# EXHIBIT 5 – COST OF CAPITAL AND CAPITAL STRUCTURE

## INDEX

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# Exhibit 5 – Cost of Capital

## OVERVIEW

London Hydro was incorporated November 7, 2000 in accordance with the requirements of the *Electricity Act, 1998*, S.O. 1998, c.15, Sched. A.

London Hydro is a wholly-owned subsidiary of the Corporation of the City of London, providing electrical distribution services to the inhabitants of the City of London.

The Public Utility Commission of the City of London holds an unsecured promissory note from London Hydro in the amount of $70,000,000 bearing interest at 6% per annum originally commencing November 1, 2000, payable on demand with 367 days' notice, and currently maturing on October 31, 2015. A copy of this note is attached as Appendix 5A to this Exhibit.

Share capital consists of 1,001 common shares issued to the Corporation of the City of London in the amount of $96,116,000.

Since the time of the last application, there have been no additional issuances or redemption of any type of shares (common or preferred) and as such, there has been no profit or loss associated with the redemption of shares.

### Capital Structure:

On page 59 of the *Report of the Board on Cost of Capital for Ontario's Regulated Utilities,* dated December 11, 2009 (the "Cost of Capital Report"), the OEB determined that for rate making purposes, the OEB will deem a single capital structure of 60% debt (56% long-term, 4% short-term)/40% equity for all distributors.

In the current Application, London Hydro is maintaining its deemed debt/equity structure for rate making purposes at 60% (56% long-term and 4% short-term)/40% in accordance with the OEB directions in the Cost of Capital Report.

London Hydro continues to have an actual debt/equity structure that departs from the OEB deemed structure for rate making purposes, but is not proposing any departure from the deemed structure for the purposes of rate making in this Application.

The following table provides the details of London Hydro's Board Approved and Actual capital structures.

**Table 5-1 - Capital Structure**

| | 2009 Board Approved Deemed | | 2009 Actual | | 2010 Actual | | 2011 Actual | | 2012 Bridge Deemed - CGAAP | | 2012 Bridge Deemed - IFRS | | 2013 Test Year Deemed - IFRS | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Long term debt | 126,182,548 | 56.0% | 70,000,000 | 38.4% | 92,954,000 | 43.9% | 87,650,000 | 41.4% | 147,529,633 | 56.0% | 147,557,160 | 56.0% | 150,970,544 | 56.0% |
| Short term / unfunded debt | 9,013,039 | 4.0% | - | 0.0% | - | 0.0% | - | 0.0% | 10,537,831 | 4.0% | 10,539,797 | 4.0% | 10,783,610 | 4.0% |
| Total debt | 135,195,587 | 60.0% | 70,000,000 | 38.4% | 92,954,000 | 43.9% | 87,650,000 | 41.4% | 158,067,464 | 60.0% | 158,096,957 | 60.0% | 161,754,155 | 60.0% |
| Common equity | 90,130,392 | 40.0% | 112,133,000 | 61.6% | 118,682,000 | 56.1% | 124,055,000 | 58.6% | 105,378,310 | 40.0% | 105,397,972 | 40.0% | 107,836,103 | 40.0% |
| Total Rate Base | 225,325,979 | 100.0% | 182,133,000 | 100.0% | 211,636,000 | 100.0% | 211,705,000 | 100.0% | 263,445,774 | 100.0% | 263,494,929 | 100.0% | 269,590,258 | 100.0% |

## Cost of Debt:

On page 59 of the OEB's Cost of Capital Report, the OEB determined that the 60% deemed debt component for rate making purposes would be comprised of a short-term debt amount to be fixed at 4% and a long-term debt amount of 56% of the rate base. Pursuant to those directions, London Hydro has incorporated those changes within this Application.

On March 2, 2012 the OEB issued an update to the cost of capital parameters for the 2012 Cost of Service applications. The short-term debt rate pursuant to that update was 2.08% and the long-term debt rate was 4.41%. London Hydro acknowledges these parameters and has utilized the short-term debt rate figure into this Application. London Hydro acknowledges that the OEB will be finalizing the deemed debt rates for applications for May 1, 2013 rates based on January 2013 market interest rate information and this Application will need to be revised if those debt rates change from the March 2, 2012 updated values.

**Long-Term Debt:**

London Hydro's long-term debt consists of affiliate debt held by The Public Utility Commission of the City of London. As noted above, that debt is in the form of an unsecured promissory note in the amount of $70,000,000 bearing interest at 6% per annum originally commencing November 1, 2000, payable on demand with 367 days' notice, and currently maturing on October 31, 2015.

The affiliate long-term debt, which had a previous expiry date of October 31, 2010, was renewed on September 30, 2009 for an additional 6 year period to expire on October 31, 2015. At the time of the renewal, the OEB prescribed debt rate was 7.2%. Therefore, at the time of signing, the fixed rate was lower than the OEB approved deemed rate and as such the 6% has been used in the cost of capital calculations.

In addition to the affiliate long-term debt, London Hydro entered into a four year interest rate swap agreement with the Royal Bank of Canada for an unsecured loan of $23.5 million to fund its Smart Meter capital expenditure program. Principal repayments on this loan commenced in October 2010 and are being amortized over a 10 year period ending March 31, 2020. When the agreement was signed in 2010, the initial agreement was signed, the interest rate was 2.73% with a 0.9% stamping fee for an effective rate of 3.63% until March 31, 2014.

In June 2012, London Hydro extended the agreement so that the interest rate swap also matures on March 31, 2020 which effectively converts variable interest rates on unsecured Bankers Acceptances to an effective interest rate of 2.43% plus a stamping fee of 0.9% for an all-in rate of 3.33%.

Additionally, London Hydro has a committed 364 day extendable operating revolving loan facility of $15.0 million with the Toronto Dominion Bank. Under the terms of this agreement, the lender has extended the maturity date of this loan to February 18, 2014. The Company has a one year period from the loan maturity date to repay any outstanding balances in the event the lender elects not to extend the loan for an additional 364 day period. As of December 31, 2011, the amount drawn by the Company under this loan facility was $nil (2010 - $3.0 million). Interest is at bank prime rate on prime based borrowings, or at Bankers Acceptances ("B/A") rates plus a 1.0% stamping on B/A based borrowings.

**Short-Term Debt:**

London Hydro has an uncommitted operating revolving line of credit facility of $20.0 million with the Toronto Dominion Bank. As of December 31, 2011, the amount drawn by the Company under this line of credit was $ nil (2010 - $nil). The line of credit is unsecured and interest is at bank prime rate of 3% on prime based borrowings, or at Bankers Acceptances (B/A) rates plus a 1.0% stamping fee on B/A based borrowings.

**Future Debt:**

London Hydro has no plans to acquire any additional debt in the immediate future. As conditions in the marketplace change, London Hydro will take advantage of any opportunities that present themselves in order to provide the most value for its customers and shareholder, but in the near future London Hydro does not expect to be acquiring any new debt (or modifying any existing debt).

A schedule of London Hydro's actual and Board-approved cost of debt for the period 2009 to 2013 is provided in the following table.

**Table 5-2 - Cost of Debt**

| | 2009 Board Approved Deemed | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Bridge | 2013 Board Prescribed | 2013 Test Year |
|---|---|---|---|---|---|---|---|
| Long term Debt | 6.00% | 6.00% | 5.31% | 5.52% | 5.55% | 4.41% | 5.58% |
| Short-term | 1.33% | 0.00% | 0.00% | 0.00% | 0.00% | 2.08% | 2.08% |

The following tables support the amounts reported in Table 5-2 - Cost of Debt as required in this Exhibit.

**Year** 2009

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal ($) | Rate (%) | Interest ($) (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Promissary Note | City of London | Affiliated | Fixed Rate | 30-Sep-09 | 6 | $ 70,000,000 | 6% | $ 4,200,000.00 |
| 2 | | | | | | | | | $ - |
| 3 | | | | | | | | | $ - |
| | | | | | | | | | |
| Total | | | | | | | $ 70,000,000 | 6.00% | $ 4,200,000.00 |

**Year** 2010

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal ($) | Rate (%) | Interest ($) (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Promissary Note | City of London | Affiliated | Fixed Rate | 30-Sep-09 | 6 | $ 70,000,000 | 6% | $ 4,200,000.00 |
| 2 | Smart Meter Loan | Royal Bank | Third-Party | Fixed Rate | 1-Oct-10 | 4 | $ 22,954,000 | 3.63% | $ 833,230.20 |
| 3 | Bankers Acceptance | TD Bank | Third-Party | Variable Rate | 12-Jan-10 | 2 | $ 3,000,000 | 2.12% | $ 63,600.00 |
| | | | | | | | | | |
| Total | | | | | | | $ 95,954,000 | 5.31% | $ 5,096,830.20 |

**Year** 2011 Historic Year

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal ($) | Rate (%) (Note 2) | Interest ($) (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Promissary Note | City of London | Affiliated | Fixed Rate | 30-Sep-09 | 6 | $ 70,000,000 | 6% | $ 4,200,000.00 |
| 2 | Smart Meter Loan | Royal Bank | Third-Party | Fixed Rate | 1-Oct-10 | 4 | $ 17,650,000 | 3.63% | $ 640,695.00 |
| 3 | | | | | | | | | $ - |
| | | | | | | | | | |
| Total | | | | | | | $ 87,650,000 | 5.52% | $ 4,840,695.00 |

**Year** 2012 Bridge Year

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal ($) | Rate (%) | Interest ($) (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Promissary Note | City of London | Affiliated | Fixed Rate | 30-Sep-09 | 6 | $ 70,000,000 | 6% | $ 4,200,000.00 |
| 2 | Smart Meter Loan | Royal Bank | Third-Party | Fixed Rate | 21-Jun-12 | 7.5 | $ 15,346,000 | 3.48% | $ 534,040.80 |
| 3 | | | | | | | | | $ - |
| | | | | | | | | | |
| Total | | | | | | | $ 85,346,000 | 5.55% | $ 4,734,040.80 |

Note 2 - The 3.48% interest rate was determined by taking the 3.63% rate for 6 months and the revised 3.33% rate for 6 months. This provides a weighted average rate of 3.48%

**Year** 2013 Test Year

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal ($) | Rate (%) | Interest ($) (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Promissary Note | City of London | Affiliated | Fixed Rate | 30-Sep-09 | 6 | $ 70,000,000 | 6% | $ 4,200,000.00 |
| 2 | Smart Meter Loan | Royal Bank | Third-Party | Fixed Rate | 21-Jun-12 | 7.5 | $ 13,042,000 | 3.33% | $ 434,298.60 |
| 3 | | | | | | | | | $ - |
| | | | | | | | | | |
| Total | | | | | | | $ 83,042,000 | 5.58% | $ 4,634,298.60 |

## Return on Equity:

London Hydro is requesting a Return on Equity ("ROE") for the 2013 Test Year of 9.12% in accordance with the OEB's updated cost of capital parameters and ROE calculations issued on March 2, 2012. London Hydro understands that the OEB will be finalizing the ROE parameter for applications for May 1, 2013 rates based on January 2013 market interest rate information and that the OEB will request that this Application be revised if the ROE amount changes from the March 2, 2012 updated values. A schedule of London Hydro's 2009 Board Approved and 2013 Test Year returns on equity and debt are presented in the following table:

**Table 5-3 - Return on Rate Base**

| | 2009 Board Approved | | 2013 Test Year | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Total Rate Base | 225,325,979 | | 269,590,258 | |
| Long term debt | 126,182,548 | 56% | 150,970,544 | 56% |
| Short term debt | 9,013,039 | 4% | 10,783,610 | 4% |
| Common equity | 90,130,392 | 40% | 107,836,103 | 40% |
| | 225,325,979 | | 269,590,258 | |
| Interest on long term debt | 7,570,953 | 6.00% | 8,424,156 | 5.58% |
| Interest on short term debt | 119,873 | 1.33% | 224,299 | 2.08% |
| Return on common equity | 7,219,444 | 8.01% | 9,834,653 | 9.12% |
| Return on Rate Base | 14,910,271 | 6.62% | 18,483,108 | 6.86% |

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# APPENDIX 5A

# COPY OF LONDON HYDRO'S PROMISSORY NOTE

A copy of London Hydro's promissory note held by The Public Utility Commission of the City of London is provided in the following Appendix 5A. The original note was issued to London Hydro Utilities Services Inc.

On May 15, 2001 London Hydro Utilities Services Inc. issued Articles of Amendment with the Ministry of Consumer and Commercial Relations for a corporate name change from London Hydro Utilities Services Inc. to London Hydro Inc.

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LONDON HYDRO UTILITIES SERVICES INC.

**PROMISSORY NOTE**

**$95 million**

**Due: December 31, 2000**
**(subject to extension)**

**London, Ontario, November 1, 2000**

1. FOR VALUE RECEIVED LONDON HYDRO UTILITIES SERVICES INC. ("LHUSI") unconditionally promises to pay to the order of THE CORPORATION OF THE CITY OF LONDON (the "Corporation"), or to the holder hereof in due course, at its offices at London, Ontario, on December 31, 2000 (or on such later date as the amount due hereunder shall become due and payable pursuant to Section 3 below) (the "Maturity Date"), the sum of Ninety-five Million Dollars ($95,000,000) ("Principal"), without interest either before or after maturity or default, if any.

2. The Corporation has the right to assign this Note without notice to, or the consent of, LHUSI. In the event of such assignment, LHUSI acknowledges and confirms that the assignee of this Note will be a holder in due course of this Note.

3. Subject to Section 5, a holder of this Note shall have the right from time to time and at any time to extend the Maturity Date, provided that such date shall not be less than 120 days after the date on which the Extension Notice (as defined below) is given by such holder. The extension privilege may be exercised by notice in writing (the "Extension Notice") given to LHUSI at its registered office. The Extension Notice shall be signed by the holder or its duly authorized attorney, and shall specify the new Maturity Date and any portion of the Principal payable to the holder on or prior to such Maturity Date.

4. In the event that LHUSI defaults in making any payment of a portion of the Principal under this Note when due, and notwithstanding Section 3, the entire unpaid portion of the Principal shall, at the option of the holder, immediately become due and payable.

5. If this Note is reassigned by the holder hereof to the Corporation, the following events and actions shall be deemed conclusively to have occurred and to have been taken by the Corporation and LHUSI immediately and concurrently upon such reassignment.

   (a) *Acceleration of Principal Balance.* Notwithstanding Section 3, the outstanding balance of Principal shall be deemed to be immediately due and payable.

   (b) *Capital Contribution.* The Corporation shall be deemed to have authorized the making of, and to make, a contribtion of capital to LHUSI in an amount equal to the outstanding balance of Principal and such amount shall be added to the stated capital account for the common shares of LHUSI held by the Corporation.

(c) *Payment of Principal Balance*. In consideration of the capital contribution referred to in (b), the Corporation shall be deemed to have presented this Note for payment, and LHUSI shall be deemed to make and the Corporation shall be deemed to have received, full and final payment of the outstanding balance of Principal and this Note shall be considered to be cancelled.

**LONDON HYDRO UTILITIES SERVICES INC.**

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

**LONDON HYDRO INC.**
**(the "Corporation")**

Each of the following resolutions, signed by all the directors and the sole shareholder of the Corporation entitled to vote thereon, is hereby passed pursuant to the provisions of the *Business Corporations Act* (the "Act"):

**WHEREAS** on November 1, 2000, the Corporation issued to The Corporation of the City of London (the "City") a convertible and extendible promissory note (the "Promissory Note") as part of the consideration payable by the Corporation for the transfer of the electricity distribution assets to it;

**AND WHEREAS** the Promissory Note was assigned with conditions by the City to The Public Utility Commission of the City of London (the "Commission") as evidenced by an undertaking executed by the Commission dated November 6, 2000;

**AND WHEREAS** by resolution of Municipal Council of the City August 7, 2001, the City agreed to a reduction of the principal amount of the Promissory Note from $95 million to $70 million subject to certain terms and conditions;

**AND WHEREAS** by resolution dated August 1, 2001, the Commission consented to the reduction in the principal amount and extended the maturity date to December 31, 2001;

**AND WHEREAS** by resolution of the Commission dated September 10, 2001, the Commission extended the maturity date to July 1, 2002;

**AND WHEREAS** by resolution of Municipal Council dated February 3, 2003, the City agreed to restructure the Promissory Note to extend the term to July 1, 2008, to provide for interest calculated at 6% per annum commencing July 1, 2003 payable in arrears quarterly or at such other intervals as agreed upon, to provide that interest payments may be postponed if the Corporation's interest coverage ratio falls below 2:1, in which case postponed interest will be paid when the ratio is or exceeds 2:1, and to provide that the provisions of the note may be re-opened if the Corporation's projected rate of return on common equity approved by the Ontario Energy Board from time to time is less than 6.58% and that the Commission will continue to hold the Promissory Note on the terms and conditions as set out in the said undertaking;

**AND WHEREAS** by resolution of Municipal Council dated September 12, 2007, the City agreed to amend the term of the Promissory Note to the earlier of 367 days after demand or October 31, 2010.

**AND WHEREAS** the Corporation has requested that the term of the Promissory Note be extended to the earlier of the date that is 367 days after demand or October 31, 2015;

**AND WHEREAS** it is expected that the City and the Commission shall agree to

such extension of the term of the Promissory Note;

**RESOLVED THAT:**

1. The further amendment of the Promissory Note to extend the term of the Promissory Note to the earlier of that date that is 367 days after demand or October 31, 2015 be approved and consented to.

2. All of the other terms and conditions in the Promissory Note as previously amended shall remain the same and continue to be in full force and effect.

3. Any director or officer of the Corporation is hereby authorized and directed to execute any instrument on behalf of the Corporation and to make all such other agreements and/or arrangements and to do all acts and things, including the execution of documents whether under the corporate seal of the Corporation or otherwise, as such officer or director may consider necessary or desirable in connection with the matters provided for in this resolution or to carry out the terms hereof.

**DATED** as of the 29th day of September, 2009.

Rick Witherspoon

Peter Johnson

Radhey Mohan Mathur

Marilyn Sinclair

Gabriel Valenta

Bernard G. Borschke

Tom Gosnell

Ratified and confirmed by the sole shareholder:

**The Corporation of the City of London**

By: _____
Name: ANNE MARIE DECICCO-BEST
Title: MAYOR

By: _____
Name: LINDA ROWE
Title: ACTING CITY CLERK

5664792.1

# PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

**TO:** The Corporation of the City of London

**AND TO:** London Hydro Inc.

**RE:** London Hydro Inc. – Extension Of Maturity Date
$70 Million Promissory Note

As evidenced by the signatures below of its members, The Public Utility Commission of the City of London (the Commission) hereby consents to amending to extend the November 1, 2000 promissory note as amended, to the earlier of October 31, 2015 or 367 days after demand notice with all other terms and conditions of the said note to remain the same and continue in full force and effect.

Dated at London, Ontario this 30th day of September, 2009.

Anne Marie DeCicco-Best, Chair

Tom C. Gosnell, Vice Chair

Gina Barber

W. J. (Bud) Polhill

# EXHIBIT 6 – CALCULATION OF REVENUE DEFICIENCY

## INDEX

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# EXHIBIT 6 – CALCULATION OF REVENUE DEFICIENCY

## Revenue Requirement and Revenue Sufficiency/Deficiency:

**Overview:**

The evidence in this Exhibit supports London Hydro's request in this Application for an increase in its revenue requirement to support its proposed capital and operating budgets for 2013, service its debt, pay its deemed PILs, and earn its allowed Rate of Return on Equity ("ROE"). Recovery by London Hydro of its revenue requirement as proposed in this Application will permit London Hydro to continue distributing electricity in a safe and reliable manner.

London Hydro has determined that its net revenue deficiency under MIFRS for the 2013 Test Year is $6,415,350, compared to 2012 figures. The calculations on which this determination is based are set out below. The revenue deficiency calculation does not include the following:

- Recovery or dispositions of deferral and variance account amounts;
- The rate rider to recover Lost Revenue Adjustment Mechanism;
- Other electricity charges, which include energy commodity, transmission charges and wholesale market service charges; and
- Any non-distribution related revenues or expenses.

