					<b>Other Operating Revenues</b>		
4205	Interdepartmental Rents		-		4205	Interdepartmental Rents	-
4210	Rent from Electric Property		234,737	236,220	4210	Rent from Electric Property	1,483
4215	Other Utility Operating Income		-		4215	Other Utility Operating Income	-
4220	Other Electric Revenues		-		4220	Other Electric Revenues	-
4225	Late Payment Charges		76,621	69,147	4225	Late Payment Charges	(7,474)
4230	Sales of Water and Water Power		-		4230	Sales of Water and Water Power	-
4235	Miscellaneous Service Revenues		226,490	179,938	4235	Miscellaneous Service Revenues	(46,552)
4240	Provision for Rate Refunds		-		4240	Provision for Rate Refunds	-
4245	Government Assistance Directly Credited to Income		-		4245	Government Assistance Directly	-
<b>Other Income/Deductions</b>					<b>Other Income/Deductions</b>		
4305	Regulatory Debits		-		4305	Regulatory Debits	-
4310	Regulatory Credits		-		4310	Regulatory Credits	-
4315	Revenues from Electric Plant Leased to Others		-		4315	Revenues from Electric Plant Leased	-
4320	Expenses of Electric Plant Leased to Others		-		4320	Expenses of Electric Plant Leased to	-
4325	Revenues from Merchandise, Jobbing, Etc.		-		4325	Revenues from Merchandise,	-
4330	Costs and Expenses of Merchandising, Jobbing, Etc		-		4330	Costs and Expenses of Merchandising,	-
4335	Profits and Losses from Financial Instrument Hedges		-		4335	Profits and Losses from Financial	-
4340	Profits and Losses from Financial Instrument Investments		-		4340	Profits and Losses from Financial	-
4345	Gains from Disposition of Future Use Utility Plant		-		4345	Gains from Disposition of Future	-
4350	Losses from Disposition of Future Use Utility Plant		-		4350	Losses from Disposition of Future	-
4355	Gain on Disposition of Utility and Other Property		35,608	11,125	4355	Gain on Disposition of Utility and Other	(24,484)
4360	Loss on Disposition of Utility and Other Property		-	-	4360	Loss on Disposition of Utility and Other	-
4365	Gains from Disposition of Allowances for Emission				4365	Gains from Disposition of	-
4370	Losses from Disposition of Allowances for Emission				4370	Losses from Disposition of	-
4375	Revenues from Non-Utility Operations		981,914	920,950	4375	Revenues from Non-Utility Operations	(60,964)
4380	Expenses of Non-Utility Operations		(182,988)	(182,014)	4380	Expenses of Non-Utility Operations	974
4385	Non-Utility Rental Income				4385	Non-Utility Rental Income	-
4390	Miscellaneous Non-Operating Income				4390	Miscellaneous Non-Operating Income	-
4395	Rate-Payer Benefit Including Interest				4395	Rate-Payer Benefit Including Interest	-
4398	Foreign Exchange Gains and Losses, Including Amortization		-	-	4398	Foreign Exchange Gains and Losses,	-
<b>Investment Income</b>					<b>Investment Income</b>		
4405	Interest and Dividend Income		11,137	177,444	4405	Interest and Dividend Income	166,308
4415	Equity in Earnings of Subsidiary Companies		-		4415	Equity in Earnings of Subsidiary	-
Specific Service Charges			300,973	258,558	Specific Service Charges		(42,415)
Late Payment Charges			76,621	69,147	Late Payment Charges		(7,474)
Other Distribution Revenues			244,392	245,880	Other Distribution Revenues		1,488
Other Income and Expenses			845,671	927,505	Other Income and Expenses		81,834
<b>Total</b>			<b>1,467,657</b>	<b>1,501,090</b>	<b>Total</b>		<b>33,433</b>
<b>Total (excluding Investment Income 4405)</b>			<b>1,456,520</b>	<b>1,323,645</b>	<b>Total (excluding Investment</b>		<b>(132,875)</b>

- b) On the last page of the response to part (a) the investment income for 2011 is shown to be \$177,144. Please explain the significant increase in this figure relative to the 2010 figure and the forecast for 2011.

**Guelph Hydro's Response:**

Response to be provided before the Settlement Conference.

- c) How have the "Waterworks Meter Reading Expense" referred to in part (f) of the response been calculated? Given that there is more than \$1 million in revenue associated with billing/collecting waterworks, why are there not additional charges shown in account 4380? Are the additional costs associated with providing this service included in OM&A rather than account 4380?

**Guelph Hydro's Response:**

Response to be provided before the Settlement Conference.

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

**Question #6**

**Ref: Energy Probe Interrogatory #27**

- a) Are the costs of \$173,901 for 2010 and \$527,410 for 2011 that have been included in deferral/variance accounts part of the proposed smart meter cost recovery noted in Exhibit 9, Tab 3, Schedule 1.

**Guelph Hydro's Response:**

Yes.

- b) If the response to part (a) is yes, should this total of just over \$700,000 be removed from the OM&A forecast for 2012? If not, please explain why not.

**Guelph Hydro's Response:**

See response to *Board Staff Questions for Technical Conference #16(b)(ii)*.

- c) Is the \$242,675 in ongoing costs identified in the response to part (c) included in or in addition to the \$358,302 discussed in the response to part (d)?

**Guelph Hydro's Response:**

Guelph Hydro confirms that the \$242,675 in ongoing costs is included in the \$358,302.

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

**Question #7**

**Ref: Energy Probe Interrogatory #30(b)**

**Please explain why Guelph Hydro has added \$1,310,138 to the 2012 depreciation expense for depreciation taken on smart meters prior to 2012. Has this depreciation expense been included in the smart meter cost recovery noted in Exhibit 9, Tab 3, Schedule 1?**

**Guelph Hydro's Response:**

Response to be provided before the Settlement Conference.

## Question #8

**Ref: Energy Probe Interrogatory #30**

- a) **Please provide revised depreciation expense calculations and rate base continuity schedules for 2011 and 2012 that reflect the corrections made in this response.**

### **Guelph Hydro's Response:**

Below you will find revised depreciation expense calculations and rate base continuity schedules reflecting most of the corrections originally identified in IR# 30.

The remaining difference in depreciation calculated in these two different schedules is a result of the nature in which the depreciation expense schedule calculates the annual depreciation expense. The new useful lives relating to MIFRS became effective for Guelph Hydro on January 1, 2011. As a result, the depreciation schedule calculates depreciation using the gross capital cost for all the assets with value still left to be depreciated and uses the new MIFRS useful life to calculate the annual depreciation for both 2011 and 2012 which inherently considers that this asset had that new useful life from the date of its purchase.

On the other hand, the depreciation expense calculated for the rate base continuity schedule properly uses the NBV at the date of conversion to the new MIFRS useful life. Since it uses the NBV, considering that the asset was previously being depreciated over a shorter life span, the annual depreciation for these assets that are affected will be lower for the remaining period of time as the NBV of the asset is proportionately lower at the time of the change.

To illustrate, say an asset was purchased 3 years ago for \$100,000. At the time, its useful life was 5 years. Due to the adoption of MIFRS its useful life was increased to 10 years. As a result the following annual depreciation values are calculated as follows:

#### Depreciation Expense Calculation (Appendix 2M)

Original Cost	\$100,000
New Useful life	10 yrs
Annual Depreciation Expense	\$10,000

#### Depreciation Expense Rate Base Continuity Schedule

Original Cost	\$100,000
Useful life (1 <sup>st</sup> 3 yrs prior to MIFRS)	5yrs
NBV at time of New Useful Life	\$ 40,000 (Accd Dep
\$60,000)	
Annual Depreciation for remaining 7 yrs (New Useful Life 10 yrs - # of yrs used)	\$ 5,714

As you can see the annual depreciation calculated for the extended life of the assets will always be lower than the annual depreciation calculated using the method outlined in Appendix 2-M.

