



September 28, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor/ P.O. Box 2319
2300 Yonge St.
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: KPMG PP&E Auditor's Report,
Halton Hills Hydro Inc.'s 2012 Cost of Service Rate Application,
Board File no. EB-2011-0271**

As per the Board Decision in Halton Hills Hydro Inc.'s 2012 Cost of Service Rate Application, EB-2011-0271, dated June 4, 2012, Halton Hills Hydro Inc. hereby submits the *"the results of KPMG's audit and its confirmation of all detailed calculations for the derivation of PP&E net book value and depreciations under both CGAAP and MIFRS assumptions"* with the associated schedules.

An electronic copy of the KPMG PP&E Auditor's Report has been filed through RESS on the Ontario Energy Board website and two (2) hardcopies delivered to the Board offices.

Any questions or concerns can be directed to David Smelsky, Chief Financial Officer, (519) 853-3700 extension 208 or dsmelsky@haltonhillshydro.com.

Yours truly,

(Original signed)

David J. Smelsky
Chief Financial Officer
Halton Hills Hydro Inc.

Cc: Mr. Arthur Skidmore, President & CEO, HHHI
Mr. Richard King, Counsel
Intervenors of Record in EB-2011-0271



KPMG LLP
Chartered Accountants
Box 976
21 King Street West Suite 700
Hamilton ON L8N 3R1

Telephone (905) 523-8200
Telefax (905) 523-2222
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Ontario Energy Board

We have audited depreciation under CGAAP and MIFRS included in the accompanying schedule of PP&E Deferral Accounts on Transition to MIFRS for the period ended December 31, 2011. The schedule has been prepared by management in accordance with CGAAP and modified IFRS ("MIFRS") as determined by the Report of the Board – Transition to International Financial Reporting Standards issued July 29, 2009 and amended November 8, 2010.

Management's Responsibility for the Schedule

Management is responsible for the preparation of the schedule in accordance with CGAAP and MIFRS, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the depreciation under CGAAP and MIFRS in the schedule is prepared, in all material respects, in accordance with CGAAP and MIFRS.



Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 to the schedule, which describes the basis of accounting. The schedule is prepared for Halton Hills Hydro Inc.'s rate application to the Ontario Energy Board for the 2012 rate year. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for Halton Hills Hydro Inc. and the Ontario Energy Board and should not be used by parties other than Halton Hills Hydro Inc. and the Ontario Energy Board.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
September 1, 2012
Hamilton, Canada

Halton Hills Hydro Inc.
PP&E Deferral Accounts on Transition to MIFRS

1. Basis of accounting:

The schedule of PP&E Deferral Accounts on Transition to MIFRS has been prepared in accordance with Report of the Board – Transition to International Financial Reporting Standards issued July 29, 2009 and amended November 8, 2010.

Significant assumptions made in the preparation of the schedule include:

- a) The opening net PP&E balance excludes work in process and assets not allowed for rate setting purposes.
- b) Additions are projected additions for 2011 and agree to those approved by the Ontario Energy Board.
- c) Depreciation under CGAAP for 2011 is based upon 2011 forecasted CGAAP additions. Depreciation under MIFRS for 2011 is based upon 2011 forecasted MIFRS additions.

PP&E Deferral Accounts on Transition to MIFRS						
	2010	2011	2012	2013	2014	2015
PP&E Values Under CGAAP						
Opening Net PP&E	28,170,052	27,281,803				
Additions	1,860,433	2,835,783				
Depreciations	(2,748,682)	(2,115,000)				
Closing Net PP&E	27,281,803	28,002,586	-	-	-	-
PP&E Values CGAPP for 2010; MIFRS for 2011						
Opening Net PP&E	28,170,052	27,281,803				
Additions	1,860,433	2,655,235				
Depreciations	(2,748,682)	(1,097,735)				
Closing Net PP&E	27,281,803	28,839,303	-	-	-	-
Difference in Closing Net PP&E, CGAPP vs MIFRS	-	(836,717)				
**Adjustment to 2012 Rate Base on rebasing						
PP&E Deferral Account Under MIFRS -rebasing in 2012						
Opening Balance		-	(836,717)	(627,538)	(418,359)	(209,179)
Amount added in the Year		(836,717)	-			
		(836,717)	(836,717)	(627,538)	(418,359)	(209,179)
Amortize Amount in Deferral Account over 4 Years		-	209,179	209,179	209,179	209,179
Closing Balance	-	(836,717)	(627,538)	(418,359)	(209,179)	-
Effect on Revenue Requirement of Including Deferral Account Amortization on Rebasing in 2012						
Amortization of deferral Account			(209,179)			
Return on Rate Base - 6.20%	6.090%		(50,956)			
Amount of increase (decrease) in 2012 Revenue Requirement on rebasing			(260,135)			