Recovery or disposition of deferral and variance account amounts is discussed elsewhere in this Application (such as Exhibit 9), and those are treated either as recoveries/dispositions of regulatory assets or liabilities on the balance sheet, or as energy related costs recorded in the OEB-prescribed Retail Settlement Variance Accounts.

## Revenue Requirement:

London Hydro's revenue requirement is comprised of the following components:

- Operation, Maintenance, and Administration Expense
- Amortization Expense
- PILs, Income Tax and Capital Tax, and
- Return on Rate Base (Debt Interest Expense + Return on Equity)

London Hydro derives its service revenue requirement primarily through distribution rates charged to customers. Other revenues are received from OEB-approved specific service charges, rent from electric property, late payment charges, interest; and other miscellaneous sources. These other revenues, described in detail in Exhibit 3, are treated as offsets against London Hydro's service revenue requirement to calculate the base revenue requirement upon which class-specific distribution rates are calculated.

The following table summarizes London Hydro's service revenue requirements and base revenue requirements, employing deemed interest, regulatory PILs and allowed ROE.

**Table 6-1 - Service and Base Revenue Requirement**

| Description | 2012 Bridge | 2013 Test Year |
|---|---|---|
| Operation, Maintenance, Administration & Donations | $ 33,430,886 | $ 33,844,562 |
| Amortization Expense | 20,156,000 | 15,788,219 |
| Deemed Interest Expense | 9,218,495 | 8,648,455 |
| Income Taxes - PIL's | 683,602 | 934,484 |
| Account 1575 - IFRS-CGAAP Transitional PP&E Amounts | - | 117,981 |
| Return on Equity | 8,440,803 | 9,834,653 |
| Total Service Revenue | 71,929,785 | 69,168,354 |
| Less Revenue Offsets | 3,344,289 | 3,397,982 |
| **Base Revenue Requirement** | **$ 68,585,496** | **$ 65,770,372** |

*MIFRS Comparision

The 2013 base revenue requirement calculated in the table above is further detailed in the Revenue Requirement Work Form ("RRWF") submitted with this Application as a separate Appendix, a full copy of which is located in Exhibit 1.

## Determination of Net Income:

London Hydro has determined its allowable 2013 net income after Income Taxes (Return on Deemed Equity) to be $9,834.652. The following Table 6-2 - Determination of Net Income provides the detailed net income calculations for the 2012 Bridge Year, the 2013 Test Year at Existing Rates and the 2013 Test Year Required Revenue.

**Table 6-2 - Determination of Net Income**

| Description | 2012 Bridge | 2013 Test Year |
|---|---|---|
| **Revenue** | | |
| Distribution Revenue (2013 at 2012 OEB approved rates) | $ 61,064,000 | $ 59,355,022 |
| Revenue Deficiency | | 6,415,350 |
| Other Operating Revenue Offsets | 3,344,289 | 3,397,982 |
| **Total Revenue** | 64,408,289 | 69,168,353 |
| **Costs and Expenses** | | |
| Operation, Maintenance, Administration & Donations | 33,430,886 | 33,844,562 |
| Depreciation & Amortization | 20,156,000 | 15,788,219 |
| 1575 - CGAAP to MIFRS PP&E Difference | - | 117,981 |
| Deemed Interest | 9,218,495 | 8,648,455 |
| **Total Costs and Expenses** | 62,805,381 | 58,399,217 |
| **Utility Income Before Income Taxes** | 1,602,908 | 10,769,136 |
| **Income Taxes:** | | |
| Corporate Income Taxes | 683,602 | 934,484 |
| **Utility Net Income** | **$ 919,307** | **$ 9,834,652** |

*MIFRS Comparision

# Statement of Rate Base and Requested Return:

London Hydro has provided a summary of its rate base for 2012 Bridge Year and the 2013 Test Year calculated on London Hydro's deemed capital structure in accordance with the OEB Filing Requirements. The rate base is used to calculate London Hydro's requested return in the amount of $18,483,108 for the 2013 Test Year.

London Hydro's rate base and requested return are summarized in the table below.

**Table 6-3 - Rate Base and Requested Return**

| Description | 2012 Bridge | 2013 Test Year |
|---|---|---|
| **Liabilities** | | |
| Deemed Long Term Debt | $ 147,557,160 | $ 150,970,544 |
| Deemed Unfunded Short Term Debt | 10,539,797 | 10,783,610 |
| **Total Debt** | 158,096,957 | 161,754,155 |
| **Shareholders Equity** | | |
| Preferred Shares | | |
| Common Equity | 105,397,972 | 107,836,103 |
| **Total Equity** | 105,397,972 | 107,836,103 |
| | | |
| **Total Rate Base** | 263,494,929 | 269,590,258 |
| **Deemed Return on Rate Base** | | |
| **Interest Expense** | | |
| Long Term Debt Cost | 8,851,778 | 8,424,156 |
| Unfunded Short Term Debt Cost | 366,717 | 224,299 |
| **Total Debt Financing Cost** | 9,218,495 | 8,648,455 |
| **Return on Shareholders Equity** | **8.01%** | **9.12%** |
| Preferred Shares | | |
| Common Equity | 8,440,803 | 9,834,653 |
| **Total Return on Shareholders Equity** | 8,440,803 | 9,834,653 |
| **Total Return** | $ 17,659,297 | $ 18,483,108 |

*MIFRS Comparision

## Indicated and Requested Rate of Return on Rate Base:

London Hydro has determined its required rate of return on rate base to be 6.86% as explained in detail in Exhibit 5. Summarized in the following Table 6-4 - Indicated and Requested Rate of Return on Rate Base is the indicated rate of return on rate base and London Hydro's requested rate of return on rate base for the 2012 Bridge Year and the 2013 Test Year. Based on the information below, if London Hydro's approved 2012 rates remained unchanged for the 2013 Test Year, London Hydro's rate of return on rate base at its existing 2012 OEB approved rates would be 5.08%.

**Table 6-4 - Indicated and Requested Rate of Return on Rate Base**

| Description | 2012 Bridge | 2013 Test Year |
|---|---|---|
| **Rate Base** | $ 263,494,929 | $ 269,590,258 |
| **Indicated Return on Rate Base** | | |
| Net Income (2013at 2012 OEB approved rates) | 919,307 | 5,052,009 |
| Deemed Interest Expense (Return on Debt Equity) | 9,218,495 | 8,648,455 |
| Indicated Return on Rate Base | 10,137,801 | 13,700,465 |
| **Indicated Rate of Return on Rate Base** | 3.85% | 5.08% |
| **Requested Return on Rate Base** | | |
| Requested Net Income | | 9,834,653 |
| Requested Interest Expense | | 8,648,455 |
| Requested Return on Rate Base | | 18,483,108 |
| **Requested Rate of Return on Rate Base** | | 6.86% |

*MIFRS Comparision

## Revenue Deficiency:

London Hydro has provided a detailed calculation supporting its 2013 revenue deficiency in the following Table 6-5 - Calculation of 2013 Revenue Deficiency. The revenue deficiency is calculated as $4,782,643 and when grossed up for PILs London Hydro's revenue deficiency is $6,415,350. Table 6-5 provides the revenue deficiency calculations for the 2013 Test Year at Existing 2012 OEB approved rates and the 2013 Test Year at Proposed Rates, which balances the revenue deficiency, net income and total return.

## Table 6-5 - Calculation of 2013 Revenue Deficiency

Under MIFRS

| Description | 2012 Bridge Deemed | 2013 Test Existing Rates | 2013 Test - Required Revenue |
|---|---|---|---|
| **Revenue** | | | |
| Revenue Deficiency | | | **6,415,350** |
| Distribution Revenue | 61,064,000 | 59,355,023 | 59,355,022 |
| Other Operating Revenue (Net) | 3,344,289 | 3,397,982 | 3,397,982 |
| **Total Revenue** | **64,408,289** | **62,753,005** | **69,168,353** |
| | | | |
| **Costs and Expenses** | | | |
| Administrative & General, Billing & Collecting | 17,237,394 | 17,240,721 | 17,240,721 |
| Operation & Maintenance | 16,193,492 | 16,603,841 | 16,603,841 |
| Depreciation & Amortization | 20,156,000 | 15,788,219 | 15,788,219 |
| Difference PP&E IFRS and CGAAP Account 1575 | 0 | 117,981 | 117,981 |
| Deemed Interest | 9,218,495 | 8,648,455 | 8,648,455 |
| **Total Costs and Expenses** | **62,805,381** | **58,399,217** | **58,399,217** |
| | | | |
| **Utility Income Before Income Taxes** | **1,602,908** | **4,353,787** | **10,769,137** |
| | | | |
| **Income Taxes:** | | | |
| Corporate Income Taxes | 836,602 | (545,222) | 1,087,484 |
| Income Tax Credits | (153,000) | (153,000) | (153,000) |
| **Total Income Taxes** | **683,602** | **(698,222)** | **934,484** |
| | | | |
| **Utility Net Income** | **919,307** | **5,052,009** | **9,834,653** |
| | | | |
| **Income Tax Expense Calculation:** | | | |
| Accounting Income | 1,602,908 | 4,353,787 | 10,769,137 |
| Tax Adjustments to Accounting Income | (2,292,488) | (6,496,114) | (6,496,114) |
| **Taxable Income** | **(689,580)** | **(2,142,327)** | **4,273,023** |
| **Income Tax Expense** | (175,498) | (545,222) | 1,087,484 |
| **Tax Rate Refecting Tax Credits** | 25.45% | 25.45% | 25.45% |
| | | | |
| **Actual Return on Rate Base:** | | | |
| Rate Base | 263,494,929 | 269,590,258 | 269,590,258 |
| | | | |
| Interest Expense | 9,218,495 | 8,648,455 | 8,648,455 |
| Net Income | 919,307 | 5,052,009 | 9,834,653 |
| **Total Actual Return on Rate Base** | **10,137,801** | **13,700,465** | **18,483,108** |
| | | | |
| **Actual Return on Rate Base** | 3.85% | 5.08% | 6.86% |
| | | | |
| **Required Return on Rate Base:** | | | |
| Rate Base | 263,494,929 | 269,590,258 | 269,590,258 |
| | | | |
| **Return Rates:** | | | |
| Return on Debt (Weighted) | 5.83% | 5.35% | 5.35% |
| Return on Equity | 8.01% | 9.12% | 9.12% |
| | | | |
| Deemed Interest Expense | 9,218,495 | 8,648,455 | 8,648,455 |
| Return On Equity | 8,440,803 | 9,834,653 | 9,834,653 |
| **Total Return** | **17,659,297** | **18,483,108** | **18,483,108** |
| | | | |
| **Expected Return on Rate Base** | 6.70% | 6.86% | 6.86% |
| | | | |
| **Revenue Deficiency After Tax** | **7,521,496** | **4,782,643** | **(0)** |
| **Revenue Deficiency Before Tax** | **10,089,196** | **6,415,350** | **(0)** |

*** Does not Include the recent implimentation of Smart Meter Incremental'Rate Rider**

# Drivers of Revenue Deficiency in 2013:

London Hydro has provided a summary of the drivers that contribute to the 2013 revenue deficiency in Table 6-6.

**(in 000's)**

**Table 6-6 – Drivers of Revenue Deficiency**

| Driver | | Impact on 2013 Revenue Requirement | Reference |
|---|---|---|---|
| Increases on OM&A (Excluding amortization) | | $ 5,553 | |
| Salaries and Benefits | $ 3,683 | | |
| Smart Meter/ TOU Billing OM&A Ongoing Costs | 675 | | |
| IFRS Transition -Overhead Burdens | 496 | | |
| Bad Debts Expense | 465 | | |
| Other | 234 | | |
| Subtotal | | $ 5,553 | Exhibit 4 |
| Increase in Return on Rate Base | | $3,573 | Exhibit 6 |
| Increase in Amortization | | $351 | Exhibit 4 |
| Decrease in PILS/ Capital Taxes | | ($2,209) | Exhibit 4 |
| Load and Customer Counts Changes/ IRM Increases | | ($433) | Exhibit 3 |
| Decrease in Revenue Offsets | | ($296) | Exhibit 3 |
| Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS (Account 1575) | | $118 | Exhibit 10 |
| Other | | ($243) | |
| Total Deficiency | | $ 6,415 | |

London Hydro notes that there are several factors that contribute to the gross revenue deficiency of $6,415,350 for the 2013 Test Year. The following discussion highlights some significant items that contribute to this deficiency.

- Due to the transition in financial reporting from CGAAP to MIFRS, London Hydro has made changes to its capitalization policy in order to be compliant with the new standards. Under MIFRS capitalized indirect overhead costs previously capitalized as

part of its burden rates will no longer be capitalized. Full details of this change are outlined in Exhibit 10;

- Increase in employee benefit costs due to an increase in pension contribution rates since 2009. Full details of this change are outlined in Exhibit 4;

- Head count increases in order to both maintain the infrastructure and operations and the maintaining for good levels of customer service. Head count has also increased as it is often more cost effective to hire staff than engage long-term consultants. Full details of this change are outlined in Exhibit 4;

- Decrease in amortization as a result of the change in useful lives, which is partially offset by an increase in amortization from additions to the rate base from 2009 through to 2013. Full details of this change are outlined in Exhibit 4;

- Increases in rate base and the return on equity mainly attributable to the continued investment in the distribution system, and in particular smart meter investments, resulting in an increase in the year-end net book value of assets of approximately $50.3 million from 2009 to 2013. This includes investments based on the Asset Management Plan (to accommodate customer demand requirements and to replace aging assets). Full details of this change are outlined in Exhibit 2;

- The Normalization of Return of Equity Rates. ROE in 2009 was approved at 8.01%, while rates in following years were between 9.12% and 9.75%. Proposed ROE for 2012 and 2013 is 9.12%. This is discussed further in Exhibit 5;

- After the completion of the Lead Lag Study (see details in Exhibit 2), the working capital allowance was changed from 15% in 2009 to a rate of 11.42% in 2013;

- Decrease in Payment in Lieu of taxes (PILs) mainly as a result of decreases in corporate income tax rates and the elimination of capital tax;

- Decrease to revenue offsets, mainly as result of lower interest and rental incomes (see details in Exhibit 3); and

- The impact of load forecast and customer count as detailed in Exhibit 3.

# EXHIBIT 7 – COST ALLOCATION

## INDEX

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# Exhibit 7 – Cost Allocation

## COST ALLOCATION OVERVIEW

### Introduction and Background:

On September 29, 2006, the OEB issued its Directions on Cost Allocation Methodology for Electricity Distributors (the "Directions"). On November 15, 2006, the Board issued the Cost Allocation Information Filing Guidelines for Electricity Distributors ("the Guidelines"), the Cost Allocation Model (the "Model") and User Instructions (the "Instructions") for the Model. London Hydro prepared a cost allocation information filing consistent with London Hydro's understanding of the Directions, the Guidelines, the Model and the Instructions. London Hydro submitted this filing to the OEB on March 12, 2007.

The primary objective of the Cost Allocation Review was to determine the relationships between customer class revenues and the customer class total allocated costs (the revenue-to-cost ratio). With this information, distributors would be able to identify the extent to which individual customer classes may be over- or under-contributing to the total revenue requirement, based upon the cost to provide service to that class and with this information, develop a proposal to adjust the revenue to cost ratios accordingly.

In London Hydro's 2009 EDR CoS Application (EB-2008-0235), the results of the original cost allocation study filed on March 12, 2007 were used as a basis for London Hydro to propose reallocations of distribution costs across customer classes to address the issue of cross-subsidization. The reallocations were based on the objective of moving the revenue to cost ratios to be within the Board's acceptable ranges as outlined in the "Report on Application of Cost Allocation for Electricity Distributors" (the Cost Allocation Report") issued by the OEB on November 28, 2007.

In its Decision on London Hydro's 2009 EDR CoS Application (EB-2008-0235), the Board prescribed a phase-in period to adjust London's revenue-to-cost ratios. Further, in its Decision and Order on London Hydro's 2010 IRM Application (EB-2009-0235), the Board approved the proposed revenue-to-cost ratios as reflected in Table 7-1 below (Column – Approved Cost Ratios 2010). London Hydro confirms that it followed the Board Decision and Direction and adjusted its revenue-to-costs ratios accordingly. Table 7-1 indicates the approved revenue-to-cost ratios used in 2009, 2010, and 2011. The revenue-to-cost ratios used by London Hydro for 2010 and 2011 have remained unchanged for IRM year 2012.

**Table 7-1 - Adjustments Revenue to Cost Ratios (2009 to 2011)**

| Customer Class | Target Ranges Low | Target Ranges High | Approved Revenue to Cost Ratios - 2009 | Approved Cost Ratios - 2010 | Final Revenue to Cost Ratios for 2011 |
|---|---|---|---|---|---|
| Residential | 85.00% | 115.00% | 109.0% | 108.1% | 108.1% |
| GS <50 kW | 80.00% | 120.00% | 112.7% | 108.8% | 108.8% |
| GS 50 to 4,999 kW | 80.00% | 180.00% | 80.0% | 80.0% | 80.0% |
| GS 50 to 4,999 kW (Co-Generation) | 80.00% | 180.00% | 209.9% | 180.0% | 180.0% |
| Large Use >5MW | 85.00% | 115.00% | 73.5% | 85.0% | 85.0% |
| Street Light | 70.00% | 120.00% | 43.6% | 70.0% | 70.0% |
| Sentinel | 70.00% | 120.00% | 42.3% | 70.0% | 70.0% |
| Unmetered Scattered Load | 80.00% | 120.00% | 69.2% | 69.2% | 69.2% |
| Standby Power | 80.00% | 180.00% | 80.0% | 80.0% | 80.0% |

On September 2, 2010, the Board began a proceeding, (EB-2010-0219) with the mandate to review and revise the existing Cost Allocation policy as needed. On March 31, 2011, the Report of the Board was released in relation to EB-2010-0219. In the letter accompanying the report, the Board indicated that a Working Group would be formed to revise the original Cost Allocation Model to address the revision highlighted in the March 31st Board Report. On July 12, 2012, the Board released the Cost Allocation Model for COS Applications - version 3.0 ( "2013 Cost Study Model") and instructed 2013 Cost of Service filers to use the revised model in their applications. In the March 31st Board Report, the Board stated that "default weighting factors should now be utilized only in exceptional circumstances". Distributors are therefore now expected to develop their own weighting factors.

London Hydro has relied on the Board 2013 Cost Study Model and Guidelines to complete this 2013 cost allocation submission. For the purposes of this Application, London Hydro has submitted the revised cost allocation study to reflect proposed 2013 Test Year costs, customer numbers and demand values. The 2013 demand values are based on the weather normalized load forecast used to design rates.

# LONDON HYDRO 2013 COST STUDY

This section of the evidence provides details pertaining to the weighting factors, load and customer data, and cost information used in London Hydro's 2013 Cost Study.

**Weighting Factors:**

London Hydro filed the original cost allocation study on March 12, 2007 using weighting factors consistent with the default weighting factors for services and billings/collection established in the "Staff Report to the Board – Implementation of the Revisions to the Board's Electricity Distribution Cost Allocation Policy", August 4th, 2011. London Hydro has developed weighting factors as outlined below based on discussions with London Hydro staff experienced in the subject area. These weighting factors are used in the London Hydro Cost Allocation Model "2013 Cost Study".

**Table 7-2 - Services (Account 1855)**

| Rate Class | Services Weighting Factor |
|---|---|
| Residential | 1 |
| General Service < 50kW | 1.5 |
| General Service ≥ 50 -4,999 kW | 7.5 |
| Large User | 0 |
| Street Light | 0.6 |
| Sentinel Light | 0.6 |
| Unmetered Scattered Load | 0.6 |
| Co Gen | 0 |

**Table 7-3 - Billing and Collection (Accounts 5315 – 5340, except 5335)**

| Rate Class | Billing Weighting Factor |
|---|---|
| Residential | 1 |
| General Service < 50kW | 1 |
| General Service ≥ 50 -4,999 kW | 6.5 |
| Large User | 15 |
| Street Light | 1 |
| Sentinel Light | 0.1 |
| Unmetered Scattered Load | 1.0 |
| Co Gen | 15 |

**Load and Customer Data:**

London Hydro's 2013 Cost Allocation Study has been prepared using the 2013 Test Year forecast of energy load and customer counts by rate class. As consistent with the Filing Guidelines, London Hydro has included all 2013 Test Year forecasted capital expenditures and operating costs. The breakout of property, plant, and equipment, accumulated depreciation, capital contributions, depreciation expense, customer data, the load data by primary, secondary, and line transformer categories, and other information as required to complete the 2013 Cost Study, were obtained by sourcing our engineering records, CIS and financial systems. This 2013 Cost Allocation Study utilized the best data available to London Hydro. This data was further reviewed by the appropriate London Hydro staff with relevant expertise.

