Oshawa
PUC Networks Inc.
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October 13, 2011

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

Dear Ms. Walli:

Re: Oshawa PUC Networks Inc. (ED 2002-0560)
Board File Number EB-2011-0073

Please find enclosed with this letter, two (2) copies of OPUCN's updated evidence with respect to its Application for Electricity and Distribution Rates and Charges effective January 1, 2012. Additionally, the updated evidence has been filed using the RESS online submission system and copies of the electronic files have been sent to Board Staff and intervenors of record.

OPUCN is updating the evidence filed with the Board on June 1, 2011 and as previously updated on September 15, 2011, in response to Board Staff's follow up to certain interrogatories relating to *Modified International Financial Reporting Standards* ("MIFRS") and various technical conference questions submitted by Board Staff and intervenors of record.

The updated evidence is based on the following:

1. The Board made findings on the treatment of stranded meters in both its Hydro One Brampton Networks Inc. (EB-2010-0132) Decision and Order of April 4, 2011 and its Kenora Hydro Electric Corporation (EB-2010-0135) Decision and Order of May 25, 2011, which are relevant to distributors making 2012 applications.

   Based on the Board's findings noted above, OPUCN reduced its Rate Base for the estimated value of the stranded meters as at December 31, 2011 and increased its deferral account for Smart Meters.

2. On August 12, 2011, the Board issued its Decision and Order on a combined proceeding with respect to Account 1562 Deferred Payments in Lieu of Taxes ("PILs"). Under the Board's Decision and Order number EB-2008-0381, the Notice of the combined proceeding included a statement of the Board's expectation that the decision resulting from the combined proceeding would be used to determine the final account balances with respect to account 1562 deferred PILs for the remaining distributors.

   In response to the Board's Decision and Order, OPUCN has updated its evidence to include a Rate Adder for the amount of Deferred PILs presented in Exhibit 11, *Deferred PILs,* filed on September 15, 2011.

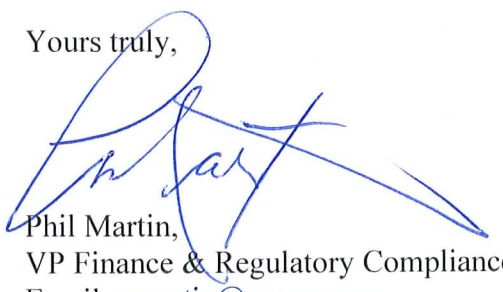
3. OPUCN has updated its Exhibit 10, MIFRS as originally filed on September 15, 2011, to include restated OM&A expenses previously capitalized.

4. OPUCN has updated its load forecast to include revised CDM energy savings.

5. OPUCN's *Supplemental Responses* to certain Board Staff interrogatories relating to Exhibit 10, MIFRS are included with this update.

If you have any questions about this submission please contact the undersigned.

Yours truly,



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Enc.

Treatment of Stranded Meters

Background

The Board made findings on the treatment of stranded meters in both its Hydro One Brampton Networks Inc. (EB-2010-0132) Decision and Order of April 4, 2011 and its Kenora Hydro Electric Corporation (EB-2010-0135) Decision and Order of May 25, 2011, which are relevant to distributors making 2012 applications."

Based on the Board's findings noted above, OPUCN reduced its Rate Base for the estimated value of the stranded meters as at December 31, 2011 and increased its deferral account for Smart Meters.

Value of Stranded Meters

OPUCN estimated the value of its stranded meters to be $1,914,287 as at December 31, 2011. The Table below provides the basis for the estimate:

Meter Type	Total NBV Dec 2010	2011 CGAAP Depn	Total NBV Dec 2011	Smart Replacement	%	2012 CGAAP Tot Depn	Written Off Portion	$
MTRSCOMMERCIAL	760,689	64,535	696,154	591,731	85.0%	65,838	85.0%	55,962
MTRSCTSPTS	470,210	41,293	428,917	0	0.0%	41,286	0.0%	0
MTRSRESIDENTIAL	1,469,989	134,074	1,335,915	1,322,556	99.0%	128,938	99.0%	127,649
	2,700,888	239,902	2,460,986	1,914,287	77.8%	236,062	77.8%	183,611

The estimated NBV of stranded Commercial meters (MTRSCOMMERCIAL) as at December 31, 2011 is $696,154. OPUCN is estimating that 85% of customers with meters in this asset category required smart meters. OPUCN has approximately 550 Commercial customers > 50 kW and approximately 3,800 Commercial customers < 50 kW. Commercial customers < 50 kW represent approximately 87% of the total and are required to have smart meters. OPUCN expects a small

number of these customers may not accept meters and therefore have estimated 85% of the NBV for this asset class be written off as stranded.

The estimated NBV of Residential meters (MTRSRESIDENTIAL) as at December 31, 2011 is $1,335,915. OPUCN is estimating that 99% of customers with meters in this asset category require smart meters. OPUCN expects a small number of these customers may not accept meters and therefore have estimated 99% of the NBV for this asset class be written off as stranded.

Current and potential transformer (MTRSCTSPTS) equipment is not impacted by the installation of smart meters.

Impact

OPUCN reduced its rate base by $1,914,287 as at December 31, 2011 and charged this amount to account 1555 - Smart Meter Deferral Account.

In the 2012 Test Year, Depreciation expense was reduced by $171,447 and the rate base was reduced to account for the removal of stranded meters from OPUCN's PP&E.

The amount has been charged to account 1555. OPUCN is applying to recover account 1555 along with account 1556 over a four year period beginning on January 1, 2012. The impact on OPUCN's revenue requirement and rates is included in the schedules at the end of this update.

Deferred Payments in Lieu of Taxes ("PILs")

Background

On August 12, 2011, the Board issued its Decision and Order on a combined proceeding with respect to Account 1562 - Deferred PILs. Under the Board's Decision and Order number EB-2008-0381, the Notice of the combined proceeding included a statement of the Board's expectation that the decision resulting from the combined proceeding would be used to determine the final account balances with respect to account 1562 deferred PILs for the remaining distributors.

Value of Deferred PILs

As per Exhibit 11, Deferred PILs filed by OPUCN on September 15, 2011, the amount to be recovered is $1,207,581.

Impact

OPUCN is applying to recover this amount over a four year period beginning on January 1, 2012. The impact on OPUCN's revenue requirement and rates is included in the schedules at the end of this update.

Exhibit 10, Modified International Financial Reporting Standards ("MIFRS")

Background

OPUCN has updated its Exhibit 10, MIFRS as originally filed on September 15, 2011, to include restated OM&A expenses previously capitalized. Pursuant to OPUCN completing its work on transitioning to International Financial Reporting Standards and discussions held with its external auditors, Ernst & Young, OPUCN revised its estimates for capitalized OM&A expenses.

OPUCN determined that certain expenses related to its Engineering and Design department did not meet the criteria under IAS 16; that is, the costs are not considered incremental and directly attributable to specific assets. The reduction to capitalized OM&A included a decrease in the labour and benefits costs and overhead related to the department such as facilities and its share of IT and administration expenditures.

Value of Adjustment

OPUCN reduced its estimate of capitalized OM&A expenses by $505,149. Reported OM&A expense was increased by this amount and was offset by a reduction to OPUCN's PP&E.

Impact

The impact on OPUCN's revenue requirement and rates is included in the schedules at the end of this update.

Load Forecast

Background

As per VECC interrogatory # 17, OPUCN revised its estimates for energy savings from CDM programs. Additionally, OPUCN made the following corrections its load forecast models:

- In Tab – Rate Class Load Model, the Average KW to kWh was utilized for customer classes other than Large User.
- In Tab – Rate Class Customer Model, the Geomean was used for Residential, Street Lights, Sentinel and Unmetered customer classes; and a variable of 1 was used for the remaining classes.

Estimate

OPUCN originally applied CDM energy savings of 12.1 GWH and 16.4 GWH in its load forecast for the 2011 Bridge Year and 2012 Test Year respectively.

OPUCN has revised its estimates per the Table below:

CDM Projected Program Results							
#	Program Year	Results Status	2011	2012	2013	2014	Total
1	2011 Programs	Forecast	3,031,000	3,031,000	3,031,000	3,031,000	12,124,000
2	2012 Programs	Forecast	0	5,482,667	5,482,667	5,482,667	16,448,000
3	2013 Programs	Forecast	0	0	7,836,000	7,836,000	15,672,000
4	2014 Programs	Forecast	0	0	0	7,996,000	7,996,000
5	2015 Programs	Forecast	0	0	0	0	0
Total			**3,031,000**	**8,513,667**	**16,349,667**	**24,345,667**	**52,240,000**

Impact

The revised Summary is found below:

Description	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Weather Normal	2012 Weather Normal
Actual kWh Purchases	1,232,724,170	1,178,441,190	1,174,501,350	1,151,360,440	1,191,153,590	1,158,881,926	1,128,390,785	1,148,418,330		
Predicted kWh Purchases	1,215,031,308	1,201,129,687	1,209,753,366	1,177,088,422	1,152,490,954	1,119,320,117	1,143,258,001	1,145,799,926	1,124,584,992	1,131,445,443
% Difference	-1.4%	1.9%	3.0%	2.2%	-3.2%	-3.4%	1.3%	-0.2%		
Billed kWh	1,136,840,308	1,128,300,513	1,125,931,170	1,109,463,247	1,143,760,516	1,117,251,257	1,082,664,508	1,090,938,483	1,078,189,350	1,084,766,768
By Class										
Residential										
Customers	43,679	44,280	44,917	45,961	46,679	47,436	47,769	48,460	49,184	49,920
kWh	457,616,904	448,138,859	485,961,504	466,401,366	473,023,155	470,718,851	467,977,819	476,941,035	475,106,455	482,416,462
GS<50										
Customers	3,970	3,871	4,043	3,733	3,765	3,822	3,897	3,961	3,961	3,961
kWh	124,144,653	132,938,490	138,859,028	134,155,770	132,346,004	131,868,017	128,019,505	131,282,103	128,687,643	128,579,910
GS>50										
Customers	545	515	528	522	524	543	507	518	518	518
kWh	281,244,126	360,631,980	361,962,669	357,086,593	359,144,720	352,632,150	349,784,301	355,234,224	349,365,775	349,815,802
kW	806,199	957,451	913,899	893,943	887,017	876,464	861,503	871,715	891,840	892,989
Large User										
Customers	3	2	2	2	2	3	1	1	1	1
kWh	169,257,213	112,144,196	62,904,833	59,654,446	61,811,846	46,461,021	36,580,289	33,402,763	33,402,763	33,402,763
kW	349,045	243,131	154,705	134,252	135,954	124,131	89,007	70,585	70,585	70,585
I2										
Customers	5	7	8	9	9	9	10	10	10	10
kWh	96,172,091	65,676,068	67,016,961	80,518,764	103,869,997	102,433,272	87,237,589	80,783,141	77,843,519	76,259,966
kW	197,712	135,214	142,187	178,422	214,029	204,487	190,299	195,141	166,449	163,063
Streetlights										
Connections	10,151	10,373	10,624	11,038	11,523	11,720	11,882	12,129	12,441	12,762
kWh	8,359,781	8,743,099	9,182,978	9,398,525	9,704,521	9,725,840	10,202,758	10,427,904	10,731,918	11,044,796
kW	23,227	23,585	24,114	24,802	25,740	26,489	27,041	27,634	28,731	29,568
Sentinels										
Connections	31	29	30	27	26	26	26	24	23	22
kWh	45,541	27,821	43,197	42,595	41,408	39,233	36,792	35,812	37,164	38,567
kW	127	123	120	118	115	109	102	99	111	115
USL										
Connections	0	0	0	301	301	301	304	309	311	313
kWh	0	0	0	2,205,188	3,818,865	3,372,873	2,825,455	2,831,501	3,014,113	3,208,502
Total of Above										
Customer/Connections	58,384	59,077	60,152	61,593	62,829	63,860	64,396	65,412	66,450	67,507
kWh	1,136,840,308	1,128,300,513	1,125,931,170	1,109,463,247	1,143,760,516	1,117,251,257	1,082,664,508	1,090,938,483	1,078,189,350	1,084,766,768
kW from applicable classes	1,376,310	1,359,503	1,235,026	1,231,537	1,262,855	1,231,680	1,167,952	1,165,174	1,157,716	1,156,320
Total from Model										
Customer/Connections	58,384	59,077	60,152	61,593	62,829	63,860	64,396	65,412	66,450	67,507
kWh	1,136,840,308	1,128,300,513	1,125,931,170	1,109,463,247	1,143,760,516	1,117,251,257	1,082,664,508	1,090,938,483	1,078,189,350	1,084,766,768
kW from applicable classes	1,376,310	1,359,503	1,235,026	1,231,537	1,262,855	1,231,680	1,167,952	1,165,174	1,157,716	1,156,320

The impact on OPUCN's revenue requirement and rates is included in the schedules at the end of this update.

In addition to the changes summarized above, the Tables below include the impact of OPUCN integrating the Board's latest cost of service and PILs models.

