PROCEDURAL ORDER NO.2

GUELPH HYDRO ELECTRIC SYSTEMS INC. (“Guelph Hydro”)

TCQ_RESPONSES TO THE SEC’S INTERROGATORIES ON

2012 ELECTRICITY DISTRIBUTION COST OF SERVICE RATES

FILE NUMBER EB-2011-0123

October 26, 2011

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1 GENERAL

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

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

   Guelph Hydro's Response:

   The 13% increase was an assumed budgetary increase based on GHESI's recently filed IRM application. At the time the budget was developed (October, 2010), the application had been filed but the proceeding had not started. When the final decision was issued in April, the actual overall rate increase was 3.8%.

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

   Guelph Hydro's Response:

   Non-distribution revenue includes all "pass through" items that GHESI bills customers and is invoiced for by the IESO. These items include cost of power, debt retirement charges, and transmission charges.

   Due to the nature of the billing cycles of GHESI and the IESO, there is generally a timing difference between revenue billed and costs invoiced that results in fluctuations from month to month. These differences are captured and reconciled with the IESO on a monthly basis and are recorded on our balance sheet as regulatory assets or liabilities.

2. RATE BASE

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

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

   Guelph Hydro's Response:

   Response to be provided before the Settlement Conference.

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

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

Guelph Hydro's Response:

The total project cost for Arlen MTS is revised upward from $15 million to $17 million. This revision still does not materially change the cost-benefit analysis against the other available option of having Hydro One build the transformer station.

The capital contribution requested by Hydro One in a connection assessment is still greater than $17 million and commissioning was not promised until late 2012. This was not acceptable as new load is expected to be connected by the end of 2011.

The increase in cost is mainly due to additional equipment and protection systems requested by Hydro One in order to connect to the bulk supply system, additional engineering and construction costs to meet municipal and provincial planning regulations, flexibility to convert the transformer station to 230kV with minimal downtown and risk, provision to accommodate a future expansion of the transformer station and additional material procurement costs.

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

Guelph Hydro's Response:

Guelph Hydro's Engineering department use several spreadsheet-based tools to estimate and develop capital budgets. Some of these contain commercially sensitive information that is proprietary to Guelph Hydro and its developer customers (subdivisions, major new businesses). We propose to discuss the process and the tools we use to develop capital budgets at the Technical Conference on October 27. Following this discussion, we can provide desired spreadsheets for review with the caveat that some may need to be provided in confidence.

4. OPERATING COSTS

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

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

Guelph Hydro's Response:

The 2011 OM&A budget was approved on November 23, 2010. The budget was reviewed by the Finance and Audit Committee on October 27. The Committee recommended that the Board approve the budget as presented at the November 23 Board meeting.

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

Guelph Hydro's Response:

The in depth review is a process by which the senior management team as a whole reviews either proposed new positions or changes to business processes or organization to meet new business requirements and strive for efficiencies. The process largely entails meetings and discussions with input from relevant departments. The final result is the identification and risk/benefit analysis for each position shown in the budget presentation that is used to provide information to GHESI's Board for approval (provided in response to SEC #2 September 30, 2011).

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

8. Please explain the figure, on the last page of the Appendix, labeled only as "Intercompany Services".

   Guelph Hydro's Response:

   The last figure on the last page of the Appendix, submitted confidentially for the year 2011, is $358,144.66. This is the amount transferred out of Guelph Hydro Inc. to Guelph Hydro, for Guelph Hydro's share of the cost of Guelph Hydro Inc. employees who are shared between the two companies. This figure needs to be read in context. The same Appendix also provides for the year 2011, a figure of $308,767.92 (plus 10% mark-up) which represents the amount transferred out of Guelph Hydro to Guelph Hydro Inc., for Guelph Hydro Inc.'s share of the cost of Guelph Hydro employees who are shared between the two companies.