**Table 7-4 - Meter Capital (Sheet I7.1)**

| Meter Type | Installation Cost per Meter |
|---|---|
| Smart Meter Urban | $79.38 |
| Single Phase 200 amp Rural | $94.29 |
| Network 200 amp Urban | $168.60 |
| 3 Phase – Demand / without IT | $429.63 |
| 1 Phase –Demand with IT's | $904.84 |
| 3 Phase –Demand with IT's | $1,462.12 |
| Interval 3 Phase –Demand with IT's | $1,462.12 |
| Primary Metering – Interval 3 | $14,906.48 |

**Table 7-5 - Meter Reading (Sheet I7.2)**

| Meter Type | Meter Reading Weighting Factor |
|---|---|
| Smart Meter | 1.0 |
| Residential Urban- Inside | 2.61 |
| GS – Walking – with or without other Service | 3.80 |
| GS – Vehicle with other services | 5.08 |
| GS W/O Demand | 3.35 |
| Interval | 49.0 |

# SUMMARY OF RESULTS AND PROPOSED CHANGES

The Cost Allocation study ("2013 Cost Study") has been included in Appendix 7A. Capital contributions, depreciation and accumulated depreciation by USoA are consistent with the information provided in the 2013 capital asset continuity schedules shown in Exhibit 2. The rate class customer data used in the updated 2013 Cost Study (First Run) is consistent with the 2013 customer forecast outlined in Exhibit 3. The load profiles for all other rate class are the same as those used in the original information filing but have been scaled to match the load forecast. The following outlines the scaling factors used by rate class.

**Table 7-6 - Load Profile Scaling Percentages**

| Class | Weather Normal Values used in Previous Filing (kWh) | 2013 Weather Normal Values | Scaling Factor |
|---|---|---|---|
| **Residential** | 1,091,392,572 | 1,081,449,144 | 99.1% |
| **GS <50 kW** | 422,161,110 | 392,909,716 | 93.1% |
| **GS 50 to 4,999 kW** | 1,651,046,316 | 1,565,906,059 | 94.8% |
| **GS 50 to 4,999 kW (Co-Generation)** | 36,489,491 | 41,969,054 | 115.0% |
| **Large Use >5MW** | 200,485,379 | 195,626,331 | 97.6% |
| **Street Light** | 23,921,899 | 23,966,083 | 100.2% |
| **Sentinel** | 856,841 | 780,921 | 91.1% |
| **Unmetered Scattered Load** | 5,326,529 | 4,994,818 | 93.8% |
| | | | |
| **Total** | **3,431,680,137** | **3,307,602,126** | 96.4% |

The allocated cost by rate class for the 2007 information filing and 2013 updated study are provided in the following table. The results shown under the 2007 information filing column have be revised to exclude the "cost" and "revenues" of the transformation allowance as outlined in the June 28, 2010 filing requirements.

**Table 7-7 – Service Revenue % by Class Allocated Based on 2013 Cost Allocation Study**

| Customer Class | Cost Allocated in Original Allocation Information Filing (Revised to Exclude Transformer Allowance) | % | Cost Allocated 2013 Study | % |
|---|---|---|---|---|
| Residential | $ 31,448,713 | 57.6% | $ 38,823,593 | 56.1% |
| GS <50 kW | 6,897,739 | 12.6% | $ 9,924,160 | 14.3% |
| GS 50 to 4,999 kW | 13,083,386 | 24.0% | $ 16,287,127 | 23.5% |
| GS 50 to 4,999 kW (Co-Generation) | 102,943 | 0.2% | $ 240,877 | 0.3% |
| Large Use >5MW | 1,148,208 | 2.1% | $ 1,403,970 | 2.0% |
| Street Light | 1,366,580 | 2.5% | $ 1,650,118 | 2.4% |
| Sentinel | 73,669 | 0.1% | $ 68,789 | 0.1% |
| Unmetered Scattered Load | 186,056 | 0.3% | $ 163,374 | 0.2% |
| Standby | 317,015 | 0.6% | $ 606,347 | 0.9% |
| **Total** | $ 54,624,309 | 100% | $ 69,168,355 | 100% |

The results of a cost allocation study are typically presented in the form of revenue to cost ratios. The ratio is shown by rate classification and is the percentage of distribution revenue collected by rate classification compared to the costs allocated to the classification. The percentage identifies the rate classifications that are being subsidized and those that are over-contributing. A percentage of less than 100% means the rate classification is under-contributing and is being subsidized by other classes of customers. A percentage of greater than 100% indicates the rate classification is over-contributing and is subsidizing other classes of customers.

In the March 31, 2011 Report of the Board on Cost Allocation released in relation to EB-2010-0219, the Board established what it considered to be the appropriate ranges of revenue to cost ratios which are summarized in Table 7-8 - 2013 Initial Revenue-to-Cost Ratios by Customer Class.

**Table 7-8 - 2013 Initial Revenue-to-Cost Ratios by Customer Class**

| Customer Class | Revenue-to-Cost Ratio 2013 Test Year | Target Ranges Low | High |
|---|---|---|---|
| Residential | 108.41% | 85.00% | 115.00% |
| GS <50 kW | 91.66% | 80.00% | 120.00% |
| GS 50 to 4,999 kW | 86.20% | 80.00% | 120.00% |
| GS 50 to 4,999 kW (Co-Generation) | 128.55% | 80.00% | 120.00% |
| Large Use >5MW | 129.42% | 85.00% | 115.00% |
| Street Light | 75.06% | 70.00% | 120.00% |
| Sentinel | 79.81% | 80.00% | 120.00% |
| Unmetered Scattered Load | 61.71% | 80.00% | 120.00% |
| Standby Power | 69.51% | 80.00% | 120.00% |

As illustrated in table above, the results from London Hydro's initial run of the 2013 Cost Study had GS 50 to 4,999 kW (Co-Generation), Large User, Sentinel, the USL class, and Standby Power, outside the Board's required ranges. It is therefore necessary to reallocate revenues among rate classes.

## Proposed Adjustments:

The Report of the Board Application of Cost Allocation for Electricity Distributors dated November 27, 2007 (EB-2007-0667) indicated that Monthly Service Charge ("MSC") – the fixed rate component of the distribution rates, would be examined in the Board's consultation process on rate design for recovery of electricity costs (EB-2007-0031). Accordingly, in the meantime, the Board does not expect any distributor with an MSC currently above the ceiling, to reduce its MSC to or below the ceiling. Therefore, London Hydro is not proposing any changes to the MSC

as adjusted for the revised 2013 Test Year revenue-to-cost ratios that fall above the maximum in order to bring them to, or below, the maximum level calculated in the 2013 Cost Study.

**Table 7-9 - Fixed Monthly Charge Analysis ($)**

| Customer Class | 2012 Approved MSC | 2013 Cost Allocation Study Floor | 2013 Cost Allocation Study Ceiling | 2013 Calculated MSC |
|---|---|---|---|---|
| **Residential** | 12.72 | 2.63 | 11.81 | 12.63 |
| **GS <50 kW** | 29.58 | 9.06 | 23.10 | 35.69 |
| **GS 50 to 4,999 kW** | 292.71 | 26.78 | 64.21 | 366.54 |
| **GS 50 to 4,999 kW (Co-Generation)** | 2,296.39 | 278.85 | 407.23 | 2,018.88 |
| **Large Use >5MW** | 20,638.79 | 166.81 | 1,035.00 | 19,114.96 |
| **Street Light** | 1.39 | -0.02 | 8.14 | 1.77 |
| **Sentinel** | 3.14 | 0.02 | 8.20 | 3.96 |
| **Unmetered Scattered Load** | 1.42 | 0.12 | 6.81 | 2.37 |

In accordance with the Filing Requirements for Transmission and Distribution Applications dated June 22, 2011, London Hydro has completed the Board's Appendix 2-O with the results of the 2013 Cost Study and proposed adjustments. The Appendix 2-O is filed as separate appendix with this Application and titled LondonHydro_Appendix_2-O_CostAllocation.

Table 7-10 - Summary of Proposed Revenue to Cost Ratios by Customer Class below provides London Hydro's revenue to cost ratios from the Board-approved 2010 to 2012 IRM applications, the updated 2013 Cost Allocation Study and the proposed 2013 to 2015 ratios. Information from the 2010 IRM application, which continued into 2011 and 2012 IRM application, has been included as 2012 was the last year to transition the revenue to cost ratios for Large User rate to 85%, Street Light and Sentinel Light rate classes to 70%, Unmetered Scattered Load rate to 80%, and Co-Generation GS 50-4,999 rate to 120%.

**Table 7-10 - Summary of Proposed Revenue to Cost Ratios by Customer Class**

| Class | Proposed Revenue-to-Cost Ratios | | | Target Ranges | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | | |
| | % | % | % | Floor | Ceiling |
| Residential | 100.65 | 100.65 | 100.65 | 85.00% | 115.00% |
| GS <50 kW | 100.00 | 100.00 | 100.00 | 80.00% | 120.00% |
| GS 50 to 4,999 kW | 100.00 | 100.00 | 100.00 | 80.00% | 120.00% |
| GS 50 to 4,999 kW (Co-Generation) | 100.00 | 100.00 | 100.00 | 80.00% | 120.00% |
| Large Use >5MW | 110.00 | 110.00 | 110.00 | 85.00% | 115.00% |
| Street Light | 85.00 | 85.00 | 85.00 | 70.00% | 120.00% |
| Sentinel | 90.00 | 90.00 | 90.00 | 80.00% | 120.00% |
| Unmetered Scattered Load | 90.00 | 90.00 | 90.00 | 80.00% | 120.00% |
| Standby Power | 80.00 | 80.00 | 80.00 | 80.00% | 120.00% |

London Hydro is proposing in this Application to re-align its revenue to cost ratios by adjusting the allocations of revenue among rate classes in order to reduce some of the cross-subsidization that is occurring. It is proposed that all classes will be moved to within the Board's ranges. The significant adjustment for 2013 proposed revenues-to-cost ratio is to the Unmetered Scattered Load (USL) class. London Hydro is proposing to move the ratio for the USL class from 61.71% as currently approved to 90.0% for 2013, thus meeting Board's range for the class of 80%.

The significant proposed 2013 adjustments to revenue-to-cost ratios include moving the residential class from 108.41% to 100.65%, GS < 50 kW class from 91.66% to 100.0%, GS 50 to 4,999 kW class from 86.20% to 100.0%, and Large User class from 129.42% to 110.0%.

The following Table 7-11 provides information on calculated class revenue. The resulting 2013 proposed base revenue will be the amount used in Exhibit 8 to design the proposed distribution charges in this Application.

**Table 7-11 - Calculated Class Revenue**

| Customer Class | 2013 Load Forcast X Current Rates | 2013 Load Forcast X Current Rates X Revenue Deficiency Ratio | 2013 Proposed Base Revenue | Miscellaneous Revenue |
|---|---|---|---|---|
| Residential | $ 36,097,050 | $ 39,998,580 | $ 36,984,049 | $ 2,091,150 |
| GS <50 kW | $ 7,785,060 | $ 8,626,504 | $ 9,454,112 | $ 470,048 |
| GS 50 to 4,999 kW | $ 12,045,905 | $ 13,347,881 | $ 15,595,336 | $ 691,791 |
| GS 50 to 4,999 kW (Co-Generation) | $ 274,161 | $ 303,794 | $ 235,035 | $ 5,842 |
| Large Use >5MW | $ 1,606,434 | $ 1,780,064 | $ 1,507,428 | $ 36,940 |
| Street Light | $ 1,049,340 | $ 1,162,758 | $ 1,326,806 | $ 75,794 |
| Sentinel | $ 46,684 | $ 51,730 | $ 58,742 | $ 3,168 |
| Unmetered Scattered Load | $ 84,251 | $ 93,357 | $ 139,577 | $ 7,459 |
| Standby Power | $ 366,133 | $ 405,705 | $ 469,288 | $ 15,790 |
| **TOTAL** | **$ 59,355,018** | **$ 65,770,372** | **$ 65,770,372** | **$ 3,397,982** |

## Cost Allocation Summary:

The discussion and tables above support London Hydro's proposed reallocation of distribution revenues across customer classes, in order to transition to revenue to cost ratios that fall within the OEB approved ranges. London Hydro submits that the proposed reallocation of distribution revenue is fair and reasonable for the following reason that all customer class revenues will be adjusted to fall within the target ranges adopted by the OEB, achieving as close as possible 100% revenue-to-cost ratios for most customer classes.

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# Appendix 7A

**2013 Updated Cost Allocation Study**

**As per Filing Requirements for Electricity Transmission and Distributors Applications (EB-2006-0170) the following Cost Allocation Study sheets have been filed.**

**Input Sheets 1-6 and 1-8 (First Run- Final)**

**Output Sheets O-1 and O-2**

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# Input Sheet 1-6 – First Run –Final

## Sheet I6.1 Revenue Worksheet - Final Run

| | |
|---|---|
| Total kWhs from Load Forecast | 3,307,602,128 |
| Total kWs from Load Forecast | 4,574,948 |
| Deficiency from RRWF | 6,415,350 |
| Miscellaneous Revenue | 3,397,982 |

| | | | 1 | 2 | 3 | 5 | 6 | 7 | 8 | 9 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ID | Total | Residential | GS <50 | GS 50 to 4,999 kW | Co Generation | Large Use >5MW | Street Light | Sentinel | Unmetered Scattered Load | Back-up/Standby Power |
| **Billing Data** | | | | | | | | | | | |
| Forecast kWh | CEN | 3,307,602,128 | 1,081,449,144 | 392,909,717 | 1,565,906,059 | 41,969,054 | 195,626,331 | 23,966,083 | 780,921 | 4,994,818 | |
| Forecast kW | CDEM | 4,574,948 | | | 3,914,575 | 48,666 | 387,522 | 67,255 | 2,130 | | 154,800 |
| Forecast kW, included in CDEM, of customers receiving line transformer allowance | | 1,508,568 | | | 1,305,102 | 48,666 | | | | | 154,800 |
| Optional - Forecast kWh, included in CEN, from customers that receive a line transformation allowance on a kWh basis. In most cases this will not be applicable and will be left blank. | | - | | | | | | | | | |
| KWh excluding KWh from Wholesale Market Participants | CEN EWMP | 3,286,681,390 | 1,081,449,144 | 392,909,717 | 1,544,985,321 | 41,969,054 | 195,626,331 | 23,966,083 | 780,921 | 4,994,818 | - |
| kWh - 30 year weather normalized amount | Click here to Enter Data | 3,289,971,944 | 1,098,602,723 | 420,697,743 | 1,497,074,321 | 3,890,282 | 219,145,580 | 22,195,050 | 880,912 | 8,888,435 | 18,596,898 |
| Existing Monthly Charge | | | $12.72 | $29.58 | $292.71 | $2,296.39 | $20,638.79 | $1.39 | $3.14 | $1.42 | $0.00 |
| Existing Distribution kWh Rate | | | $0.01390 | $0.00900 | | | | | | $0.0116 | |
| Existing Distribution kW Rate | | | | | $1.5861 | $3.9348 | $2.2281 | $6.9210 | $9.8703 | | $2.3652 |
| Existing TFOA Rate | | | | | $0.60 | $0.60 | | | | | $0.00 |
| Additional Charges | | | | | | | | | | | |
| Distribution Revenue from Rates | | $59,355,023 | $36,097,055 | $7,785,060 | $12,045,905 | $274,161 | $1,606,434 | $1,049,340 | $46,684 | $84,251 | $366,133 |
| Transformer Ownership Allowance | | $812,261 | $0 | $0 | $783,061 | $29,200 | $0 | $0 | $0 | $0 | $0 |
| Net Class Revenue | CREV | $58,542,763 | $36,097,055 | $7,785,060 | $11,262,844 | $244,961 | $1,606,434 | $1,049,340 | $46,684 | $84,251 | $366,133 |
| Data Mismatch Analysis | | | | | | | | | | | |
| Revenue with 30 year weather normalized kWh | | 58,769,691 | 36,669,614 | 8,335,648 | 10,767,769 | 22,706 | 1,799,568 | 971,797 | 52,662 | 149,927 | - |

| Weather Normalized Data from Hydro One | Total | Residential | GS <50 | GS 50 to 4,999 kW | Co Generation | Large Use >5MW | Street Light | Sentinel | Unmetered Scattered Load | Back-up/Standby Power |
|---|---|---|---|---|---|---|---|---|---|---|
| kWh - 30 year weather normalized amount | 3,400,431,247 | **1,137,053,818** | 435,422,164 | 1,549,471,922 | 4,026,442 | 222,125,960 | 22,971,877 | 911,744 | 9,199,531 | 19,247,790 |
| Loss Factor | | **1.0350** | 1.0350 | 1.0350 | 1.0350 | 1.0136 | 1.0350 | 1.0350 | 1.0350 | 1.0350 |

# Input Sheet 1-8 – Final Run

| CP TEST RESULTS | 4 CP |
|---|---|
| NCP TEST RESULTS | 4 NCP |

| Co-incident Peak | Indicator |
|---|---|
| 1 CP | CP 1 |
| 4 CP | CP 4 |
| 12 CP | CP 12 |

| Non-co-incident Peak | Indicator |
|---|---|
| 1 NCP | NCP 1 |
| 4 NCP | NCP 4 |
| 12 NCP | NCP 12 |

| Customer Classes | | Total | 1 Residential | 2 GS <50 | 3 GS 50 to 4,999 kW | 5 Co Generation | 6 Large Use >5MW | 7 Street Light | 8 Sentinel | 9 Unmetered Scattered Load | 11 Back-up/Standby Power |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CO-INCIDENT PEAK** | | | | | | | | | | | |
| **1 CP** | | | | | | | | | | | |
| Transformation CP | TCP1 | 639,483 | 254,093 | 90,264 | 257,741 | 1,556 | 27,796 | 55 | 3 | 536 | 7,439 |
| Bulk Delivery CP | BCP1 | 639,483 | 254,093 | 90,264 | 257,741 | 1,556 | 27,796 | 55 | 3 | 536 | 7,439 |
| Total Sytem CP | DCP1 | 639,483 | 254,093 | 90,264 | 257,741 | 1,556 | 27,796 | 55 | 3 | 536 | 7,439 |
| **4 CP** | | | | | | | | | | | |
| Transformation CP | TCP4 | 2,326,403 | 960,885 | 259,690 | 952,602 | 6,089 | 109,844 | 5,711 | 153 | 2,324 | 29,105 |
| Bulk Delivery CP | BCP4 | 2,326,403 | 960,885 | 259,690 | 952,602 | 6,089 | 109,844 | 5,711 | 153 | 2,324 | 29,105 |
| Total Sytem CP | DCP4 | 2,326,403 | 960,885 | 259,690 | 952,602 | 6,089 | 109,844 | 5,711 | 153 | 2,324 | 29,105 |
| **12 CP** | | | | | | | | | | | |
| Transformation CP | TCP12 | 6,045,754 | 2,309,068 | 701,613 | 2,610,357 | 10,462 | 311,888 | 44,092 | 1,350 | 6,910 | 50,014 |
| Bulk Delivery CP | BCP12 | 6,045,754 | 2,309,068 | 701,613 | 2,610,357 | 10,462 | 311,888 | 44,092 | 1,350 | 6,910 | 50,014 |
| Total Sytem CP | DCP12 | 6,045,754 | 2,309,068 | 701,613 | 2,610,357 | 10,462 | 311,888 | 44,092 | 1,350 | 6,910 | 50,014 |
| **NON CO_INCIDENT PEAK** | | | | | | | | | | | |
| **1 NCP** | | | | | | | | | | | |
| Classification NCP from Load Data Provider | DNCP1 | 709,617 | 284,006 | 97,116 | 268,792 | 3,453 | 33,192 | 5,620 | 253 | 680 | 16,505 |
| Primary NCP | PNCP1 | 709,617 | 284,006 | 97,116 | 268,792 | 3,453 | 33,192 | 5,620 | 253 | 680 | 16,505 |
| Line Transformer NCP | LTNCP1 | 637,654 | 284,006 | 97,100 | 247,120 | 2,302 | - | 5,620 | 253 | 1,253 | - |
| Secondary NCP | SNCP1 | 400,561 | 284,006 | 97,100 | 10,027 | 2,302 | - | 5,620 | 253 | 1,253 | - |
| **4 NCP** | | | | | | | | | | | |
| Classification NCP from Load Data Provider | DNCP4 | 2,627,049 | 997,852 | 346,565 | 1,047,116 | 13,441 | 131,897 | 22,441 | 928 | 2,556 | 64,253 |
| Primary NCP | PNCP4 | 2,627,049 | 997,852 | 346,565 | 1,047,116 | 13,441 | 131,897 | 22,441 | 928 | 2,556 | 64,253 |
| Line Transformer NCP | LTNCP4 | 2,341,936 | 997,852 | 346,507 | 962,691 | 8,961 | - | 22,441 | 928 | 2,556 | - |
| Secondary NCP | SNCP4 | 1,418,307 | 997,852 | 346,507 | 39,062 | 8,961 | - | 22,441 | 928 | 2,556 | - |
| **12 NCP** | | | | | | | | | | | |
| Classification NCP from Load Data Provider | DNCP12 | 6,846,563 | 2,484,736 | 857,460 | 2,870,282 | 33,993 | 361,127 | 67,003 | 2,261 | 7,204 | 162,497 |
| Primary NCP | PNCP12 | 6,846,563 | 2,484,736 | 857,460 | 2,870,282 | 33,993 | 361,127 | 67,003 | 2,261 | 7,204 | 162,497 |
| Line Transformer NCP | LTNCP12 | 6,080,046 | 2,484,736 | 857,317 | 2,638,863 | 22,662 | - | 67,003 | 2,261 | 7,204 | - |
| Secondary NCP | SNCP12 | 3,548,257 | 2,484,736 | 857,317 | 107,074 | 22,662 | - | 67,003 | 2,261 | 7,204 | - |