NPV of OEB Approach (\$899,542)

File Number: EB-20XX-XXXX
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Appendix 2-B Fixed Asset Continuity Schedule - CGAAP

Year ¹ 2011

CCA Class	OEB	Description	Depreciation Rate	Cost			
				Opening Balance	Additions	Disposals	Closing Balance
N/A	1805	Land		\$ 359,609	\$ 180,000	\$ -	\$ 539,609
47	1808	Buildings		\$ 3,080,205	\$ -	\$ -	\$ 3,080,205
13	1810	Leasehold Improvements		\$ -	\$ -	\$ -	\$ -
47	1815	Transformer Station Equipment >50 kV		\$ -	\$ -	\$ -	\$ -
47	1820	Distribution Station Equipment <50 kV		\$ 4,223,477	\$ 109,697	\$ -	\$ 4,333,174
47	1825	Storage Battery Equipment		\$ -	\$ -	\$ -	\$ -
47	1830	Poles, Towers & Fixtures		\$ 15,977,374	\$ 512,794	\$ -	\$ 16,490,168
47	1835	Overhead Conductors & Devices		\$ 5,607,599	\$ 584,688	\$ -	\$ 6,192,287
47	1840	Underground Conduit		\$ 970,085	\$ 420,789	\$ -	\$ 1,390,874
47	1845	Underground Conductors & Devices		\$ 4,675,723	\$ 304,465	\$ -	\$ 4,980,188
47	1850	Line Transformers		\$ 6,961,088	\$ 213,753	\$ -	\$ 7,174,841
47	1855	Services (Overhead & Underground)		\$ 2,556,444	\$ -	\$ -	\$ 2,556,444
47	1860	Meters		\$ 1,048,410	\$ -	\$ -	\$ 1,048,410
47	1860	Meters (Smart Meters)		\$ -	\$ -	\$ -	\$ -
N/A	1905	Land		\$ -	\$ -	\$ -	\$ -
CEC	1906	Land Rights		\$ -	\$ -	\$ -	\$ -
47	1908	Buildings & Fixtures		\$ -	\$ 124,075	\$ -	\$ 124,075
13	1910	Leasehold Improvements		\$ -	\$ -	\$ -	\$ -
8	1915	Office Furniture & Equipment (10 years)		\$ -	\$ -	\$ -	\$ -
8	1915	Office Furniture & Equipment (5 years)		\$ 351,062	\$ 48,044	\$ -	\$ 399,106
10	1920	Computer Equipment - Hardware		\$ 1,033,364	\$ 22,079	\$ -	\$ 1,055,443
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)		\$ -	\$ -	\$ -	\$ -
45	1920	Computer Equip.-Hardware(Post Mar. 19/07)		\$ -	\$ -	\$ -	\$ -
12	1925	Computer Software		\$ 1,062,621	\$ 94,436	\$ -	\$ 1,157,057
10	1930	Transportation Equipment		\$ 2,291,028	\$ 228,000	\$ -	\$ 2,519,028
8	1935	Stores Equipment		\$ 53,152	\$ 24,659	\$ -	\$ 77,811
8	1940	Tools, Shop & Garage Equipment		\$ 558,091	\$ -	\$ -	\$ 558,091
8	1945	Measurement & Testing Equipment		\$ -	\$ -	\$ -	\$ -
8	1950	Power Operated Equipment		\$ -	\$ -	\$ -	\$ -
8	1955	Communications Equipment		\$ -	\$ 34,816	\$ -	\$ 34,816
8	1955	Communication Equipment (Smart Meters)		\$ -	\$ -	\$ -	\$ -
8	1960	Miscellaneous Equipment		\$ -	\$ -	\$ -	\$ -
47	1975	Load Management Controls Utility Premises		\$ 563,902	\$ -	\$ -	\$ 563,902
47	1980	System Supervisor Equipment		\$ 833,241	\$ 57,086	\$ -	\$ 890,327
47	1985	Miscellaneous Fixed Assets		\$ -	\$ -	\$ -	\$ -
47	1995	Contributions & Grants		\$ 5,912,892	\$ 123,597	\$ -	\$ 6,036,489
	etc.			\$ -	\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -	\$ -
		Total		\$ 46,293,583	\$ 2,835,783	\$ -	\$ 49,129,366