Attachments

Ontario

REVENUE REQUIREMENT WORK FORM

Version: 2.1

Name of LDC: Oshawa PUC Networks
File Number: EB-2011-0073
Rate Year: 2012

		Revenue Sufficiency/Deficiency					
		Initial Application				Per Board Decision	
Line No.	Particulars	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		$4,051,901		($684,339)		$17,635,323
2	Distribution Revenue	$18,368,984	$18,368,984	$18,368,984	$23,105,224	$ -	($17,635,323)
3	Other Operating Revenue Offsets - net	$1,633,580	$1,633,580	$ -	$ -	$ -	$ -
4	**Total Revenue**	$20,002,564	$24,054,465	$18,368,984	$22,420,885	$ -	$ -
5	Operating Expenses	$17,635,323	$17,635,323	$17,635,323	$17,635,323	$17,635,323	$17,635,323
6	Deemed Interest Expense	$2,378,707	$2,378,707	$ -	$ -	$ -	$ -
	Total Cost and Expenses	$20,014,029	$20,014,029	$17,635,323	$17,635,323	$17,635,323	$17,635,323
7	**Utility Income Before Income Taxes**	($11,465)	$4,040,436	$733,662	$4,785,563	($17,635,323)	($17,635,323)
8	Tax Adjustments to Accounting Income per 2009 PILs	$153,416	$153,416	$153,416	$153,416	$ -	$ -
9	**Taxable Income**	$141,951	$4,193,852	$887,078	$4,938,979	($17,635,323)	($17,635,323)
10	Income Tax Rate	24.33%	24.33%	24.33%	24.33%	24.33%	24.33%
11	**Income Tax on Taxable Income**	$34,534	$1,020,286	$215,809	$1,201,561	($4,290,344)	($4,290,344)
12	**Income Tax Credits**	$ -	$ -	$ -	$ -	$ -	$ -
13	**Utility Net Income**	($45,999)	$3,020,150	$517,852	($18,655,608)	($13,344,979)	($18,655,608)
14	**Utility Rate Base**	$78,813,933	$78,813,933	$78,813,933	$78,813,933	$78,813,933	$78,813,933
	Deemed Equity Portion of Rate Base	$31,525,573	$31,525,573	$ -	$ -	$ -	$ -
15	Income/Equity Rate Base (%)	-0.15%	9.58%	0.00%	0.00%	0.00%	0.00%
16	Target Return - Equity on Rate Base	9.58%	9.58%	0.00%	0.00%	0.00%	0.00%
17	Sufficiency/Deficiency in Return on Equity	-9.73%	0.00%	0.00%	0.00%	0.00%	0.00%
18	Indicated Rate of Return	2.96%	6.85%	0.66%	0.00%	-16.93%	0.00%
19	Requested Rate of Return on Rate Base	6.85%	6.85%	0.00%	0.00%	0.00%	0.00%
20	Sufficiency/Deficiency in Rate of Return	-3.89%	0.00%	0.66%	0.00%	-16.93%	0.00%
21	Target Return on Equity	$3,020,150	$3,020,150	$ -	$ -	$ -	$ -
22	Revenue Deficiency/(Sufficiency)	$3,066,149	$ -	($517,852)	$ -	$13,344,979	$ -
23	**Gross Revenue Deficiency/(Sufficiency)**	$4,051,901 **(1)**		($684,339) **(1)**		$17,635,323 **(1)**	

Oshawa PUC Networks Inc
Revenue Deficiency Determination

Description	2011 Bridge Actual	2012 Test Existing Rates	2012 Test - Required Revenue
Revenue			
Revenue Deficiency			**4,051,901**
Distribution Revenue	18,509,651	18,368,984	18,368,984
Other Operating Revenue (Net)	1,740,021	1,633,580	1,633,580
Total Revenue	**20,249,673**	**20,002,564**	**24,054,465**
Costs and Expenses			
Administrative & General, Billing & Collecting	7,538,578	8,797,029	8,797,029
Operation & Maintenance	2,303,383	3,390,200	3,390,200
Depreciation & Amortization	5,096,798	5,298,744	5,298,744
Property Taxes	145,000	149,350	149,350
IFRS - FA Deferral Acct Amortization & Foregone Return		0	0
Deemed Interest	2,191,846	2,378,707	2,378,707
Total Costs and Expenses	**17,275,605**	**20,014,029**	**20,014,029**
Less OCT Included Above	0	0	0
Total Costs and Expenses Net of OCT	**17,275,605**	**20,014,029**	**20,014,029**
Utility Income Before Income Taxes	**2,974,068**	**(11,465)**	**4,040,436**
Income Taxes:			
Corporate Income Taxes	1,131,241	34,534	1,020,286
Total Income Taxes	**1,131,241**	**34,534**	**1,020,286**
Utility Net Income	**1,842,827**	**(45,999)**	**3,020,150**
Capital Tax Expense Calculation:			
Total Rate Base	71,033,120	78,813,933	78,813,933
Exemption	15,000,000	15,000,000	15,000,000
Deemed Taxable Capital	**56,033,120**	**63,813,933**	**63,813,933**
Ontario Capital Tax	0	0	0
Income Tax Expense Calculation:			
Accounting Income	2,974,068	(11,465)	4,040,436
Tax Adjustments to Accounting Income	1,065,723	153,416	153,416
Taxable Income	**4,039,791**	**141,951**	**4,193,852**
Income Tax Expense	1,131,241	34,534	1,020,286
Tax Rate Refecting Tax Credits	28.00%	24.33%	24.33%
Actual Return on Rate Base:			
Rate Base	71,033,120	78,813,933	78,813,933
Interest Expense	2,191,846	2,378,707	2,378,707
Net Income	1,842,827	(45,999)	3,020,150
Total Actual Return on Rate Base	**4,034,673**	**2,332,707**	**5,398,857**
Actual Return on Rate Base	5.68%	2.96%	6.85%
Required Return on Rate Base:			
Rate Base	71,033,120	78,813,933	78,813,933
Return Rates:			
Return on Debt (Weighted)	5.14%	5.03%	5.03%
Return on Equity	9.66%	8.57%	8.57%
Deemed Interest Expense	2,191,846	2,378,707	2,378,707
Return On Equity	2,744,720	3,020,150	3,020,150
Total Return	**4,936,566**	**5,398,857**	**5,398,857**
Expected Return on Rate Base	6.95%	6.85%	6.85%
Revenue Deficiency After Tax	**901,893**	**3,066,149**	**0**
Revenue Deficiency Before Tax	**1,252,672**	**4,051,901**	**0**

Tax Exhibit	**2012**
Deemed Utility Income	3,020,150
Tax Adjustments to Accounting Income	153,416
Taxable Income prior to adjusting revenue to PILs	**3,173,566**
Tax Rate	24.33%
Total PILs before gross up	**772,069**
Grossed up PILs	**1,020,286**

Class	Revenue Requirement - 2012 Cost Allocation Model - Line 35 from O1 in CA	2012 Base Revenue Allocated based on Proportion of Revenue at Existing Rates	Miscellaneous Revenue Allocated from 2012 Cost Allocation Model - Line 19	Total Revenue	Revenue Cost Ratio	Check Revenue Cost Ratios from 2012 Cost Allocation Model - Line 70 from O1 in	Proposed Revenue to Cost Ratio	Proposed Revenue	Miscellaneous Revenue	Proposed Base Revenue	Board Target Low	Board Target High
Residential	15,742,584	13,244,382	1,169,509	14,413,890	91.6%	91.6%	95.3%	15,007,330	1,169,509	13,837,822	85%	115%
GS < 50 kW	2,444,723	3,154,784	177,965	3,332,749	136.3%	136.3%	120.0%	2,933,668	177,965	2,755,703	80%	120%
GS 50 to 999 kW (I1 & I4)	4,026,589	4,274,679	185,635	4,460,314	110.8%	110.8%	110.8%	4,460,314	185,635	4,274,679	80%	120%
GS 1,000 to 4,999 kW (I2)	490,266	571,264	21,927	593,191	121.0%	121.0%	120.0%	588,320	21,927	566,393	80%	120%
Large Use (I3)	214,590	255,877	6,230	262,106	122.1%	122.1%	115.0%	246,778	6,230	240,548	85%	115%
Street Lighting	1,053,972	848,713	66,922	915,636	86.9%	86.9%	70.4%	741,913	66,922	674,991	70%	120%
USL	79,781	68,531	5,259	73,790	92.5%	92.5%	92.5%	73,790	5,259	68,531	80%	120%
Sentinel Lights	1,960	2,656	134	2,789	142.3%	142.3%	120.0%	2,352	134	2,218	70%	120%
TOTAL	**24,054,465**	**22,420,885**	**1,633,580**	**24,054,465**	100.0%			**24,054,465**	**1,633,580**	**22,420,885**		

Fixed Charge Analysis

Customer Class	Current Volumetric Split	Current Fixed Charge Spilt	Total	Fixed Rate Based on Current Fixed/Variable Revenue Proportions	2011 Rates From OEB Approved Tariff	Minimum System with PLCC Adustment (Ceiling Fixed Charge From Cost Allocation Model)	Target Fixed Charge Split	Fixed Charge with Target Split
Residential	53.35%	46.65%	100.00%	10.78	8.45	11.90	49.50%	11.43
GS < 50 kW	84.57%	15.43%	100.00%	8.95	8.39	23.60	30.00%	17.39
GS 50 to 999 kW (I1 & I4)	92.36%	7.64%	100.00%	52.56	43.06	118.85	10.00%	68.77
GS 1,000 to 4,999 kW (I2)	69.49%	30.51%	100.00%	1,440.19	1,190.07	396.06	30.51%	1,440.19
Large Use (I3)	53.88%	46.12%	100.00%	9,245.56	8,057.37	1,591.59	46.12%	9,245.56
Street Lighting	74.89%	25.11%	100.00%	1.11	1.14	9.26	75.00%	3.31
USL	77.72%	22.28%	100.00%	4.06	3.33	7.19	35.80%	6.53
Sentinel Lights	48.08%	51.92%	100.00%	4.30	4.22	6.25	58.35%	4.83
TOTAL								

RESIDENTIAL

Consumption	2011 BILL			2012 BILL			IMPACT		
800 kWh	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	$	%	% of Total Bill
Monthly Service Charge			8.45			11.43	2.98	35.27%	9.99%
Distribution (kWh)	800	0.0120	9.60	800	0.0145	11.60	2.00	20.83%	10.14%
Low Voltage Rider (kWh)	800	0.0000	0.00	800	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.66%
LRAM & SSM Rider (kWh)	800	0.0003	0.24	800	0.0002	0.16	(0.08)	(33.33%)	0.14%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			0.17			0.00	(0.17)	(100.00%)	0.00%
Deferrral & Variance Acct (kWh)	800	(0.0031)	(2.44)	800	0.0004	0.33	2.77	(113.71%)	0.29%
Distribution Sub-Total			**17.02**			**24.27**	**7.25**	**42.61%**	**21.22%**
Retail Transmisssion (kWh)	839	0.0122	10.24	834	0.0122	10.18	(0.06)	(0.54%)	8.90%
Delivery Sub-Total			**27.26**			**34.45**	**7.20**	**26.41%**	**30.12%**
Other Charges (kWh)	839	0.0122	10.24	834	0.0122	10.18	(0.06)	(0.54%)	8.90%
Cost of Power Commodity (kWh) Tier 1	600	0.0650	39.00	600	0.0650	39.00	0.00	0.00%	34.10%
Cost of Power Commodity (kWh) Tier 2	239	0.0750	17.92	234	0.0750	17.58	(0.34)	(1.90%)	15.37%
SPC (kWh)	839	0.0004	0.31	834	0.0000	0.00	(0.31)	(100.00%)	0.00%
Total Bill Before Taxes			**94.73**			**101.22**	**6.49**	**6.85%**	**88.50%**
HST		13.00%	12.31		13.00%	13.16	0.84	6.85%	11.50%
Total Bill			**107.04**			**114.37**	**7.33**	**6.85%**	**100.00%**

RESIDENTIAL

Consumption	2011 BILL			2012 BILL			IMPACT		
833 kWh	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	$	%	% of Total Bill
Monthly Service Charge			8.45			11.43	2.98	35.27%	9.62%
Distribution (kWh)	833	0.0120	10.00	833	0.0145	12.08	2.08	20.83%	10.17%
Low Voltage Rider (kWh)	833	0.0000	0.00	833	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.63%
LRAM & SSM Rider (kWh)	833	0.0003	0.25	833	0.0002	0.17	(0.08)	(33.33%)	0.14%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			0.17			0.00	(0.17)	(100.00%)	0.00%
Deferrral & Variance Acct (kWh)	833	(0.0031)	(2.54)	833	0.0004	0.35	2.89	(113.71%)	0.29%
Distribution Sub-Total			**17.33**			**24.77**	**7.45**	**42.98%**	**20.85%**
Retail Transmisssion (kWh)	874	0.0122	10.66	869	0.0122	10.60	(0.06)	(0.54%)	8.92%
Delivery Sub-Total			**27.98**			**35.37**	**7.39**	**26.40%**	**29.77%**
Other Charges (kWh)	874	0.0122	10.66	869	0.0122	10.60	(0.06)	(0.54%)	8.92%
Cost of Power Commodity (kWh) Tier 1	600	0.0650	39.00	600	0.0650	39.00	0.00	0.00%	32.83%
Cost of Power Commodity (kWh) Tier 2	274	0.0750	20.52	269	0.0750	20.16	(0.35)	(1.73%)	16.97%
SPC (kWh)	874	0.0004	0.33	869	0.0000	0.00	(0.33)	(100.00%)	0.00%
Total Bill Before Taxes			**98.48**			**105.14**	**6.65**	**6.75%**	**88.50%**
HST		13.00%	12.80		13.00%	13.67	0.86	6.75%	11.50%
Total Bill			**111.29**			**118.80**	**7.52**	**6.75%**	**100.00%**