   The last figure on the last page of the Appendix, submitted confidentially for the year 2012, is $316,519.11. This is the amount transferred out of Guelph Hydro Inc. to Guelph Hydro, for Guelph Hydro's share of the cost of Guelph Hydro Inc. employees who are shared between the two companies. This figure also needs to be read in context. The same Appendix also provides for the year 2012, a figure of $394,876.44 (plus 10% mark-up) which represents the amount transferred out of Guelph Hydro to Guelph Hydro Inc., for Guelph Hydro Inc.'s share of the cost of Guelph Hydro employees who are shared between the two companies.

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

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

Guelph Hydro's Response:

Guelph Hydro revised both the Appendix 2-M schedule and the Continuity Schedule used for the Rate Base calculation for the years 2011 and 2012. These revised schedules have been calculated using the MIFRS adjustments and new useful lives as well as using the half year rule for all additions in both years. As requested, below you will find the revised Appendix 2-M schedules for both 2011 and 2012.

One other major difference relating to these revised Appendix 2-M schedules is that Guelph Hydro ensured that all fully depreciated assets were properly included in column b) for both 2011 and 2012 which allowed the schedule to calculate a depreciation value more accurately.

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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
		(a)	(b)	(c) = (a) - (b)	(d)	(e)=(c)+ 0.5 x (d) (2)	(f)	(g) = 1 / (f)	(h) = (e) / (f)
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
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
1820	Substation Equipment	$1,708,887		$1,708,887	$0	$1,708,887	30	0.03	$56,963
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
1835	OH Conductors & Devices	$17,880,210		$17,880,210	$1,224,591	$18,492,505	40	0.03	$462,313
1840	UG Conduit	$37,660,552		$37,660,552	$2,885,590	$39,103,347	40	0.03	$977,584
1845	UG Conductors & Devices	$35,823,198		$35,823,198	$2,595,379	$37,120,888	40	0.03	$928,022
1850	Line Transformers	$18,187,753		$18,187,753	$1,033,848	$18,704,677	40	0.03	$467,617
1855	Services (OH & UG)	$7,183,493		$7,183,493	$269,265	$7,318,125	40	0.03	$182,953
1860	Meters	$6,634,663		$6,634,663	$609,000	$6,939,163	25	0.04	$277,567
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
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
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
1930	Transportation Equipment - Large Vehicles	$2,420,101		$2,420,101	$450,000	$2,645,101	10	0.10	$264,510
1935	Stores Equipment	$96,338	$96,338	$0	$0	$0	10	0.10	$0
1940	Tools, Shop & Garage Equipment	$992,103	$308,642	$683,461	$60,000	$713,461	10	0.10	$71,346
1945	Measurement & Testing Equipment	$14,872	$14,872	$0	$0	$0	10	0.10	$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
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
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
1985	Miscellaneous Fixed Assets	$6,158	$6,158	$0	$0	$0	10	0.10	$0
1995	Contributions & Grants	-$35,235,111		-$35,235,111	-$2,679,000	-$36,574,611	40	0.03	-$914,365
2070	Other Utility Plant	$771		$771	$0	$771	15	0.07	$51
	Total	$144,671,404	$4,206,545	$140,464,859	$19,562,000	$150,245,859			$4,585,647

Notes:

(1) This adjusts for assets still on the books but which have been fully amortized or depreciated.

(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.

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Appendix 2-M - Depreciation and Amortization Expense