# Output Sheet O-1

| Rate Base Assets | | Total | 1 Residential | 2 GS <50 | 3 GS 50 to 4,999 kW | 5 Co Generation | 6 Large Use >5MW | 7 Street Light | 8 Sentinel | 9 Unmetered Scattered Load | 11 Back-up/Standby Power |
|---|---|---|---|---|---|---|---|---|---|---|---|
| crev | Distribution Revenue at Existing Rates | $59,355,018 | $36,097,050 | $7,785,060 | $12,045,905 | $274,161 | $1,606,434 | $1,049,340 | $46,684 | $84,251 | $366,133 |
| mi | Miscellaneous Revenue (mi) | $3,397,982 | $2,091,150 | $470,048 | $691,791 | $5,842 | $36,940 | $75,794 | $3,168 | $7,459 | $15,790 |
| | Miscellaneous Revenue Input equals Output | | | | | | | | | | |
| | **Total Revenue at Existing Rates** | **$62,753,000** | **$38,188,200** | **$8,255,107** | **$12,737,696** | **$280,003** | **$1,643,374** | **$1,125,134** | **$49,853** | **$91,710** | **$381,923** |
| | Factor required to recover deficiency (1 + D) | 1.1081 | | | | | | | | | |
| | Distribution Revenue at Status Quo Rates | $65,770,373 | $39,998,580 | $8,626,504 | $13,347,881 | $303,794 | $1,780,064 | $1,162,758 | $51,730 | $93,357 | $405,706 |
| | Miscellaneous Revenue (mi) | $3,397,982 | $2,091,150 | $470,048 | $691,791 | $5,842 | $36,940 | $75,794 | $3,168 | $7,459 | $15,790 |
| | **Total Revenue at Status Quo Rates** | **$69,168,355** | **$42,089,730** | **$9,096,551** | **$14,039,671** | **$309,636** | **$1,817,004** | **$1,238,552** | **$54,899** | **$100,816** | **$421,496** |
| | **Expenses** | | | | | | | | | | |
| di | Distribution Costs (di) | $15,566,232 | $8,134,046 | $2,130,787 | $4,181,781 | $62,372 | $402,424 | $416,960 | $17,249 | $40,453 | $180,161 |
| cu | Customer Related Costs (cu) | $5,686,628 | $4,388,205 | $740,219 | $547,155 | $4,061 | $4,061 | $15 | $335 | $2,578 | $0 |
| ad | General and Administration (ad) | $12,591,657 | $7,389,611 | $1,707,292 | $2,817,197 | $39,753 | $242,228 | $251,908 | $10,610 | $25,888 | $107,169 |
| dep | Depreciation and Amortization (dep) | $15,788,219 | $8,407,978 | $2,436,212 | $3,915,290 | $59,345 | $338,384 | $427,038 | $17,672 | $41,065 | $145,235 |
| INPUT | PILs (INPUT) | $934,484 | $502,445 | $139,183 | $230,837 | $3,604 | $19,941 | $26,510 | $1,097 | $2,554 | $8,313 |
| INT | Interest | $8,648,455 | $4,650,021 | $1,288,111 | $2,136,353 | $33,356 | $184,551 | $245,345 | $10,149 | $23,636 | $76,934 |
| | **Total Expenses** | **$59,215,674** | **$33,472,306** | **$8,441,803** | **$13,828,614** | **$202,491** | **$1,191,589** | **$1,367,776** | **$57,111** | **$136,174** | **$517,811** |
| | **Direct Allocation** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| NI | Allocated Net Income (NI) | $9,952,634 | $5,351,240 | $1,482,356 | $2,458,513 | $38,386 | $212,382 | $282,342 | $11,679 | $27,200 | $88,536 |
| | **Revenue Requirement (includes NI)** | **$69,168,355** | $38,823,593 | $9,924,160 | $16,287,127 | $240,877 | $1,403,970 | $1,650,118 | $68,789 | $163,374 | $606,347 |
| | Revenue Requirement Input equals Output | | | | | | | | | | |
| | **Rate Base Calculation** | | | | | | | | | | |
| | **Net Assets** | | | | | | | | | | |
| dp | Distribution Plant - Gross | $381,356,639 | $202,367,225 | $54,949,680 | $97,501,563 | $1,506,954 | $8,830,438 | $10,924,129 | $451,942 | $1,052,099 | $3,772,610 |
| gp | General Plant - Gross | $40,109,063 | $14,875,927 | $3,245,592 | $18,250,623 | $97,398 | $1,652,313 | $1,126,558 | $46,515 | $108,660 | $705,475 |
| accum dep | Accumulated Depreciation | ($194,084,996) | ($102,714,745) | ($27,624,702) | ($49,905,664) | ($774,037) | ($4,685,501) | ($5,585,317) | ($231,094) | ($537,733) | ($2,026,202) |
| | **Total Net Plant** | **$227,380,706** | **$114,528,407** | **$30,570,570** | **$65,846,522** | **$830,314** | **$5,797,250** | **$6,465,370** | **$267,363** | **$623,026** | **$2,451,883** |
| | **Directly Allocated Net Fixed Assets** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| COP | Cost of Power (COP) | $335,766,210 | $110,392,922 | $40,107,713 | $157,976,140 | $4,284,146 | $19,969,281 | $2,446,427 | $79,715 | $509,865 | $0 |
| | OM&A Expenses | $33,844,516 | $19,911,861 | $4,578,298 | $7,546,133 | $106,185 | $648,712 | $668,883 | $28,194 | $68,919 | $287,329 |
| | Directly Allocated Expenses | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | ***Subtotal*** | ***$369,610,726*** | ***$130,304,784*** | ***$44,686,011*** | ***$165,522,274*** | ***$4,390,332*** | ***$20,617,994*** | ***$3,115,310*** | ***$107,909*** | ***$578,783*** | ***$287,329*** |
| | **Working Capital** | **$42,209,545** | **$14,880,806** | **$5,103,142** | **$18,902,644** | **$501,376** | **$2,354,575** | **$355,768** | **$12,323** | **$66,097** | **$32,813** |
| | **Total Rate Base** | **$269,590,259** | **$129,409,222** | **$35,673,712** | **$84,749,166** | **$1,331,690** | **$8,151,825** | **$6,821,138** | **$279,686** | **$689,123** | **$2,484,696** |
| | Rate Base Input equals Output | | | | | | | | | | |
| | **Equity Component of Rate Base** | **$107,836,104** | **$51,763,689** | **$14,269,485** | **$33,899,666** | **$532,676** | **$3,260,730** | **$2,728,455** | **$111,874** | **$275,649** | **$993,878** |
| | **Net Income on Allocated Assets** | **$9,913,107** | **$8,617,424** | **$654,748** | **$211,057** | **$107,145** | **$625,415** | **($129,224)** | **($2,212)** | **($35,358)** | **($135,888)** |
| | **Net Income on Direct Allocation Assets** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| | **Net Income** | **$9,913,107** | **$8,617,424** | **$654,748** | **$211,057** | **$107,145** | **$625,415** | **($129,224)** | **($2,212)** | **($35,358)** | **($135,888)** |
| | **RATIOS ANALYSIS** | | | | | | | | | | |
| | **REVENUE TO EXPENSES STATUS QUO%** | **100.00%** | **108.41%** | **91.66%** | **86.20%** | **128.55%** | **129.42%** | **75.06%** | **79.81%** | **61.71%** | 69.51% |
| | EXISTING REVENUE MINUS ALLOCATED COSTS | **($6,415,350)** | ($635,393) | ($1,669,052) | ($3,549,431) | $39,126 | $239,403 | ($524,984) | ($18,937) | ($71,664) | ($224,424) |
| | Deficiency Input equals Output | | | | | | | | | | |
| | STATUS QUO REVENUE MINUS ALLOCATED COSTS | $0 | $3,266,137 | ($827,608) | ($2,247,456) | $68,759 | $413,034 | ($411,566) | ($13,891) | ($62,558) | ($184,851) |
| | RETURN ON EQUITY COMPONENT OF RATE BASE | 9.19% | 16.65% | 4.59% | 0.62% | 20.11% | 19.18% | -4.74% | -1.98% | -12.83% | -13.67% |

## Output Sheet O-2


**Sheet O2 Monthly Fixed Charge Min. & Max. Worksheet - Final Run**

Output sheet showing minimum and maximum level for Monthly Fixed Charge

| Summary | 1<br>Residential | 2<br>GS <50 | 3<br>GS 50 to 4,999 kW | 5<br>Co Generation | 6<br>Large Use >5MW | 7<br>Street Light | 8<br>Sentinel | 9<br>Unmetered Scattered Load | 11<br>Back-up/Standby Power |
|---|---|---|---|---|---|---|---|---|---|
| Customer Unit Cost per month - Avoided Cost | $2.63 | $9.06 | $26.78 | $278.85 | $166.81 | -$0.02 | $0.02 | $0.12 | 0 |
| Customer Unit Cost per month - Directly Related | $4.21 | $13.64 | $47.61 | $407.23 | $295.97 | -$0.02 | $0.05 | $0.20 | 0 |
| Customer Unit Cost per month - Minimum System with PLCC Adjustment | $11.81 | $23.10 | $64.21 | $590.56 | $1,035.00 | $8.14 | $8.20 | $6.81 | 0 |
| Existing Approved Fixed Charge | $12.72 | $29.58 | $292.71 | $2,296.39 | $20,638.79 | $1.39 | $3.14 | $1.42 | $0.00 |

| Information to be Used to Allocate PILs, ROD, ROE and A&G | Total | 1<br>Residential | 2<br>GS <50 | 3<br>GS 50 to 4,999 kW | 5<br>Co Generation | 6<br>Large Use >5MW | 7<br>Street Light | 8<br>Sentinel | 9<br>Unmetered Scattered Load | 11<br>Back-up/Standby Power |
|---|---|---|---|---|---|---|---|---|---|---|
| General Plant - Gross Assets | $76,098,437 | $40,696,273 | $11,167,941 | $19,106,348 | $293,285 | $1,652,313 | $2,177340 | $90,097 | $209,365 | $705,475 |
| General Plant - Accumulated Depreciation | ($39,284,770) | ($21,008,890) | ($5,765,296) | ($9,863,389) | ($151,404) | ($852,984) | ($1,124022) | ($46,511) | ($108,082) | ($364,192) |
| General Plant - Net Fixed Assets | $36,813,667 | $19,687,383 | $5,402,645 | $9,242,959 | $141,880 | $799,329 | $1,053318 | $43,586 | $101,283 | $341,283 |
| General Plant - Depreciation | $7,369,700 | $3,941,202 | $1,081,551 | $1,850,341 | $28,403 | $160,017 | $210863 | $8,725 | $20,276 | $68,321 |
| Total Net Fixed Assets Excluding General Plant | $188,479,735 | $101,340,038 | $28,072,382 | $46,568,515 | $726,942 | $4,022,014 | $5,346908 | $221,171 | $515,106 | $1,676,659 |
| Total Administration and General Expense | $12,391,657 | $7,389,611 | $1,707,292 | $2,817,197 | $39,753 | $242,228 | $251908 | $10,610 | $25,888 | $107,169 |
| Total O&M | $21,252,859 | $12,522,251 | $2,871,005 | $4,728,936 | $66,432 | $406,484 | $416975 | $17,583 | $43,031 | $180,161 |

# EXHIBIT 8 – RATE DESIGN

## INDEX

# Exhibit 8 – Rate Design

## RATE DESIGN OVERVIEW

This Exhibit documents the calculation of London Hydro's proposed distribution rates by rate class for the 2013 Test Year, based on rate design as proposed in this Exhibit.

London Hydro has determined its total 2013 service revenue requirement to be $69,168,354. The total revenue offsets in the amount of $3,397,982 reduces London Hydro's total service revenue requirement to a base revenue requirement of $65,770,372. To determine the proposed distribution rates, transformer discounts in the amount of $802,732 are added back to the base distribution revenue requirement for a total gross revenue amount of $66,573,104 for rate calculation purposes. The base revenue requirement is derived from London Hydro's 2013 capital and operating forecasts, weather normalized usage, forecasted customer counts, and London Hydro's regulated return on rate base. The revenue requirement is summarized in the following table.

**Table 8-1 - Calculation of Base Revenue Requirement – 2013**

| | | |
|---|---|---|
| **OM&A Expenses** | $ | 33,844,562 |
| **Amortization Expenses** | | 15,788,219 |
| **Total Distribution Expenses** | | 49,632,781 |
| **Regulated Return On Capital** | | 18,483,108 |
| **PILs (with Gross-up)** | | 934,484 |
| **IFRS-CGAAP Transition (Account 1575)** | | 117,981 |
| **Service Revenue Requirement** | | 69,168,354 |
| **Less: Revenue Offsets** | | 3,397,982 |
| **Base Revenue Requirement** | | 65,770,372 |
| **Transformer Discounts** | | 802,732 |
| **Gross Revenue Requirement for Rates** | | 66,573,104 |

To determine the percentages of total base revenue requirement to be recovered from each customer class, the 2013 forecast customer numbers and volumes are applied to the existing 2012 distribution rates to determine 2013 distribution revenues at existing rates. These revenues are further adjusted upwards or downwards for the proposed cost allocation adjustments. The adjusted revenues are then expressed as a percentage which is applied to the total 2013 gross distribution revenue requirement before transformer discounts, to determine the portion of 2013 revenues to be recovered from each customer class. The result of this allocation process is presented in the Table 8-2 below.

**Table 8-2 - Apportionment of Revenue to Rate Classes – 2013 Test Year**

| Rate Classification | 2013 Distribution Revenue Before Trans. Disc. at Existing Rates | Proposed Cost Allocation Revenue Adjustments | 2013 Cost Allocation Adjusted Revenues | % |
|---|---|---|---|---|
| Residential | 42,089,730 | (3,014,531) | 39,075,199 | 56.49% |
| General Service Less Than 50 kW | 9,096,551 | 827,608 | 9,924,160 | 14.35% |
| General Service 50 to 4,999 kW | 14,039,671 | 2,247,456 | 16,287,127 | 23.55% |
| General Service 50 to 4,999 kW (Co-Generation) | 309,636 | (68,759) | 240,877 | 0.35% |
| Backup / Standby Power | 421,496 | 63,581 | 485,077 | 0.70% |
| Large Use | 1,817,004 | (272,637) | 1,544,367 | 2.23% |
| Street Lighting | 1,238,552 | 164,049 | 1,402,600 | 2.03% |
| Sentinel Lighting | 54,899 | 7,012 | 61,910 | 0.09% |
| Unmetered Scattered Load | 100,816 | 46,220 | 147,037 | 0.21% |
| | **$ 69,168,355** | **$ (0)** | **$ 69,168,355** | 100.00% |

The following Table 8-3 outlines the results of the allocations determined in the above Table 8-2 which are then applied to the 2013 gross distribution revenue requirement.

**Table 8-3 - Allocation of Gross and Base Revenue Requirement – 2013**

| Rate Classification | Gross Revenue Requirement | Transformer Discounts | Base Revenue Requirement |
|---|---|---|---|
| Residential | 37,160,799 | - | 37,160,799 |
| General Service Less Than 50 kW | 9,674,402 | - | 9,674,402 |
| General Service 50 to 4,999 kW | 15,971,479 | - 680,653 | 15,290,827 |
| General Service 50 to 4,999 kW (Co-Generation) | 227,124 | - 29,200 | 197,924 |
| Large Use | 1,498,222 | - | 1,498,222 |
| Street Lighting | 1,362,975 | - | 1,362,975 |
| Sentinel Lighting | 60,310 | - | 60,310 |
| Unmetered Scattered Load | 146,555 | - | 146,555 |
| Backup / Standby Power | 471,238 | - 92,880 | 378,358 |
| **Total** | **$ 66,573,104** | **-$ 802,732** | **$ 65,770,372** |

## Determination of Monthly Fixed Charges:

London Hydro's current OEB-approved monthly fixed charges based on its OEB-approved 2012 IRM application by customer class are summarized in the table below.

**Table 8-4 - Current Monthly Fixed Charges – 2012**

| Rate Class | Fixed Charge |
|---|---|
| Residential | 12.72 |
| General Service Less Than 50 kW | 29.58 |
| General Service Greater 50 to 4,999 kW | 292.71 |
| General Service 50 to 4,999 kW (Co-Generation) | 2,296.39 |
| Large Use | 20,638.79 |
| Street Lights | 1.39 |
| Sentinel Lights | 3.14 |
| Unmetered Scattered Load | 1.42 |

Using the existing approved fixed charges, excluding smart meter rate riders, applied to the forecasted number of customers for 2013, the following Table 8-5 outlines the current split between fixed and variable distribution revenue.

**Table 8-5 - Current Revenue Splits - Fixed and Variable – 2012**

| Customer Class | Current Fixed Revenue Split | Current Variable Revenue Split | Total |
|---|---|---|---|
| Residential | 58% | 42% | 100% |
| General Service Less Than 50 kW | 55% | 45% | 100% |
| General Service 50 to 4,999 kW | 48% | 52% | 100% |
| General Service 50 to 4,999 kW (Co-Generation) | 30% | 70% | 100% |
| Backup / Standby Power | 0% | 100% | 100% |
| Large Use | 46% | 54% | 100% |
| Street Lighting | 56% | 44% | 100% |
| Sentinel Lighting | 55% | 45% | 100% |
| Unmetered Scattered Load | 31% | 69% | 100% |
| **Total - Gross before transformer discounts** | 55% | 45% | 100% |
| **Total - Net after transformer discounts** | 56% | 44% | 100% |

In its November 28, 2007 Report on Application of Cost Allocation for Electricity Distributors, referred to in Exhibit 7 as the "Cost Allocation Report", the OEB addressed a number of "Other Rate Matters", including the treatment of the fixed rate component (the Monthly Service Charge, or "MSC") of the bill. On page 12 of the Cost Allocation Report, the OEB proposed that the floor amount for the MSC should be the avoided costs, as that term is defined in the September 28, 2006 report of the OEB entitled "Cost Allocation: Board Directions on Cost Allocation Methodology for Electricity Distributors".