GENERAL SERVICE < 50 kW

Consumption	2011 BILL			2012 BILL			IMPACT		
2,000 kWh	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	$	%	% of Total Bill
Monthly Service Charge			8.39			17.39	9.00	107.27%	6.21%
Distribution (kWh)	2,000	0.0170	34.00	2,000	0.0150	30.00	(4.00)	(11.76%)	10.72%
Low Voltage Rider (kWh)	2,000	0.0000	0.00	2,000	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.27%
LRAM & SSM Rider (kWh)	2,000	0.0008	1.60	2,000	0.0008	1.60	0.00	0.00%	0.57%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			0.56			0.00	(0.56)	(100.00%)	0.00%
Deferrral & Variance Acct (kWh)	2,000	(0.0031)	(6.20)	2,000	0.0002	0.45	6.65	(107.21%)	0.16%
Distribution Sub-Total			**39.35**			**50.19**	**10.84**	**27.55%**	**17.93%**
Retail Transmisssion (kWh)	2,097	0.0111	23.28	2,086	0.0111	23.16	(0.13)	(0.54%)	8.27%
Delivery Sub-Total			**62.63**			**73.34**	**10.71**	**17.11%**	**26.20%**
Other Charges (kWh)	2,097	0.0122	25.59	2,086	0.0122	25.45	(0.14)	(0.54%)	9.09%
Cost of Power Commodity (kWh) Tier 1	750	0.0650	48.75	750	0.0650	48.75	0.00	0.00%	17.41%
Cost of Power Commodity (kWh) Tier 2	1,347	0.0750	101.06	1,336	0.0750	100.20	(0.85)	(0.84%)	35.79%
SPC (kWh)	2,097	0.0004	0.78	2,086	0.0000	0.00	(0.78)	(100.00%)	0.00%
Total Bill Before Taxes			**238.80**			**247.75**	**$8.94**	**3.75%**	**88.50%**
HST		13.00%	31.04		13.00%	32.21	1.16	3.75%	11.50%
Total Bill			**269.85**			**279.95**	**$10.11**	**3.75%**	**100.00%**

GENERAL SERVICE < 50 kW

Consumption	2011 BILL			2012 BILL			IMPACT		
2,800 kWh	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	$	%	% of Total Bill
Monthly Service Charge			8.39			17.39	9.00	107.27%	4.49%
Distribution (kWh)	2,800	0.0170	47.60	2,800	0.0150	42.00	(5.60)	(11.76%)	10.85%
Low Voltage Rider (kWh)	2,800	0.0000	0.00	2,800	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.19%
LRAM & SSM Rider (kWh)	2,800	0.0008	2.24	2,800	0.0008	2.24	0.00	0.00%	0.80%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			0.56			0.00	(0.56)	(100.00%)	0.00%
Deferrral & Variance Acct (kWh)	2,800	(0.0031)	(8.68)	2,800	0.0002	0.63	9.31	(107.21%)	0.22%
Distribution Sub-Total			**51.11**			**63.01**	**11.90**	**23.28%**	**16.28%**
Retail Transmisssion (kWh)	2,936	0.0111	32.59	2,920	0.0111	32.42	(0.18)	(0.54%)	8.37%
Delivery Sub-Total			**83.70**			**95.42**	**11.72**	**14.00%**	**24.65%**
Other Charges (kWh)	2,936	0.0122	35.82	2,920	0.0122	35.63	(0.19)	(0.54%)	9.20%
Cost of Power Commodity (kWh) Tier 1	750	0.0650	48.75	750	0.0650	48.75	0.00	0.00%	12.59%
Cost of Power Commodity (kWh) Tier 2	2,186	0.0750	163.98	2,170	0.0750	162.79	(1.19)	(0.73%)	42.05%
SPC (kWh)	2,936	0.0004	1.09	2,920	0.0000	0.00	(1.09)	(100.00%)	0.00%
Total Bill Before Taxes			**333.35**			**342.59**	**$9.24**	**2.77%**	**88.50%**
HST		13.00%	43.33		13.00%	44.54	1.20	2.77%	11.50%
Total Bill			**376.68**			**387.13**	**$10.45**	**2.77%**	**100.00%**

GENERAL SERVICE 50 to 999 kW (I1 & I4)

Consumption									
140,000 kWh	2011 BILL			2012 BILL			IMPACT		
480 kW	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			43.06			68.77	25.71	59.71%	0.40%
Distribution (kW)	480	3.7014	1,776.67	480	4.3875	2,106.00	329.33	18.54%	12.11%
Low Voltage Rider (kW)	480	0	0.00	480	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.00%
LRAM & SSM Rider (kW)	480	0.0173	8.30	480	0.0088	4.22	(4.08)	(49.13%)	0.02%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			6.24			0.00	(6.24)	(100.00%)	0.00%
Deferrral & Variance Acct (kW)	480	(1.3094)	(628.51)	480	0.0012	0.58	629.09	(100.09%)	0.00%
Distribution Sub-Total			**1,206.77**			**2,180.32**	**973.55**	**80.67%**	**12.54%**
Retail Transmisssion (kW)	480	4.0221	1,930.61	480	4.0221	1,930.61	0.00	0.00%	11.11%
Delivery Sub-Total			**3,137.38**			**4,110.93**	**973.55**	**31.03%**	**23.65%**
Other Charges (kWh)	146,818	0.0122	1,791.18	146,024	0.0122	1,781.50	(9.68)	(0.54%)	10.25%
Cost of Power Commodity (kWh)	146,818	0.0650	9,543.17	146,024	0.0650	9,491.58	(51.59)	(0.54%)	54.60%
SPC (kWh)	146,818	0.0004	54.69	146,024	0.0000	0.00	(54.69)	(100.00%)	0.00%
Total Bill Before Taxes			**14,526.42**			**15,384.01**	**857.59**	**5.90%**	**88.50%**
HST		13.00%	1,888.43		13.00%	1,999.92	111.49	5.90%	11.50%
Total Bill			**16,414.85**			**17,383.93**	**969.08**	**5.90%**	**100.00%**

GENERAL SERVICE 50 to 999 kW (I1 & I4)

Consumption									
57,941 kWh	2011 BILL			2012 BILL			IMPACT		
142 kW	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			43.06			68.77	25.71	59.71%	1.03%
Distribution (kW)	142	3.7014	525.60	142	4.3875	623.03	97.43	18.54%	9.30%
Low Voltage Rider (kW)	142	0	0.00	142	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.01%
LRAM & SSM Rider (kW)	142	0.0173	2.46	142	0.0088	1.25	(1.21)	(49.13%)	0.01%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			6.24			0.00	(6.24)	(100.00%)	0.00%
Deferrral & Variance Acct (kW)	142	(1.3094)	(185.93)	142	0.0012	0.17	186.11	(100.09%)	0.00%
Distribution Sub-Total			**392.42**			**693.96**	**301.54**	**76.84%**	**10.34%**
Retail Transmisssion (kW)	142	4.0221	571.14	142	4.0221	571.14	0.00	0.00%	8.52%
Delivery Sub-Total			**963.56**			**1,265.10**	**301.54**	**31.29%**	**18.88%**
Other Charges (kWh)	60,762	0.0122	741.30	60,434	0.0122	737.29	(4.01)	(0.54%)	11.00%
Cost of Power Commodity (kWh)	60,762	0.0650	3,949.55	60,434	0.0650	3,928.20	(21.35)	(0.54%)	58.62%
SPC (kWh)	60,762	0.0004	22.63	60,434	0.0000	0.00	(22.63)	(100.00%)	0.00%
Total Bill Before Taxes			**5,677.05**			**5,930.60**	**253.55**	**4.47%**	**88.50%**
HST		13.00%	738.02		13.00%	770.98	32.96	4.47%	11.50%
Total Bill			**6,415.07**			**6,701.58**	**286.51**	**4.47%**	**100.00%**

GENERAL SERVICE 1,000 to 4,999 kW (I2)

Consumption									
1,100,000 kWh	2011 BILL			2012 BILL			IMPACT		
3,000 kW	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			1,190.07			1,440.19	250.12	21.02%	1.11%
Distribution (kW)	3,000	2.6016	7,804.80	3,000	3.0208	9,062.40	1,257.60	16.11%	7.01%
Low Voltage Rider (kW)	3,000	0	0.00	3,000	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.00%
LRAM & SSM Rider (kW)	3,000	0.0000	0.00	3,000	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			6.51			0.00	(6.51)	(100.00%)	0.00%
Deferrral & Variance Acct (kW)	3,000	(1.5723)	(4,716.90)	3,000	(0.0299)	(89.63)	4,627.27	(98.10%)	(0.07%)
Distribution Sub-Total			**4,285.48**			**10,413.71**	**6,128.24**	**143.00%**	**8.06%**
Retail Transmisssion (kW)	3,000	5.1343	15,402.90	3,000	5.1343	15,402.90	0.00	0.00%	11.92%
Delivery Sub-Total			**19,688.38**			**25,816.61**	**6,128.24**	**31.13%**	**19.97%**
Other Charges (kWh)	1,153,570	0.0122	14,073.55	1,147,334	0.0122	13,997.48	(76.08)	(0.54%)	10.83%
Cost of Power Commodity (kWh)	1,153,570	0.0650	74,982.05	1,147,334	0.0650	74,576.72	(405.33)	(0.54%)	57.69%
SPC (kWh)	1,153,570	0.0004	429.70	1,147,334	0.0000	0.00	(429.70)	(100.00%)	0.00%
Total Bill Before Taxes			**109,173.68**			**114,390.81**	**5,217.13**	**4.78%**	**88.50%**
HST		13.00%	14,192.58		13.00%	14,870.81	678.23	4.78%	11.50%
Total Bill			**123,366.26**			**129,261.62**	**5,895.35**	**4.78%**	**100.00%**

GENERAL SERVICE 1,000 to 4,999 kW (I2)

Consumption									
673,193 kWh	2011 BILL			2012 BILL			IMPACT		
1,626 kW	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			1,190.07			1,440.19	250.12	21.02%	1.85%
Distribution (kW)	1,626	2.6016	4,230.20	1,626	3.0208	4,911.82	681.62	16.11%	6.31%
Low Voltage Rider (kW)	1,626	0	0.00	1,626	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.00%
LRAM & SSM Rider (kW)	1,626	0.0000	0.00	1,626	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			6.51			0.00	(6.51)	(100.00%)	0.00%
Deferrral & Variance Acct (kW)	1,626	(1.5723)	(2,556.56)	1,626	(0.0299)	(48.58)	2,507.98	(98.10%)	(0.06%)
Distribution Sub-Total			**2,871.22**			**6,304.18**	**3,432.97**	**119.56%**	**8.10%**
Retail Transmisssion (kW)	1,626	5.1343	8,348.37	1,626	5.1343	8,348.37	0.00	0.00%	10.73%
Delivery Sub-Total			**11,219.59**			**14,652.55**	**3,432.97**	**30.60%**	**18.83%**
Other Charges (kWh)	705,977	0.0122	8,612.93	702,161	0.0122	8,566.37	(46.56)	(0.54%)	11.01%
Cost of Power Commodity (kWh)	705,977	0.0650	45,888.54	702,161	0.0650	45,640.48	(248.06)	(0.54%)	58.66%
SPC (kWh)	705,977	0.0004	262.98	702,161	0.0000	0.00	(262.98)	(100.00%)	0.00%
Total Bill Before Taxes			**65,984.03**			**68,859.40**	**2,875.37**	**4.36%**	**88.50%**
HST		13.00%	8,577.92		13.00%	8,951.72	373.80	4.36%	11.50%
Total Bill			**74,561.95**			**77,811.12**	**3,249.17**	**4.36%**	**100.00%**

LARGE USER (> 5000 kW)

