

November 2, 2011
Sent by email, courier, and RESS

Kirsten Walli
Board Secretary
Ontario Energy Board,
2300 Yonge St.
Suite 2700, P.O. Box 2319
Toronto, Ontario
M4P 1E4
Canada

Dear Ms. Walli:

Re: OEB File No. EB-2011-0123
Guelph Hydro Electric Systems Inc. (Guelph Hydro)
2012 Electricity Distribution Rate Application – Response to JTC1.2

Please find enclosed Guelph Hydro's response to the undertaking JTC1.2 which requests to provide data in response to the Board Staff technical conference question number 15.

Guelph Hydro is sending in advance this response in order to provide more time for analyzing the response and the updated 1562 Continuity Schedules and SIMPIL models.

The updated 1562 Continuity Schedules and SIMPIL models have been submitted electronically in Excel version only.

Two hard copies and a CD containing electronic versions (PDF and Excel) of the filing have been sent by courier.

Should there be any questions, please do not hesitate to contact me.

Respectfully Submitted,



Cristina Birceanu



Manager of Regulatory Affairs
Guelph Hydro Electric Systems Inc.

395 Southgate Drive,
Guelph, ON N1G 4Y1
Telephone- (519) 837-4735
Mobile- 226-218-2150
Email- cbirceanu@guelphhydro.com

PROCEDURAL ORDER NO.2

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

JTC1.2 _ RESPONSES TO THE BOARD STAFF’S INTERROGATORY NO. 15

2012 ELECTRICITY DISTRIBUTION COST OF SERVICE RATES

FILE NUMBER EB-2011-0123

November 2, 2011

UNDERTAKING NO. JTC1.2: TO PROVIDE DATA IN RESPONSE TO
BOARD STAFF TECHNICAL CONFERENCE QUESTION NO. 15

Issue 4.6 Is the test year forecast of PILs appropriate?

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

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

Guelph Hydro's Response:

Yes, each of the tax years 2001 through 2005 is statute barred.

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

Guelph Hydro's Response:

The Guelph Hydro staff members who completed the original 2001 to 2005 SIMPILs filings are no longer working for the company. There is no indication as to the rationale used to select the tax rates input into the original SIMPILs filings from 2001 to 2005. Guelph Hydro has refilled its 2001 to 2005 SIMPILs models using revised SIMPIL models as filed by Hydro One Brampton and using the tax directed as per the Board's decision issued on June 24, 2011.

These models correct for errors in tax rates used in the original filings, including using the proper rate of 36.62% in the 2003 Guelph model rather than 38.62%.

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

Guelph Hydro's Response:

Guelph Hydro has removed regulatory assets and liabilities from reserves subject to true up calculations. The 2001 and 2005 revised SIMPILs filings reflect the removal of these items.

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

Guelph Hydro's Response:

The dates chosen for the recording of the SIMPIL variances on the original SIMPILs filings are incorrect. Guelph Hydro feels that the appropriate date to record the SIMPILs true up variance is the date corresponding to the filing date of that particular year's tax returns. For example, the 2002 SIMPIL variance would be recorded on June 30, 2003, which is the filing due date of the 2002 tax returns. Guelph Hydro believes that this date is appropriate since the annual tax returns provide the final information required to calculate the SIMPILs variance amounts. The filing date for the tax returns represents a reasonable proxy as to when this information is available in its finalized state. Guelph Hydro has adjusted its revised SIMPIL model filings to correct for the above noted change.

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

Guelph Hydro's Response:

Guelph Hydro believes that interest and penalties on underpaid or unpaid taxes should not true up to the ratepayer. Guelph Hydro has adjusted its revised SIMPIL model filings to correct for the above noted change.

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

Guelph Hydro's Response:

Consistent with the treatment of the gain on disposal of its Dawson Road property in its 2008 rate submission, Guelph Hydro believes that gains and losses on fixed assets should be shared 50/50 with the ratepayers and the shareholder. Guelph Hydro has adjusted the 2001 and 2005 revised SIMPILs filing to reflect this treatment.

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

Guelph Hydro's Response:

Guelph Hydro has re-filed the SIMPIL model evidence using revised SIMPIL models for 2001 through 2005 as filed by Hydro One Brampton.

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

Guelph Hydro's Response:

Guelph Hydro has excluded all data related to regulatory assets, liabilities, collections, impairments, etc. from the true-ups to ratepayers by recording the amounts on sheet TAXREC3 of the revised SIMPILs models.

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

Guelph Hydro's Response:

Guelph Hydro has selected the correct tax rate in each year to calculate the tax impact. and deducted 1.12% from the selected tax rate for purposes of calculating the grossed-up tax effect.

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

Guelph Hydro's Response:

See response to 15 b).

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

Guelph Hydro's Response:

Guelph Hydro has recorded the addition and deduction of Ontario capital tax (OCT) on sheet TAXREC3 of the revised SIMPILs models.

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

Guelph Hydro's Response:

Guelph Hydro has filed the full sets of financial statements that were used in the preparation of the tax returns for each tax year.