In addition to this above noted issue, there were a couple asset groups where the depreciation calculation was immaterially different due to the raw mechanics and therefore not analyzed.

							File Number:		EB-2011-0123											
Appendix 2-M - Depreciation and Amortization Expense																				
		2011 Bridge Year				REVISED		MIFRS												
Account	Description	Opening Balance	Less Fully Depreciated (1)	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense	Per Rate Base										
		(a)	(b)	(c) = (a) - (b)	(d)	(e)=(c)+ 0.5 x (d) (2)	(f)	(g) = 1 / (f)	(h) = (e) / (f)	Cont Sched	Difference									
1805	Land	\$2,641,987		\$2,641,987	\$0	\$2,641,987	Non-depreciable													
1808	Buildings	\$18,260,502		\$18,260,502	\$1,735,000	\$19,128,002	50	0.02	\$382,560	409,263	26,703									
1810	Leasehold Improvements	\$0		\$0	\$0	\$0														
1815	Transformer Station Equipment >50 kV	\$758,177		\$758,177	\$9,225,000	\$5,370,677	30	0.03	\$179,023	179,023	0									
1820	Substation Equipment	\$1,708,887		\$1,708,887	\$0	\$1,708,887	30	0.03	\$56,963	73,394	16,431									
1825	Storage Battery Equipment	\$0		\$0	\$0	\$0														
1830	Poles, Towers & Fixtures	\$22,276,501		\$22,276,501	\$1,322,234	\$22,937,618	40	0.03	\$573,440	494,271	(79,169)	under IFRS changed from 25 to 40								
1835	OH Conductors & Devices	\$17,880,210		\$17,880,210	\$1,224,591	\$18,492,505	40	0.03	\$462,313	396,768	(65,545)	under IFRS changed from 25 to 40								
1840	UG Conduit	\$37,660,552		\$37,660,552	\$2,885,590	\$39,103,347	40	0.03	\$977,584	874,330	(103,254)	under IFRS changed from 25 to 40								
1845	UG Conductors & Devices	\$35,823,198		\$35,823,198	\$2,595,379	\$37,120,888	40	0.03	\$928,022	829,977	(98,046)	under IFRS changed from 25 to 40								
1850	Line Transformers	\$18,187,753		\$18,187,753	\$1,033,848	\$18,704,677	40	0.03	\$467,617	389,435	(78,182)	under IFRS changed from 25 to 40								
1855	Services (OH & UG)	\$7,183,493		\$7,183,493	\$269,265	\$7,318,125	40	0.03	\$182,953	165,175	(17,778)	under IFRS changed from 25 to 40								
1860	Meters	\$6,634,663		\$6,634,663	\$609,000	\$6,939,163	25	0.04	\$277,567	277,567	0									
1861	Smart Meters			\$0		\$0	15	0.07	\$0											
1861	Smart Meters/Communication Systems			\$0		\$0														
1905	Land	\$0		\$0	\$0	\$0	Non-depreciable													
1906	Land Rights	\$0		\$0	\$0	\$0														
1908	Buildings & Fixtures	\$0		\$0	\$0	\$0	50	0.02	\$0											
1910	Leasehold Improvements	\$0		\$0	\$0	\$0														
1915	Office Furniture & Equipment 10yr	\$1,221,843	\$299,430	\$922,413	\$0	\$922,413	15	0.07	\$61,494	45,425	(16,070)	under IFRS changed from 10 to 15								
1915	Office Furniture & Equipment 5yr			\$0		\$0	10	0.10	\$0											
1920	Computer - Hardware	\$2,502,577	\$1,110,904	\$1,391,673	\$420,000	\$1,601,673	5	0.20	\$320,335	320,335	(0)									
1921	Computer - Hardware post Mar 22/04			\$0		\$0														
1921	Computer - Hardware post Mar 19/07			\$0		\$0														
1925	Computer Software	\$0		\$0	\$0	\$0	15	0.07	\$0											
1930	Transportation Equipment - Cars and Vans	\$460,971	\$71,276	\$389,695	\$0	\$389,695	5	0.20	\$77,939	77,939	0									
1930	Transportation Equipment - Large Vehicles	\$2,420,101		\$2,420,101	\$450,000	\$2,645,101	10	0.10	\$264,510	238,477	(26,033)	under IFRS changed from 8 to 10								
1935	Stores Equipment	\$96,338	\$96,338	\$0	\$0	\$0	10	0.10	\$0	0	(0)									
1940	Tools, Shop & Garage Equipment	\$992,103	\$308,642	\$683,461	\$60,000	\$713,461	10	0.10	\$71,346	69,980	(1,366)									
1945	Measurement & Testing Equipment	\$14,872	\$14,872	\$0	\$0	\$0	10	0.10	\$0	0										
1950	Power operated Equipment	\$0		\$0	\$0	\$0														
1955	Communications Equipment	\$0		\$0	\$0	\$0														
1960	Graphics Equipment	\$2,332,949	\$1,983,943	\$349,006	\$50,000	\$374,006	5	0.20	\$74,801	74,094	(707)									
1965	Water Heater Rental Units			\$0		\$0	25	0.04	\$0											
1970	Load Management Controls	\$314,982	\$314,982	\$0	\$0	\$0	10	0.10	\$0	0	0									
1975	Load Management Controls Utility Premises	\$0		\$0	\$0	\$0														
1980	System Supervisor Equipment	\$526,929		\$526,929	\$361,093	\$707,475	5	0.20	\$141,495	141,495	0									
1985	Miscellaneous Fixed Assets	\$6,158	\$6,158	\$0	\$0	\$0	10	0.10	\$0		0									
1995	Contributions & Grants	-\$35,235,111		-\$35,235,111	-\$2,679,000	-\$36,574,611	40	0.03	-\$914,365	(914,706)	(341)									
2070	Other Utility Plant	\$771		\$771	\$0	\$771	15	0.07	\$51	51	0									
	Total	\$144,671,404	\$4,206,545	\$140,464,859	\$19,562,000	\$150,245,859			\$4,585,647	4,142,293	(443,355)									
Notes:								Difference due to change in Useful lives				(484,075)								
								Accumulated minor differences				40,720								
(1)	This adjusts for assets still on the books but which have been fully amortized or depreciated.												(443,355)							
(2)	Applicable for the standard Board policy of the "half-year" rule, that additions in the year attract a half-year depreciation expnese in the first year. Deviations from this standard practice must be supported in the application.																			