-\$ 0

Accumulated Depreciation				Net Book Value
Opening Balance	Additions	Disposals	Closing Balance	
\$ -	\$ -	\$ -	\$ -	\$ 539,609
-\$ 598,689	-\$ 72,475	\$ -	-\$ 671,164	\$ 2,409,041
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 1,053,166	-\$ 169,655	\$ -	-\$ 1,222,821	\$ 3,110,352
\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 12,306,771	-\$ 749,437	\$ -	-\$ 13,056,208	\$ 3,433,960
-\$ 357,649	-\$ 255,004	\$ -	-\$ 612,652	\$ 5,579,635
-\$ 78,395	-\$ 169,486	\$ -	-\$ 247,882	\$ 1,142,992
-\$ 226,091	-\$ 72,478	\$ -	-\$ 298,569	\$ 4,681,619
-\$ 327,424	\$ 308,701	\$ -	-\$ 636,125	\$ 6,538,716
-\$ 418,500	-\$ 102,258	\$ -	-\$ 520,758	\$ 2,035,686
-\$ 19,920	-\$ 53,797	\$ -	-\$ 73,716	\$ 974,693
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 1,460	\$ -	\$ 1,460	\$ 122,615
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 256,806	-\$ 14,409	\$ -	-\$ 271,215	\$ 127,891
-\$ 967,411	-\$ 60,438	\$ -	-\$ 1,027,850	\$ 27,593
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 1,032,946	-\$ 35,400	\$ -	-\$ 1,068,345	\$ 88,711
-\$ 1,321,349	-\$ 162,418	\$ -	-\$ 1,483,766	\$ 1,035,262
-\$ 52,043	\$ 2,679	\$ -	-\$ 49,365	\$ 28,447
-\$ 354,902	\$ 1,924	\$ -	-\$ 352,978	\$ 205,113
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 34,816
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 298,141	-\$ 56,390	\$ -	-\$ 354,531	\$ 209,371
-\$ 363,824	-\$ 61,073	\$ -	-\$ 424,897	\$ 465,430
\$ -	-\$ 11,239	\$ -	-\$ 11,239	-\$ 11,239
\$ 1,022,032	\$ 236,516	\$ -	\$ 1,258,548	\$ 4,777,942
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 19,011,994	-\$ 2,115,000	\$ -	-\$ 21,126,994	\$ 28,002,372

Less: Fully Allocated Depreciation

Transportation -\$ 162,418

Stores Equipment

Net Depreciation -\$ 1,952,582

10		Transportation
8		Stores Equipment

File Number: EB-20XX-XXXX
Exhibit: X
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Schedule: Z
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Date:

**Appendix 2-B
Fixed Asset Continuity Schedule -MIFRS**

Year ¹ 2011

CCA Class	OEB	Description	Depreciation Rate	Cost			
				Opening Balance	Additions	Disposals	Closing Balance
N/A	1805	Land		\$ 359,609	\$ 180,000	\$ -	\$ 539,609
47	1808	Buildings		\$ 3,080,205	\$ -	\$ -	\$ 3,080,205
13	1810	Leasehold Improvements		\$ -	\$ -	\$ -	\$ -
47	1815	Transformer Station Equipment >50 kV		\$ -	\$ -	\$ -	\$ -
47	1820	Distribution Station Equipment <50 kV		\$ 4,223,477	\$ 42,438	\$ -	\$ 4,265,915
47	1825	Storage Battery Equipment		\$ -	\$ -	\$ -	\$ -
47	1830	Poles, Towers & Fixtures		\$ 15,977,374	\$ 467,325	\$ -	\$ 16,444,699
47	1835	Overhead Conductors & Devices		\$ 5,607,599	\$ 540,451	\$ -	\$ 6,148,050
47	1840	Underground Conduit		\$ 970,085	\$ 412,292	\$ -	\$ 1,382,377
47	1845	Underground Conductors & Devices		\$ 4,675,723	\$ 297,574	\$ -	\$ 4,973,296
47	1850	Line Transformers		\$ 6,961,088	\$ 205,299	\$ -	\$ 7,166,388
47	1855	Services (Overhead & Underground)		\$ 2,556,444	\$ -	\$ -	\$ 2,556,444
47	1860	Meters		\$ 1,048,410	\$ -	\$ -	\$ 1,048,410
47	1860	Meters (Smart Meters)		\$ -	\$ -	\$ -	\$ -
N/A	1905	Land		\$ -	\$ -	\$ -	\$ -
CEC	1906	Land Rights		\$ -	\$ -	\$ -	\$ -
47	1908	Buildings & Fixtures		\$ -	\$ 124,075	\$ -	\$ 124,075
13	1910	Leasehold Improvements		\$ -	\$ -	\$ -	\$ -
8	1915	Office Furniture & Equipment (10 years)		\$ -	\$ -	\$ -	\$ -
8	1915	Office Furniture & Equipment (5 years)		\$ 351,062	\$ 48,044	\$ -	\$ 399,106
10	1920	Computer Equipment - Hardware		\$ 1,033,364	\$ 22,079	\$ -	\$ 1,055,443
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)		\$ -	\$ -	\$ -	\$ -
45	1920	Computer Equip.-Hardware(Post Mar. 19/07)		\$ -	\$ -	\$ -	\$ -
12	1925	Computer Software		\$ 1,062,621	\$ 84,175	\$ -	\$ 1,146,795
10	1930	Transportation Equipment		\$ 2,291,028	\$ 228,000	\$ -	\$ 2,519,028
8	1935	Stores Equipment		\$ 53,152	\$ 24,659	\$ -	\$ 77,811
8	1940	Tools, Shop & Garage Equipment		\$ 558,091	\$ -	\$ -	\$ 558,091
8	1945	Measurement & Testing Equipment		\$ -	\$ -	\$ -	\$ -
8	1950	Power Operated Equipment		\$ -	\$ -	\$ -	\$ -
8	1955	Communications Equipment		\$ -	\$ 33,023	\$ -	\$ 33,023
8	1955	Communication Equipment (Smart Meters)		\$ -	\$ -	\$ -	\$ -
8	1960	Miscellaneous Equipment		\$ -	\$ -	\$ -	\$ -
47	1975	Load Management Controls Utility Premises		\$ 563,902	\$ -	\$ -	\$ 563,902
47	1980	System Supervisor Equipment		\$ 833,241	\$ 56,400	\$ -	\$ 889,642
47	1985	Miscellaneous Fixed Assets		\$ -	\$ -	\$ -	\$ -
47	1995	Contributions & Grants		\$ 5,912,892	\$ 110,598	\$ -	\$ 6,023,491
	etc.			\$ -	\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -	\$ -
		Total		\$ 46,293,583	\$ 2,655,235	\$ -	\$ 48,948,818

