

April 30, 2012

Ms. Kirsten Walli
Ontario Energy Board
PO Box 2319
27th Floor, 2300 Yonge Street
Toronto, Ontario M4P 1E4

Re: Internal Review of Variance Account 1588
Board File Nos.: EB-2011-0148; EB-2011-0149; EB-2011-0150; EB-2011-0163

Dear Ms. Walli,

In the course of its 2012 IRM proceedings, Entegrus Powerlines ("Entegrus") noted that it had inadvertently not followed the prescribed methodology for Group 1 Variance Account 1588, as described in the Board's Accounting Procedures Handbook. Entegrus advised the Board that it would conduct an internal investigation to determine the appropriate account balances attributable to 2009 and 2010. Accordingly, Entegrus requested that disposition of Account 1588 be deferred until such time as its 2013 IRM application.

In the Board's Decision and Order (EB-2011-0163), dated March 29, 2012, for the former Chatham-Kent Hydro ("CKH"), the Board stated:

"The Board will permit Chatham-Kent Hydro to withdraw its request to dispose of the balance in Account 1588, subject to the completion of a review of this account pursuant to Article 220 of the APH. The Board directs Chatham-Kent Hydro to defer the disposition of Account 1588 to its 2013 application."

The Board's Decisions and Orders (EB-2011-0148; EB-2011-0149; EB-2011-0150) for the former Middlesex Power Distribution Corporation ("MPDC") contained corresponding direction.

At this time, Entegrus wishes to update the Board that its internal review is complete.

The internal review confirmed that Entegrus inadvertently did not follow prescribed methodologies for Account 1588 and Cost of Power reconciliations for the period from 2009-2011. Accordingly, Entegrus determined that adjustments were required to correct for variances in the following accounts: unbilled energy revenue, deferred assets and accounts payable.

Accounting adjustments for these variances were recorded prospectively in the general ledger in 2011. These adjustments were reviewed by Entegrus' third party external auditors as part of the fiscal 2011 audit, for which Entegrus received a clean, unqualified audit opinion dated April 13, 2012.

Further, Entegrus has now redesigned its internal processes for calculating and reconciling Account 1588, Unbilled Energy Revenue and Cost of Power to align with the appropriate methodologies on a go forward basis.

As directed by the Board, Entegrus will bring forward the audited Account 1588 balances for disposition as part of its 2013 IRM application, to be submitted later in 2012 in accordance with the Board's filing deadline. In the meantime, Entegrus respectfully requests that the Board re-open RRR 2.1.1 for CKH and MPDC at December 31, 2011, such that Entegrus may update to the appropriate balances from its audited 2011 financial statements.

Sincerely,

[Original Signed By]

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cc: Dan Charron, President of Entegrus Powerlines
Chris Cowell, Chief Financial and Regulatory Officer