Guelph Hydro Electric Systems License Number ED-2002-0565, File Number												
Fixed Asset Continuity Schedule (Distribution & Operations)			Table 8 Appendix 2-B Fixed Asset Continuity Schedule				REVISED		MIFRS			
As at December 31, 2011			As of December 31, 2011									
			Cost						Accumulated Depreciation			
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance			Opening Balance	Additions	Disposals	Net Book Value
N/A	1805	Land	2,641,987			2,641,987			0		0	2,641,987
CEC	1806	Land Rights	0			0			0		0	0
1	1808	Buildings and Fixtures	18,260,502	1,735,000		19,995,502			2,705,497	409,263		16,880,741
N/A	1810	Leasehold Improvements	0			0			0		0	0
	1815	Transformer Station Equipment - Normally Primary	758,177	9,225,000		9,983,177			25,273	179,023		9,778,882
47	1820	Distribution Station Equipment - Normally Primary	1,708,887			1,708,887			129,970	73,394		1,505,522
	1825	Storage Battery Equipment	0			0			0		0	0
47	1830	Poles, Towers and Fixtures	22,276,501	1,322,234		23,598,735			8,001,755	494,271		15,102,708
47	1835	Overhead Conductors and Devices	17,880,210	1,224,591		19,104,801			6,709,061	396,768		11,998,971
47	1840	Underground Conduit	37,660,552	2,885,590		40,546,142			13,309,293	874,330		26,362,520
47	1845	Underground Conductors and Devices	35,823,198	2,595,379		38,418,577			12,199,463	829,977		25,389,138
47	1850	Line Transformers	18,187,753	1,033,848		19,221,601			7,194,113	389,435		11,638,053
47	1855	Services	7,183,493	269,265		7,452,758			2,593,145	165,175		4,694,438
47	1860	Meters	6,634,663	609,000		14,725,108			1,537,947	277,567		11,599,457
	1865	Other Installations on Customer's Premises	0			0			0		0	0
N/A	1905	Land	0			0			0		0	0
CEC	1906	Land Rights	0			0			0		0	0
1	1908	Buildings and Fixtures	0			0			0		0	0
	1910	Leasehold Improvements	0			0			0		0	0
	1915	Office Furniture and Equipment	1,221,843			1,221,843			750,797	45,425		425,622
45	1920	Computer Equipment - Hardware	2,502,577	420,000		3,549,349			1,737,566	320,335		1,491,448
	1925	Computer Software	0			1,114,457			0		0	1,114,457
10	1930	Transportation Equipment	2,881,072	450,000		3,331,072			1,349,158	316,417		1,665,497
	1935	Stores Equipment	96,338			96,338			96,338			0
8	1940	Tools, Shop and Garage Equipment	992,103	60,000		1,103,006			608,968	69,980		424,058
	1945	Measurement and Testing Equipment	14,872			14,872			14,872			0
	1950	Power Operated Equipment	0			0			0		0	0
	1955	Communication Equipment	0			0			0		0	0
50	1960	Miscellaneous Equipment	2,332,949	50,000		2,439,448			2,249,423	74,094		115,931
	1970	Load Management Controls - Customer Premises	314,982			314,982			314,982			(0)
	1975	Load Management Controls - Utility Premises	0			0			0		0	0
50	1980	System Supervisory Equipment	526,929	361,093		888,022			175,777	141,495		570,749
	1985	Sentinel Lighting Rentals	6,158			6,158			0		0	6,158
	1990	Other Tangible Property	0			0			0		0	0
47	1995	Contributions and Grants	(35,235,111)	(2,679,000)		(37,914,111)			(7,444,651)	(914,706)		(29,554,754)
	2005	Property Under Capital Leases	0			0			0		0	0
	2070	Other Utility Plant	771			771			424	51		295
Total before Work in Process / Re-allocation of amortization			144,671,404	19,562,000	0	173,563,480			54,259,170	4,142,293	0	113,851,879
95	2055	Work in Process	40,117			40,117			0			40,117
		Re-allocation of amortization								(332,817)		
Total after Work in Process			144,711,521	19,562,000	0	173,603,597			54,259,170	3,809,476	0	113,891,996

							File Number:	EB-2011-0123																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													</
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Guelph Hydro Electric Systems License Number ED-2002-0565, File Number											
Fixed Asset Continuity Schedule (Distribution & Operations) As at December 31, 2012			Table 9 Appendix 2-B Fixed Asset Continuity Schedule As of December 31, 2012			REVISED	MIFRS				
			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	2,641,987			2,641,987	0			0	2,641,987
CEC	1806	Land Rights	0			0	0			0	0
1	1808	Buildings and Fixtures	19,995,502	83,000		20,078,502	3,114,760	427,443		3,542,203	16,536,298
N/A	1810	Leasehold Improvements	0			0	0			0	0
	1815	Transformer Station Equipment - Normally Prima	9,983,177			9,983,177	204,295	332,773		537,068	9,446,109
47	1820	Distribution Station Equipment - Normally Prima	1,708,887			1,708,887	203,364	73,394		276,759	1,432,128
	1825	Storage Battery Equipment	0			0	0			0	0
47	1830	Poles, Towers and Fixtures	23,598,735	1,458,598		25,057,333	8,496,027	532,554		9,028,581	16,028,752
47	1835	Overhead Conductors and Devices	19,104,801	1,364,027		20,468,828	7,105,829	427,499		7,533,328	12,935,500
47	1840	Underground Conduit	40,546,142	2,666,116		43,212,258	14,183,623	938,140		15,121,762	28,090,496
47	1845	Underground Conductors and Devices	38,418,577	2,373,457		40,792,034	13,029,439	890,549		13,919,988	26,872,046
47	1850	Line Transformers	19,221,601	1,076,643		20,298,244	7,583,548	415,816		7,999,364	12,298,881
47	1855	Services	7,452,758	278,723		7,731,481	2,758,320	177,255		2,935,575	4,795,906
47	1860	Meters	14,725,108	625,000		15,350,108	3,125,651	801,010		3,926,661	11,423,447
	1865	Other Installations on Customer's Premises	0			0	0			0	0
CEC	1906	Land Rights	0			0	0			0	0
1	1908	Buildings and Fixtures	0			0	0			0	0
	1910	Leasehold Improvements	0			0	0			0	0
	1915	Office Furniture and Equipment	1,221,843			1,221,843	796,221	45,425		841,646	380,197
45	1920	Computer Equipment - Hardware	3,549,349	500,000		4,049,349	2,057,900	615,049		2,672,949	1,376,399
	1925	Computer Software	1,114,457	0		1,114,457	0	74,297		74,297	1,040,160
10	1930	Transportation Equipment	3,331,072	485,000		3,816,072	1,665,575	346,433		2,012,007	1,804,064
	1935	Stores Equipment	96,338			96,338	96,338			96,338	0
8	1940	Tools, Shop and Garage Equipment	1,103,006	65,000		1,168,006	678,947	76,799		755,747	412,259
	1945	Measurement and Testing Equipment	14,872			14,872	14,872			14,872	0
	1950	Power Operated Equipment	0			0	0			0	0
	1955	Communication Equipment	0	0		0	0	0		0	0
50	1960	Miscellaneous Equipment	2,439,448	52,000		2,491,448	2,323,517	23,216		2,346,732	144,715
	1970	Load Management Controls - Customer Premise	314,982			314,982	314,982			314,982	(0)
	1975	Load Management Controls - Utility Premises	0			0	0			0	0
50	1980	System Supervisory Equipment	888,022	307,436		1,195,458	317,272	208,348		525,620	669,838
	1985	Sentinel Lighting Rentals	6,158			6,158	0			0	6,158
	1990	Other Tangible Property	0			0	0			0	0
47	1995	Contributions and Grants	(37,914,111)	(2,425,000)		(40,339,111)	(8,359,357)	(975,331)		(9,334,688)	(31,004,423)
	2005	Property Under Capital Leases	0			0	0			0	0
	2070	Other Utility Plant	771			771	476	51		527	244
		<b>Total before Work in Process</b>	<b>173,563,480</b>	<b>8,910,000</b>	<b>0</b>	<b>182,473,480</b>	<b>59,711,601</b>	<b>5,430,718</b>	<b>0</b>	<b>65,142,319</b>	<b>117,331,161</b>
95	2055	Work in Process	40,117			40,117	0	(423,232)			40,117
		Re-allocation of amortization					0				
		<b>Total after Work in Process</b>	<b>173,603,597</b>	<b>8,910,000</b>	<b>0</b>	<b>182,513,597</b>	<b>59,711,601</b>	<b>5,007,486</b>	<b>0</b>	<b>65,142,319</b>	<b>117,371,278</b>

- b) Please explain the \$34,084 increase in depreciation expense for intangibles and other electric plant referred in part (b) of the response. Please answer the following questions with respect to these assets:**

**Guelph Hydro's response:**

As previously identified this increase in depreciation is due to the fact that Guelph Hydro capitalized some costs for computer software initially in Acct 1180 (Prepayments) while the asset was being setup and implemented and then in 2011 and 2012, when the software was starting to be used, Guelph Hydro re-allocated this cost to Acct # 1610 Miscellaneous Intangible Plant where it started to amortize this cost as depreciation for intangibles.

