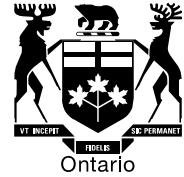


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BY EMAIL

October 10, 2012

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Guelph Hydro Electric Systems Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0128**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding.

As a reminder, Guelph Hydro Electric Systems Inc.'s Reply Submission is due by October 24, 2012.

Yours truly,

Original Signed By

Daniel Kim
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Guelph Hydro Electric Systems Inc.

EB-2012-0128

October 10, 2012

**Board Staff Submission
Guelph Hydro Electric Systems Inc.
2013 IRM3 Rate Application
EB-2012-0128**

Introduction

Guelph Hydro Electric Systems Inc. (“Guelph Hydro”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on July 24, 2012 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Guelph Hydro charges for electricity distribution, to be effective January 1, 2013. The Application is based on the 2013 3rd Generation Incentive Regulation Mechanism (“IRM”).

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Guelph Hydro.

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Guelph Hydro. Pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

Group 1 Deferral and Variance Account Balances

Guelph Hydro completed the Deferral and Variance Account continuity schedule included in the 2013 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Guelph Hydro’s total Group 1 Deferral and Variance Account balances amount to a credit of \$342,423 which includes interest calculated to December 31, 2012. Based on the disposition threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0002 per kWh which does not exceed the threshold, and as such, Guelph Hydro did not request disposition of these account balances.

In response to Board staff interrogatory #5, Guelph Hydro discovered that the 2.1.7 Reporting and Record-keeping Requirements (“RRR”) Trial Balance reported as of December 31, 2011 were inaccurate due to the omission of a journal entry recording the carrying charges on Group 1 Accounts. Guelph Hydro noted that it reports its financial

statements under International Financial Reporting Standards (“IFRS”). Guelph Hydro noted that under IFRS, regulatory assets and/or liabilities are not recognized on the balance sheet, which also includes carrying charges on these regulatory accounts. Guelph Hydro also noted that as part of the process of preparing its annual 2.1.7 RRR Trial Balance, Guelph Hydro makes adjustments to convert the reporting basis from IFRS to modified IFRS. Guelph Hydro further noted that in making these adjustments for the 2011 2.1.7 RRR Trial Balance, Guelph Hydro failed to account for all of the carrying charges that needed to be recognized under modified IFRS.

Guelph Hydro also discovered that the Account 1588 balances originally reported were not based on final amounts for 2011. Guelph Hydro amended Sheet 5 “2013 Continuity Schedule” of the 2013 IRM Rate Generator Model (“Model”) to reflect the correct balances and re-filed a revised Model and re-filed its 2011 2.1.7 RRR Trial Balance with the required changes on September 24, 2012. Guelph Hydro noted that due to the fact that the Group 1 Account Balances do not meet the threshold test, the updates in the revised Model do not change the proposed tariff of rates and charges and the bill impacts originally submitted on July 24, 2012.

Board staff has reviewed the revised Model and Guelph Hydro’s Group 1 Account balances and notes that the principal balances as of December 31, 2011 reconcile with the balances reported as part of the revised 2.1.7 RRR Trial Balance filed on September 24, 2012. Also, the preset disposition threshold has not been exceeded. Accordingly, Board staff has no issue with Guelph Hydro’s request to not dispose of its 2011 Deferral and Variance Account balances at this time.

- All of which is respectfully submitted –