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Accumulated Depreciation					Net Book Value
Opening Balance	Additions	Disposals	Closing Balance		
\$ -	\$ -	\$ -	\$ -	\$ 539,609	\$ 539,609
-\$ 598,689	-\$ 79,825	\$ -	-\$ 678,514	\$ 2,401,691	\$ 2,401,691
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 1,053,166	-\$ 148,699	\$ -	-\$ 1,201,865	\$ 3,064,050	\$ 3,064,050
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 12,306,557	-\$ 257,428	\$ -	-\$ 12,563,985	\$ 3,880,714	\$ 3,880,714
-\$ 357,649	-\$ 88,504	\$ -	-\$ 446,153	\$ 5,701,897	\$ 5,701,897
-\$ 78,395	-\$ 20,042	\$ -	-\$ 98,438	\$ 1,283,939	\$ 1,283,939
-\$ 226,091	-\$ 81,617	\$ -	-\$ 307,708	\$ 4,665,588	\$ 4,665,588
-\$ 327,424	-\$ 121,276	\$ -	-\$ 448,700	\$ 6,717,687	\$ 6,717,687
-\$ 418,500	-\$ 60,783	\$ -	-\$ 479,283	\$ 2,077,161	\$ 2,077,161
-\$ 19,920	-\$ 28,270	\$ -	-\$ 48,190	\$ 1,000,220	\$ 1,000,220
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 124,075	\$ 124,075
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 256,806	-\$ 3,205	\$ -	-\$ 260,011	\$ 139,095	\$ 139,095
-\$ 967,411	-\$ 19,460	\$ -	-\$ 986,872	\$ 68,571	\$ 68,571
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 1,032,946	-\$ 81,649	\$ -	-\$ 1,114,595	\$ 32,200	\$ 32,200
-\$ 1,321,349	-\$ 160,092	\$ -	-\$ 1,481,441	\$ 1,037,587	\$ 1,037,587
-\$ 52,043	\$ 2,679	\$ -	-\$ 49,365	\$ 28,447	\$ 28,447
-\$ 354,902	-\$ 17,085	\$ -	-\$ 371,986	\$ 186,105	\$ 186,105
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 33,023	\$ 33,023
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 298,141	-\$ 11,969	\$ -	-\$ 310,110	\$ 253,792	\$ 253,792
-\$ 363,824	-\$ 38,797	\$ -	-\$ 402,621	\$ 487,021	\$ 487,021
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,022,032	\$ 118,289	\$ -	\$ 1,140,321	-\$ 4,883,169	\$ 4,883,169
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-\$ 19,011,780	-\$ 1,097,734	\$ -	-\$ 20,109,514	\$ 28,839,304	\$ 28,839,304

Less: Fully Allocated Depreciation

Transportation	-\$ 160,092
Stores Equipment	
Net Depreciation	-\$ 937,642

10	Transportation
8	Stores Equipment