- i) Why are the amortization costs not included in Table 9 of Exhibit 2, Tab 1, Schedule 3?**

**Guelph Hydro's response:**

The amortization costs are not on Table 9 of Exhibit 2 because, as noted above, since once the software was starting to be used it was recorded in Acct 1610 Miscellaneous Intangible Plant rather than being re-allocated to PP&E.

- ii) Are there any assets included in rate base shown in Table 9 of Exhibit 2, Tab 1, Schedule associated with this cost?**

**Guelph Hydro's response:**

No the cost that this depreciation is associated with is sitting in Acct 1610 (Misc Intangible Plant)

- iii) This cost appears to be included in the depreciation expense shown in Exhibit 4, Tab 2, Schedule 10, Appendix 2-M for 2012. Please indicate in which asset category or categories this cost is included.**

**Guelph Hydro's response:**

No the cost does not show up in any asset category on Appendix 2-M for 2012.

**iv) Are the assets associated with this expense classified as distribution assets?**

**Guelph Hydro's response:**

No the assets associated with this expense remain in Acct # 1610.

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

**Question #9**

**Ref: Energy Probe Interrogatory #32(b)**

Please revise the response to reflect the reduction of the OM&A expenses as forecast for the impact of IFRS only, as shown in the OM&A cost driver table shown in Exhibit 4, Tab 2, Schedule 2.

**Guelph Hydro's Response:**

**OM&A Cost per Customer and Full Time Equivalent Employee (FTEE) reduced by OM&A  
Including Sentinel and Street Lighting Connections**

	Actual 2008 CGAAP	Actual 2009 CGAAP	Actual 2010 CGAAP	Bridge Year 2011	Test Year 2012
Number of Customers/Connections (7)	61,301	62,260	63,285	64,857	66,470
Total OMA	9,833,172	9,815,349	9,768,304	11,748,816	15,501,577
OMA cost per Customer	160.41	157.65	154.36	181.15	233.21
Number of FTEEs	98	95	102	113	117
FTEEs/Customer	0.00160	0.00153	0.00161	0.00175	0.00176
OMA cost per FTEE	100,441	102,886	96,050	103,697	132,833
Number of Customers/Connections per FTEE	626	653	622	572	570
2012 to 2008 % Change	-9.04%				
2012 to 2009 % Change		-12.72%			

**OM&A Cost per Customer and Full Time Equivalent Employee (FTEE)- reduced by OM&A Cost per Number of accounts (Excluding Sentinel, Unmetered Scatered Load, and Street Lighting Cc**

	Actual 2008 CGAAP	Actual 2009 CGAAP	Actual 2010 CGAAP	Bridge Year 2011	Test Year 2012
Number of Customers/Connections	47,983	48,860	49,795	51,042	52,321
Total OMA	9,833,172	9,815,349	9,768,304	11,748,816	15,501,577
OMA cost per Customer	204.93	200.89	196.17	230.18	296.28
Number of FTEEs	98	95	102	113	117
FTEEs/Customer	0.00204	0.00195	0.00204	0.00222	0.00223
OMA cost per FTEE	100,441	102,886	96,050	103,697	132,833
Number of Customers/Connections per FTEE	490	512	490	451	448
2012 to 2008 % Change	-8.53%				
2012 to 2009 % Change		-12.46%			

**Issue 4.5 Is the test year forecast of property taxes appropriate?**

**Question #10**

**Ref: Energy Probe Interrogatory #33 & Exhibit 4, Tab 3, Schedule 3**

**a) Does the \$329,000 include the \$17,000 noted for the transformer station?**

**Guelph Hydro's Response:**

Yes, the \$329,000 does include the \$17,000 noted for the transformer station.

**b) What is the basis for the 5% increase in property taxes forecast between 2011 and 2012?**

**Guelph Hydro's Response:**

This increase was based on an estimate received from the Assessment Review Office of the City of Guelph.

**Issue 4.6 Is the test year forecast of PILs appropriate?**

**Question #11**

**Ref: Energy Probe Interrogatory #37**

**Has Guelph Hydro shown the PILS impact of the application of the federal tax rate of 11% on the first \$500,000 in the calculation of the PILS? If not, please confirm that the reduction in taxes due to this is \$20,000 (15% less 11% x \$500,000).**

**Guelph Hydro's Response:**

Guelph Hydro has not factored in the PILS impact of the application of the federal tax rate of 11% on the first \$500,000 of taxable income. Guelph Hydro confirms that the reduction in taxes is \$20,000 (15% less 11% x \$500,000).



**Issue 5.2 Is the proposed long term debt appropriate?**

**Question #12**

**Ref: Exhibit 5, Tab 1, Schedule 2, page 4**

**The table on page 4 indicates that the Senior Unsecured Debentures, Series A issued December 6, 2010 is from a debt holder affiliated with Guelph Hydro. Is this correct?**

**Guelph Hydro's response:**

The Senior Unsecured Debentures are not from a debt holder affiliated with Guelph Hydro. The corrected table follows:

Guelph Hydro Electric Systems  
License Number ED-2002-0565, File Number

## Debt & Capital Cost Structure

Weighted Debt Cost								
Description	Debt Holder	Affiliated with LDC?	Date of Issuance	Principal	Term (Years)	Rate%	Year Applied to	Interest Cost
Promissory note	City of Guelph	Y	June 4, 2008	\$30,000,000		6.10%	2008	\$1,830,000
Promissory note	Guelph Hydro Inc.(GHI)	Y	April 30, 2002	\$12,558,000		6.10%	2008	\$766,038
Promissory note	City of Guelph	Y	June 4, 2008	\$30,000,000		6.10%	2009	\$1,830,000
Promissory note	Guelph Hydro Inc.(GHI)	Y	April 30, 2002	\$12,558,000		6.10%	2009	\$766,038
Promissory note	City of Guelph	Y	June 4, 2008	\$30,000,000		6.10%	2010	\$1,830,000
Promissory note	Guelph Hydro Inc.(GHI)	Y	April 30, 2002	\$12,558,000		6.10%	2010	\$766,038
Senior Unsecured Debentures, Series A		N	December 6, 2010	\$65,000,000		5.26%	2011	\$3,421,600
Senior Unsecured Debentures, Series A		N	December 6, 2010	\$65,000,000		5.26%	2012	\$3,421,600

2008 Total Long Term Debt	42,558,000	Total Interest Cost for 2008	2,596,038
		Weighted Debt Cost Rate for 2008	6.10%
2009 Total Long Term Debt	42,558,000	Total Interest Cost for 2009	2,596,038
		Weighted Debt Cost Rate for 2009	6.10%
2010 Total Long Term Debt	42,558,000	Total Interest Cost for 2010	2,596,038
		Weighted Debt Cost Rate for 2010	6.10%
2011 Total Long Term Debt	65,000,000	Total Interest Cost for 2011	3,421,600
		Weighted Debt Cost Rate for 2011	5.26%
2012 Total Long Term Debt	65,000,000	Total Interest Cost for 2012	3,421,600
		Weighted Debt Cost Rate for 2011	5.26%

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

**Question #13**

**Ref: Energy Probe Interrogatory #41**

**What is the impact on the calculation of the smart meter balances and rate adder as a result of the changes noted in part (a) and (b) of the response?**

**Guelph Hydro's Response:**

Response to be provided before the Settlement Conference.