With respect to the upper bound for the MSC, the OEB proposed that no changes should be made to the MSC ceiling at this time, given the number of issues that remained to be examined within the scope of the OEB's Rate Review proceeding (EB-2012-0031). The OEB indicated

that for the time being, it did not expect distributors to make changes to the MSC that would result in a charge that is greater than the ceiling as defined in the Methodology for the MSC; and that distributors that are currently above that value are not required to make changes to their current MSC to bring it to or below that level at this time.

London Hydro has developed its fixed rate components, as presented in Table 8-6, with the primary purpose of maintaining its existing fixed/variable revenue splits by customer class. Consistent with recent Board Decision on 2011 cost of service rate applications for Hydro One Brampton, Kenora Hydro, and Horizon Utilities, this Application proposes to maintain the current fixed/variable split for all rate classes. Any changes reflected in proposed MSC are due solely to changes in the total base revenue requirement attributable to each customer class.

The following table outlines London Hydro's proposed fixed rates for 2013 that will maintain its existing fixed/variable revenue splits by customer class.

**Table 8-6 - Proposed Fixed Distribution Charges – 2013**

| Customer Class | Minimum System with PLCC Adustment (Ceiling Fixed Charge From CA Model) | OEB Proposed Fixed Rate Threshold @ 120% of Ceiling Charge | London Hydro 2012 Rates From OEB Approved Tariff | London Hydro Fixed Rate Proposed for 2013 to Maintain Existing Fixed/Variable Revenue Splits |
|---|---|---|---|---|
| Residential | $ 11.81 | $ 14.17 | $ 12.72 | $ 12.63 |
| General Service Less Than 50 kW | 23.10 | 27.72 | 29.58 | 35.69 |
| General Service 50 to 4,999 kW | 64.21 | 77.05 | 292.71 | 366.54 |
| General Service 50 to 4,999 kW (Co-Generation) | 590.56 | 708.67 | 2,296.39 | 2,018.88 |
| Large Use | 1,035.00 | 1,242.00 | 20,638.79 | 19,114.96 |
| Street Lighting - (per connection) | 8.14 | 9.77 | 1.39 | 1.77 |
| Sentinel Lighting - (per connection) | 8.20 | 9.84 | 3.14 | 3.96 |
| Unmetered Scattered Load - (per connection) | 6.81 | 8.17 | 1.42 | 2.37 |
| Backup / Standby Power | - | - | - | - |

Four of the current and proposed MSCs exceed the ceiling (General Service < 50 kW, General Service 50 to 4,999 kW, General Service 50 to 4,999 kW (Co-Gen), and Large User classes).

The following table lists the current 2012 and proposed 2013 fixed revenue percentages.

**Table 8-7 - Fixed Revenue Percentages - 2012 and 2013**

| Customer Class | Current Fixed Charge Split - 2012 | Proposed Fixed Charge Split - 2013 |
|---|---|---|
| Residential | 58% | 56% |
| General Service Less Than 50 kW | 55% | 53% |
| General Service 50 to 4,999 kW | 48% | 46% |
| General Service 50 to 4,999 kW (Co-Generation) | 30% | 32% |
| Large Use | 46% | 46% |
| Street Lighting | 56% | 55% |
| Sentinel Lighting | 55% | 54% |
| Unmetered Scattered Load | 31% | 30% |
| Backup / Standby Power | 0% | 0% |
| **Total - Gross after transformer discounts** | **55%** | **53%** |
| **Total - Net after transformer discounts** | **56%** | **53%** |

The following table provides a calculation of the proposed fixed distribution charges for 2013. Although London Hydro's intensions are to maintain its existing fixed/variable revenue splits by customer class, proposed MSC is affected by changes in 2013 Cost Study results, the total base revenue requirement attributable to each customer class.

## Table 8-8 - Fixed Distribution Charge Calculation – 2013

| Customer Class | Total Revenue Requirement before Transformer Discounts | Fixed Revenue Portion | Fixed Revenue Amount | 2013 Test Year Customers / Connections | Proposed Fixed Distribution Charge - 2013 |
|---|---|---|---|---|---|
| Residential | $ 37,160,799 | 56% | $ 20,917,919 | 138,004 | $ 12.63 |
| General Service Less Than 50 kW | 9,674,402 | 53% | 5,127,149 | 11,970 | 35.69 |
| General Service 50 to 4,999 kW | 15,971,479 | 46% | 7,309,191 | 1,662 | 366.54 |
| General Service 50 to 4,999 kW (Co-Generation) | 227,124 | 32% | 72,680 | 3 | 2,018.88 |
| Large Use | 1,498,222 | 46% | 688,138 | 3 | 19,114.96 |
| Street Lighting | 1,362,975 | 55% | 745,507 | 35,004 | 1.77 |
| Sentinel Lighting | 60,310 | 54% | 32,387 | 681 | 3.96 |
| Unmetered Scattered Load | 146,555 | 30% | 43,967 | 1,544 | 2.37 |
| Backup / Standby Power | 471,238 | 0% | - | - | - |
| **Total** | **$ 66,573,104** | | **$ 34,936,938** | | |

## Proposed Volumetric Charges:

The variable distribution rate is calculated by dividing the variable distribution portion of the gross revenue requirement before transformer discounts by the appropriate 2013 Test Year usage, kWh or kW, as the class charge determinant. The following Table 8-9 provides London Hydro's calculations of its proposed variable distribution charges for the 2013 Test Year after adjusting the monthly fixed charges as previously described.

**Table 8-9 - Proposed Variable Distribution Charge Calculation – 2013**

| Customer Class | Total Revenue Requirement before Transformer Discounts | Fixed Revenue Portion | Variable Revenue Portion | 2013 Test Year Volumes | Billing Determinant | Proposed Variable Distribution Charge |
|---|---|---|---|---|---|---|
| Residential | $ 37,160,799 | $ 20,917,919 | $ 16,242,880 | 1,091,392,572 | kWh | $ 0.0150 |
| General Service Less Than 50 kW | 9,674,402 | 5,127,149 | 4,547,253 | 392,909,717 | kWh | $ 0.0116 |
| General Service 50 to 4,999 kW | 15,971,479 | 7,309,191 | 8,662,288 | 3,914,575 | kW | $ 2.2128 |
| General Service 50 to 4,999 kW (Co-Generation) | 227,124 | 72,680 | 154,444 | 48,666 | kW | $ 3.1736 |
| Large Use | 1,498,222 | 688,138 | 810,084 | 387,522 | kW | $ 2.0904 |
| Street Lighting | 1,362,975 | 745,507 | 617,468 | 67,255 | kW | $ 9.1810 |
| Sentinel Lighting | 60,310 | 32,387 | 27,923 | 2,130 | kW | $ 13.1090 |
| Unmetered Scattered Load | 146,555 | 43,967 | 102,589 | 4,994,818 | kWh | $ 0.0205 |
| Backup / Standby Power | 471,238 | - | 471,238 | 154,800 | kW | $ 3.0442 |
| **Total** | **$ 66,573,104** | **$ 34,936,938** | **$ 31,636,165** | | | |

The following Table 8-10 compares current and proposed variable distribution charges and the volumetric charge splits that result from these proposals.

**Table 8-10 - Current & Proposed Variable Distribution Charges and Revenue Percentages**

| Customer Class | Rate Determinant | London Hydro 2012 Rates From OEB Approved Tariff | London Hydro Variable Rate Proposed 2013 | Current Volumetric Charge Split 2012 | Proposed Volumetric Charge Spilt 2013 |
|---|---|---|---|---|---|
| Residential | kWh's | $ 0.0139 | $ 0.0150 | 42% | 44% |
| General Service Less Than 50 kW | kWh's | $ 0.0090 | $ 0.0116 | 45% | 47% |
| General Service 50 to 4,999 kW | kW's | $ 1.5861 | $ 2.2128 | 52% | 54% |
| General Service 50 to 4,999 kW (Co-Generation) | kW's | $ 3.9348 | $ 3.1736 | 70% | 68% |
| Large Use | kW's | $ 2.2281 | $ 2.0904 | 54% | 54% |
| Street Lighting | kW's | $ 6.9210 | $ 9.1810 | 44% | 45% |
| Sentinel Lighting | kW's | $ 9.8703 | $ 13.1090 | 45% | 46% |
| Unmetered Scattered Load | kWh's | $ 0.0116 | $ 0.0205 | 69% | 70% |
| Backup / Standby Power | kW's | $ 2.3652 | $ 3.0442 | 100% | 100% |
| **Total - Gross before transformer discounts** | | | | **45%** | **47%** |
| **Total - Net after transformer discounts** | | | | **44%** | **47%** |

## Transformer Allowance:

London Hydro is not proposing any changes to the amount of its existing Transformer Allowance credit of $0.60 per kW paid to those customers that own their transformation facilities.

The Transformer Allowance is intended to reflect the costs to a distributor of providing step down transformation facilities to the customer's utilization voltage level. Since the distributor provides electricity at utilization voltage, the cost of this transformation is captured in and recovered through the distribution rates. Therefore, when a customer provides its own step down transformation from primary to secondary, it should receive a credit of these costs already included in the distribution rates.

## Proposed Distribution Rates:

The following Table 8-11 sets out London Hydro's proposed 2013 electricity distribution rates based on the foregoing calculations:

**Table 8-11 - Proposed 2013 Electricity Distribution Rates**

| Customer Class | Customer | Connection | kWh | kW |
|---|---|---|---|---|
| Residential | $ 12.63 | $ - | $ 0.0150 | |
| General Service Less Than 50 kW | $ 35.69 | $ - | $ 0.0116 | |
| General Service 50 to 4,999 kW | $ 366.54 | $ - | | $ 2.2128 |
| General Service 50 to 4,999 kW (Co-Generation) | $ 2,018.88 | $ - | | $ 3.1736 |
| Backup / Standby Power | $ - | $ - | | $ 3.0442 |
| Large Use | $ 19,114.96 | $ - | | $ 2.0904 |
| Street Lighting | | $ 1.77 | | $ 9.1810 |
| Sentinel Lighting | | $ 3.96 | | $ 13.1090 |
| Unmetered Scattered Load | | $ 2.37 | $ 0.0205 | |
| Transformer discounts | | | | $ (0.60) |

# RETAIL TRANSMISSION RATES

Electricity distributors are charged the Ontario Uniform Transmission Rates ("UTRs") at the wholesale level and subsequently pass these charges on to their distribution customers through Retail Transmission Service Rates ("RTSRs"). For each distribution rate class there are two RTSRs, one for network and one for connection. The RTSR network charge recovers the UTR wholesale network service charge, and the RTSR connection charge recovers the UTR wholesale line and transformation connection charges. Deferral accounts capture timing and rate differences between the UTR's paid at the wholesale level and RTSR's billed to distribution customers.

**Current RTSR:**

On December 20, 2011, the Board issued *the Revenue Requirement Order Arising from the EB-2011-0268 Decision with Reasons (November 23, 2011) and 2012 Uniform Electricity Transmission Rate Order (EB-2011-0268)*. This Board Order set new transmission rate effective January 1, 2012. The Wholesale Transmission Rates, effective January 1, 2012 are reflected in Table 8-12 below.

**Table 8-12 Wholesale Transmission Rates, Effective January 1, 2012**

| | |
|---|---|
| Network Service Rate | $3.57 per kW |
| Connection Service Rates | |
| Line Connection Service Rate | $0.80 per kW |
| Transformation Connection Service Rate | $1.86 per kW |

With the inclusion of the above rate changes, London Hydro's current RTSRs, effective May 1, 2012, are reflected in the table below.

**Table 8-13 Current Retail Transmission Service Rates, Effective January 1, 2012**

| Customer Class | Metric | 2012 RTR - Network | 2012 RTR - Line and Transformation Connection | 2013 RTR - Network | 2013 RTR - Line and Transformation Connection |
|---|---|---|---|---|---|
| Residential | kWh | $ 0.0070 | $ 0.0053 | $ 0.0071 | $ 0.0055 |
| General Service Less Than 50 kW | kWh | $ 0.0065 | $ 0.0046 | $ 0.0066 | $ 0.0048 |
| General Service 50 to 4,999 kW | kW | $ 2.2917 | $ 1.7172 | $ 2.3133 | $ 1.7761 |
| General Service 50 to 4,999 kW - interval metered | kW | $ 2.9388 | $ 2.3929 | $ 2.9665 | $ 2.4750 |
| General Service 50 to 4,999 kW (Co-Generation) | kW | $ 3.3926 | $ 2.5312 | $ 3.4245 | $ 2.6180 |
| Large Use | kW | $ 3.0104 | $ 2.3929 | $ 3.0387 | $ 2.4750 |
| Street Lighting | kW | $ 2.0179 | $ 1.5121 | $ 2.0369 | $ 1.5640 |
| Sentinel Lighting | kW | $ 2.0206 | $ 1.5140 | $ 2.0396 | $ 1.5659 |
| Unmetered Scattered Load | kWh | $ 0.0065 | $ 0.0046 | $ 0.0066 | $ 0.0048 |

**2013 RTSR:**

The Board has provided a Microsoft Excel workbook "2013_RTSR_Adjustment_Work_Form" and instructions for distributors to complete as part of their 2013 electricity rate applications. London Hydro has completed this workbook to determine the RTSR's and has filed the model as part of this application. Table 8-14 is reproduced from the Board model and indicates the new RTSR's.

**Table 8-14 Final 2013 RTSR Rates**

| Rate Class | Unit | Proposed RTSR Network | Proposed RTSR Connection |
|---|---|---|---|
| Residential | kWh | $ 0.0071 | $ 0.0055 |
| General Service Less Than 50 kW | kWh | $ 0.0066 | $ 0.0048 |
| General Service 50 to 4,999 kW | kW | $ 2.3133 | $ 1.7761 |
| General Service 50 to 4,999 kW – Interval Metered | kW | $ 2.9665 | $ 2.4750 |
| General Service 1,000 To 4,999 kW (co-generation) | kW | $ 3.4245 | $ 2.6180 |
| Standby Power | kW | $ - | $ - |
| Large Use | kW | $ 3.0387 | $ 2.4750 |
| Street Lighting | kW | $ 2.0369 | $ 1.5640 |
| Sentinel Lighting | kW | $ 2.0396 | $ 1.5659 |
| Unmetered Scattered Load | kWh | $ 0.0066 | $ 0.0048 |

Although London Hydro has calculated proposed RTSR rates, effective May 1, 2012, London Hydro includes these rates only as a proxy in this Application until the Board issues the updated Guideline and filing module to reflect the January 1, 2013 Uniform Transmission Rates.

## Retail Service Charges:

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

The OEB has established variance accounts (1518 Retail Cost Variance Retail- RCVA$_{Retail}$ and 1548 Retail Cost Variance STR – RCVA$_{STR}$) to record the difference between the amount billed and the incremental costs of providing retail services. London Hydro does not propose any changes to the current retail rate and charges.

Table 8-15 reflects the current approved retail rate and charges. Further details related to revenue generated from retail rates and charges can be found in Exhibit 3.

**Table 8-15 Current Retail Service Charges**

| | | |
|---|---|---|
| One-time charge, per retailer, to establish the service agreement between the distributor and the retailer | $ | 100.00 |
| Monthly Fixed Charge, per retailer | $ | 20.00 |
| Monthly Variable Charge, per customer, per retailer | $/cust. | 0.50 |
| Distributor-consolidated billing charge, per customer, per retailer | $/cust. | 0.30 |
| Retailer-consolidated billing credit, per customer, per retailer | $/cust. | -0.30 |
| Service Transaction Requests (STR) | | |
| Request fee, per request, applied to the requesting party | $ | 0.25 |
| Processing fee, per request, applied to the requesting party | $ | 0.50 |
| Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the | | |
| Electronic Business Transaction (EBT) system, applied to the requesting party | | |
| Up to twice a year | | no charge |
| More than twice a year, per request (plus incremental delivery costs) | $ | 2.00 |

The table below shows the annual year-end balances for both 1518 Retail Cost Variance Retail- RCVA$_{Retail}$ and 1548 Retail Cost Variance STR – RCVA$_{STR}$). London Hydro is proposing to dispose of the December 31, 2011 balances, via rate riders, as identified in Exhibit 9, page 22.

**Table 8-16 Retail Cost Variance (Account 1518) and Retail Cost Variance eService Transaction Request (Account 1548) Annual Balances**

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Retail Cost Variance Account 1518 | ( 39,215) | ( 55,471) | ( 83,784) |
| Retail Cost Variance Service Transaction Request Account 1548 | 30,342 | 57,096 | 88,224 |

For the purposes of this Application, London Hydro has assumed that the total retail service revenue is completely offset by operating costs related to servicing retail operation and third-party costs from the operator of the retailer transaction hub.

## Wholesale Market Service Rate:

London Hydro is not seeking to adjust the Wholesale Market Service Rate in this Application.

The table below reflects the current Wholesale Market Service Rate and RRRP.

**Table 8-17 Current Wholesale Market Service Rate and RRRP Charge**

| | | Current |
|---|---|---|
| Wholesale Market Service Rate | $/kWh | 0.0052 |
| Rural Rate Protection Charge | $/kWh | 0.0011 |
| Total | $/kWh | 0.0063 |

## Specific Service Charges:

London Hydro is not seeking to adjust any specific service charges or requesting new specific service charges in this Application. Details of the existing service charges (as prescribed by the Distribution System Code) can be found at Exhibit 3, page 28.

## Loss Adjustment Factors:

**Overview:**

Distribution system losses and the resulting loss factor are computed as the difference between the energy London Hydro receives from Hydro One transmission grid and the recorded energy delivered to London Hydro customers. The Loss Factor is applied to a customer's meter consumption for billing purposes. The resulting billed consumption reflects the amount of electricity London Hydro has to

purchase in order to supply each customer on the system, taking into account the distribution system losses.

London Hydro is not an embedded distributor and contains no distributors embedded in its service territory.

The distribution system losses can be divided into two main categories: non-technical and technical losses. The non-technical losses occur from:

- Unmetered loads;
- Power theft;
- Billing errors; and
- Meter read errors.

The non-technical losses include unmetered loads (photo-electric controlled loads such as streetlight, bus shelters, bill boards and cathodic protection devices such as telecommunication junction boxes), and primary line losses.

London Hydro is proposing to reduce its loss factors from those currently approved. The most significant reductions appear to be associated with the minimizing of technical losses. In this regard, London Hydro reviews the entire distribution system every year and identifies areas where feeders can be shortened or where the load can be reduced by changing open points, adding switches, or building new supply feeders. One other important development is the conversion of primary lines from 13.8 kV to 26.8 kV. London Hydro has focused on converting the primary lines, resulting in improved efficiencies of its distribution system and an anticipated reduction in line losses.

## Determination of Loss Adjustment Factors:

**Total Loss Factor:**

London Hydro has calculated the total loss factor to be applied to customers' consumption based on the average wholesale and retail kWh for the years 2007 to 2011. The calculations are summarized in Table 8-18 below.

**Table 8-18 Line Loss Calculation**

| | | Historical Years | | | | | 5-Year Average |
|---|---|---|---|---|---|---|---|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | |
| | ***Losses Within Distributor's System*** | | | | | | |
| **A(1)** | "Wholesale" kWh delivered to distributor (higher value) | 3,513,738,064 | 3,442,614,476 | 3,315,882,997 | 3,428,161,401 | 3,408,628,157 | 3,421,805,019 |
| **A(2)** | "Wholesale" kWh delivered to distributor (lower value) | 3,499,320,431 | 3,429,256,226 | 3,305,317,093 | 3,417,503,034 | 3,397,116,851 | 3,409,702,727 |
| **B** | Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s) | 205,156,179 | 187,017,601 | 186,753,672 | 197,077,280 | 195,484,640 | 194,297,874 |
| **C** | Net "Wholesale" kWh delivered to distributor = **A(2) - B** | 3,294,164,252 | 3,242,238,625 | 3,118,563,421 | 3,220,425,754 | 3,201,632,211 | 3,215,404,853 |
| **D** | "Retail" kWh delivered by distributor | 3,381,491,928 | 3,328,131,646 | 3,146,740,539 | 3,376,757,921 | 3,317,143,763 | 3,310,053,159 |
| **E** | Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s) | 203,124,930 | 185,165,941 | 184,904,626 | 195,126,020 | 193,549,148 | 192,374,133 |
| **F** | Net "Retail" kWh delivered by distributor = **D - E** | 3,178,366,998 | 3,142,965,705 | 2,961,835,912 | 3,181,631,901 | 3,123,594,614 | 3,117,679,026 |
| **G** | Loss Factor in Distributor's system = **C / F** | 1.0364 | 1.0316 | 1.0529 | 1.0122 | 1.0250 | 1.0313 |
| | ***Losses Upstream of Distributor's System*** | | | | | | |
| **H** | Supply Facilities Loss Factor | 1.0041 | 1.0039 | 1.0032 | 1.0031 | 1.0034 | 1.0035 |
| | ***Total Losses*** | | | | | | |
| **I** | Total Loss Factor = **G x H** | 1.0407 | 1.0356 | 1.0563 | 1.0153 | 1.0284 | 1.0350 |

**Total Loss Factor by Class:**

The Table 8-19 below sets out the class-specific Loss Factors used by London Hydro in the calculation of commodity and other non-distribution charges.