Consumption									
2,800,000 kWh	2011 BILL			2012 BILL			IMPACT		
5,800 kW	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			8,057.37			9,245.56	1,188.19	14.75%	2.98%
Distribution (kW)	5,800	2.1714	12,594.12	5,800	2.4074	13,962.92	1,368.80	10.87%	4.50%
Low Voltage Rider (kW)	5,800	0	0.00	5,800	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.00%
LRAM & SSM Rider (kW)	5,800	0.0000	0.00	5,800	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			315.05			0.00	(315.05)	(100.00%)	0.00%
Deferrral & Variance Acct (kW)	5,800	(1.2405)	-7,194.90	5,800	(0.0317)	(183.99)	7,010.91	(97.44%)	(0.06%)
Distribution Sub-Total			**13,773**			**23,025**	**9,253**	**67.18%**	**7.43%**
Retail Transmisssion (kW)	5,800	5.5304	32,076.32	5,800	5.5304	32,076.32	0.00	0.00%	10.34%
Delivery Sub-Total			**45,849**			**55,102**	**9,253**	**20.18%**	**17.77%**
Other Charges (kWh)	2,840,600	0.0122	34,655.32	2,840,600	0.0122	34,655.32	0.00	0.00%	11.18%
Cost of Power Commodity (kWh)	2,840,600	0.0650	184,639.00	2,840,600	0.0650	184,639.00	0.00	0.00%	59.55%
SPC (kWh)	2,840,600	0.0004	1,058.12	2,840,600	0.0000	0.00	(1,058.12)	(100.00%)	0.00%
Total Bill Before Taxes			**266,201**			**274,396**	**8,194**	**3.08%**	**88.50%**
HST		13.00%	34,606.18		13.00%	35,671.46	1,065.28	3.08%	11.50%
Total Bill			**300,808**			**310,067**	**9,260**	**3.08%**	**100.00%**

LARGE USER (> 5000 kW)

Consumption									
13,000,000 kWh	2011 BILL			2012 BILL			IMPACT		
25,000 kW	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			8,057.37			9,245.56	1,188.19	14.75%	0.67%
Distribution (kW)	25,000	2.1714	54,285.00	25,000	2.4074	60,185.00	5,900.00	10.87%	4.35%
Low Voltage Rider (kW)	25,000	0	0.00	25,000	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Rider (per month)			1.00			0.75	(0.25)	(25.04%)	0.00%
LRAM & SSM Rider (kW)	25,000	0.0000	0.00	25,000	0.0000	0.00	0.00	0.00%	0.00%
Smart Meter Entity ($/Month)						0.00	0.00	0.00%	0.00%
Late Payment ($/month)			315.05			0.00	(315.05)	(100.00%)	0.00%
Deferrral & Variance Acct (kW)	25,000	(1.2405)	-31,012.50	25,000	(0.0317)	(793.05)	30,219.45	(97.44%)	(0.06%)
Distribution Sub-Total			**31,646**			**68,638**	**36,992**	**116.89%**	**4.96%**
Retail Transmisssion (kW)	25,000	5.5304	138,260.00	25,000	5.5304	138,260.00	0.00	0.00%	9.99%
Delivery Sub-Total			**169,906**			**206,898**	**36,992**	**21.77%**	**14.95%**
Other Charges (kWh)	13,188,500	0.0122	160,899.70	13,188,500	0.0122	160,899.70	0.00	0.00%	11.62%
Cost of Power Commodity (kWh)	13,188,500	0.0650	857,252.50	13,188,500	0.0650	857,252.50	0.00	0.00%	61.93%
SPC (kWh)	13,188,500	0.0004	4,912.72	13,188,500	0.0000	0.00	(4,912.72)	(100.00%)	0.00%
Total Bill Before Taxes			**1,192,971**			**1,225,050**	**32,080**	**2.69%**	**88.50%**
HST		13.00%	155,086.21		13.00%	159,256.56	4,170.35	2.69%	11.50%
Total Bill			**1,348,057**			**1,384,307**	**36,250**	**2.69%**	**100.00%**

Street Lighting

Billing Determinants									
1 Connections									
72 kWh	2011 BILL			2012 BILL			IMPACT		
0.2 kW	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge	1	1.1400	1.14	1	3.3057	3.31	2.17	189.97%	26.84%
Distribution (kW)	0.2	17.6117	3.31	0.2	5.7070	1.07	(2.24)	(67.60%)	8.71%
Low Voltage Rider (kW)	0.2	0	0.00	0.2	0.0000	0.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kW)	0.2		0.00	0.2	0.0000	0.00	0.00	0.00%	0.00%
Late Payment ($/month)			0.03			0.00	(0.03)	(100.00%)	0.00%
Deferrral & Variance Acct (kW)	0	(1.2845)	-0.24	0	0.2562	0.05	0.29	(119.95%)	0.39%
Distribution Sub-Total			**4.24**			**4.43**	**0.19**	**4.40%**	**35.93%**
Retail Transmisssion (kW)	0.2	3.6016	0.68	0.2	3.6016	0.68	0.00	0.00%	5.50%
Delivery Sub-Total			**4.92**			**5.10**	**0.19**	**3.79%**	**41.43%**
Other Charges (kWh)	76	0.0122	0.92	75	0.0122	0.92	(0.00)	(0.54%)	7.44%
Cost of Power Commodity (kWh)	76	0.0650	4.91	75	0.0650	4.88	(0.03)	(0.54%)	39.63%
SPC (kWh)	76	0.0004	0.03	75	0.0000	0.00	(0.03)	(100.00%)	0.00%
Total Bill Before Taxes			**10.77**			**10.90**	**0.13**	**1.18%**	**88.50%**
HST		13.00%	1.40		13.00%	1.42	0.02	1.18%	11.50%
Total Bill			**12.17**			**12.32**	**0.14**	**1.18%**	**100.00%**

Unmetered Scattered

Consumption	2010 BILL			2011 BILL			IMPACT		
777 kWh	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			3.33			6.53	3.20	96.11%	6.23%
Distribution (kWh)	777	0.0136	10.57	777	0.0137	10.64	0.08	0.74%	10.16%
Low Voltage Rider (kWh)	777	0.0000	0.00	777	0.0000	0.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kWh)	777	0.0058	4.51	777	0.0042	3.26	(1.24)	(27.59%)	3.12%
Late Payment ($/month)			0.17			0.00	(0.17)	(100.00%)	0.00%
Deferrral & Variance Acct (kWh)	777	(0.0029)	(2.22)	777	0.0001	0.10	2.32	(104.57%)	0.10%
Distribution Sub-Total			**16.35**			**20.54**	**4.19**	**25.61%**	**19.61%**
Retail Transmisssion (kWh)	815	0.0111	9.04	810	0.0111	9.00	(0.05)	(0.54%)	8.59%
Delivery Sub-Total			**25.40**			**29.54**	**4.14**	**16.29%**	**28.19%**
Other Charges (kWh)	815	0.0122	9.94	810	0.0122	9.89	(0.05)	(0.54%)	9.44%
Cost of Power Commodity (kWh) Tier 1	750	0.0650	48.75	750	0.0650	48.75	0.00	0.00%	46.54%
Cost of Power Commodity (kWh) Tier 2	65	0.0750	4.86	60	0.0750	4.53	(0.33)	(6.79%)	4.33%
SPC (kWh)	815	0.0004	0.30	810	0.0000	0.00	(0.30)	(100.00%)	0.00%
Total Bill Before Taxes			**89.26**			**92.71**	**3.45**	**3.86%**	**88.50%**
HST		13.00%	11.60		13.00%	12.05	0.45	3.87%	11.50%
Total Bill			**100.86**			**104.76**	**3.89**	**3.86%**	**100.00%**

Sentinel Lighting

Billing Determinants									
1 Connections									
180 kWh	2011 BILL			2012 BILL			IMPACT		
0.5 kW	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge	1	4.2200	4.22	1	4.8350	4.84	0.62	14.57%	16.92%
Distribution (kW)	1	9.0876	4.54	1	8.0268	4.01	(0.53)	(11.67%)	14.05%
Low Voltage Rider (kW)	1	0	0.00	1	0.0000	0.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kW)	1		0.00	1	0.0000	0.00	0.00	0.00%	0.00%
Late Payment ($/month)			0.00			0.00	0.00	0.00%	0.00%
Deferrral & Variance Acct (kW)	1	(1.3028)	-0.65	1	0.2130	0.11	0.76	(116.35%)	0.37%
Distribution Sub-Total			**8.11**			**8.95**	**0.84**	**10.39%**	**31.35%**
Retail Transmisssion (kW)	1	3.6638	1.83	1	3.6638	1.83	0.00	0.00%	6.41%
Delivery Sub-Total			**9.94**			**10.79**	**0.84**	**8.47%**	**37.76%**
Other Charges (kWh)	189	0.0122	2.30	188	0.0122	2.29	(0.01)	(0.54%)	8.02%
Cost of Power Commodity (kWh)	189	0.0650	12.27	188	0.0650	12.20	(0.07)	(0.54%)	42.72%
SPC (kWh)	189	0.0004	0.07	188	0.0000	0.00	(0.07)	(100.00%)	0.00%
Total Bill Before Taxes			**24.59**			**25.28**	**0.69**	**2.82%**	**88.50%**
HST		13.00%	3.20		13.00%	3.29	0.09	2.82%	11.50%
Total Bill			**27.78**			**28.57**	**0.78**	**2.82%**	**100.00%**

MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Issue 11.1 Does Oshawa meet the Board's requirements for modified IFRS applications as set out in Report of the Board Transition to International Financial Reporting Standards, July 28, 2009 [EB-2008-0408], the Addendum to Report of the Board, June 13, 2011 [EB-2008-0408] and related documents?

63 Reference: Exhibit 1 page 145 MIFRS Filings
Exhibit 2 page 13
Report of the Board Transition to International Financial Reporting Standards ("IFRS") July 28, 2009, EB-2008-0408

The Board said:

> "The utility will file a copy of its capitalization policy, identifying any updates to the policy, as part of its first rate filing after IFRS adoption. Revenue requirement impacts of any change in capitalization policy must be specifically and separately quantified."[1]

OPUCN states that it has not made any changes to its accounting policies since its 2008 cost of service application, EB-2007-0710. However, OPUCN is proposing its test year based on modified International Financial Reporting Standards ("MIFRS").

a) Please detail all changes to accounting policies arising from the adoption of MIFRS (e.g. changes in capitalized overhead, depreciation rates, etc.).

b) Please state the impact on the revenue requirement of these changes.

c) Please detail all changes to the capitalization policies, including any changes to that policy since the last rebasing application filed with the Board.

d) Please state the impact on the revenue requirement of the changes due to:

[1] *Report of the Board Transition to International Financial Reporting Standards ("IFRS") July 28, 2009, EB-2008-0408 page 15*

I. Changes to the accounting policy due to MIFRS to each major component of the revenue requirement (e.g. rate base, operating costs, etc), including the overall impact on the proposed revenue requirement,

II. Changes to the capitalization policy due to MIFRS to each major component of the revenue requirement (e.g. rate base, operating costs, etc), including the overall impact on the proposed revenue requirement, and

III. Other changes to the capitalization since 2008 that are not related to MIFRS to each major component of the revenue requirement (e.g. rate base, operating costs, etc), including the overall impact on the proposed revenue requirement.

OPUCN Response

a) Based on OPUCN's discussions with its auditors and analysis of the amounts capitalized for direct costs including labour and fleet costs, in addition to overhead charges relating to facilities, materials management, engineering and design, certain charges were identified that do not meet the criteria under IAS 16; that is, the costs are not considered incremental and directly attributable to specific assets.

The expenses identified related to engineering and design labour costs and associated overhead including facilities, IT and support staff. The impact on OM&A expense is an increase of $505 thousand offset by a reduction to OPUCN's PP&E.

OPUCN adopted depreciation rates that were in the range of rates identified by the Board sponsored Kinectrics study. The impact on depreciation expense from the adoption of the new depreciation rates and the transitional reduction to the net book value of OPUCN's fixed assets in the 2012 Test Year was a decrease of approximately $152 thousand. Please refer to Tables in part b) below.

b) The impact on OPUCN's revenue requirement from the adoption of MIFRS amounted to a decrease of approximately $637 thousand and is summarized in the following Tables.

Adopting MIFRS also resulted in a transitional reduction to the net book value of OPUCN's fixed assets totalling $1,443 thousand that will be recorded in a deferral

account and subsequently collected from rate payers. OPUCN is requesting the deferral account, in addition to the return on rate base that would have otherwise been earned, be disposed of over four years to minimize the impact on its rate payers. The amount per year to be collected is approximately $461 thousand.