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

**Question #14**

**Ref: VECC Interrogatory #5**

- a) Please provide the regression statistics and forecasts for 2011 and 2012 for an equation that excludes the population and Ontario real GDP but includes a trend variable that starts at 1.0 in January 1998 and increases by 1.0 in each month.**

**Guelph Hydro's response:**

Version  
EP\_TCQ\_14\_a\_Dummy  
variable  
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.94
R Square	0.88
Adjusted R Square	0.87
Standard Error	3,242,188.48
Observations	156.00

ANOVA					
	df	SS	MS	F	Significance F
Regression	7	1.12796E+16	1.61137E+15	153.2919124	1.65889E-64
Residual	148	1.55574E+15	1.05118E+13		
Total	155	1.28353E+16			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-33,802,918.18	10,877,064.87	-3.11	0.00	-55,297,330.37	-12,308,505.98	-55,297,330.37	-12,308,505.98
Heating Degree Days	29,139.47	1,796.63	16.22	0.00	25,589.11	32,689.82	25,589.11	32,689.82
Cooling Degree Days	80,386.13	6,431.43	12.50	0.00	67,676.83	93,095.43	67,676.83	93,095.43
Number of Days in Month	2,022,143.61	339,572.78	5.95	0.00	1,351,106.21	2,693,181.02	1,351,106.21	2,693,181.02
Number of Peak Hours	82,916.91	16,861.84	4.92	0.00	49,595.84	116,237.98	49,595.84	116,237.98
Blackout Flag	-14,077,041.64	3,314,973.41	-4.25	0.00	-20,627,835.05	-7,526,248.23	-20,627,835.05	-7,526,248.23
Manufacturing GDP	562,103.81	39,941.72	14.07	0.00	483,174.09	641,033.54	483,174.09	641,033.54
Trend Variable	145,614.08	5,968.22	24.40	0.00	133,820.15	157,408.01	133,820.15	157,408.01

b) Based on the equation estimated in part (b) above, please provide a version of Table 4 from Exhibit 3, Tab 2, Schedule 1.

**Guelph Hydro's Response:**

Table 4

Guelph Hydro's Total System Purchases - EP\_14\_b\_ GWh

	<u>Actual</u>	<u>Predicted</u>	<u>% Difference</u>
1998	1,368	1,342	-1.90%
1999	1,420	1,425	0.35%
2000	1,492	1,502	0.70%
2001	1,489	1,494	0.32%
2002	1,521	1,536	0.96%
2003	1,508	1,531	1.52%
2004	1,579	1,570	-0.52%
2005	1,641	1,625	-1.02%
2006	1,634	1,610	-1.46%
2007	1,632	1,635	0.20%
2008	1,594	1,601	0.41%
2009	1,504	1,541	2.43%
2010	1,641	1,612	-1.78%
2011 (B) (WN)	0	1,682	
2012 (T) (WN)	0	1,698	

**Issue 1.1 Are Guelph Hydro's economic and business planning assumptions for 2012 appropriate?**

**Question #15**

**Ref: Board Staff Interrogatory #3**

- a) Please provide the most recent year-to-date figures available for 2011 for the OM&A expenses. Please also provide the corresponding figures for the same period in 2010. Please provide both sets of figures based on MIFRS and in the same level of detail as shown in Appendix 2-E Summary of OM&A Expenses shown on page 20 in APPENDIX Guelph\_BoardStaff\_IRR\_#3.

**Guelph Hydro's Response:**

**Summary of OM&A Expenses  
OM&A Year over Year Comparison  
August 31, 2011 vs August 31, 2010  
MIFRS**

	<b>Current Y-T-D Actuals For the 8 months ending August 31, 2011</b>	<b>Prior Y-T-D Actuals For the 8 months ending August 31, 2010</b>	<b>Variance = 2011 vs. 2010</b>
Operation	\$6,306	\$5,718	\$588
Maintenance	\$1,519	\$1,289	\$230
Billing and Collecting	\$1,771	\$1,614	\$157
Administrative and General	\$3,255	\$3,610	-\$355
Information Systems	\$783	\$711	\$72
<b>Total OM&amp;A Expenses</b>	<b>\$13,634</b>	<b>\$12,942</b>	
Variance from previous year			\$692
Percent change (year over year)			5.35%

- b) Appendix 2-G in APPENDIX Guelph\_BoardStaff\_IRR\_#3 does not show any cost drivers related to the actual 2010 MIFRS column as compared to the forecasts for 2011 and 2012. Please provide a table that shows the drivers between 2010 MIFRS and the bridge 2011 and test 2012 years.

**Guelph Hydro's Response:**

**Appendix 2-G  
OM&A Cost Driver Table**

OM&A	Actual 2008 CGAAP	Actual 2009 CGAAP	Actual 2010 MIFRS	Bridge 2011	Test 2012
<b>Opening Balance</b>		\$ 9,833,172	\$ 9,815,349	\$ 12,431,673	\$ 14,517,247
Payroll costs		\$ -		\$ 1,115,930	\$ 365,812
Smart meter expenses		\$ -		\$ 149,130	\$ 926,286
Energy Conservation Costs		\$ -		\$ 190,476	\$ 100,976
Transformer Station operations		\$ -		\$ 102,518	\$ 21,086
IFRS			\$ 2,795,000	\$ (26,569)	\$ 109,664
Other OM&A costs		\$ (17,823)	\$ (178,676)	\$ 554,089	\$ (429,830)
	\$ 9,833,172				
<b>Closing Balance</b>	\$ 9,833,172	\$ 9,815,349	\$ 12,431,673	\$ 14,517,247	\$ 15,611,241



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

**Question #16**

**Ref: Board Staff Interrogatory #7**

**The response to part (e) is not complete, as only a partial table for 2010 has been provided. Please provide a complete response.**