The Supply Facility Loss Factor ("SFLF") as shown in Table 8-18 represents the losses on supply to London Hydro. The SFLF is calculated on the measured quantities between the transformer stations and the wholesale meter points. The calculated value reflects an overall trending reduction in losses over the five year historic period. London Hydro proposes to utilize the five year average SFLF of 1.0035. Further details of this determination are provided in OEB Appendix 2-P, Loss Factor, filed separately with this Application.

The Distribution Loss Factor ("DLF") is determined as prescribe in the Board's Minimum Filing Requirements and the details are provided in OEB Appendix 2-P, Loss Factors. The DLF is determined

using historic five year distribution loss factors. As indicted in Table 8-19 the resulting TLF is 1.0313. Also shown in Table 8-18 is that London Hydro's total loss factor ("TLF") for the past five years has averaged 1.0350.

**Table 8-19 Total Loss Factor by Class**

| | Loss Adjustment Factor |
|---|---|
| **Supply Facility Loss Factor** | 1.0035 |
| **Distribution Loss Factors** | |
| **Secondary Metered Customer** | |
| Distribution Loss Factor - Secondary Metered Customer < 5,000 kW | 1.0313 |
| Distribution Loss Factor - Secondary Metered Customer > 5,000 kW | 1.0100 |
| **Primary Metered Customer** | |
| Distribution Loss Factor - Primary Metered Customer < 5,000 kW | 1.0210 |
| Distribution Loss Factor - Primary Metered Customer > 5,000 kW | 1.0000 |
| **Total Loss Factor** | |
| **Secondary Metered Customer** | |
| Total Loss Factor - Secondary Metered Customer < 5,000 kW | 1.0350 |
| Total Loss Factor - Secondary Metered Customer > 5,000 kW | 1.0136 |
| **Primary Metered Customer** | |
| Total Loss Factor - Primary Metered Customer < 5,000 kW | 1.0246 |
| Total Loss Factor - Primary Metered Customer > 5,000 kW | 1.0035 |

Further tables relating to Loss Factors can be found filed separately with this Application at AppendixAPP_2_R_LossFactors.

**Materiality Analysis on Distribution Losses:**

London Hydro has further tables relating proposed a Total Loss Factor –Secondary Metered Customer < 5,000 kW of 1.035. Pursuant to the Filing Requirements, as the Distribution Loss Adjustment factor is less than 5%, London Hydro is not required to provide an explanation of, or justification for, its proposed loss adjustment factor.

# EXISTING RATE CLASSES

## Residential:

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Multi-unit residential establishments such as apartment buildings supplied through one service (bulk meter) shall be classified as General Service. Where electricity service is provided to combine residential and business (including agricultural) usage and the wiring does not provide for separate metering, the classification shall be at the discretion of London Hydro and should be based on such considerations as the estimated predominant consumption. Further servicing details are available in London Hydro's Conditions of Service.

## General Service Less than 50 kW:

This classification applies to a nonresidential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Multi-unit residential establishments such as apartment buildings supplied through one service (bulk meter) shall be classified as General Service. Where electricity service is provided to combine residential and business (including agricultural) usage and the wiring does not provide for separate metering, the classification shall be at the discretion of London Hydro and should be based on such considerations as the estimated predominant consumption. Further servicing details are available in London Hydro's Conditions of Service.

## General Service 50 to 4,999 kW:

This classification applies to a non-residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Note that for the determination of the billing demand and the application of the

Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

General Service 50 to 199 kW non-interval metered
General Service 50 to 4,999 kW interval metered.

Further servicing details are available in London Hydro's Conditions of Service.

## General Service 1,000 to 4,999 kW (Co-Generation):

Embedded generation, co-generation or load displacement customers have the option to reserve demand capacity on the London Hydro distribution system for import load through mutual agreement/contract. For the embedded generation customers with a gross peak demand annual average of less than 1,000 kW and equal to or greater than 50 kW per month, the General Service 50 to 4,999 kW distribution rates will be applied, as long as there is no requirement for reserve capacity from the customer. For the embedded generation customers with a gross peak demand annual average of less than 50 kW per month, the General Service Less Than 50 kW distribution rates will be applied, as long as there is no requirement for reserve capacity from the customer. Further servicing details are available in London Hydro's Conditions of Service.

## Standby Power:

This classification refers to an account that has Load Displacement Generation and requires London Hydro to provide back-up service. The distribution Standby Power rate will be applied to all monthly kW's reserved. Further servicing details are available in London Hydro's Conditions of Service.

## Large User:

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Further servicing details are available in London Hydro's Conditions of Service.

## Unmetered Scattered Load:

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include (for example) cable TV power packs, bus shelters, telephone booths, traffic lights and railway crossings. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in London Hydro's Conditions of Service.

### Sentinel Lighting:

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in London Hydro's Conditions of Service.

### Street Lighting:

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, the Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in London Hydro's Conditions of Service.

### microFIT Generator Service Classification:

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in London Hydro's Conditions of Service.

## EXISTING RATE SCHEDULE: Effective May 1, 2012, Implementation Date September 1, 2012

London Hydro has attached the Board's Decision and Order from its 2012 IRM Rate Application (EB-2011-0181, as modified by EB-2012-0187) which contains a complete schedule of existing rates. The original 2012 IRM Decision and Order was modified as a result of the Board's Decision and Order pertaining to London Hydro's Smart Meter cost recovery rate application filed on April 2, 2012.

# London Hydro Inc.
# TARIFF OF RATES AND CHARGES
## Effective Date May 1, 2012
## Implementation Date September 1, 2012

**This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors**

EB-2012-0187

## RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Multi-unit residential establishments such as apartment buildings supplied through one service (bulk meter) shall be classified as General Service. Where electricity service is provided to combined residential and business (including agricultural) usage and the wiring does not provide for separate metering, the classification shall be at the discretion of London Hydro and should be based on such considerations as the estimated predominant consumption. Further servicing details are available in London Hydro's Conditions of Service

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.
It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|---|---|---|
| Service Charge | $ | 12.72 |
| Rate Rider Smart Meter Disposition (SMDR) -effective until April 30, 2013 | $ | (0.78) |
| Rate Rider for Smart Meter Incremental Revenue Requirement (SMIRR) –in effect until the effective date of the next cost of service rate order | $ | 2.30 |
| Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery -effective until April 30, 2013 | $/kWh | 0.00004 |
| Distribution Volumetric Rate | $/kWh | 0.0143 |
| Rate Rider for Tax Change – effective until April 30, 2013 | $/kWh | (0.0004) |
| Rate Rider for Deferral/Variance Account Disposition (2012)- effective until April 30, 2014 | $/kWh | (0.0010) |
| Rate Rider for Global Adjustment Sub-Account (2012) –Applicable only for Non-RPP Customers -effective until April 30, 2014 | $/kWh | (0.0004) |
| Retail Transmission Rate – Network Service Rate | $/Kwh | 0.0070 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | $/kWh | 0.0053 |

### MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|---|---|
| Wholesale Market Service Rate | $/Kwh | 0.0052 |
| Rural Rate Protection Charge | $/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | $ | 0.25 |

## GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification applies to a non- residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Multi-unit residential establishments such as apartment buildings supplied through one service (bulk meter) shall be classified as General Service. Where electricity service is provided to combined residential and business (including agricultural) usage and the wiring does not provide for separate metering, the classification shall be at the discretion of London Hydro and should be based on such considerations as the estimated predominant consumption. Further servicing details are available in London Hydro's Conditions of Service

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|---|---|---|
| Service Charge | $ | 29.58 |
| Rate Rider Smart Meter Disposition (SMDR) -effective until April 30, 2013 | $ | 5.30 |
| Rate Rider for Smart Meter Incremental Revenue Requirement (SMIRR) -in effect until the effective date of the next cost of service rate order | $ | 5.10 |
| Distribution Volumetric Rate | $/kWh | 0.0092 |
| Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery -effective until April 30, 2013 | $/kWh | 0.00022 |
| Rate Rider for Tax Change – effective until April 30, 2013 | $/kWh | (0.0002) |
| Rate Rider for Deferral/Variance Account Disposition (2012) - effective until April 30, 2014 | $/kWh | (0.0010) |
| Rate Rider for Global Adjustment Sub-Account (2012) –Applicable only for Non-RPP Customers -effective until April 30, 2014 | $/kWh | (0.0004) |
| Retail Transmission Rate – Network Service Rate | $/Kwh | 0.0065 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | $/kWh | 0.0046 |

### MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|---|---|
| Wholesale Market Service Rate | $/kWh | 0.0052 |
| Rural Rate Protection Charge | $/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | $ | 0.25 |

# GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Note that for the determination of the billing demand and the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:
General Service 50 to 199 kW non-interval metered
General Service 50 to 4,999 kW interval metered.
Further servicing details are available in London Hydro's Conditions of Service

## APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

## MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|---|---|---|
| Service Charge | $ | 292.71 |
| Distribution Volumetric Rate | $/kW | 1.6223 |
| Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery -effective until April 30, 2013 | $/kW | 0.00482 |
| Rate Rider for Tax Change – effective until April 30, 2013 | $/kW | (0.0362) |
| Rate Rider for Deferral/Variance Account Disposition (2012) - effective until April 30, 2014 | $/kW | (0.3641) |
| Rate Rider for Global Adjustment Sub-Account (2012) –Applicable only for Non-RPP Customers -effective until April 30, 2014 | $/kW | (0.1521) |
| Retail Transmission Rate – Network Service Rate | $/kW | 2.2917 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | $/kW | 1.7172 |
| Retail Transmission Rate – Network Service Rate – Interval Metered | $/kW | 2.9388 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered | $/kW | 2.3929 |

## MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|---|---|
| Wholesale Market Service Rate | $/Kwh | 0.0052 |
| Rural Rate Protection Charge | $/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | $ | 0.25 |

# GENERAL SERVICE 1,000 to 4,999 kW (Co-Generation) SERVICE CLASSIFICATION

Embedded generation, co-generation or load displacement customers have the option to reserve demand capacity on the London Hydro distribution system for import load through mutual agreement/contract. For the embedded generation customers with a gross peak demand annual average of less than 1,000 kW and equal to or greater than 50 kW per month, the General Service 50 to 4,999 kW distribution rates will be applied, as long as there is no requirement for reserve capacity from the customer. For the embedded generation customers with a gross peak demand annual average of less than 50 kW per month, the General Service Less Than 50 kW distribution rates will be applied, as long as there is no requirement for reserve capacity from the customer. Further servicing details are available in London Hydro's Conditions of Service.

## APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

## MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|---|---|---|
| Service Charge | $ | 2296.39 |
| Distribution Volumetric Rate | $/kW | 4.0062 |
| Rate Rider for Tax Change – effective until April 30, 2013 | $/kW | (0.0714) |
| Rate Rider for Deferral/Variance Account Disposition (2012) - effective until April 30, 2014 | $/kW | (0.7547) |
| Retail Transmission Rate – Network Service Rate | $/kW | 3.3926 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | $/kW | 2.5312 |

## MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|---|---|
| Wholesale Market Service Rate | $/kWh | 0.0052 |
| Rural Rate Protection Charge | $/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | $ | 0.25 |

# LARGE USE SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Further servicing details are available in London Hydro's Conditions of Service.

## APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

## MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|---|---|---|
| Service Charge | $ | 20638.79 |
| Distribution Volumetric Rate | $/kW | 2.2792 |
| Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery -effective until April 30, 2013 | $/kW | 0.00011 |
| Rate Rider for Tax Change – effective until April 30, 2013 | $/kW | (0.0511) |
| Rate Rider for Deferral/Variance Account Disposition (2012) - effective until April 30, 2014 | $/kW | (0.4705) |
| Rate Rider for Global Adjustment Sub-Account (2012) –Applicable only for Non-RPP Customers -effective until April 30, 2014 | $/kW | (0.1970) |
| Retail Transmission Rate – Network Service Rate | $/kW | 3.0104 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | $/kW | 2.3929 |

## MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|---|---|
| Wholesale Market Service Rate | $/kWh | 0.0052 |
| Rural Rate Protection Charge | $/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | $ | 0.25 |

# UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information /documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in London Hydro's Conditions of Service

## APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

**MONTHLY RATES AND CHARGES – Delivery Component**

| | | |
|---|---|---|
| Service Charge (per connection) | $ | 1.42 |
| Distribution Volumetric Rate | $/kWh | 0.0118 |
| Rate Rider for Tax Change – effective until April 30, 2013 | $/kWh | (0.0002) |
| Rate Rider for Deferral/Variance Account Disposition (2012) - effective until April 30, 2014 | $/kWh | (0.0009) |
| Rate Rider for Global Adjustment Sub-Account (2012) –Applicable only for Non-RPP Customers -effective until April 30, 2014 | $/kWh | (0.0004) |
| Retail Transmission Rate – Network Service Rate | $/kWh | 0.0065 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | $/kWh | 0.0046 |

**MONTHLY RATES AND CHARGES – Regulatory Component**

| | | |
|---|---|---|
| Wholesale Market Service Rate | $/kWh | 0.0052 |
| Rural Rate Protection Charge | $/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | $ | 0.25 |

## STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires London Hydro to provide back-up service. The distribution Standby Power rate will be applied to all monthly kW's reserved. Further servicing details are available in London Hydro's Conditions of Service

**APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

**MONTHLY RATES AND CHARGES – APPROVED ON AN INTERIM BASIS**

| | | |
|---|---|---|
| Standby Charge – for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility). | $/kW | 2.3942 |
| Rate Rider for Tax Change – effective until April 30, 2013 | $/kW | (0.029) |
| Rate Rider for Deferral/Variance Account Disposition (2012) - effective until April 30, 2014 | $/kW | (0.010 |

## SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in London Hydro's Conditions of Service

**APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

**MONTHLY RATES AND CHARGES – Delivery Component**

| | | |
|---|---|---|
| Service Charge (per connection) | $ | 3.14 |
| Distribution Volumetric Rate | $/kW | 10.1362 |
| Rate Rider for Tax Change – effective until April 30, 2013 | $/kW | (0.2659) |
| Rate Rider for Deferral/Variance Account Disposition (2012) - effective until April 30, 2014 | $/kW | (0.3763) |
| Retail Transmission Rate – Network Service Rate | $/kW | 2.0206 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | $/kW | 1.5140 |

**MONTHLY RATES AND CHARGES – Regulatory Component**

| | | |
|---|---|---|
| Wholesale Market Service Rate | $/kWh | 0.0052 |
| Rural Rate Protection Charge | $/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | $ | 0.25 |

## STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in London Hydro's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|---|---|---|
| Service Charge (per connection) | $ | 1.39 |
| Distribution Volumetric Rate | $/kW | 7.1102 |
| Rate Rider for Tax Change – effective until April 30, 2013 | $/kW | (0.1892) |
| Rate Rider for Deferral/Variance Account Disposition (2012) - effective until April 30, 2014 | $/kW | (0.3536) |
| Rate Rider for Global Adjustment Sub-Account (2012) –Applicable only for Non-RPP Customers | $/kW | (0.1343) |
| Retail Transmission Rate – Network Service Rate | $/kW | 2.0179 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | $/kW | 1.5121 |

### MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|---|---|
| Wholesale Market Service Rate | $/kWh | 0.0052 |
| Rural Rate Protection Charge | $/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | $ | 0.25 |

## microFIT GENERATOR SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in London Hydro's Conditions of Service.

**APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

**MONTHLY RATES AND CHARGES – Delivery Component**

| | | |
|---|---|---|
| Service Charge | $ | 5.25 |

## ALLOWANCES

| | | |
|---|---|---|
| Transformer Allowance for Ownership - per kW of billing demand/month | $/kW | (0.60) |
| Primary Metering Allowance for transformer losses – applied to measured demand and energy | % | (1.00) |

## SPECIFIC SERVICE CHARGES

**APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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Customer Administration

| | | |
|---|---|---|
| Easement letter | $ | 15.00 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | $ | 30.00 |
| Returned Cheque (plus bank charges) | $ | 15.00 |
| | | |
| Non-Payment of Account | | |
| Late Payment - per month | % | 1.50 |
| Late Payment - per annum | % | 19.56 |
| Collection of Account Charge – No Disconnection | $ | 10.00 |
| Disconnect/Reconnect at meter – During regular hours | $ | 35.00 |
| Disconnect/Reconnect at meter – After regular hours | $ | 185.00 |
| Disconnect/Reconnect at Pole – During regular hours | $ | 185.00 |
| Disconnect/Reconnect at Pole – After regular hours | $ | 415.00 |
| | | |
| Meter Interrogation Charge | $ | 5.50 |
| Special Meter Reads | $ | 30.00 |
| Install/Remove load control device – During regular hours | $ | 65.00 |
| Install/Remove load control device – After regular hours | $ | 185.00 |
| Temporary Service install & remove – overhead – no transformer | $ | 500.00 |
| Temporary Service install & remove – underground – no transformer | $ | 300.00 |
| Service Call – After regular hours | $ | 165.00 |
| Specific Charge for Access to the Power Poles – per pole/year | $ | 22.35 |

## Implementation Date September 1, 2012

**This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors**

EB-2012-0187

# RETAIL SERVICE CHARGES (if applicable)

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

| | | |
|---|---|---|
| One-time charge, per retailer, to establish the service agreement between the distributor and the retailer | $ | 100.00 |
| Monthly Fixed Charge, per retailer | $ | 20.00 |
| Monthly Variable Charge, per customer, per retailer | $/cust. | 0.50 |
| Distributor-consolidated billing charge, per customer, per retailer | $/cust. | 0.30 |

| | | | |
|---|---|---|---|
| Retailer-consolidated billing credit, per customer, per retailer | $/cust. | (0.30) |
| Service Transaction Requests (STR) | | |
| Request fee, per request, applied to the requesting party | $ | 0.25 |
| Processing fee, per request, applied to the requesting party | $ | 0.50 |

**Table 8-20 - Reconciliation of Rate Class Revenue**

| Customer Class | Fixed Distribution Revenue | Variable Distribution Revenue | Total Distribution Revenue | Transformer Discounts | Net Distribution Revenue | Expected | Variance $ |
|---|---|---|---|---|---|---|---|
| Residential | $ 20,917,919 | $ 16,242,880 | $ 37,160,799 | | $ 37,160,799 | $ 37,160,799 | $ - |
| GS <50 kW | 5,127,149 | 4,547,253 | 9,674,402 | | 9,674,402 | 9,674,402 | - |
| GS 50 to 4,999 kW | 7,309,191 | 8,662,288 | 15,971,479 | ($680,652) | 15,290,826.61 | 15,290,827 | - |
| GS 50 to 4,999 kW (Co-Generation) | 72,680 | 154,444 | 227,124 | ($29,200) | 197,924 | 197,924 | - |
| Standby Power | - | 471,238 | 471,238 | ($92,880) | 378,358 | 378,358 | - |
| Large Use >5MW | 688,138 | 810,084 | 1,498,222 | | 1,498,222 | 1,498,222 | - |
| Street Light | 745,507 | 617,468 | 1,362,975 | | 1,362,975 | 1,362,975 | - |
| Sentinel | 32,387 | 27,923 | 60,310 | | 60,310 | 60,310 | - |
| Unmetered Scattered Load | 43,967 | 102,589 | 146,555 | | 146,555 | 146,555 | - |
| | | | | | | | |
| **Total** | **$ 34,936,938** | **$ 31,636,165** | **$ 66,573,104** | **($802,732)** | **$ 65,770,372** | **$ 65,770,372** | **$ -** |

Further tables as to Reconciliation of Revenue Requirements can be found at OEB Appendix APP_2_V_Rev_Reconcilation, filed separately with the Application.