Impact on Rate Base

Rate Base	CGAAP $000s		MIFRS $000s	
2011 Net Fixed Assets	63,152		61,710	
2012 Net Fixed Assets	69,013		67,217	
Average Fixed Assets		66,083		64,463
Cost of Power				
OM&A	11,831		12,336	
Working Capital Requirement @	15%	1,775	15%	1,850
Rate Base		67,857		66,314
Increase / (Decrease) in Rate Base				(1,544)

Deferral Account in Relation to PP&E and Post-Retirement Benefits

	2011 $000s				
PP&E Values under CGAAP					
Opening NBV	51,127				
Additions	10,740				
Additions - Smart Meters	6,385				
Depreciation	(4,363)				
Depreciation - Smart Meters	(736)				
Closing NBV	63,152				
PP&E Values under MIFRS					
Opening NBV	51,127				
Additions	10,740				
Additions - Smart Meters	6,385				
Depreciation	(5,097)				
Depreciation - Smart Meters	(1,445)				
Closing NBV	61,710				
Difference in Closing NBV	(1,443)		0		
		2012	2013	2014	2015
Deferral Account - PP&E		$000s	$000s	$000s	$000s
Opening Balance	0	1,443	1,082	721	361
Amount added in year	1,443	0	0	0	0
Amount of Amortization, included in depreciation expense[1]	0	361	361	361	361
Closing Balance	1,443	1,082	721	361	0
Effect on Revenue Requirement of Including Deferral Account Amortization on Rebasing					
Amortization of deferred balance as above	361				
Return on rate base associated with deferred balance at WACC (6.95%)	100				
Amount included in Revenue Requirement on rebasing	461				

[1] Beginning in 2012, amortization of the difference included in the deferral account over a 4 year period and return on the unamortized balance

Impact on Revenue Requirement

Revenue Requirement		CGAAP $000s	MIFRS $000s	Difference $000s
OM&A		11,831	12,337	505
Depreciation		5,262	5,110	(152)
PILs		1,240	1,170	(70)
Return on Capital @	6.95%	4,716	4,609	(107)
Revenue Requirement Impact				176
MIFRS Deferral Account		0	461	461
Total Impact on Revenue Requirement				637

c) With the exception of transitioning to MIFRS on January 1, 2012, OPUCN did not change capitalization policies since its last rebasing application filed with the Board.

d) Parts i and ii are the same.

i. Please refer to Tables in response to part b) above.

iii. With the exception of transitioning to MIFRS on January 1, 2012, OPUCN did not change capitalization policies since its last rebasing application filed with the Board.

64 Reference: Exhibit 1 page 14 Bridge and Test Year Updates

Report of the Board Transition to International Financial Reporting Standards ("IFRS") July 29 EB-2008-0408

Letter of the Board Transition to IFRS – Amendment to Board Policy, November 8, 2010

In the November 2010 letter the Board stated:

> "9.1.2 Electricity distributors filing cost of service applications for rates in the year they choose to adopt IFRS for financial reporting must provide the required actual years, the bridge year and the forecasts for the test year(s) in CGAAP based format. An electricity distributor may choose to present modified IFRS based forecasts for the bridge and test years, if the distributor seeks to have rates set on the basis of modified IFRS. If the distributor is seeking rates based on modified IFRS accounting, the

> distributor must identify financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting."[2]

The Board also has stated:

> "The Board agrees that regulated net book value should be used as the basis for setting opening rate base values upon the adoption of IFRS accounting, and that historical acquisition cost should be used as the basis for reporting PP&E for regulatory purposes going forward."[3]

For financial reporting purposes, on the date of transition to IFRS, the December 31, 2010 net book value becomes the January 1, 2011 gross value for PP&E (with accumulated depreciation set to zero). However, the Board has stated that the integrity of the December 31, 2010 gross value and accumulated depreciation values should be preserved for regulatory purposes and carried forward to January 1, 2011 values.

The continuity of historic cost should be established by OPUCN by using the December 31, 2010 regulatory gross capital cost and accumulated depreciation values as the opening January 1, 2011 regulatory gross capital cost and accumulated depreciation values.

OPUCN has filed for 2012 rates based on MIFRS. Board staff would like additional information to complete the record. Please provide the following:

a) The Bridge Year in MIFRS, maintaining asset continuity by using the December 31, 2010 regulatory gross capital and accumulated depreciation as the opening January 1, 2011 regulatory gross capital cost and accumulated depreciation values;

b) The Test Year with the opening balances based on the closing Bridge Year balances based on MIFRS from a) above;

c) The Test Year in CGAAP-based format;

[2] *Letter of the Board Transition to IFRS – Amendment to Board Policy, November 8, 2010*
[3] *Report of the Board Transition to International Financial Reporting Standards ("IFRS") July 28, 2009 EB-2008-0408 page 14*

d) Two RRWFs for the Test Year, one based on CGAAP, and one based on MIFRS;

e) Updated Appendix 2-B Fixed Asset Continuity Schedule of the chapter 2 filing requirements; and

f) A summary of the dollar impacts of MIFRS to each major component of the revenue requirement (e.g. rate base, operating costs, etc), including the overall impact on the proposed revenue requirement.

OPUCN Response

a) The Bridge Year in MIFRS is shown in Tables 8 and 9 of Exhibit 10 submitted September 15th. Table 8 shows the restatement of CGAAP balances to MIFRS including the netting of pre-2011 capital contributions, while Table 9 shows the 2011 continuity for 2011 under MIFRS.

The componentization process resulted in a necessary realignment of some assets between USA accounts for correct presentation under MIFRS going forward. For example, poles have historically been shown under USA 1835 (Overhead) but have been re-classed to USA 1830 for MIFRS. This is due to the way OPUCN's job costing system has operated historically and is being updated to handle componentization appropriately under MIFRS.

The Table below shows this realignment of December 31, 2010 regulatory gross capital and accumulated depreciation for use as the opening January 1, 2011 regulatory gross capital cost and accumulated depreciation values:

Restatement of CGAAP January 1, 2011 Opening Balances - for USA Realignments Resulting from Componentization

		Cost			Accumulated Depreciation			
USA	Description	CGAAP Opening Balance	USA Realignment	Revised CGAAP Opening Balance	CGAAP Opening Balance	USA Realignment	Revised CGAAP Opening Balance	Revised CGAAP Net Book Value
1805	Land	293,875	0	293,875	0	0	0	293,875
1806	Land Rights	0		0	0		0	0
1808	Buildings and Fixtures	570,963	(56,442)	514,520	306,647	(64,273)	242,374	272,147
1810	Leasehold Improvements	0	0	0	0	0	0	0
1815	Transformer Station Equipment - > 50 kV	0	0	0	0	0	0	0
1820	Distribution Station Equipment - < 50 kV	12,057,872	1,567,206	13,625,078	7,760,685	810,304	8,570,989	5,054,089
1825	Storage Battery Equipment	0	0	0	0	0	0	0
1830	Poles, Towers and Fixtures	0	27,466,625	27,466,625	0	13,775,311	13,775,311	13,691,313
1835	Overhead Conductors and Devices	51,225,428	(33,464,046)	17,761,382	25,164,484	(16,105,874)	9,058,610	8,702,772
1840	Underground Conduit	0	0	0	0	0	0	0
1845	Underground Conductors and Devices	62,940,852	11,169,433	74,110,285	28,185,193	8,730,618	36,915,811	37,194,474
1850	Line Transformers	15,755,642	(5,628,362)	10,127,279	13,564,510	(6,471,548)	7,092,962	3,034,317
1855	Services	0	0	0	0	0	0	0
1860	Meters	9,133,509	(1,814,501)	7,319,009	5,615,400	(1,122,889)	4,492,511	2,826,498
1865	Other Installations on Customer's Premises	0	0	0	0	0	0	0
1905	Land	0	0	0	0	0	0	0
1906	Land Rights	0	0	0	0	0	0	0
1908	Buildings and Fixtures	0	0	0	0	0	0	0
1910	Leasehold Improvements	296,465	0	296,465	115,393	32,827	148,221	148,244
1915	Office Furniture and Equipment	707,745	153,758	861,503	663,598	144,219	807,818	53,686
1920	Computer Equipment - Hardware	2,074,786	15,397	2,090,184	2,010,840	3,271	2,014,111	76,073
1925	Computer Software	235,770	0	235,770	230,850	0	230,850	4,920
1930	Transportation Equipment	3,622,595	0	3,622,595	3,095,195	(349)	3,094,846	527,750
1935	Stores Equipment	24,516	14,122	38,638	23,941	1,412	25,353	13,285
1940	Tools, Shop and Garage Equipment	1,415,480	631,402	2,046,882	825,284	334,403	1,159,687	887,194
1945	Measurement and Testing Equipment	405,788	244,143	649,931	292,605	197,433	490,038	159,894
1950	Power Operated Equipment	0	0	0	0	0	0	0
1955	Communication Equipment	264,585	(168,097)	96,488	243,237	(146,749)	96,488	0
1960	Miscellaneous Equipment	23,602	(23,602)	0	11,082	(11,082)	0	0
1970	Load Management Controls - Cust. Premises	107,035	(107,035)	0	107,035	(107,035)	0	0
1975	Load Management Controls - Utility Premises	1,021,693	0	1,021,693	724,891	0	724,891	296,802
1980	System Supervisory Equipment	293,582	0	293,582	293,583	(1)	293,582	0
1985	Sentinel Lighting Rentals	0	0	0	0	0	0	0
1990	Other Tangible Property	0	0	0	0	0	0	0
1995	Contributions and Grants	(28,454,846)	0	(28,454,846)	(6,344,389)	0	(6,344,389)	(22,110,457)
	Total	**134,016,940**	**(0)**	**134,016,940**	**82,890,063**	**0**	**82,890,063**	**51,126,876**

b) Please refer to the following Table:

2012 CGAAP - Fixed Asset Continuity Schedule
(including Smart Meters)

		Cost			Accumulated Depreciation			
USA	Description	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	Net Book Value
1805	Land	293,875	0	293,875	0	0	0	293,875
1808	Buildings and Fixtures	514,520	0	514,520	308,179	10,228	318,407	196,114
1820	Distribution Station Equipment - Primary < 50 kV	17,478,037	5,574,429	23,052,466	9,217,944	555,307	9,773,252	13,279,214
1825	Storage Battery Equipment	0	0	0	0	0	0	0
1830	Poles, Towers and Fixtures	28,873,846	1,397,133	30,270,979	14,723,425	978,319	15,701,744	14,569,235
1835	Overhead Conductors and Devices	18,741,692	930,948	19,672,640	9,665,045	618,137	10,283,182	9,389,458
1840	Underground Conduit	0	0	0	0	0	0	0
1845	Underground Conductors and Devices	77,930,881	3,485,307	81,416,188	39,134,993	2,679,794	41,814,787	39,601,400
1850	Line Transformers	10,297,048	146,865	10,443,913	7,364,378	250,550	7,614,928	2,828,985
1855	Services	0	0	0	0	0	0	0
1860	Meters	14,093,834	383,974	14,477,808	5,326,087	650,571	5,976,658	8,501,150
1910	Leasehold Improvements	556,465	25,000	581,465	166,677	25,582	192,259	389,206
1915	Office Furniture and Equipment	861,503	0	861,503	827,752	16,555	844,306	17,197
1920	Computer Equipment - Hardware	2,244,684	50,000	2,294,684	2,061,801	61,102	2,122,903	171,781
1925	Computer Software	690,270	50,000	740,270	424,395	189,750	614,145	126,125
1930	Transportation Equipment	4,662,595	1,220,000	5,882,595	3,309,720	264,210	3,573,930	2,308,665
1935	Stores Equipment	38,638	0	38,638	26,880	1,527	28,407	10,230
1940	Tools, Shop and Garage Equipment	2,143,710	50,000	2,193,710	1,262,422	138,347	1,400,769	792,942
1945	Measurement and Testing Equipment	649,931	0	649,931	507,754	16,711	524,465	125,467
1950	Power Operated Equipment	0	0	0	0	0	0	0
1955	Communication Equipment	96,488	0	96,488	96,488	0	96,488	0
1975	Load Management Controls - Utility Premises	1,129,193	450,000	1,579,193	772,714	75,698	848,412	730,782
1980	System Supervisory Equipment	293,582	0	293,582	293,582	0	293,582	0
1995	Contributions and Grants	(30,449,054)	(2,641,312)	(33,090,366)	(7,500,770)	(1,270,789)	(8,771,559)	(24,318,807)
	Total	**151,141,741**	**11,122,343**	**162,264,084**	**87,989,466**	**5,261,598**	**93,251,065**	**69,013,019**

c) Please refer to the following Table:

2012 CGAAP - Fixed Asset Continuity Schedule
(including Smart Meters)

		Cost			Accumulated Depreciation			
USA	Description	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	Net Book Value
1805	Land	293,875	0	293,875	0	0	0	293,875
1808	Buildings and Fixtures	514,520	0	514,520	308,179	10,228	318,407	196,114
1820	Distribution Station Equipment - Primary < 50 kV	17,478,037	5,574,429	23,052,466	9,217,944	555,307	9,773,252	13,279,214
1825	Storage Battery Equipment	0	0	0	0	0	0	0
1830	Poles, Towers and Fixtures	28,873,846	1,397,133	30,270,979	14,723,425	978,319	15,701,744	14,569,235
1835	Overhead Conductors and Devices	18,741,692	930,948	19,672,640	9,665,045	618,137	10,283,181	9,389,459
1840	Underground Conduit	0	0	0	0	0	0	0
1845	Underground Conductors and Devices	77,930,881	3,485,307	81,416,188	39,134,993	2,679,794	41,814,787	39,601,400
1850	Line Transformers	10,297,048	146,865	10,443,913	7,364,378	250,550	7,614,928	2,828,985
1855	Services	0	0	0	0	0	0	0
1860	Meters	14,093,834	383,974	14,477,808	5,326,087	650,571	5,976,658	8,501,150
1910	Leasehold Improvements	556,465	25,000	581,465	166,677	25,582	192,259	389,206
1915	Office Furniture and Equipment	861,503	0	861,503	827,752	16,555	844,306	17,197
1920	Computer Equipment - Hardware	2,244,684	50,000	2,294,684	2,061,801	61,102	2,122,903	171,781
1925	Computer Software	690,270	50,000	740,270	424,395	189,750	614,145	126,125
1930	Transportation Equipment	4,662,595	1,220,000	5,882,595	3,309,720	264,210	3,573,930	2,308,665
1935	Stores Equipment	38,638	0	38,638	26,880	1,527	28,407	10,230
1940	Tools, Shop and Garage Equipment	2,143,710	50,000	2,193,710	1,262,422	138,347	1,400,769	792,942
1945	Measurement and Testing Equipment	649,931	0	649,931	507,754	16,711	524,465	125,467
1950	Power Operated Equipment	0	0	0	0	0	0	0
1955	Communication Equipment	96,488	0	96,488	96,488	0	96,488	0
1975	Load Management Controls - Utility Premises	1,129,193	450,000	1,579,193	772,714	75,698	848,412	730,782
1980	System Supervisory Equipment	293,582	0	293,582	293,582	0	293,582	0
1995	Contributions and Grants	(30,449,054)	(2,641,312)	(33,090,366)	(7,500,770)	(1,270,789)	(8,771,559)	(24,318,807)
	Total	**151,141,741**	**11,122,343**	**162,264,084**	**87,989,466**	**5,261,598**	**93,251,064**	**69,013,019**

d) The RRWF for the Test Year, based on CGAAP has been filed through RESS – filename "Oshawa_IRR_EP64__Rev_Reqt_Work_Form.xls". The RRWF for the Test Year, based on MIFRS, will be filed as part of the response to the additional interrogatories received September 28th.

e) Please refer to Tables 9 of Exhibit 10 submitted September 15th part b) above.

f) Please refer to Table 2 of Exhibit 10 submitted September 15th.