**Guelph Hydro's response:**

Guelph Hydro Electric Systems  
License Number ED-2002-0565, File Number

**Table 7 Appendix 2-B  
Fixed Asset Continuity Schedule  
As of December 31, 2010**

CCA Class	OEB	Description	Cost				Accumulated Depreciation					Net Book Value
			Opening Balance	Additions	Disposals	Burden Adjust	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
N/A	1805	Land	768,123	1,873,864			2,641,987	0			0	2,641,987
CEC	1806	Land Rights	0				0	0			0	0
1	1808	Buildings and Fixtures	18,191,632	68,870			18,260,502	2,296,732	391,913		2,688,645	15,571,856
N/A	1810	Leasehold Improvements	0				0	0			0	0
	1815	Transformer Station Equipment - Normally Primary above 50 kV	0	758,177			758,177	0			0	758,177
47	1820	Distribution Station Equipment - Normally Primary below 50 kV	1,697,266	11,621			1,708,887	73,007	137,807		210,814	1,498,073
	1825	Storage Battery Equipment	0				0	0			0	0
47	1830	Poles, Towers and Fixtures	20,579,581	1,696,920		(431,551)	21,844,950	6,976,469	525,559		7,502,028	14,342,922
47	1835	Overhead Conductors and Devices	17,035,390	844,820		(346,384)	17,533,826	5,886,145	421,825		6,307,970	11,225,856
47	1840	Underground Conduit	34,914,467	2,746,085		(729,578)	36,930,974	11,549,527	821,547		12,371,075	24,559,899
47	1845	Underground Conductors and Devices	33,460,819	2,362,380		(693,984)	35,129,214	10,528,968	779,871		11,308,839	23,820,375
47	1850	Line Transformers	17,111,497	1,076,256		(352,342)	17,835,412	6,328,035	368,092		6,696,127	11,139,285
47	1855	Services	6,769,661	413,832		(139,162)	7,044,331	2,257,695	157,245		2,414,940	4,629,390
47	1860	Meters	11,338,425	(4,703,762)			6,634,663	3,304,589	543,528	2,270,935	1,577,182	5,057,481
	1865	Other Installations on Customer's Premises	0				0	0			0	0
N/A	1905	Land	0				0	0			0	0
CEC	1906	Land Rights	0				0	0			0	0
1	1908	Buildings and Fixtures	0				0	0			0	0
	1910	Leasehold Improvements	0				0	0			0	0
8	1915	Office Furniture and Equipment	1,165,296	56,547			1,221,843	658,628	51,942		710,570	511,273
45	1920	Computer Equipment - Hardware	2,193,680	308,896			2,502,577	1,410,016	298,571		1,708,587	793,990
45.1	1925	Computer Software	0				0	0			0	0
10	1930	Transportation Equipment	2,687,174	633,782	439,885		2,881,072	1,403,166	302,567	433,988	1,271,745	1,609,327
	1935	Stores Equipment	96,338				96,338	96,284	54		96,338	(0)
8	1940	Tools, Shop and Garage Equipment	940,008	52,094			992,103	535,192	74,751		609,942	382,160
	1945	Measurement and Testing Equipment	14,872				14,872	11,898			11,898	2,974
	1950	Power Operated Equipment	0				0	0			0	0
	1955	Communication Equipment	0				0	0			0	0
	1960	Miscellaneous Equipment	2,327,700	5,249			2,332,949	2,118,596	214,297		2,332,893	55
	1970	Load Management Controls - Customer Premises	314,982				314,982	178,610	136,371		314,982	0
	1975	Load Management Controls - Utility Premises	0				0	0			0	0
47	1980	System Supervisory Equipment	304,281	222,647			526,929	70,392	90,327		160,719	366,210
	1985	Sentinel Lighting Rentals	6,158				6,158	0			0	6,158
	1990	Other Tangible Property	0				0	0			0	0
47	1995	Contributions and Grants	0				0	0			0	0
	2005	Property Under Capital Leases	0				0	0			0	0
	2070	Other Utility Plant	771				771	373	51		424	347
<b>Total before Work in Process / Re-allocation of amortization</b>			<b>171,918,121</b>	<b>8,428,278</b>	<b>439,885</b>	<b>(2,693,000)</b>	<b>177,213,514</b>	<b>55,684,322</b>	<b>5,316,320</b>	<b>2,704,923</b>	<b>58,295,719</b>	<b>118,917,796</b>
95	2055	Work in Process	150,530	(110,413)			40,117	0			0	40,117
		Re-allocation of amortization							(377,763)			
<b>Total after Work in Process</b>			<b>172,068,651</b>	<b>8,317,865</b>	<b>439,885</b>	<b>(2,693,000)</b>	<b>177,253,631</b>	<b>55,684,322</b>	<b>4,938,557</b>	<b>2,704,923</b>	<b>58,295,719</b>	<b>118,957,913</b>

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

**Question #17**

**Ref: Board Staff Interrogatory #14 &  
Exhibit 2, Tab 1, Schedule 3, Table 7**

- a) The response to part (b) does not include a complete listing for 2011 and does not include the 2012 forecast. Please file a complete response.

**Guelph Hydro's Response:**

<i><b>Budget Year</b></i>	<i><b>Year, Make</b></i>	<i><b>Cost</b></i>	<i><b>Budget</b></i>
2008	1993 International with Posi-Plus 60' DB Aerial Device replaced with 2008 International with Posi-Plus 63' DB Aerial Device (Truck #4) - (body only)	\$ 43,300.00	\$230,000.00
	2008 Internal Compartmentalizing/Outfitting for the two Step Vans	\$40,600.00	
	2008 Internal Compartmentalizing/Outfitting for the two Step Vans	\$40,600.00	
	2001 Chevrolet Cargo Van replaced with 2009 Chevrolet Cargo Van	\$36,600.00	
	2001 Ford Windstar Van replaced with 2009 Chevrolet Cargo Van	\$36,600.00	
	2008 Miller Lifting Device (transport transformers into places vehicles can't get to)	\$50,300.00	
	Sub-Total	\$248,000.00	
2009	1994 Freightliner with Telelect 50' DB Aerial Device replaced with 2009 International Posi-Plus 50' Aerial Device (Truck #5)	\$286,700.00	\$406,000.00
	1998 Ford Cargo Van replaced with 2009 Chevrolet Cargo Van	\$39,000.00	
	2002 Ford Ranger Pick up replaced with 2009 Ford F150 Pick up	\$27,600.00	
	2000 Ford Ranger Pick up replaced with 2009 Ford F150 Pick Up	\$27,600.00	
	2000 Chevrolet Malibu Car replaced with 2010 Ford Fusion Hybrid	\$37,700.00	
	Riding Lawnmower	\$4,900.00	
	Rebuilt Compact Sweeper (Tennant)	\$7,200.00	

<i>Budget Year</i>	<i>Year, Make</i>	<i>Cost</i>	<i>Budget</i>
	Sub-Total	\$430,700.00	
2010	1999 International with Amador 46' SB Aerial Device replaced with 2010 International with Posi-Plus 50' SB Aerial Device Unit(#2) – Added Hybrid Unit	\$319,700.00	\$625,000.00
	1997 International with Amador 46' SB Aerial Device replaced with 2010 International with Posi-Plus 46' SB Aerial Device (Truck #1)	\$267,100.00	
	2001 Chevrolet Malibu Car replaced with 2010 Ford Fusion Car	\$21,800.00	
	2005 Ford Freestar Van replaced due to motor vehicle accident with 2011 Ford Fusion Car	\$20,100.00	
	1978 King Pole Trailer with 2010 Sauber Pole Trailer	\$44,700.00	<i>Ordered &amp; Budgeted in 2010 paid in January 2011</i>
	Sub-Total	\$628,700.00	
2011	1978 King Pole Trailer replaced with a 2010 Sauber Pole Trailer	\$44,700.00	\$450,000.00
	1975 York Trailer (modified reel) replaced with a 2011 Sauber Reel Trailer	\$57,120.00	
	2002 Ford F350 (T17) replaced with a 2011 Ford F450	\$80,800.00	
	1994 Chevrolet P30 (T25) replaced with a 2011 Freightliner Chassis & PK Van Body	\$126,000.00	<i>Tender</i>
	2002 Ford Ranger pickup replaced with a (T61) 2011 Ford F150 pick up 4x4	\$25,100.00	
	2004 Ford Freestar minivan replaced with a (T64) 2011 Ford Explorer	\$30,900.00	
	Replace Front Axles in T2 & T5 for compliancy to MTO Weight & Dimension Reforms Phase 4 (SPIF)	\$19,650.00	
	Vehicles planned but not yet purchased	\$61,000.00	
	Sub-Total	\$445,270.00	
2012	1995 Freightliner FL80 RDB replaced with a 2012 International RBD 5052	\$370,000.00	\$485,000.00
	1994 Waltron dump trailer to be replaced with a dump truck – Assessing	\$50,000.00	
	Other Light Fleet Units	\$65,000.00	

- b) It appears that an amount of \$44,700 associated with the 1978 King Pole Trailer replacement has been included in 2010 actuals and in the 2011

**forecast. Is this for the same replacement, or are there two different replacements? Please confirm that the \$44,700 was included in the 2010 actuals in rate base. If not, please reconcile the \$628,700 shown as the 2010 actual expenditures shown for 2010 with the \$633,782 shown in Exhibit 2, Tab 1, Schedule 3, Table 7.**

**Guelph Hydro's Response:**

The trailer was budgeted for in 2010 but not received until January, 2011. Consequently, it was removed from the 2010 base total of \$628,700 with the change reflected. Therefore the total for 2011 includes the value of \$44,700.