2012 Test Year IFRS — REVISED MIFRS

Account	Description	Opening Balance (a)	Less Fully Depreciated [1] (b)	Net for Depreciation (c) = (a) - (b)	Additions (d)	Total for Depreciation (e)=(c) + 0.5 x (d) [2]	Years (f)	Depreciation Rate (g) = 1 / (f)	Depreciation Expense (h) = (e) / (f)
1805	Land	$2,641,987		$2,641,987	$0	$2,641,987	Non-depreciable		
1808	Buildings	$19,995,502		$19,995,502	$83,000	$20,037,002	50	0.02	$400,740
1810	Leasehold Improvements	$0		$0	$0	$0			
1815	Transformer Station Equipment >50 kV	$9,983,177		$9,983,177	$0	$9,983,177	30	0.03	$332,773
1820	Substation Equipment	$1,708,887		$1,708,887	$0	$1,708,887	30	0.03	$56,963
1825	Storage Battery Equipment	$0		$0	$0	$0			
1830	Poles, Towers & Fixtures	$23,598,735		$23,598,735	$1,458,598	$24,328,034	40	0.03	$608,201
1835	OH Conductors & Devices	$19,104,801		$19,104,801	$1,364,027	$19,786,814	40	0.03	$494,670
1840	UG Conduit	$40,546,142		$40,546,142	$2,666,116	$41,879,200	40	0.03	$1,046,980
1845	UG Conductors & Devices	$38,418,577		$38,418,577	$2,373,457	$39,605,306	40	0.03	$990,133
1850	Line Transformers	$19,221,601		$19,221,601	$1,076,643	$19,759,923	40	0.03	$493,998
1855	Services (OH & UG)	$7,452,758		$7,452,758	$278,723	$7,592,119	40	0.03	$189,803
1860	Meters	$7,243,663		$7,243,663	$625,000	$7,556,163	25	0.04	$302,247
1861	Smart Meters	$7,481,445		$7,481,445		$7,481,445	15	0.07	$498,763
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	299,430.00	$922,413	$0	$922,413	15	0.07	$61,494
1915	Office Furniture & Equipment 5yr			$0		$0	10	0.10	$0
1920	Computer - Hardware	$3,549,349	1,350,877.00	$2,198,472	$500,000	$2,448,472	5	0.20	$489,694
1921	Computer - Hardware post Mar 22/04			$0		$0			
1921	Computer - Hardware post Mar 19/07			$0		$0			
1925	Computer Software	$1,114,457		$1,114,457	$0	$1,114,457	15	0.07	$74,297
1930	Transportation Equipment - Cars and Vans	$460,971	154,946.41	$306,025		$306,025	5	0.20	$61,205
1930	Transportation Equipment - Large Vehicles	$2,870,101		$2,870,101	$485,000	$3,112,601	10	0.10	$311,260
1935	Stores Equipment	$96,338	96,338.00	$0	$0	$0	10	0.10	$0
1940	Tools, Shop & Garage Equipment	$1,103,006	359,545.00	$743,461	$65,000	$775,961	10	0.10	$77,596
1945	Measurement & Testing Equipment	$14,872	14,872.00	$0	$0	$0	10	0.10	$0
1950	Power operated Equipment	$0		$0	$0	$0			
1955	Communications Equipment	$0		$0	$0	$0			
1960	Graphics Equipment	$2,439,448	2,349,369.66	$90,078	$52,000	$116,078	5	0.20	$23,216
1965	Water Heater Rental Units			$0		$0	25	0.04	$0
1970	Load Management Controls	$314,982	314,982.00	$0	$0	$0	10	0.10	$0
1975	Load Management Controls Utility Premises	$0		$0	$0	$0			
1980	System Supervisor Equipment	$888,022		$888,022	$307,436	$1,041,740	5	0.20	$208,348
1985	Miscellaneous Fixed Assets	$6,158	6,158.00	$0	$0	$0	10	0.10	$0
1995	Contributions & Grants	-$37,914,111		-$37,914,111	-$2,425,000	-$39,126,611	40	0.03	-$978,165
2070	Other Utility Plant	$771		$771	$0	$771	15	0.07	$51
	Total	$173,563,480	$4,946,518	$168,616,962	$8,910,000	$173,071,190			$5,744,266

Notes:

(1) This adjusts for assets still on the books but which have been fully amortized or depreciated.

(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.

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

Guelph Hydro's Response:

Response to be provided before the Settlement Conference.

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

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

    Guelph Hydro's Response:

    Response to be provided before the Settlement Conference.

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

Guelph Hydro's Response:

Response to be provided before the Settlement Conference.

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

Guelph Hydro's Response:

Response to be provided before the Settlement Conference.

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

    Guelph Hydro's Response:

    The COO is a Guelph Hydro (i.e. Guelph Hydro Electric Systems Inc., the LDC) employee with a direct reporting relationship to the Guelph Hydro Board of Directors, an independent Board overseeing Guelph Hydro, the LDC. The COO also has a direct reporting relationship to the CEO, who is the CEO of Guelph Hydro Inc., the parent company. The CEO reports directly to a separate Guelph Hydro Inc. Board., which oversees Guelph Hydro Inc.