65 Reference: Exhibit 4 page 62 Depreciation

Report of the Board Transition to International Financial Reporting Standards ("IFRS") June 8, 2009 EB-2008-0408
Letter of the Board Depreciation Study for Use by Electricity Distributors, July 8, 2010

OPUCN state that it employs pooling of assets and depreciation rates based on the APH.

Useful lives for PP&E are to be reviewed at least at each financial year-end with MIFRS.

The Board's policy articulates that LDCs shall use the Board sponsored Kinectrics study or sponsor their own study to justify changes in useful lives. The typical useful lives (TUL) from the Kinectrics report is the recommended reference point. The Board will no longer prescribe service lives for PP&E.

Salient points for the references are:::

> "The Board will facilitate a joint depreciation study for electrical distribution utilities. The aim of the study will be to determine depreciation methodologies and rates that will be applied to all electrical distribution utilities for the purpose of setting rates and regulatory reporting. The study must give due weight to the IFRS requirements regarding depreciation, including componentization."[4]

> "The Kinectrics Report provides information that the Board expects distributors will consider as they develop asset service lives suitable in their

[4] *Report of the Board Transition to International Financial Reporting Standards ("IFRS") July 28, 2009 EB-2008-0408, page 21*

particular circumstances. The Board expects distributors to reflect their consideration of the information contained in the Kinectrics Report when they present an IFRS-based rates application to the Board."[5]

OPUCN did not present the accounting policy change on treatment of Asset impairment.

a) What changes has OPUCN made to its Depreciation Policy due to MIFRS (e.g. pooling of assets is not permitted under IFRS).

b) Please provide a list of detailed asset service lives and identify all exceptions from the Typical Useful Lives ("TUL") in the Kinectrics Report and provide detailed justification for using service lives that are different from the TULs in the Kinectrics Report. If average age of assets are different from those underpinning the METSCO report are used, please explain why the ages for depreciation should be different from that of the Asset Condition Study.

c) For the bridge and test years, please provide a breakdown of the components of the underlying PP&E assets (i.e. pool assets is not permitted), including gross capital cost and accumulated depreciation values, revised useful lives, and the calculation of the depreciation expense based on revised service lives.

d) Please confirm that significant parts or components of each item of PP&E are being depreciated separately? Please explain.

OPUCN Response

a) As per Exhibit 10 under the heading, *Componentization and depreciation,* OPUCN states that through internal analysis, it has identified the PP&E components and estimated useful lives as part of the IFRS project. OPUCN has compared its determinations of components and estimated useful lives as reported by Kinectrics as a guideline to those determined through OPUCN's internal analysis. OPUCN's estimated useful lives are all within the ranges suggested as a guideline by Kinectrics.

[5] *Letter of the Board Depreciation Study for Use by Electricity Distributors, July 8, 2010*

The Table below lists OPUCN's IFRS useful lives by Uniform System of Account ("USofA").

PP&E Assets and Estimated Useful Lives

USA Account Number	Description	CGAAP Useful Life (years - average)	IFRS Useful Life (years)
1805	Land	N/A	N/A
1820	Station Buildings - Doors	30	25
1820	Station Buildings - External	29	25
1820	Station Breakers	29	35
1820	Station Buildings	28	50
1820	Station Power Transformers	29	30
1820	Station Relays	27	25
1820	Station Switches	29	30
1820	Station Switchgear	30	30
1830	Poles Concrete	26	50
1830	Poles Cross Arms	25	20
1830	Poles Wood	25	35
1835	Grounding Wire	25	50
1835	O/H Cable	25	50
1835	O/H Switches	25	30
1835	Streetlights	25	50
1845	U/G Cable Chambers	25	50
1845	U/G Cable Primary in Duct	25	35
1845	U/G Cable Secondary Buried	25	25
1845	U/G Cable Secondary in Duct	25	35
1845	U/G Duct Banks	25	35
1845	U/G Ducts	25	30
1845	U/G Pad Mounted Switchgear	28	20
1845	U/G Transformer Foundations	25	35
1845	U/G Transformer Vault	27	25
1845	U/G Pad Mounted Transformers	25	25
1845	U/G Vaults	27	40
1845	U/G Vault Switches	28	20
1850	O/H Transformers	25	30
1860	Meters Commercial	26	25
1860	Meters Current & Potential Transformers	27	35
1860	Meters Residential	26	25
1860	Meters Smart	-	5
1860	Collectors	-	15
1910	Leasehold Improvements	5	5
1915	Office Equipment	10	5
1915	Telephone Equipment	10	5
1920	Computer Hardware	5	3
1925	Computer Software	2	2
1930	Vehicles - Bucket Trucks	8	5
1930	Vehicles - Pickup & Other	5	5
1930	Vehicles - Trailers	9	5
1935	Equipment - Stores	10	5
1940	Equipment - Tools	23	5
1945	Measurement & Testing Equipment	19	5
1975	Scada	10	15

b) The Table below summarizes the impact on depreciation expense resulting from OPUCN's estimate of the useful life of its assets and Kinectrics TUL.

Component (Asset Class ID)	Current Avg GAAP Life	IFRS Life (Kinetrics) - Low	IFRS Life (Kinetrics) - Typical	IFRS Life (Kinetrics) - High	IFRS Life OPUCN	(OPUCN & Typical Life) Impact on Depreciation	Cum Impact	Cum Percent Impact
MTRSSMART	25	5	10	15	5	$540,243		
UGTRANSPADMT	25	25	40	45	25	$306,235	$846,478	47%
STNPWRTRANSF	29	30	45	60	30	$141,865	$988,343	55%
UGCBLSECBURIED	25	25	35	40	25	$124,175	$1,112,518	61%
POLESWOOD	25	35	45	75	35	$100,857	$1,213,375	67%
VEHBUCKT	8	5	10	15	5	$98,844	$1,312,219	72%
COMPSOFTWARE	2	2	3	5	2	$69,123	$1,381,343	76%
UGCBLPRIMINDUCT	25	35	40	55	35	$65,275	$1,446,618	80%
OHTRANSFORMERS	25	30	40	60	30	$64,141	$1,510,759	83%
STNSWITCHES	29	30	50	60	30	$30,376	$1,541,135	85%
OHSWITCHES	25	30	45	55	30	$28,701	$1,569,835	87%
UGTRANSFVAULT	27	25	35	45	25	$27,534	$1,597,369	88%
STNRELAYS	27	25	35	50	25	$27,287	$1,624,656	90%
Other Components	5 to 30	3 to 50	4 to 62	5 to 85	5 to 50	$188,121	$1,812,777	100%

OPUCN explains the reasons for selecting useful asset lives that are different than the Kinectrics TUL for components resulting in 90% of the total impact on depreciation expense. The remaining components resulting in 10% of the impact on depreciation have not been explained due to materiality and time constraints. There are over 30 components averaging approximately $5 thousand per component.

OPUCN based its estimates of the useful life of its long term assets on a number of factors including the current age of the assets; the condition of its existing assets; the level of investment in fixed assets forecasted over the next five years; Kinectric's findings; and the Board's directives. From its overall assessment, OPUCN determined the overall estimated useful life of its assets are at the low end of the range computed by Kinectrics in its study.

Smart meters (MTRSSMART)

With the new smart meter technology, a conservative approach on the useful life and depreciation was taken. This advanced technology is still in its infancy and given the average life of electronic components and instability of the smart meter performance to date, the useful life has been estimated to be 5 years.

Under Ground Pad-mounted Transformers (UGTRANSPADMT)

OPUCN agrees that an engineering assessment of these transformers may result in a service life of 40 years. However, OPUCN believes 25 years is more representative of the transformers useful life based on a proactive replacement strategy to mitigate system losses, avoid emergency repair costs and obtain benefits of improved reliability.

Station Power Transformers (STNPWRTRANSF)

OPUCN agrees that an engineering assessment of these transformers may result in a service life of 45 years. Depending on their load levels and overall condition (oil tests including dissolved gas analysis, insulation, dielectric and physical) the transformer replacement schedule varies. OPUCN has taken a conservative approach in determining the useful life of 30 years for this class of transformer based on a proactive replacement strategy to mitigate system losses, avoid emergency repair costs and obtain benefits of improved reliability.

UG Cable Secondary Buried

Direct buried secondary cables (as opposed to 'in conduit') are subject to existing environment/soil conditions. This may impact the overall health/condition of the cable insulation and as such impact its service life. Depending on the number of faults and hence cable splicing that occurs on these cables the reliability and performance of these cables are negatively impacted. Most utilities are removing/replacing direct buried secondary cables and installing cable in conduit. In consideration of this OPUCN has estimated the useful life of its direct buried secondary cables to be 25 years.

Poles Wood

Although wood poles have a typical average service life of approximately 45 years, actual pole life may deviate significantly depending on the type of treatment employed, soil and environmental conditions. Amongst other factors, defects in the wood, wood cracks or checks that may hold moisture may cause decay or weaken the structures through freeze and thaw forces during winter. This will affect the rate of decay in service life and therefore OPUCN estimated the useful life of its wood poles to be 35 years.

Vehicle Bucket

In service life of bucket trucks is impacted by factors that include work usage (purpose), frequency of use (utilization), engine hours, kilometres driven, age, overall wear and tear, mechanical systems and driving conditions. OPUCN believes the useful life of these vehicles can easily decline faster than the typical life estimated by Kinectrics and hence the conservative estimate of 5 years was selected.

Computer software

The Computer software industry is a very competitive, fast paced, advanced environment whereby new software or enhancements are always readily available. Additionally, OPUCN believes new initiatives including smart meters; time of use billing; smart grid technology; and distributed generation will present new challenges and foster the development of new software systems to meet the requirements. OPUCN has elected to use an estimated useful life of 2 years for its software assets currently owned and forecasted for 2011 and 2012.

UG Cable Primary in Duct

OPUCN has mainly XLPE UG Primary cable in its underground system. Typical service life value is 35 to 40 years. Depending on when the cable was manufactured, “water treeing” may occur and degrade the insulation of this type of cable, potentially having an impact to the service life. For these reasons, OPUCN has estimated the useful life of its underground XLPE UG Primary cable to be 35 years.

OH Transformers

The typical service life of these transformers may be significantly impacted by weakened insulation systems, loading levels, rust and weather/environmental conditions (salt, water freezing/thawing etc). The older units that are at or greater than the typical life are operating at reduced energy efficiencies. OPUCN estimated the useful life of its overhead transformers to be 30 years because it is more in line with a proactive approach to acquire savings in system losses, avoid emergency repair costs and obtain the benefits of improved reliability.

Station switches

OPUCN has KSO type 44kV oil circuit breakers at its stations. The service life of these KSO oil circuit breakers are impacted by the frequency of load switching or fault interruption operations. The circuit breakers do not perform well when switching capacitive loads or during switching operations involving high peak recovery voltages. If the frequency of switching is high, then frequent preventative maintenance is necessary. OPUCN needs to undertake a more comprehensive or full maintenance on its 44kV oil circuit breakers. Therefore, selecting an estimated useful life of 30 years was considered reasonable.

OH switches

Service life of overhead disconnect switches are impacted by the operability of its critical components. Environmental or weather conditions (salt, water freezing/thawing etc) also have an impact to the operation and hence service life. Misaligned or poorly surfaced contacts can result in excessive arcing during switch opening or closing, resulting in further deterioration of the blades. Corrosion may cause rusting of the links and pins in the operating mechanism reducing blade movement. Broken grounds or damaged insulators are other defects.