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

**Question #18**

**Ref: Board Staff Interrogatory #15**

- a) Does Guelph Hydro have monthly data for the Ontario manufacturing production GDP?**

**Guelph Hydro's response:**

No, Guelph Hydro does not have monthly data for the Ontario manufacturing production GDP.

- b) If the answer to (a) is yes, please replace the Canadian figures with the Ontario figures and rerun the equation. Please provide the regression statistics and the forecast for 2011 and 2012.**

**Guelph Hydro's response:**

N/A.

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

**Question #19**

**Ref: Board Staff Interrogatory #19 &  
Exhibit 3, Tab 3, Schedule 2, page 5**

- a) For each of 2008 through 2012, please show the OPA related revenues included in account 4375 and the associated expenses included in account 4380.

**Guelph Hydro's Response:**

Response to be provided before the Settlement Conference.

- b) Are their OPA related revenues and/or expenses included in accounts other than 4375 and 4380? If yes, please provide details and the amounts included in each of the years.

**Guelph Hydro's Response:**

Response to be provided before the Settlement Conference.

- c) Is the expense related to increased staffing levels related to CDM activity funded by the OPA covered by additional revenues received from the OPA?

**Guelph Hydro's Response:**

Guelph Hydro confirms that CDM activity undertaken in support of OPA sponsored CDM programs will be covered by OPA CDM funding. In our budgeting of increased staffing to support the OPA CDM activity, we estimated that 75% of the costs of the Energy Services Representative(s) would be allocated to the OPA CDM delivery activity, with the remaining 25% of the cost supporting local customer Key Accounts (non-OPA CDM) activities.

- d) Please confirm that there are no increased costs included in the OM&A forecast for 2012 associated with increased staffing levels related to CDM activity funded by the OPA.

**Guelph Hydro's Response:**

Please refer to response to Energy Probe #19c.

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

**Question #20**

**Ref: Board Staff Interrogatory #24**

- a) **Has Guelph Hydro calculated the 2012 rate base using a full year of depreciation for assets added in the current year for 2008 through 2011 and a half year of depreciation for assets added in the current year for 2012? If not, please calculate the test year rate base under these assumptions. Please provide the continuity schedules that reflect these calculations.**

**Guelph Hydro's Response:**

No, the initial submission was made with Guelph Hydro calculating the 2012 rate base using a full year depreciation for all years 2008 – 2012. Below you will find the test year rate base considering a half year of depreciation for assets added in 2011 & 2012 and the related continuity schedule.



LDC	
Table 1	
Summary of Rate Base	
(Based on Revised Continuity Schedule reflecting Half Year Rule 2011 - 2012)	
Description	2012 Test Year MIFRS
Opening Balance Gross Fixed Assets	\$173,603,597
Closing Balance Gross Fixed Assets	\$182,513,597
Average Gross Fixed Assets	\$178,058,597
Opening Balance Accumulated Depreciation	(\$59,711,601)
Closing Balance Accumulated Depreciation	(\$65,142,319)
Average Accumulated Depreciation	(\$62,426,960)
Average Net Fixed Assets	\$115,631,637
Working Capital	\$158,923,599
Working Capital Allowance - 15%	\$23,838,540
Rate Base	\$139,470,177

Table 2	
Summary of Working Capital Calculation	
Description	2012 Test Year MIFRS
Cost of Power	143,312,358
Operations	4,704,370
Maintenance	1,850,075
Billing & Collecting	2,684,296
Community Relations	458,735
Administration & General Expense	5,913,766
Property Taxes	0
Working Capital	158,923,599

Guelph Hydro Electric Systems License Number ED-2002-0565, File Number														
			Table 9 Appendix 2-B											
Fixed Asset Continuity Schedule (Distribution & Operations)			Fixed Asset Continuity Schedule				REVISED			MIFRS				
As at December 31, 2012			As of December 31, 2012											
			Cost							Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value			
N/A	1805	Land	2,641,987			2,641,987	0			0	2,641,987			
CEC	1806	Land Rights	0			0	0			0	0			
1	1808	Buildings and Fixtures	19,995,502	83,000		20,078,502	3,114,760	427,443		3,542,203	16,536,298			
N/A	1810	Leasehold Improvements	0			0	0			0	0			
	1815	Transformer Station Equipment - Normally Prima	9,983,177			9,983,177	204,295	332,773		537,068	9,446,109			
47	1820	Distribution Station Equipment - Normally Prima	1,708,887			1,708,887	203,364	73,394		276,759	1,432,128			
	1825	Storage Battery Equipment	0			0	0			0	0			
47	1830	Poles, Towers and Fixtures	23,598,735	1,458,598		25,057,333	8,496,027	532,554		9,028,581	16,028,752			
47	1835	Overhead Conductors and Devices	19,104,801	1,364,027		20,468,828	7,105,829	427,499		7,533,328	12,935,500			
47	1840	Underground Conduit	40,546,142	2,666,116		43,212,258	14,183,623	938,140		15,121,762	28,090,496			
47	1845	Underground Conductors and Devices	38,418,577	2,373,457		40,792,034	13,029,439	890,549		13,919,988	26,872,046			
47	1850	Line Transformers	19,221,601	1,076,643		20,298,244	7,583,548	415,816		7,999,364	12,298,881			
47	1855	Services	7,452,758	278,723		7,731,481	2,758,320	177,255		2,935,575	4,795,906			
47	1860	Meters	14,725,108	625,000		15,350,108	3,125,651	801,010		3,926,661	11,423,447			
	1865	Other Installations on Customer's Premises	0			0	0			0	0			
CEC	1906	Land Rights	0			0	0			0	0			
1	1908	Buildings and Fixtures	0			0	0			0	0			
	1910	Leasehold Improvements	0			0	0			0	0			
	1915	Office Furniture and Equipment	1,221,843			1,221,843	796,221	45,425		841,646	380,197			
45	1920	Computer Equipment - Hardware	3,549,349	500,000		4,049,349	2,057,900	615,049		2,672,949	1,376,399			
	1925	Computer Software	1,114,457	0		1,114,457	0	74,297		74,297	1,040,160			
10	1930	Transportation Equipment	3,331,072	485,000		3,816,072	1,665,575	346,433		2,012,007	1,804,064			
	1935	Stores Equipment	96,338			96,338	96,338			96,338	0			
8	1940	Tools, Shop and Garage Equipment	1,103,006	65,000		1,168,006	678,947	76,799		755,747	412,259			
	1945	Measurement and Testing Equipment	14,872			14,872	14,872			14,872	0			
	1950	Power Operated Equipment	0			0	0			0	0			
	1955	Communication Equipment	0	0		0	0	0		0	0			
50	1960	Miscellaneous Equipment	2,439,448	52,000		2,491,448	2,323,517	23,216		2,346,732	144,715			
	1970	Load Management Controls - Customer Premise	314,982			314,982	314,982			314,982	(0)			
	1975	Load Management Controls - Utility Premises	0			0	0			0	0			
50	1980	System Supervisory Equipment	888,022	307,436		1,195,458	317,272	208,348		525,620	669,838			
	1985	Sentinel Lighting Rentals	6,158			6,158	0			0	6,158			
	1990	Other Tangible Property	0			0	0			0	0			
47	1995	Contributions and Grants	(37,914,111)	(2,425,000)		(40,339,111)	(8,359,357)	(975,331)		(9,334,688)	(31,004,423)			
	2005	Property Under Capital Leases	0			0	0			0	0			
	2070	Other Utility Plant	771			771	476	51		527	244			
		<b>Total before Work in Process</b>	<b>173,563,480</b>	<b>8,910,000</b>	<b>0</b>	<b>182,473,480</b>	<b>59,711,601</b>	<b>5,430,718</b>	<b>0</b>	<b>65,142,319</b>	<b>117,331,161</b>			
95	2055	Work in Process	40,117			40,117	0	(423,232)			40,117			
		Re-allocation of amortization												
		<b>Total after Work in Process</b>	<b>173,603,597</b>	<b>8,910,000</b>	<b>0</b>	<b>182,513,597</b>	<b>59,711,601</b>	<b>5,007,486</b>	<b>0</b>	<b>65,142,319</b>	<b>117,371,278</b>			

- b) The response indicates that Guelph Hydro has used a full year of depreciation for the additions in 2012 for rate setting purposes. Please confirm that this means that the \$6,831,714 shown as the depreciation expense in the RRWF in Exhibit 1, Tab 2, Schedule 6 includes depreciation based on the full year methodology for additions in 2012.