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

Guelph Hydro's Response:

First, Appendix 2-K provides the total compensation for all employees of Guelph Hydro, regardless of whether or not they are shared. A detailed analysis of shared services, including lists of positions shared between companies and related costs, is provided under EB-2011-0123 Exhibit 4, Tab2, Schedule 8, Appendix 2-L.

As noted in the above referenced analysis of shared services, some Guelph Hydro employees are shared with other companies in 2010, 2011 and 2012. Here is the total cumulative Guelph Hydro FTE's shared with affiliates. Please note that FTE numbers is the cumulative sum of % FTE's in Guelph Hydro shared with affiliates. Also listed are the compensation costs of various categories listed in Appendix 2-K relating to this cumulative total. Please note the numbers in the following table are already reflected in the numbers of Appendix 2- K, since it reflects the total costs of Guelph Hydro employees.

Affiliate's share of Guelph Hydro employees	**2010**	**2011**	**2012**
Number of Employees (FTE's including Part-Time)	2.05	2.75	3.25
Total Salary and Wages	$172,364.37	$233,369.19	$295,703.17
Total Benefits	$33,891.23	$48,300.34	$69,079.52
Total Incentive	$16,527.70	$27,098.39	$30,093.76
Total Compensation	**$222, 783.30**	**$308,767.92**	**$394, 876.44**
Add 10% mark-up for costs going to affiliates from Guelph Hydro	$ 243,633	$339, 645	$434,364

Note that there is a 10% mark –up added to the total compensation relating to Guelph Hydro FTE's shared with any affiliate, which is also passed on to affiliates.

Also, some affiliate employees are shared with Guelph Hydro. Here is the total cumulative affiliate FTE's shared with Guelph Hydro in 2010, 2011 and 2012. Please note that FTE numbers is the cumulative sum of % FTE's in affiliates shared with Guelph Hydro. Also listed are the compensation costs of various categories listed in Appendix 2-K relating to this cumulative total, even though such costs are already reflected in other parts of the application and should not be "double counted". Please note that the numbers in the following table are NOT reflected in Appendix 2-K.

Guelph Hydro's share of affiliate employees	**2010**	**2011**	**2012**
Number of Employees (FTE's including Part-Time)	2.3	2.65	2.15
Total Salary and Wages	$366,017.13	$267,056.28	$233,300.31
Total Benefits	$25,845.47	$57,203.15	$49574.82
Total Incentive	$58,164.27	$33,885.23	$33,643.98
Total Compensation	$450,026.87	$358,144.66	$316,519.11

Note that there is no 10% mark-up added to the total compensation of affiliate employees shared with Guelph Hydro.

The net impact on Appendix 2-K for illustrative purposes only, as shared services are accounted for in a separate part of the application follows. Please refer to EB-2011-0123, Exhibit 4, Tab 2, Schedule 8, Appendix 2-L for more details on shared services, including years 2008 and 2009.

Net Impact on Total Compensation	**2010**	**2011**	**2012**
Net cost to affiliates	$0	$18.500	$0
Net cost to Guelph Hydro	$206, 394	$0	$117,845

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

Guelph Hydro's Response:

Response to be provided before the Settlement Conference.

11. MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

Guelph Hydro's Response:

Guelph Hydro's Rate Base for 2011 and 2012 are impacted by both the change in useful lives (the useful lives are longer under MIFRS than under CGAAP) as well as the reduction in NBV due to the removal of the ineligible burden costs that were capitalized in 2010. It must be noted that Guelph Hydro's original submission reflected the new longer useful lives for 2011 which already had adopted MIFRS accounting policies.