OPUCN took a conservative approach in selecting a useful life of 30 years as OPUCN is currently experiencing more than expected/typical failure rate of porcelain type fuse cuts. OPUCN will be implementing a phased replacement program to replace porcelain type 13.8kVfuse cut out/switches and insulators with polymer type. The impact of this transition will extend the overall estimated life of this asset class.

UG transformer vault

The typical service life of these transformers may be significantly impacted by weakened insulation systems, loading levels, rust and weather/environmental conditions (salt, water freezing/thawing, excessive moisture or flooding in vaults etc). The older units that are at or greater than the typical life are operating at reduced energy efficiencies. OPUCN estimated the useful life of its underground transformer vaults to be 30 years as it is more in line with a proactive approach to acquire savings in system losses, avoid emergency repair costs and obtain the benefits of improved reliability.

Overall, a more conservative approach was taken in selecting the lower value depreciation life for all assets. In reality, operational, maintenance, site and weather conditions, amongst other factors (electrical or mechanical), contribute or impact the in service life or depreciation of the assets.

c) The continuity schedules requested by component are shown below. The calculation of the depreciation expense is based on cost divided by the estimated remaining service life, except for additions which are subject to the half-year rule.

2011 MIFRS - Fixed Asset Continuity Schedule by Component (showing Gross Capital Cost)

				Cost				Accumulated Depreciation				
USA	Description	CGAAP Useful Life	Revised Useful Life	Opening Balance	Additions	Add Smart Meters	Closing Balance	Opening Balance	Additions	Add Smart Meters	Closing Balance	Net Book Value
1920	COMPHARDWARE	5	3	2,090,184	154,500		2,244,684	2,014,111	95,857		2,109,968	134,716
1925	COMPSOFTWARE	2	2	235,770	154,500	300,000	690,270	230,850	43,545	175,000	449,395	240,875
1945	EQUIPMEAS&TEST	19	5	645,127	0		645,127	489,652	76,877		566,530	78,597
1940	EQUIPMENTTOOLS	23	5	1,977,361	96,829		2,074,190	1,144,534	599,773		1,744,307	329,883
1935	EQUIPSTORES	10	5	38,638	0		38,638	25,353	3,752		29,106	9,532
1835	GROUNDINGWIRE	25	50	1,727,811	26,179		1,753,989	648,307	25,728		674,034	1,079,955
1910	LEASEHOLDIMPROV	5	5	296,465	260,000		556,465	148,221	73,715		221,936	334,529
1860	MTRSCOMMERCIAL	26	25	1,818,202	261,016		2,079,218	1,057,513	86,922		1,144,435	934,783
1860	MTRSCTSPTS	27	35	1,343,276	129,505		1,472,780	873,066	22,441		895,507	577,273
1860	MTRSRESIDENTIAL	26	25	3,981,439	283,448		4,264,886	2,511,449	200,870		2,712,319	1,552,567
1860	MTRSSMART	25	5	(260)	0	5,588,029	5,587,769	(10)	(62)	1,230,805	1,230,732	4,357,037
1860	COLLECTORS		15	0	0	496,714	496,714	0	0	39,559	39,559	457,155
1915	OFFICEEQUIPMENT	10	5	833,298	0		833,298	784,113	45,634		829,747	3,552
1835	OHCABLE	25	50	7,821,317	328,867		8,150,184	4,778,776	78,216		4,856,992	3,293,193
1835	OHSWITCHES	25	30	2,998,066	157,094		3,155,160	1,766,877	62,950		1,829,827	1,325,333
1850	OHTRANSFORMERS	25	30	9,333,673	136,954		9,470,627	6,925,483	162,300		7,087,784	2,382,843
1830	POLESCONCRETE	26	50	1,965,549	141,198		2,106,747	1,525,483	15,357		1,540,840	565,907
1830	POLESCROSSARMS	25	20	144,327	334		144,661	68,622	8,607		77,229	67,432
1830	POLESWOOD	25	35	19,798,454	781,066		20,579,520	11,021,274	340,416		11,361,691	9,217,830
1975	SCADA	10	15	1,021,693	107,500		1,129,193	724,891	28,319		753,210	375,983
1820	STNBLDGDOORS	30	25	32,707	0		32,707	4,906	1,264		6,170	26,537
1808	STNBLDGEXT	29	25	354,541	310,606		665,147	130,696	85,917		216,612	448,535
1820	STNBREAKERS	29	35	716,632	109,820		826,452	41,615	21,868		63,483	762,969
1808	STNBUILDING	28	50	481,813	516,321		998,134	237,468	13,858		251,325	746,809
1820	STNPWRTRANSF	29	30	6,265,189	2,121,492		8,386,681	5,090,165	304,019		5,394,184	2,992,497
1820	STNRELAYS	27	25	1,813,183	371,785		2,184,968	193,806	80,743		274,549	1,910,419
1820	STNSWITCHES	29	30	2,083,169	81,753		2,164,921	1,354,773	71,887		1,426,660	738,262
1820	STNSWITCHGEAR	30	30	1,640,733	209,820		1,850,553	1,582,786	79,549		1,662,335	188,218
1835	STREETLIGHTS	25	50	2,033,986	123,722		2,157,709	1,232,413	22,474		1,254,887	902,822
1915	TELEPHONEEQUIP	10	5	28,205	0		28,205	23,705	1,125		24,830	3,375
1845	UGCABLECHAMBERS	25	50	943	0		943	214	16		230	713
1845	UGCBLPRIMINDUCT	25	35	17,696,929	552,666		18,249,595	8,985,222	348,589		9,333,811	8,915,784
1845	UGCBLSECBURIED	25	25	8,337,855	1,238,329		9,576,184	3,753,765	417,978		4,171,743	5,404,441
1845	UGCBLSECINDUCT	25	35	396,267	2,440		398,707	193,455	7,962		201,417	197,290
1845	UGDUCTBANKS	25	35	13,132	0		13,132	3,334	342		3,675	9,457
1845	UGDUCTS	25	30	424,253	37,079		461,332	164,955	13,948		178,903	282,429
1845	UGPADMTSWITCHGR	28	20	153,970	2,292		156,262	105,958	13,523		119,480	36,781
1845	UGTRANSFFOUNDTN	25	35	1,153,015	41,506		1,194,521	727,134	20,364		747,498	447,023
1845	UGTRANSFVAULT	27	25	3,933,527	218,166		4,151,693	3,316,295	130,637		3,446,932	704,761
1845	UGTRANSPADMT	25	25	23,225,868	743,272		23,969,140	14,953,245	987,990		15,941,235	8,027,905
1845	UGVAULT	27	40	248,554	0		248,554	180,503	2,278		182,780	65,773
1845	UGVAULTSWITCHES	28	20	605,537	0		605,537	390,171	51,605		441,776	163,761
1930	VEHBUCKT	8	5	2,791,655	825,000		3,616,655	2,301,822	416,667		2,718,489	898,167
1930	VEHPICKUPS	5	5	760,928	75,000		835,928	760,928	7,500		768,428	67,500
1930	VEHTRAILERS	9	5	70,011	140,000		210,011	32,095	23,479		55,574	154,437
1805	Land			293,875	0		293,875	0	0		0	293,875
	Total			**133,626,869**	**10,740,058**	**6,384,742**	**150,751,670**	**82,499,993**	**5,096,798**	**1,445,364**	**89,042,155**	**61,709,515**

2012 MIFRS - Fixed Asset Continuity Schedule by Component (showing Gross Capital Cost)

				Cost			Accumulated Depreciation			
USA	Description	CGAAP Useful Life	Revised Useful Life	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	Net Book Value
1920	COMPHARDWARE	5	3	2,244,684	50,000	2,294,684	2,109,968	67,380	2,177,347	117,336
1925	COMPSOFTWARE	2	2	690,270	50,000	740,270	449,395	214,750	664,145	76,125
1945	EQUIPMEAS&TEST	19	5	645,127	0	645,127	566,530	27,588	594,118	51,009
1940	EQUIPMENTTOOLS	23	5	2,074,190	50,000	2,124,190	1,744,307	180,343	1,924,650	199,540
1935	EQUIPSTORES	10	5	38,638	0	38,638	29,106	3,177	32,283	6,355
1835	GROUNDINGWIRE	25	50	1,753,989	19,096	1,773,085	674,034	26,180	700,214	1,072,871
1910	LEASEHOLDIMPROV	5	5	556,465	25,000	581,465	221,936	102,215	324,151	257,314
1860	MTRSCOMMERCIAL	26	25	2,079,218	124,491	2,203,709	1,144,435	65,067	1,209,502	994,207
1860	MTRSCTSPTS	27	35	1,472,780	57,265	1,530,045	895,507	25,109	920,616	609,428
1860	MTRSRESIDENTIAL	26	25	4,264,886	140,898	4,405,785	2,712,319	117,313	2,829,632	1,576,153
1860	MTRSSMART	25	5	5,587,769	0	5,587,769	1,230,732	1,080,494	2,311,226	3,276,543
1860	COLLECTORS		15	496,714	0	496,714	39,559	32,297	71,856	424,858
1915	OFFICEEQUIPMENT	10	5	833,298	0	833,298	829,747	1,490	831,236	2,062
1835	OHCABLE	25	50	8,150,184	64,525	8,214,710	4,856,992	84,650	4,941,641	3,273,068
1835	OHSWITCHES	25	30	3,155,160	6,444	3,161,604	1,829,827	67,434	1,897,261	1,264,343
1850	OHTRANSFORMERS	25	30	9,470,627	108,753	9,579,380	7,087,784	153,121	7,240,905	2,338,475
1830	POLESCONCRETE	26	50	2,106,747	107,371	2,214,118	1,540,840	17,843	1,558,683	655,435
1830	POLESCROSSARMS	25	20	144,661	334	144,995	77,229	6,549	83,777	61,217
1830	POLESWOOD	25	35	20,579,520	671,112	21,250,632	11,361,691	361,162	11,722,852	9,527,780
1975	SCADA	10	15	1,129,193	450,000	1,579,193	753,210	46,902	800,112	779,081
1820	STNBLDGDOORS	30	25	32,707	0	32,707	6,170	1,264	7,433	25,273
1808	STNBLDGEXT	29	25	665,147	60,606	725,753	216,612	21,267	237,879	487,874
1820	STNBREAKERS	29	35	826,452	127,822	954,273	63,483	25,263	88,746	865,527
1808	STNBUILDING	28	50	998,134	269,928	1,268,062	251,325	21,720	273,045	995,017
1820	STNPWRTRANSF	29	30	8,386,681	4,782,390	13,169,071	5,394,184	292,596	5,686,779	7,482,292
1820	STNRELAYS	27	25	2,184,968	17,100	2,202,068	274,549	88,521	363,070	1,838,998
1820	STNSWITCHES	29	30	2,164,921	74,187	2,239,108	1,426,660	51,851	1,478,511	760,598
1820	STNSWITCHGEAR	30	30	1,850,553	110,722	1,961,275	1,662,335	42,729	1,705,064	256,211
1835	STREETLIGHTS	25	50	2,157,709	(16,073)	2,141,636	1,254,887	19,499	1,274,387	867,249
1915	TELEPHONEEQUIP	10	5	28,205	0	28,205	24,830	1,125	25,955	2,250
1845	UGCABLECHAMBERS	25	50	943	0	943	230	16	247	696
1845	UGCBLPRIMINDUCT	25	35	18,249,595	185,377	18,434,973	9,333,811	359,132	9,692,943	8,742,029
1845	UGCBLSECBURIED	25	25	9,576,184	1,090,092	10,666,276	4,171,743	354,222	4,525,965	6,140,312
1845	UGCBLSECINDUCT	25	35	398,707	2,156	400,863	201,417	8,027	209,445	191,418
1845	UGDUCTBANKS	25	35	13,132	0	13,132	3,675	342	4,017	9,116
1845	UGDUCTS	25	30	461,332	39,543	500,875	178,903	13,995	192,898	307,977
1845	UGPADMTSWITCHGR	28	20	156,262	2,292	158,554	119,480	5,373	124,854	33,700
1845	UGTRANSFFOUNDTN	25	35	1,194,521	39,080	1,233,601	747,498	21,515	769,014	464,587
1845	UGTRANSFVAULT	27	25	4,151,693	25,771	4,177,463	3,446,932	68,237	3,515,169	662,295
1845	UGTRANSPADMT	25	25	23,969,140	661,061	24,630,202	15,941,235	617,844	16,559,079	8,071,123
1845	UGVAULT	27	40	248,554	0	248,554	182,780	2,278	185,058	63,496
1845	UGVAULTSWITCHES	28	20	605,537	0	605,537	441,776	20,253	462,029	143,508
1930	VEHBUCKT	8	5	3,616,655	900,000	4,516,655	2,718,489	306,889	3,025,378	1,491,278
1930	VEHPICKUPS	5	5	835,928	290,000	1,125,928	768,428	44,000	812,428	313,500
1930	VEHTRAILERS	9	5	210,011	30,000	240,011	55,574	40,479	96,053	143,958
1805	Land			293,875	0	293,875	0	0	0	293,875
	Total			**150,751,670**	**10,617,343**	**161,369,012**	**89,042,155**	**5,109,501**	**94,151,656**	**67,217,357**

d) OPUCN confirms that significant parts or components of each item of PP&E are being depreciated separately. OPUCN performed an analysis of its assets and identified the following list of components of PP&E that have significant costs in relation to total cost of an item and can be depreciated separately.