# RATE AND BILL IMPACTS

Appendix 8A to this Exhibit presents the results of the assessment of customer total bill impacts by level of consumption per customer by rate class.

Impacts are derived using the applicable approved 2012 rates and the proposed 2013 distribution rates (including the Rate Rider for the recovery of Deferral and Variance Accounts, as discussed throughout Exhibit 9, including proposed disposition of Stranded Meter Assets, and proposed 2013 Retail Transmission Service Rates).

The total bill impacts are calculated for each rate class at various levels of consumption. The rate impacts are assessed on the basis of moving to the proposed distribution rates.

## 2013 Test Year:

A typical RPP residential customer (TOU) consuming 800 kWh per month would see the delivery portion of their bill increase by 0.27% or $0.09, with an overall bill increase of 0.05% or $.06. A typical RPP GS< 50 kW (TOU) customer consuming 2,000 kWh per month would see the delivery portion of their bill increase by 2.9% or $2.29, with an overall bill increase of 0.8% or $2.25. A typical GS 50 to 4,999 KW (Interval) customers consuming 2,500 kW per month would see the delivery portion of their bill increase by 4.8% or $720.63, with an overall bill increase of 0.14% or $193.27. A typical Large User customer consuming 10,700 kW per month would see the delivery portion of their bill decrease by (8.2%) or ($7,829.87) with an overall bill decrease of (1.3%) or ($9,116.92).

A Summary of Total Bill Impacts is reflected in Table 8-21.

**Table 8-21 – Summary of Total Monthly Rate Impacts by Class for Test Year 2013**

| | | | Total Bill | | | | Delivery | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Rate Class | Consumption kWh | Demand kW | Current | Applied For 2013 COS | Difference $ | Difference % | Current | Applied For 2013 COS | Difference $ | Difference % |
| RESIDENTIAL RPP | 800 | - | $ 112.98 | $ 113.04 | $ 0.06 | 0.06% | $ 34.51 | $ 34.61 | $ 0.09 | 0.27% |
| RESIDENTIAL TOU | 800 | - | $ 114.70 | $ 114.76 | $ 0.06 | 0.05% | $ 34.51 | $ 34.61 | $ 0.09 | 0.27% |
| GENERAL SERVICE LESS THAN 50 KW RPP | 2,000 | - | $ 287.09 | $ 289.34 | $ 2.25 | 0.78% | $ 79.53 | $ 81.82 | $ 2.29 | 2.88% |
| GENERAL SERVICE LESS THAN 50 KW TOU | 2,000 | - | $ 279.49 | $ 281.74 | $ 2.25 | 0.81% | $ 79.53 | $ 81.82 | $ 2.29 | 2.88% |
| GENERAL SERVICE >50 KW to 4,999 KW (Interval) | 1,095,000 | 2,500 | $137,273.22 | $ 137,466.50 | $ 193.27 | 0.14% | $ 16,853.93 | $ 17,574.56 | $ 720.63 | 4.28% |
| GENERAL SERVICE >50 KW to 4,999 KW (Non-Interval) | 1,095,000 | 2,500 | $132,920.28 | $ 133,108.91 | $ 188.63 | 0.14% | $ 13,001.76 | $ 13,718.29 | $ 716.53 | 5.51% |
| GENERAL SERVICE >50 KW to 4,999 KW (CoGeneration) | 1,095,000 | 2,500 | $143,720.72 | $ 140,890.73 | -$ 2,830.00 | -1.97% | $ 25,056.14 | $ 22,598.30 | -$ 2,457.84 | -9.81% |
| LARGE USER | 5,600,000 | 10,700 | $697,733.27 | $ 688,616.35 | -$ 9,116.92 | -1.31% | $ 95,153.70 | $ 87,323.82 | -$ 7,829.87 | -8.23% |
| UNMETERED LOADS (SCATTERED) | 2,000 | | $ 267.22 | $ 285.23 | $ 18.01 | 6.74% | $ 45.13 | $ 62.07 | $ 16.94 | 37.54% |
| SENTINEL LIGHTS | 180 | 0.50 | $ 30.63 | $ 33.10 | $ 2.47 | 8.07% | $ 9.65 | $ 11.93 | $ 2.28 | 23.60% |
| STREET LIGHTING | 37 | 0.10 | $ 6.99 | $ 7.61 | $ 0.61 | 8.79% | $ 2.40 | $ 2.97 | $ 0.56 | 23.40% |

## Summary of Monthly Bill Impacts and Details for Selected Customers and Consumptions

| Class | Consumption kWh | Consumption kW | 2012 Bill Bridge | 2013 Bill Test | Difference $ | Bill Impact % | Max | Min |
|---|---|---|---|---|---|---|---|---|
| Residential | 100 | 0 | $27.23 | $27.22 | -$0.01 | 0.0% | 0.1% | 0.0% |
| ToU | 250 | 0 | $45.97 | $45.97 | $0.00 | 0.0% | | |
| Billed | 500 | 0 | $77.21 | $77.24 | $0.03 | 0.0% | | |
| | 800 | 0 | $114.70 | $114.76 | $0.06 | 0.1% | | |
| | 1,000 | 0 | $139.69 | $139.77 | $0.09 | 0.1% | | |
| | 1,500 | 0 | $202.16 | $202.31 | $0.14 | 0.1% | | |
| | 2,500 | 0 | $264.64 | $264.84 | $0.20 | 0.1% | | |
| General Service | 1,000 | 0 | $160.20 | $161.06 | $0.86 | 0.5% | 1.1% | 0.5% |
| Less Than 50 kW | 2,000 | 0 | $279.49 | $281.74 | $2.25 | 0.8% | | |
| | 5,000 | 0 | $637.33 | $643.75 | $6.42 | 1.0% | | |
| | 10,000 | 0 | $1,233.76 | $1,247.11 | $13.35 | 1.1% | | |
| | 15,000 | 0 | $1,830.19 | $1,850.48 | $20.29 | 1.1% | | |
| General Service | 20,000 | 60 | $2,939.60 | $3,029.22 | $89.62 | 3.0% | 3.0% | 0.1% |
| 50 to 4,999 kW | 40,000 | 100 | $5,398.44 | $5,488.42 | $89.97 | 1.7% | | |
| Interval metered | 25,000 | 500 | $31,066.57 | $31,154.39 | $87.81 | 0.3% | | |
| | 40,000 | 1,000 | $51,005.03 | $51,153.94 | $148.92 | 0.3% | | |
| | 1,095,000 | 2,500 | $137,273.22 | $137,466.50 | $193.27 | 0.1% | | |
| General Service | 20,000 | 60 | $2,835.13 | $2,924.64 | $89.51 | 3.2% | 3.2% | 0.1% |
| 50 to 4,999 kW | 40,000 | 100 | $5,224.33 | $5,314.11 | $89.79 | 1.7% | | |
| Non- Interval metered | 25,000 | 500 | $30,195.99 | $30,282.87 | $86.88 | 0.3% | | |
| | 40,000 | 1,000 | $49,263.85 | $49,410.91 | $147.06 | 0.3% | | |
| | 1,095,000 | 2,500 | $132,920.28 | $133,108.91 | $188.63 | 0.1% | | |
| General Service | 507,000 | 609 | $62,295.26 | $61,357.12 | -$938.13 | -1.5% | -2.0% | -1.5% |
| 50 to 4,999 kW | 1,021,000 | 1,827 | $128,998.10 | $126,834.91 | -$2,163.19 | -1.7% | | |
| Co-Generation | 1,095,000 | 2,500 | $143,720.72 | $140,890.73 | -$2,830.00 | -2.0% | | |
| Large Use | 2,785,000 | 5,500 | $360,127.18 | $354,608.58 | -$5,518.60 | -1.5% | -1.5% | -1.3% |
| | 5,600,000 | 10,700 | $697,733.27 | $688,616.35 | -$9,116.92 | -1.3% | | |
| | 8,355,000 | 16,500 | $1,033,737.30 | $1,020,625.36 | -$13,111.93 | -1.3% | | |
| Street Lighting | 37 | 0.1 | $6.99 | $7.61 | $0.61 | 8.8% | 8.8% | 8.8% |
| | | | | | | | | |
| Sentinel Lighting | 100 | 0.1 | $14.78 | $15.68 | $0.91 | 6.1% | 8.1% | 5.8% |
| | 180 | 0.5 | $30.63 | $33.10 | $2.47 | 8.1% | | |
| | 1,000 | 3.00 | $155.97 | $166.19 | $10.23 | 6.6% | | |
| | 19,400 | 54.00 | $2,893.47 | $3,060.91 | $167.45 | 5.8% | | |
| Unmetered | 2,000 | | $267.22 | $285.23 | $18.01 | 6.7% | 6.7% | 6.5% |
| & Scattered Load | 2,800 | | $373.35 | $398.13 | $24.78 | 6.6% | | |
| | 5,600 | | $744.82 | $793.30 | $48.49 | 6.5% | | |

Further tables as to Bill Impacts can be found at OEB Appendix APP_2_W_Bill Impacts.

# RATE MITIGATION

In the process of preparing and submitting this Application, London Hydro has undertaken the following rate mitigation measures:

1. London Hydro's proposal for the disposition of Deferral and Variance Account debit balances recoverable includes a request for approval of the return to ratepayers of the significant credit balances that have accumulated up to December 31, 2011, and forecasted carrying charges to April 30, 2013. It is proposed to shorten the period of disposition to customers by a period of one year.

2. While London Hydro's CDM programs, funded by the OPA, have been extremely successful and anticipated to have affected London Hydro's load and consumption targets, London Hydro has elected not to file a claim for Lost Revenue Adjustment or Shared Savings Mechanism with this Application.

3. London Hydro has applied for disposition of the PP&E deferral account (debit to customers) over a four year period instead of over shortened time frame, thus offsetting rate changes.

4. In the context of cost allocation, London Hydro has proposed to make all adjustments to revenue-to-cost ratios in a single year rather than over multiple years. This permits immediate adjustments resulting in reduced cross subsidization between the classes, and has resulted in reduced total bill impacts on certain small load and customer count classes.

5. London Hydro is very aware of the fact that many of its ratepayers may be experiencing difficult economic circumstances during 2013. Accordingly, London Hydro has utilized the above measures to minimize the rate impacts to its ratepayers in 2013 in this Application. Customer bill impacts arising out of the Application are reflected to this Exhibit. London Hydro notes that for typical customers in the following classes, total bill impacts are an increase of 0.01% for a Residential TOU customer at 800 kWh/month, an increase of 0.8% for a GS<50 kW TOU customer at 2,000 kWh/month, an increase

of 0.1% for a GS 50-4,999 kW Interval customer at 2,500 kW/1,095,000,000 kWh/month, and a decrease of (1.3%) for a Large Use customer at 10,700kW/5,600,000 kWh/month.

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# APPENDIX 8A

# Copy of RTSR Model

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# RTSR Workform for Electricity Distributo (2013 Filers)

| | |
|---|---|
| **Utility Name** | London Hydro Inc. |
| **Assigned EB Number** | EB-2012-0146 |
| **Name and Title** | Mike Chase, Director of Finance and Regulatory |
| **Phone Number** | 519-661-5800 Ext 5750 |
| **Email Address** | chasem@londonhydro.com |
| **Date** | |
| **Last COS Re-based Year** | **2009** |

**Note: Drop-down lists are shaded blue; Input cells are shaded green.**

# RTSR Workform for Electricity Distributors (2013 Filers)

# RTSR Workform for Electricity Distributors (2013 Filers)

1. Select the appropriate rate classes that appear on your most recent Board-Approved Tariff of Rates and Charges.
2. Enter the RTS Network and Connection Rate as it appears on the Tariff of Rates and Charges

| Rate Class | Unit | RTSR-Network | RTSR-Connectior |
|---|---|---|---|
| Residential | kWh | $ 0.0070 | $ 0.0053 |
| General Service Less Than 50 kW | kWh | $ 0.0065 | $ 0.0046 |
| General Service 50 to 4,999 kW | kW | $ 2.2917 | $ 1.7172 |
| General Service 50 to 4,999 kW – Interval Metered | kW | $ 2.9388 | $ 2.3929 |
| General Service 1,000 To 4,999 kW (co-generation) | kW | $ 3.3926 | $ 2.5312 |
| Standby Power - APPROVED ON AN INTERIM BASIS | kW | | |
| Large Use | kW | $ 3.0104 | $ 2.3929 |
| Street Lighting | kW | $ 2.0179 | $ 1.5121 |
| Sentinel Lighting | kW | $ 2.0206 | $ 1.5140 |
| Unmetered Scattered Load | kWh | $ 0.0065 | $ 0.0046 |
| Choose Rate Class | | | |
| Choose Rate Class | | | |
| Choose Rate Class | | | |
| Choose Rate Class | | | |
| Choose Rate Class | | | |
| Choose Rate Class | | | |
| Choose Rate Class | | | |
| Choose Rate Class | | | |
| Choose Rate Class | | | |
| Choose Rate Class | | | |
| Choose Rate Class | | | |

# RTSR Workform for Electricity Distributors (2013 Filers)

**In the green shaded cells, enter the most recent reported RRR billing determinants. Please ensure that billing determinants are non-loss adjusted.**

| Rate Class | Unit | Non-Loss Adjusted Metered kWh | Non-Loss Adjusted Metered kW | Applicable Loss Factor | Load Factor | Loss Adjusted Billed kWh | Billed kW |
|---|---|---|---|---|---|---|---|
| Residential | kWh | 1,128,889,459 | | | | 1,128,889,459 | - |
| General Service Less Than 50 kW | kWh | 407,986,442 | | | | 407,986,442 | - |
| General Service 50 to 4,999 kW | kW | 405,214,652 | 1,139,954 | | 48.72% | 405,214,652 | 1,139,954 |
| General Service 50 to 4,999 kW – Interval Metered | kW | 1,113,331,947 | 2,678,768 | | 56.96% | 1,113,331,947 | 2,678,768 |
| General Service 1,000 To 4,999 kW (co-generation) | kW | 37,918,668 | 48,044 | | 108.18% | 37,918,668 | 48,044 |
| Standby Power - APPROVED ON AN INTERIM BASIS | kW | | 154,800 | | 0.00% | - | 154,800 |
| Large Use | kW | 193,549,148 | 409,088 | | 64.85% | 193,549,148 | 409,088 |
| Street Lighting | kW | 23,650,724 | 66,345 | | 48.86% | 23,650,724 | 66,345 |
| Sentinel Lighting | kW | 812,670 | 2,203 | | 50.56% | 812,670 | 2,203 |
| Unmetered Scattered Load | kWh | 5,645,414 | | | | 5,645,414 | - |

# RTSR Workform for Electricity Distributors (2013 Filers)

| Uniform Transmission Rates | Unit | Effective January 1, 2011 | Effective January 1, 2012 | Effective January 1, 2013 |
|---|---|---|---|---|
| **Rate Description** | | **Rate** | **Rate** | **Rate** |
| Network Service Rate | kW | $ 3.22 | $ 3.57 | $ 3.57 |
| Line Connection Service Rate | kW | $ 0.79 | $ 0.80 | $ 0.80 |
| Transformation Connection Service Rate | kW | $ 1.77 | $ 1.86 | $ 1.86 |

| Hydro One Sub-Transmission Rates | Unit | Effective January 1, 2011 | Effective January 1, 2012 | Effective January 1, 2013 |
|---|---|---|---|---|
| **Rate Description** | | **Rate** | **Rate** | **Rate** |
| Network Service Rate | kW | $ 2.65 | $ 2.65 | $ 2.65 |
| Line Connection Service Rate | kW | $ 0.64 | $ 0.64 | $ 0.64 |
| Transformation Connection Service Rate | kW | $ 1.50 | $ 1.50 | $ 1.50 |
| Both Line and Transformation Connection Service Rate | kW | $ 2.14 | $ 2.14 | $ 2.14 |

| Hydro One Sub-Transmission Rate Rider 6A | Unit | Effective January 1, 2011 | Effective January 1, 2012 | Effective January 1, 2013 |
|---|---|---|---|---|
| **Rate Description** | | **Rate** | **Rate** | **Rate** |
| RSVA Transmission network – 4714 – which affects 1584 | kW | $ 0.0470 | $ - | $ - |
| RSVA Transmission connection – 4716 – which affects 1586 | kW | -$ 0.0250 | $ - | $ - |
| RSVA LV – 4750 – which affects 1550 | kW | $ 0.0580 | $ - | $ - |
| RARA 1 – 2252 – which affects 1590 | kW | -$ 0.0750 | $ - | $ - |
| Hydro One Sub-Transmission Rate Rider 6A | kW | $ 0.0050 | $ - | $ - |

# RTSR Workform for Electricity Distributors (2013 Filers)

**In the green shaded cells, enter billing detail for wholesale transmission for the same reporting period as the billing determinants on Sheet "4. RRR Data". For Hydro One Sub-transmission Rates, if you are charged a *combined* Line and Transformer connection rate, please ensure that both the line connection and transformer connection columns are completed.**

| IESO | Network | | | Line Connection | | | Transformation Connection | | | Total Line |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Amount |
| January | 511,684 | $3.22 | $ 1,647,622 | 535,622 | $0.79 | $ 423,141 | 535,622 | $1.77 | $ 948,051 | $ 1,371,192 |
| February | 499,754 | $3.22 | $ 1,609,208 | 525,076 | $0.79 | $ 414,810 | 525,076 | $1.77 | $ 929,385 | $ 1,344,195 |
| March | 471,939 | $3.22 | $ 1,519,644 | 496,676 | $0.79 | $ 392,374 | 496,676 | $1.77 | $ 879,117 | $ 1,271,491 |
| April | 424,787 | $3.22 | $ 1,367,814 | 506,762 | $0.79 | $ 400,342 | 508,914 | $1.77 | $ 900,778 | $ 1,301,120 |
| May | 600,988 | $3.22 | $ 1,935,181 | 614,908 | $0.79 | $ 485,777 | 614,908 | $1.77 | $ 1,088,387 | $ 1,574,164 |
| June | 658,626 | $3.22 | $ 2,120,776 | 666,785 | $0.79 | $ 526,760 | 666,785 | $1.77 | $ 1,180,209 | $ 1,706,970 |
| July | 719,580 | $3.22 | $ 2,317,048 | 732,759 | $0.79 | $ 578,880 | 732,759 | $1.77 | $ 1,296,983 | $ 1,875,863 |
| August | 552,110 | $3.22 | $ 1,777,794 | 616,749 | $0.79 | $ 487,232 | 616,749 | $1.77 | $ 1,091,646 | $ 1,578,877 |
| September | 610,591 | $3.22 | $ 1,966,103 | 625,804 | $0.79 | $ 494,385 | 625,804 | $1.77 | $ 1,107,673 | $ 1,602,058 |
| October | 419,524 | $3.22 | $ 1,350,867 | 472,167 | $0.79 | $ 373,012 | 472,167 | $1.77 | $ 835,736 | $ 1,208,748 |
| November | 454,239 | $3.22 | $ 1,462,650 | 493,179 | $0.79 | $ 389,611 | 493,179 | $1.77 | $ 872,927 | $ 1,262,538 |
| December | 468,670 | $3.22 | $ 1,509,117 | 500,054 | $0.79 | $ 395,043 | 500,054 | $1.77 | $ 885,096 | $ 1,280,138 |
| **Total** | 6,392,492 | $ 3.22 | $ 20,583,824 | 6,786,541 | $ 0.79 | $ 5,361,367 | 6,788,693 | $ 1.77 | $ 12,015,987 | $ 17,377,354 |

| Hydro One | Network | | | Line Connection | | | Transformation Connection | | | Total Line |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Amount |
| January | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| February | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| March | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| April | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| May | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| June | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| July | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| August | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| September | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| October | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| November | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| December | | $0.00 | | | $0.00 | | | $0.00 | | $ - |
| **Total** | - | $ - | $ - | - | $ - | $ - | - | $ - | $ - | $ - |

| Total | Network | | | Line Connection | | | Transformation Connection | | | Total Line |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Amount |
| January | 511,684 | $3.22 | $ 1,647,622 | 535,622 | $0.79 | $ 423,141 | 535,622 | $1.77 | $ 948,051 | $ 1,371,192 |
| February | 499,754 | $3.22 | $ 1,609,208 | 525,076 | $0.79 | $ 414,810 | 525,076 | $1.77 | $ 929,385 | $ 1,344,195 |
| March | 471,939 | $3.22 | $ 1,519,644 | 496,676 | $0.79 | $ 392,374 | 496,676 | $1.77 | $ 879,117 | $ 1,271,491 |
| April | 424,787 | $3.22 | $ 1,367,814 | 506,762 | $0.79 | $ 400,342 | 508,914 | $1.77 | $ 900,778 | $ 1,301,120 |
| May | 600,988 | $3.22 | $ 1,935,181 | 614,908 | $0.79 | $ 485,777 | 614,908 | $1.77 | $ 1,088,387 | $ 1,574,164 |
| June | 658,626 | $3.22 | $ 2,120,776 | 666,785 | $0.79 | $ 526,760 | 666,785 | $1.77 | $ 1,180,209 | $ 1,706,970 |
| July | 719,580 | $3.22 | $ 2,317,048 | 732,759 | $0.79 | $ 578,880 | 732,759 | $1.77 | $ 1,296,983 | $ 1,875,863 |
| August | 552,110 | $3.22 | $ 1,777,794 | 616,749 | $0.79 | $ 487,232 | 616,749 | $1.77 | $ 1,091,646 | $ 1,578,877 |
| September | 610,591 | $3.22 | $ 1,966,103 | 625,804 | $0.79 | $ 494,385 | 625,804 | $1.77 | $ 1,107,673 | $ 1,602,058 |
| October | 419,524 | $3.22 | $ 1,350,867 | 472,167 | $0.79 | $ 373,012 | 472,167 | $1.77 | $ 835,736 | $ 1,208,748 |
| November | 454,239 | $3.22 | $ 1,462,650 | 493,179 | $0.79 | $ 389,611 | 493,179 | $1.77 | $ 872,927 | $ 1,262,538 |
| December | 468,670 | $3.22 | $ 1,509,117 | 500,054 | $0.79 | $ 395,043 | 500,054 | $1.77 | $ 885,096 | $ 1,280,138 |
| **Total** | 6,392,492 | $ 3.22 | $ 20,583,824 | 6,786,541 | $ 0.79 | $ 5,361,367 | 6,788,693 | $ 1.77 | $ 12,015,987 | $ 17,377,354 |

