



Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
TORONTO, ON M4P 1E4

October 25, 2011

**Attention: Board Secretary**

**Re: Board File EB-2011-0177 2012 IRM3 Application – 1562 PILs Disposition**

Dear Ms. Walli:

This letter is in response to a correspondence received by Kenora Hydro, dated October 18, 2011, from John Pickernell, regarding Kenora Hydro's delay in the analysis and disposition of Account 1562.

As was noted in the IRM3 filing, Kenora Hydro will bring forward the analysis, correction and proposed disposition of this account as soon as possible. Kenora Hydro does intend to file on the same basis as the Combined PILs proceeding, however, to date, Kenora Hydro has been unable to dedicate the resources needed to give this account the time and attention required to bring forward a complete and accurate analysis and proposed disposition of Account 1562. It is also important to note that this account currently has a debit balance of \$6,534.00.

The Manager of Finance, who will be gathering the required information, updating the models, and submitting the proposed disposition also has the following responsibilities and time deadlines:

- COS Rate Application - After the release of the Decision and Order of June 24, 2011 for the Combined Proceeding, the Manager of Finance was still dedicated to completing the COS study, with the final Decision and Order for Kenora not made until July 6, 2011. System updates to accommodate the new riders and rates, testing of the resulting billings, and required accounting entries have also proved time consuming. A year of effort on the COS was followed by a two week vacation, and week of out of town training. Immediately on the return of the Manager of Finance, the transition to smart meter billings began. Concurrently, the new format for the IRM3 filing proved to be a significantly more time consuming application than was anticipated, combined with some modeling formatting issues (ie copying from a word document into an excel sheet for the tariff wording, page formatting for printing) and referencing issues in the billing impact sheets. This filing required a much greater time commitment than the previous IRM2 based filing.
- Smart Meter billing transition - Kenora is in the initial stages of the transitioning of customers to billing on Time-of-Use rates and periods. Customer account set up, billing system rate modifications, and new processes for billing transactions have been implemented over the past few weeks. The first billing, set to be produced during the second week of November, will need careful scrutiny and bill testing to ensure accuracy during the transition. The initial billing of all customers on TOU rates is not set to be complete until early in December. The staff member working on the PILs filing (Manager of Finance) also has the responsibility for daily supervision and oversees the activities of the billing department. During this transition, the Manager of Finance will be focused on the billing department.

- Recently increased reporting requirements, as directed by the Minister of Energy for the OCEB credits, will be yet another monthly filing requirement. As the MoE has requested kWh data in support of the OCEB (which is not the basis of the OCEB credit calculation), and also requested 2 months of forecasted credits, which is also a manual calculation, it is evident that this additional filing will also demand time to manually gather information and file as prescribed on a monthly basis.
- IFRS – The transition to preparing financial statements on a comparative basis for IFRS will require a very significant dedication of time by the Manager of Finance, before statements can be released in April 2012. Once the TOU transition no longer requires the dedication of time it currently demands, this project will commence. It is expected that all of December and January will be dedicated to this task.
- Year End preparation – Year end working papers and financial statements with IFRS presentation will also need to be completed by the Manager of Finance. A routine year of financial statement preparation usually involves at least three weeks of preparation time. This is normally completed over the February/March time frame in preparation for mid-March financial statement auditors.
- Audit - The audit for the 2010 year end will also include testing and evidence support for our transition to smart meter billing platform. It is anticipated that the external auditors will take additional time for bill and system testing during both the interim audit work done in November, and the final audit work performed in March.
- PILS Account - Once financial statements are audited and released in late April, it is anticipated that the Manager of Finance will be available to dedicate the required time to ensure the analysis of Account 1562 is given the attention it will require. The analysis will be prepared and brought forward to the OEB as soon as possible, by June 15, 2012.

Please contact me directly at 807-467-2075 should you require anything further.

Sincerely,



David Sinclair  
President & CEO  
Kenora Hydro Electric Corporation Ltd.  
Phone 807-467-2075  
Fax 807-467-2068  
e-mail [dsinclair@kenora.ca](mailto:dsinclair@kenora.ca)

cc Daniel Kim  
Duncan Skinner  
Pascale Duguay