



September 21, 2015

Delivered by RESS, Email and Courier

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

Dear Ms. Walli:

**Re: Guelph Hydro Electric Systems Inc. ("Guelph Hydro")
Board File No. EB-2015-0073 – Undertaking JT1.4 Clarification**

Please find attached Guelph Hydro's clarification of the undertaking JT1.4 filed on August 21, 2015.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Cristina Birceanu", is written over a light blue horizontal line.

Cristina Birceanu

Director of Regulatory Affairs
Guelph Hydro Electric Systems Inc.

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CC: Kazi Marouf, Pankaj Sardana, Guelph Hydro
John Vellone, Bruce Bacon, BLG
Randy Aiken, David MacIntosh, Energy Probe
Wayne McNally, Jay Shepherd, Mark Rubenstein, Shelley Grice, SEC
Michael Janigan, Mark Garner, Bill Harper, VECC

Re: UNDERTAKING NO. JT1.4

TO CONFIRM WHETHER THE APPLICANT RESTATED GROSS CAPITAL COST DOWN TO NET BOOK VALUE AT THE TIME IT CONVERTED TO IFRS.

In its response to Technical Conference Undertaking JT1.4, Guelph Hydro made the following comment:

“Guelph Hydro agrees to restate its PP&E for regulatory purposes in accordance with Article 315 of the Accounting Procedures Handbook (“APH”). “

Guelph Hydro is of the opinion that there is no need to restate its PP&E since its presentation is already in accordance with Article 315.

Article 315 of the APH makes the following pronouncement (with reference to Article 410 of the APH):

“For the first-time adoption of IFRS, a distributor is required to use regulated net book value as the basis for setting opening rate base values and reporting to the Board, even though it may have elected to use another measurement basis (e.g. fair value, revalued amount or restated cost) for its capital assets for financial reporting.

The Board requires use of historical acquisition cost as a basis for reporting capital assets, even though a distributor may for financial reporting elect to report these assets at revalued amounts as permitted under IFRS. The distributors’ use of historical acquisition cost will occur after the initial reconciliation of capital assets between Canadian GAAP and IFRS at the transition date to IFRS”

The purpose of Article 410 (as noted above) is to provide additional guidance in regard to property, plant and equipment as well as intangible assets accounting issues where further guidance specific to electricity distributors is required. The Article further goes on to say that: “...users of the APH who are transitioning to IFRS for the first time should refer to Article 510 *Transitional Issues for the Adoption of IFRS* for guidance related to regulatory treatment of property, plant and equipment and intangible assets upon transition.”

Article 510 – Accounting for Transitional Issues Relating to the Adoption of IFRS states:

“The Board requires regulated net book value to be used as the basis for setting opening rate base values and reporting to the Board at the time of the first report to the Board or rate application for periods subsequent to the adoption of IFRS. To establish continuity of historical cost, the statement of opening value for regulated net book value includes providing gross capital cost and accumulated depreciation, subject to additional breakout of amounts as necessary to support other regulatory accounting requirements.

A distributor adopting IFRS in 2012 will be required to maintain the detail of the gross capital cost and accumulated depreciation of the items included in rate base as reported under previous Canadian GAAP at December 31, 2011 until the distributor’s next rebasing. Therefore, while a distributor electing the rate-regulated deemed cost exemption must record an adjusting entry in the USoA at the changeover date to reflect the fact that accumulated

depreciation was set to nil under MIFRS at the transition date, the historical previous Canadian GAAP gross amounts must be maintained until the first rebasing under MIFRS."

Guelph Hydro adopted IFRS in 2011, as per the preceding directive it was required to maintain the detail of the gross capital cost and accumulated depreciation of the items included in rate base and as reported under previous Canadian GAAP at December 31, 2011 until its next rebasing which was in 2012. Subsequent to its first rebasing under MIFRS Guelph Hydro had no obligation to maintain the detail of the gross capital costs and accumulated depreciation. For this reason Guelph Hydro has not restated its PPE to show the detail of gross capital costs and accumulated depreciation subsequent to its first rebasing under MIFRS, since doing so would not be in accordance with Articles 315, Article 410, and Article 510 of the APH.