**Guelph Hydro's response:**

Yes the initial submission was made with Guelph Hydro taking a full year depreciation in all years 2008 – 2012 and adjusting the useful lives as a result of the adoption of MIFRS in 2011 and 2012. In section a) above, Guelph Hydro has submitted a revised Continuity Schedule for the Test Year 2012 using the half year rule. Based on this new continuity schedule depreciation expense in the RRWF in Exhibit 1, Tab 2, Schedule 6 would be \$6,351,708.

Depreciation per Revised Continuity Schedule	\$5,007,486
Depreciation on Smart meters (2009 – 2011)	1,310,138
Depreciation on Intangibles and Other Electric Plant	<u>34,084</u>
Total Depreciation	<u>\$6,351,708</u>

- c) What is the reduction associated with the 2012 depreciation expense if the half year rule is used for 2012?

**Guelph Hydro's response:**

See analysis in part b) above. Based on the impact of the half year rule and some other adjustments relating to Guelph Hydro's depreciation expense now part of the Rate Base Continuity Schedule, the net reduction in depreciation expense in 2012 will be \$480,006

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

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

**Issue 4.6 Is the test year forecast of PILs appropriate?**

**Question #21**

**Ref: Board Staff Interrogatory #45 &  
Energy Probe Interrogatory #30 &  
Energy Probe Interrogatory #35**

- a) **Please reconcile the figure of \$1,310,138 in Energy Probe #30 associated with deprecation taken on smart meters prior to 2012 with the sum of the figures shown for 2009 through 2011 of \$1,088,914 shown in Sheet 4 of the Smart Meter Revenue Requirement Model in Appendix Guelph\_BoardStaff\_IRR\_#45\_SM\_RevReqModel.**

**Guelph Hydro's Response:**

The majority of the excess of the pre 2012 Smart Meter depreciation in Energy Probe #30 (EP30) compared to the Smart Meter Revenue Requirement Model (SMM) is due to the fact that the SMM calculates depreciation using the half year rule on additions vs. a full year's worth of depreciation being calculated in EP30. The use of the half year rule causes depreciation to be \$353,634 lower in the SMM compared to EP30. Offsetting this difference is a \$92,250 lower depreciation calculation on EP30. This is the result of calculating depreciation on all smart meter investment (smart meters, computer hardware, computer software, tools & equipment, other equipment) at 15 years for 2009 and 2010. In 2011 the depreciation of smart meter investment was categorized and depreciated using depreciation rates consistent with the categories used in the SMM.

- b) **The response to Energy Probe #35 indicates that Guelph Hydro had a \$183,675 SR&ED tax credit in 2010 associated with smart meter implementation and the construction of a new transformer station. Please indicate the amount included in the \$183,675 associated with smart meter implementation.**

**Guelph Hydro's Response:**

**Response to be provided before the Settlement Conference.**

- c) **Has Guelph Hydro reflected the 2010 SR&ED tax credit associated with smart meter implementation in the calculation of the revenue requirement in the model filed in Appendix Guelph\_BoardStaff\_IRR\_#45\_SM\_RevReqModel? If not, why not?**

**Guelph Hydro's Response:**

Guelph Hydro did not reflect the 2010 SR&ED tax credit associated with smart meter implementation in the calculation of the revenue requirement.

The 2010 Tax Return was not available at the time Guelph Hydro prepared its application, including the Smart Meter Revenue Requirement Model. Guelph Hydro expects to receive the 2010 Tax Assessment in November 2011.

The 2010 SR&ED ITC in amount of \$148,652 will be reflected in the updated Smart Meter Revenue Requirement Model which will include all changes as a result of the responses provided to interrogatories, technical conference questions or updated/revised evidence.

- d) **The UCC for computer equipment shown on the "For PILS Calculation" sheet in Appendix Guelph\_BoardStaff\_IRR\_#45\_SM\_RevReqModel appears to use CCA Class 50. Please explain why Class 52 has not been used for expenditures after January 27, 2009 and before February 2011.**

**Guelph Hydro's Response:**

Class 52 should have been used for computer equipment expenditures after January 27, 2009 and before February 2011. The SM\_RevReqModel will be adjusted to correct for this error.

- e) **Please recalculate the PILS based on using CCA Class 52 for all expenditures after January 27, 2009 and before February 2011 using a 100% rate and no half year rule and Class 50, at a rate of 55% and using the half year rule for expenditures outside of this period.**

**Guelph Hydro's Response:**

Response to be provided before the Settlement Conference.

- f) Please reconcile the use of Class 50 for CCA purposes in 2010 with the use of Class 52 in Schedule 8 of the 2010 tax return found in Appendix Guelph\_EP\_IRR\_#36\_2010TaxReturn.

**Guelph Hydro's Response:**

Class 52 in Schedule 8 of the 2010 tax return is comprised of the following items:

Computer equipment	\$207,922	
Graphics equipment	5,249	
Data acquisition system	222,648	
SM hardware	<u>181,564</u>	(Class 50 in SM_RevReqModel)
	<u>\$617,683</u>	

The remainder of Class 50 in SM\_RevReqModel ie. \$716,329 has been included in the Class 8 total of \$ 6,430,860 in Schedule 8 of the 2010 tax return.

**Issue 9.1 are the account balances, cost allocation methodology and disposition period appropriate?**

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

**Question #22**

**Ref: Board Staff Interrogatory #67 &  
Energy Probe Interrogatory #26**

**Please reconcile the balances in account 1521 "Sub-account 2010 SPC Variance" of a debit of \$26,303.97 as of April 30, 2011 (Energy Probe #26) and a credit of \$3,028.50 as of August 31, 2011 (Board Staff #67).**

**Guelph Hydro's Response:**

**Response to be provided before the Settlement Conference.**

**Question #23**

**Ref: All Interrogatory and TCQ Questions**

- a) Please provide a list of all changes that Guelph Hydro proposes to make to the calculation of the revenue requirement and/or revenue deficiency as a result of the responses provided to interrogatories, technical conference questions or updated/revised evidence. Please include in the list a description of the change and the impact on the revenue deficiency.
- b) Please provide an updated RRWF reflecting any changes listed in the response to part (a).

**Guelph Hydro's Response:**

Response to be provided before the Settlement Conference.

- c) Please provide a list of a changes that Guelph Hydro proposes to make to any non-revenue requirement areas such as deferral & variance accounts, cost allocation, rate design, smart meters, etc. as a result of responses to interrogatories, technical conference questions or updated/revised evidence.

**Guelph Hydro's Response:**

Response to be provided before the Settlement Conference.