The net dollar impact on the Rate Base due to the change in capitalization policy under MIFRS for 2010 is an increase of $477,900, as illustrated below:

Table 2 -Rate Base Calculation for 2010

	MIFRS	CGAAP	Difference
Fixed Assets Opening Balance 2010, net of contributions & grants	$ 90,470,000	$ 90,470,000	$ -
Fixed Assets Closing Balance 2010, net of contributions & grants	90,562,000	$ 90,412,000	$ 150,000
Average Fixed Asset Balance for 2010, net of contributions & grants	**90,516,000**	**90,441,000**	
Working Capital Allowance (calculated below)	19,532,600	19,129,700	
Rate Base	**110,048,600**	**109,570,700**	
Regulated Rate of Return	7.02%	7.02%	
Regulated Return on Capital	**$ 7,728,493**	**$ 7,694,931**	
Deemed Interest Expense	$ 3,956,027		
Deemed Return on Equity	$ 3,772,466		

The difference in closing NBV of $150,000 is made up of the following:

Removal of ineligible burden	($2,686,000)
Reduced depn due to extended Useful lives	2,836,000
	$ 150,000

WORKING CAPITAL ALLOWANCE FOR 2010				
Distribution Expenses		**MIFRS**	**CGAAP**	**Difference**
Distribution Expenses - Operation		$ 3,615,000	$ 929,000	$ 2,686,000
Distribution Expenses - Maintenance		1,655,000	1,655,000	$ -
Billing and Collecting		2,070,000	2,070,000	$ -
Administrative and General Expenses		5,345,000	5,345,000	$ -
Less: Capital Taxes within 6105		124,667	124,667	$ -
Total Eligible Distribution Expenses		**12,560,333**	**9,874,333**	$ 2,686,000
Power Supply Expenses		117,657,000	117,657,000	$ -
Total Working Capital Expenses		**$ 130,217,333**	**$ 127,531,333**	**$ 2,686,000**
Working Capital Allowance rate of 15%		$ 19,532,600	$ 19,129,700	

The difference in Working capital is the additional expense of the burden costs that are no longer eligible to be capitalized with the adoption of MIFRS.

Flowing through this change to the 2010 NBV along with adopting the half year rule on the 2011 additions (as required by the OEB), the net dollar impact on the January 1, 2012 Rate Base relative to what was initially filed was an increase of $ $391,000.

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

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

Guelph Hydro's Response:

Response to be provided before the Settlement Conference.

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

Guelph Hydro's Response:

Response to be provided before the Settlement Conference.

19. [Staff IR #79, App. A] Please restate Appendix A without the impact of the removal of contributions and grants from PP&E. Alternatively, please reconcile the figures of $25,764 and $27,790 in 2010 (i.e. what other impacts make up the difference between the two numbers?), and provide the same breakdown for the $28,948 in 2011. In either case, please provide Appendix A in Excel spreadsheet format.

    Guelph Hydro's Response:

    Response to be provided before the Settlement Conference.

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

Guelph Hydro's Response:

The $1,414,000 in Note 4 is part of the explanation for the difference between CGAAP depreciation and MIFRS depreciation. This amount is the CGAAP amortization of the contributed capital using the CGAAP useful lives of 25 years. Under MIFRS, this amount has been reversed and thus is no longer part of the depreciation total as it requires a reclassification to Other Revenue.

Under MIFRS the amortization of Contributed Capital is affected in two ways. First, the amortization period has been increased from 25 years to 40 years as the assets of which these contributions related to have an increased useful life of 40 years. Due to this change in useful life, the new amortization for 2010 is $848,000. Second, this amortization has now been reported as Other Revenue instead of an offset to depreciation and therefore shows up as a reconciling difference as outlined in Note 1.

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

    Guelph Hydro's Response:

    Response to be provided before the Settlement Conference.

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

    Guelph Hydro's Response:

    The IFRS impacts listed on page 15 have been incorporated in the 2011 and 2012 budget that was used to determine the revenue requirement. The items were highlighted to show the impact the adoption of IFRS had on the overall budget as compared to if it had been prepared in CGAAP.

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

Guelph Hydro's Response:

For internal planning and reporting purposes, Guelph Hydro continues to treat contributions and grants as a reduction from capital spending.

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

Guelph Hydro's Response:

These line items were provided for informational purposes only and were meant to illustrate the impact on net income of moving from IFRS reporting to MIFRS reporting.