Component (Asset Class ID)	Current Avg GAAP Life	IFRS Life OPUCN
MTRSSMART	25	5
UGTRANSPADMT	25	25
STNPWRTRANSF	29	30
UGCBLSECBURIED	25	25
POLESWOOD	25	35
VEHBUCKT	8	5
COMPSOFTWARE	2	2
UGCBLPRIMINDUCT	25	35
OHTRANSFORMERS	25	30
STNSWITCHES	29	30
OHSWITCHES	25	30
UGTRANSFVAULT	27	25
STNRELAYS	27	25
STNSWITCHGEAR	30	30
VEHPICKUPS	5	5
MTRSRESIDENTIAL	26	25
OHCABLE	25	50
SCADA	10	15
MTRSCOMMERCIAL	26	25
UGTRANSFFOUNDTN	25	35
UGVAULTSWITCHES	28	20
UGDUCTS	25	30
MTRSCTSPTS	27	35
STNBREAKERS	29	35
COMPHARDWARE	5	3
STNBUILDING	28	50
STREETLIGHTS	25	50
GROUNDINGWIRE	25	50
EQUIPMEAS&TEST	19	5
POLESCROSSARMS	25	20
STNBLDGEXT	29	25
POLESCONCRETE	26	50
COLLECTORS		15
UGPADMTSWITCHGR	28	20
UGCBLSECINDUCT	25	35
UGVAULT	27	40
EQUIPSTORES	10	5
TELEPHONEEQUIP	10	5
STNBLDGDOORS	30	25
UGDUCTBANKS	25	35
UGCABLECHAMBERS	25	50
LEASEHOLDIMPROV	5	5
Land		
OFFICEEQUIPMENT	10	5
EQUIPMENTTOOLS	23	5

66 Reference: Gains and Losses on Retirements and Impairments

OPUCN did not present the accounting policy change on treatment of asset impairment.

Under IFRS asset retirement obligations include estimates of the cost of constructive obligations which was not required under CGAAP, and revaluation of those obligations during the lives of the assets

The Board has said:

> "Utilities shall identify separately in their rate applications the depreciation expense associated with amortizing asset retirement costs and the accretion expense associated with the amortization of the asset retirement obligations. The Board will assess these costs independently of other amortization costs to determine the portion, if any, of these costs that should be recovered in revenue requirement."[6]
>
> "Where a utility for financial reporting purposes under IFRS has accounted for the amount of gain or loss on the retirement of assets in a pool of like assets as a charge or credit to income, for reporting and rate application filings the utility shall reclassify such gains and losses as depreciation expense and disclose the amount separately. Where a utility for financial reporting purposes under IFRS has reported a gain or loss on disposition of individual assets, such amounts should be identified separately in rate filings for review by the Board. "[7]
>
> "Where for financial reporting purposes under IFRS a utility has recorded an asset impairment loss, for rate application filings such losses shall be reclassified to PP&E and identified separately to allow consideration of whether and how such amounts are to be reflected in rates."[8]

a) Please confirm whether or not the applicant has any Asset Retirement Obligations ("ARO").

   i If yes, please identify and provide a detailed breakdown of the major asset components.

[6] *Report of the Board Transition to International Financial Reporting Standards ("IFRS") July 28, 2009 EB-2008-0408, page 40*
[7] *Ibid Page 19*
[8] *Ibid page 41*

ii If no, please provide a proposal for how the asset retirement obligations should be recovered in rates.

b) Has OPUCN identified the accounting change on asset retirement obligations?

i If so, please provide the accounting policy change and quantify the changes due to the adoption of IFRS for the test year and bridge year.

ii If not, please provide the reasons and the plan when this is to be addressed.

c) For the AROs identified, please provide the depreciation expenses and accretion expenses and show how these expenses are currently included in the rate application.

d) Please confirm that the OPUCN has identified the gain or loss on the retirement of assets in a group of like assets. Please provide the treatment of the retirement for rate application purpose and disclose the amount. If the gains/losses are not charged to depreciation expense please state the reasons.

e) Please disclose any asset impairment loss recorded under IFRS which should be reclassified to PP&E. Please describe:

i The nature of the losses;

ii The amounts of the losses; and

iii Whether and how such amounts are to be reflected in rates.

OPUCN Response

a) OPUCN has not forecasted any Asset Retirement Obligations (“ARO”).

b) OPUCN acknowledges the accounting changes on AROs but has not identified any obligations resulting from the changes.

c) OPUCN has not forecasted any AROS.

d) OPUCN has not forecasted any AROs.

e) OPUCN has not identified any asset impairment losses under IFRS which should be reclassified to PP&E.

67 Reference: Exhibit 2 Capitalizing Assets

Report of the Board Transition to International Financial Reporting Standards ("IFRS") July 28, 2009 EB-2008-0408

The Board has said:

> "The Board will require utilities to adhere to IFRS capitalization accounting requirements for rate making and regulatory reporting purposes after the date of adoption of IFRS."[9]
>
> IAS 16 Property, Plant and Equipment states that the cost of PP&E comprises of any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
>
> IAS 23 states that directly attributable borrowing costs are capitalized upon qualifying assets only. It also indicated that a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The Board also said:

> "The Board will continue to publish interest rates for CWIP as it does now. Where incurred debt is acquired on an arms length basis, the actual borrowing cost should be used for determining the amount of carrying charges to be capitalized to CWIP for rate making during the period, in accordance with IFRS. Where incurred debt is not acquired on an arm's length basis, the actual borrowing cost may be used for rate making, provided that the interest rate is no greater than the Board's published rates. Otherwise, the distributor should use the Board's published rates."[10]

Board staff is interested in the impact of MIFRS on capital expenditures.

[9] *Ibid, page 15*
[10] *Ibid, page 40*

a) Please confirm if the costs capitalized are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. If not, please explain.

b) Has the applicant consulted with its external auditors or professional advisors regarding the change in capitalization of overhead within IFRS requirements? If yes, please provide supporting documentation. If not, please identify if there is any plan in the near future for such a consultation.

c) Please identify all overhead related items (e.g. indirect costs, corporate centre costs) and identify the items that are ineligible and how much overhead in total has been removed from capitalization for ineligible costs.

d) Please identify the burden rates related to the capitalization of costs of self-constructed assets:

i Prior to transition (from the last rebasing application to January 1, 2011), and

ii After transition (on or after January 1, 2011).

e) Please provide the following information in detail for overhead costs on self-constructed assets for the bridge and test years.

	Nature of the overhead costs	Dollar Impact		Ditrectly Attibutable	Reasons for Capitalization (MIFRS Principles)
		Bridge Year	Test Year	Yes/No	
1					
2					
3					

f) Please identify the overall level of increase (decrease) in OM&A expense in the test year in relation to a decrease (increase) in capitalized overhead. Please provide a variance analysis for this increase in OM&A expense for the test year in respect to each of the bridge year and historical years.

g) Please confirm that all borrowing costs that are directly attributable to the acquisition, construction, or production of PP&E costs are capitalized to PP&E and not expensed. If this is not the case, please explain.

h) Where incurred debt is not acquired on an arm's length basis, are the actual borrowing costs used? Please explain.

i) Please confirm that if the interest rate is greater than the Board's most recently published CWIP interest rates, OPUCN has used the Board's published rates to calculate borrowing costs included in the construction costs. If this is not the case, please explain.

OPUCN Response

a) OPUCN confirms the costs capitalized are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

b) OPUCN has consulted with its external auditors regarding the change in capitalization of overhead within IFRS requirements. At the time of this response the auditors had not concluded their review. OPUCN will update the Board if there is a change resulting from the auditors review.

c) Overhead related items include direct labour and fleet costs in addition to overhead charges relating to facilities, materials management, engineering and design. The amounts capitalized are not impacted by the adoption of MIFRS.

d) Please see table below:

Burden Rates

Type of Allocation	2008 - 2010	2011 -
Labour	85%	85%
Stores	23%	23%
Engineering	12%	12%
Vehicles	$10-$35 / Hour	$10-$35 / Hour

e) Please see below detail for overhead costs on self-constructed assets for the bridge and test years:

CGAAP and MIFRS Capital Allocation for 2012 Test Year

Type of Allocation	Bridge Year $'s	Test Year $'s	Directly Attributable	Reasons for Capitalization
Labour	1,346,692	1,387,093	Yes	These are all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.
Stores	659,378	679,160	Yes	
Vehicles	516,217	531,704	Yes	
Engineering	793,468	817,272	Yes	
TOTAL	3,315,755	3,415,228		

f) Based on OPUCN's discussions with its auditors and analysis of the amounts capitalized for direct costs including labour and fleet costs, in addition to overhead charges relating to facilities, materials management, engineering and design, certain charges were identified that do not meet the criteria under IAS 16; that is, the costs are not considered incremental and directly attributable to specific assets.

The expenses identified related to engineering and design labour costs and associated overhead including facilities, IT and support staff. The impact on OM&A expense is an increase of $506 thousand offset by a reduction to OPUCN's PP&E.

g) OPUCN confirms that all borrowing costs that are directly attributable to the acquisition, construction, or production of PP&E costs are capitalized to PP&E and not expensed.

h) Where incurred debt is not acquired on an arm's length basis, OPUCN recognizes the actual borrowing costs used.

i) OPUCN confirms that if the interest rate is greater than the Board's most recently published CWIP interest rates, OPUCN has used the Board's published rates to calculate borrowing costs included in the construction costs for rate-making purposes.

68 Reference: *June 13, 2011 Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment*

Differences may arise with Property, Plant, and Equipment balances due to implementing IFRS. OPUCN has not provided a calculation or balance in the Board-approved PP&E Deferral Account.

a) Please update the appropriate schedules and calculate a balance for the PP&E Deferral Account.

b) Please provide a breakdown of the amount that is to be recorded in the PP&E deferral account from the transition date to MIFRS that is, as of January 1, 2011. Please provide the supporting analysis of the amounts in this account. Please provide an analysis similar to Appendix A of the March 31, 2011 *Staff Discussion Paper – Transition to IFRS*. [11]

c) Please provide a proposal for the disposition of this deferral account and rationale. (Please refer to the June 13, 2011 Addendum to the Report of the Board on IFRS.)

OPUCN Response

a) Please refer to interrogatory # 63 b) above.

b) Please refer to interrogatory # 63 b) above.

c) Please refer to interrogatory # 63 b) above.

69 Reference: Certain Intangible Assets

IFRS requires certain assets to be recorded as intangible assets (e.g. computer software and land rights) that were previously included in PP&E.

The Board has said"

[11] March 31, 2011 Staff Discussion Paper, internet link reference: http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2008-0408/Discussion_paper_Transition_to_IFRS_20110331.pdf

> "Where IFRS requires certain assets to be recorded as intangible assets that were previously included in PP&E (e.g. computer software and land rights), utilities shall include such intangible assets in rate base and the amortization expense in depreciation expense for determining revenue requirement."[12]

OPUCN did not present the accounting policy change on asset reclassification from PP&E to intangible assets.

a) Has OPUCN identified the accounting policy change on asset reclassification from PP&E to intangible assets? If so, please provide the accounting policy change and quantify the changes due to the adoption of IFRS for the test year and bridge year. If not, please provide the reasons and the plan when this is to be addressed.

b) For the assets identified in i), please propose the regulatory treatment in accordance with the Board report.

OPUCN Response

a) OPUCN acknowledges the accounting policy change on asset reclassification from PP&E to intangible assets but has not identified any obligations resulting from the changes.

b) There were no assets identified in part a) above.

70 Reference: Exhibit 4 Pension and Other Post-Employment Benefits

Board staff is interested in the treatment of Pension and Other Post-Employment Benefits in OPUCN's MIFRS proposal.

a) What is the accounting treatment of the unamortized actuarial gains and losses and past service costs at the date of transition (January 1, 2011)?

b) What is the proposed regulatory treatment of these amounts – are these amounts incorporated anywhere in the revenue requirement? Please explain.

[12] *Report of the Board Transition to International Financial Reporting Standards ("IFRS") July 28, 2009 EB-2008-0408 page 40*

c) Has OPUCN applied the optional early adoption to the IASB's June 2011 revisions to IAS 19, Employee Benefits?

The IAS revisions are effective January 1, 2013, but early adopted is permitted. These revisions include the elimination of the option to defer recognition of gains and losses, known as the "corridor method".

d) Please explain if OPUCN has "early adopted" this element of IAS 19 and state whether the impacts of this early adoption are incorporated anywhere in the revenue requirement.

OPUCN Response

a) OPUCN is electing to apply the IFRS 1 exemption and will recognize all cumulative actuarial losses in retained earnings at the date of transition.

b) OPUCN is requesting a new deferral account to capture the one-time adjustment of approximately $2.6 million to the post retirement liability as a result of the election applied under IFRS1. OPUCN is proposing to dispose of the deferral account over a period of four years. The recovery does not impact the revenue requirement.

c) Please refer to part a) above.

d) Please refer to b) above.