# RTSR Workform for Electricity Distributors (2013 Filers)

**The purpose of this sheet is to calculate the expected billing when current 2012 Uniform Transmission Rates are applied against historical 2011 transmission units.**

| IESO | Network | | | Line Connection | | | Transformation Connection | | | Total Line |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Amount |
| January | 511,684 | $ 3.5700 | $ 1,826,712 | 535,622 | $ 0.8000 | $ 428,498 | 535,622 | $ 1.8600 | $ 996,257 | $ 1,424,755 |
| February | 499,754 | $ 3.5700 | $ 1,784,122 | 525,076 | $ 0.8000 | $ 420,061 | 525,076 | $ 1.8600 | $ 976,641 | $ 1,396,702 |
| March | 471,939 | $ 3.5700 | $ 1,684,822 | 496,676 | $ 0.8000 | $ 397,341 | 496,676 | $ 1.8600 | $ 923,817 | $ 1,321,158 |
| April | 424,787 | $ 3.5700 | $ 1,516,490 | 506,762 | $ 0.8000 | $ 405,410 | 508,914 | $ 1.8600 | $ 946,580 | $ 1,351,990 |
| May | 600,988 | $ 3.5700 | $ 2,145,527 | 614,908 | $ 0.8000 | $ 491,926 | 614,908 | $ 1.8600 | $ 1,143,729 | $ 1,635,655 |
| June | 658,626 | $ 3.5700 | $ 2,351,295 | 666,785 | $ 0.8000 | $ 533,428 | 666,785 | $ 1.8600 | $ 1,240,220 | $ 1,773,648 |
| July | 719,580 | $ 3.5700 | $ 2,568,901 | 732,759 | $ 0.8000 | $ 586,207 | 732,759 | $ 1.8600 | $ 1,362,932 | $ 1,949,139 |
| August | 552,110 | $ 3.5700 | $ 1,971,033 | 616,749 | $ 0.8000 | $ 493,399 | 616,749 | $ 1.8600 | $ 1,147,153 | $ 1,640,552 |
| September | 610,591 | $ 3.5700 | $ 2,179,810 | 625,804 | $ 0.8000 | $ 500,643 | 625,804 | $ 1.8600 | $ 1,163,995 | $ 1,664,639 |
| October | 419,524 | $ 3.5700 | $ 1,497,701 | 472,167 | $ 0.8000 | $ 377,734 | 472,167 | $ 1.8600 | $ 878,231 | $ 1,255,964 |
| November | 454,239 | $ 3.5700 | $ 1,621,633 | 493,179 | $ 0.8000 | $ 394,543 | 493,179 | $ 1.8600 | $ 917,313 | $ 1,311,856 |
| December | 468,670 | $ 3.5700 | $ 1,673,152 | 500,054 | $ 0.8000 | $ 400,043 | 500,054 | $ 1.8600 | $ 930,100 | $ 1,330,144 |
| **Total** | 6,392,492 | $ 3.57 | $ 22,821,196 | 6,786,541 | $ 0.80 | $ 5,429,233 | 6,788,693 | $ 1.86 | $ 12,626,969 | $ 18,056,202 |

| Hydro One | Network | | | Line Connection | | | Transformation Connection | | | Total Line |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Amount |
| January | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| February | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| March | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| April | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| May | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| June | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| July | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| August | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| September | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| October | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| November | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| December | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| **Total** | - | $ - | $ - | - | $ - | $ - | - | $ - | $ - | $ - |

| Total | Network | | | Line Connection | | | Transformation Connection | | | Total Line |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Amount |
| January | 511,684 | $ 3.57 | $ 1,826,712 | 535,622 | $ 0.80 | $ 428,498 | 535,622 | $ 1.86 | $ 996,257 | $ 1,424,755 |
| February | 499,754 | $ 3.57 | $ 1,784,122 | 525,076 | $ 0.80 | $ 420,061 | 525,076 | $ 1.86 | $ 976,641 | $ 1,396,702 |
| March | 471,939 | $ 3.57 | $ 1,684,822 | 496,676 | $ 0.80 | $ 397,341 | 496,676 | $ 1.86 | $ 923,817 | $ 1,321,158 |
| April | 424,787 | $ 3.57 | $ 1,516,490 | 506,762 | $ 0.80 | $ 405,410 | 508,914 | $ 1.86 | $ 946,580 | $ 1,351,990 |
| May | 600,988 | $ 3.57 | $ 2,145,527 | 614,908 | $ 0.80 | $ 491,926 | 614,908 | $ 1.86 | $ 1,143,729 | $ 1,635,655 |
| June | 658,626 | $ 3.57 | $ 2,351,295 | 666,785 | $ 0.80 | $ 533,428 | 666,785 | $ 1.86 | $ 1,240,220 | $ 1,773,648 |
| July | 719,580 | $ 3.57 | $ 2,568,901 | 732,759 | $ 0.80 | $ 586,207 | 732,759 | $ 1.86 | $ 1,362,932 | $ 1,949,139 |
| August | 552,110 | $ 3.57 | $ 1,971,033 | 616,749 | $ 0.80 | $ 493,399 | 616,749 | $ 1.86 | $ 1,147,153 | $ 1,640,552 |
| September | 610,591 | $ 3.57 | $ 2,179,810 | 625,804 | $ 0.80 | $ 500,643 | 625,804 | $ 1.86 | $ 1,163,995 | $ 1,664,639 |
| October | 419,524 | $ 3.57 | $ 1,497,701 | 472,167 | $ 0.80 | $ 377,734 | 472,167 | $ 1.86 | $ 878,231 | $ 1,255,964 |
| November | 454,239 | $ 3.57 | $ 1,621,633 | 493,179 | $ 0.80 | $ 394,543 | 493,179 | $ 1.86 | $ 917,313 | $ 1,311,856 |
| December | 468,670 | $ 3.57 | $ 1,673,152 | 500,054 | $ 0.80 | $ 400,043 | 500,054 | $ 1.86 | $ 930,100 | $ 1,330,144 |
| **Total** | 6,392,492 | $ 3.57 | $ 22,821,196 | 6,786,541 | $ 0.80 | $ 5,429,233 | 6,788,693 | $ 1.86 | $ 12,626,969 | $ 18,056,202 |

# RTSR Workform for Electricity Distributors (2013 Filers)

**The purpose of this sheet is to calculate the expected billing when forecasted 2013 Uniform Transmission Rates are applied against historical 2011 transmission units.**

| IESO | Network | | | Line Connection | | | Transformation Connection | | | Total Line |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Amount |
| January | 511,684 | $ 3.5700 | $ 1,826,712 | 535,622 | $ 0.8000 | $ 428,498 | 535,622 | $ 1.8600 | $ 996,257 | $ 1,424,755 |
| February | 499,754 | $ 3.5700 | $ 1,784,122 | 525,076 | $ 0.8000 | $ 420,061 | 525,076 | $ 1.8600 | $ 976,641 | $ 1,396,702 |
| March | 471,939 | $ 3.5700 | $ 1,684,822 | 496,676 | $ 0.8000 | $ 397,341 | 496,676 | $ 1.8600 | $ 923,817 | $ 1,321,158 |
| April | 424,787 | $ 3.5700 | $ 1,516,490 | 506,762 | $ 0.8000 | $ 405,410 | 508,914 | $ 1.8600 | $ 946,580 | $ 1,351,990 |
| May | 600,988 | $ 3.5700 | $ 2,145,527 | 614,908 | $ 0.8000 | $ 491,926 | 614,908 | $ 1.8600 | $ 1,143,729 | $ 1,635,655 |
| June | 658,626 | $ 3.5700 | $ 2,351,295 | 666,785 | $ 0.8000 | $ 533,428 | 666,785 | $ 1.8600 | $ 1,240,220 | $ 1,773,648 |
| July | 719,580 | $ 3.5700 | $ 2,568,901 | 732,759 | $ 0.8000 | $ 586,207 | 732,759 | $ 1.8600 | $ 1,362,932 | $ 1,949,139 |
| August | 552,110 | $ 3.5700 | $ 1,971,033 | 616,749 | $ 0.8000 | $ 493,399 | 616,749 | $ 1.8600 | $ 1,147,153 | $ 1,640,552 |
| September | 610,591 | $ 3.5700 | $ 2,179,810 | 625,804 | $ 0.8000 | $ 500,643 | 625,804 | $ 1.8600 | $ 1,163,995 | $ 1,664,639 |
| October | 419,524 | $ 3.5700 | $ 1,497,701 | 472,167 | $ 0.8000 | $ 377,734 | 472,167 | $ 1.8600 | $ 878,231 | $ 1,255,964 |
| November | 454,239 | $ 3.5700 | $ 1,621,633 | 493,179 | $ 0.8000 | $ 394,543 | 493,179 | $ 1.8600 | $ 917,313 | $ 1,311,856 |
| December | 468,670 | $ 3.5700 | $ 1,673,152 | 500,054 | $ 0.8000 | $ 400,043 | 500,054 | $ 1.8600 | $ 930,100 | $ 1,330,144 |
| **Total** | 6,392,492 | $ 3.57 | $ 22,821,196 | 6,786,541 | $ 0.80 | $ 5,429,233 | 6,788,693 | $ 1.86 | $ 12,626,969 | $ 18,056,202 |

| Hydro One | Network | | | Line Connection | | | Transformation Connection | | | Total Line |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Amount |
| January | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| February | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| March | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| April | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| May | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| June | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| July | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| August | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| September | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| October | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| November | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| December | - | $ 2.6500 | $ - | - | $ 0.6400 | $ - | - | $ 1.5000 | $ - | $ - |
| **Total** | - | $ - | $ - | - | $ - | $ - | - | $ - | $ - | $ - |

| Total | Network | | | Line Connection | | | Transformation Connection | | | Total Line |
|---|---|---|---|---|---|---|---|---|---|---|
| Month | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Units Billed | Rate | Amount | Amount |
| January | 511,684 | $ 3.57 | $ 1,826,712 | 535,622 | $ 0.80 | $ 428,498 | 535,622 | $ 1.86 | $ 996,257 | $ 1,424,755 |
| February | 499,754 | $ 3.57 | $ 1,784,122 | 525,076 | $ 0.80 | $ 420,061 | 525,076 | $ 1.86 | $ 976,641 | $ 1,396,702 |
| March | 471,939 | $ 3.57 | $ 1,684,822 | 496,676 | $ 0.80 | $ 397,341 | 496,676 | $ 1.86 | $ 923,817 | $ 1,321,158 |
| April | 424,787 | $ 3.57 | $ 1,516,490 | 506,762 | $ 0.80 | $ 405,410 | 508,914 | $ 1.86 | $ 946,580 | $ 1,351,990 |
| May | 600,988 | $ 3.57 | $ 2,145,527 | 614,908 | $ 0.80 | $ 491,926 | 614,908 | $ 1.86 | $ 1,143,729 | $ 1,635,655 |
| June | 658,626 | $ 3.57 | $ 2,351,295 | 666,785 | $ 0.80 | $ 533,428 | 666,785 | $ 1.86 | $ 1,240,220 | $ 1,773,648 |
| July | 719,580 | $ 3.57 | $ 2,568,901 | 732,759 | $ 0.80 | $ 586,207 | 732,759 | $ 1.86 | $ 1,362,932 | $ 1,949,139 |
| August | 552,110 | $ 3.57 | $ 1,971,033 | 616,749 | $ 0.80 | $ 493,399 | 616,749 | $ 1.86 | $ 1,147,153 | $ 1,640,552 |
| September | 610,591 | $ 3.57 | $ 2,179,810 | 625,804 | $ 0.80 | $ 500,643 | 625,804 | $ 1.86 | $ 1,163,995 | $ 1,664,639 |
| October | 419,524 | $ 3.57 | $ 1,497,701 | 472,167 | $ 0.80 | $ 377,734 | 472,167 | $ 1.86 | $ 878,231 | $ 1,255,964 |
| November | 454,239 | $ 3.57 | $ 1,621,633 | 493,179 | $ 0.80 | $ 394,543 | 493,179 | $ 1.86 | $ 917,313 | $ 1,311,856 |
| December | 468,670 | $ 3.57 | $ 1,673,152 | 500,054 | $ 0.80 | $ 400,043 | 500,054 | $ 1.86 | $ 930,100 | $ 1,330,144 |
| **Total** | 6,392,492 | $ 3.57 | $ 22,821,196 | 6,786,541 | $ 0.80 | $ 5,429,233 | 6,788,693 | $ 1.86 | $ 12,626,969 | $ 18,056,202 |

# RTSR Workform for Electricity Distributors (2013 Filers)

**The purpose of this sheet is to re-align the current RTS Network Rates to recover current wholesale network costs.**

| Rate Class | Unit | Current RTSR-Network | Loss Adjusted Billed kWh | Loss Adjusted Billed kW | Billed Amount | Billed Amount % | Current Wholesale Billing | Proposed RTSR Network |
|---|---|---|---|---|---|---|---|---|
| Residential | kWh | $ 0.0070 | 1,128,889,459 | - | $ 7,902,226 | 35.0% | $ 7,976,579 | $ 0.0071 |
| General Service Less Than 50 kW | kWh | $ 0.0065 | 407,986,442 | - | $ 2,651,912 | 11.7% | $ 2,676,864 | $ 0.0066 |
| General Service 50 to 4,999 kW | kW | $ 2.2917 | 405,214,652 | 1,139,954 | $ 2,612,432 | 11.6% | $ 2,637,012 | $ 2.3133 |
| General Service 50 to 4,999 kW – Interval Metered | kW | $ 2.9388 | 1,113,331,947 | 2,678,768 | $ 7,872,364 | 34.8% | $ 7,946,436 | $ 2.9665 |
| General Service 1,000 To 4,999 kW (co-generation) | kW | $ 3.3926 | 37,918,668 | 48,044 | $ 162,994 | 0.7% | $ 164,528 | $ 3.4245 |
| Standby Power - APPROVED ON AN INTERIM BASIS | kW | $ - | - | 154,800 | $ - | 0.0% | $ - | $ - |
| Large Use | kW | $ 3.0104 | 193,549,148 | 409,088 | $ 1,231,519 | 5.4% | $ 1,243,106 | $ 3.0387 |
| Street Lighting | kW | $ 2.0179 | 23,650,724 | 66,345 | $ 133,878 | 0.6% | $ 135,137 | $ 2.0369 |
| Sentinel Lighting | kW | $ 2.0206 | 812,670 | 2,203 | $ 4,451 | 0.0% | $ 4,493 | $ 2.0396 |
| Unmetered Scattered Load | kWh | $ 0.0065 | 5,645,414 | - | $ 36,695 | 0.2% | $ 37,040 | $ 0.0066 |
| | | | | | $ 22,608,471 | | | |

# RTSR Workform for Electricity Distributors (2013 Filers)

**The purpose of this sheet is to re-align the current RTS Connection Rates to recover current wholesale connection costs.**

| Rate Class | Unit | Current RTSR-Connection | Loss Adjusted Billed kWh | Loss Adjusted Billed kW | Billed Amount | Billed Amount % | Current Wholesale Billing | Proposed RTSR Connection |
|---|---|---|---|---|---|---|---|---|
| Residential | kWh | $ 0.0053 | 1,128,889,459 | - | $ 5,983,114 | 34.3% | $ 6,188,288 | $ 0.0055 |
| General Service Less Than 50 kW | kWh | $ 0.0046 | 407,986,442 | - | $ 1,876,738 | 10.8% | $ 1,941,095 | $ 0.0048 |
| General Service 50 to 4,999 kW | kW | $ 1.7172 | 405,214,652 | 1,139,954 | $ 1,957,528 | 11.2% | $ 2,024,656 | $ 1.7761 |
| General Service 50 to 4,999 kW – Interval Metered | kW | $ 2.3929 | 1,113,331,947 | 2,678,768 | $ 6,410,025 | 36.7% | $ 6,629,838 | $ 2.4750 |
| General Service 1,000 To 4,999 kW (co-generation) | kW | $ 2.5312 | 37,918,668 | 48,044 | $ 121,609 | 0.7% | $ 125,779 | $ 2.6180 |
| Standby Power - APPROVED ON AN INTERIM BASIS | kW | $ - | - | 154,800 | $ - | 0.0% | $ - | $ - |
| Large Use | kW | $ 2.3929 | 193,549,148 | 409,088 | $ 978,907 | 5.6% | $ 1,012,476 | $ 2.4750 |
| Street Lighting | kW | $ 1.5121 | 23,650,724 | 66,345 | $ 100,320 | 0.6% | $ 103,760 | $ 1.5640 |
| Sentinel Lighting | kW | $ 1.5140 | 812,670 | 2,203 | $ 3,335 | 0.0% | $ 3,450 | $ 1.5659 |
| Unmetered Scattered Load | kWh | $ 0.0046 | 5,645,414 | - | $ 25,969 | 0.1% | $ 26,859 | $ 0.0048 |
| | | | | | $ 17,457,545 | | | |

# RTSR Workform for Electricity Distributors (2013 Filers)

**The purpose of this sheet is to update the re-align RTS Network Rates to recover forecast wholesale network costs.**

| Rate Class | Unit | Adjusted RTSR-Network | Loss Adjusted Billed kWh | Loss Adjusted Billed kW | Billed Amount | Billed Amount % | Forecast Wholesale Billing | Proposed RTSR Network |
|---|---|---|---|---|---|---|---|---|
| Residential | kWh | $ 0.0071 | 1,128,889,459 | - | $ 7,976,579 | 35.0% | $ 7,976,579 | $ 0.0071 |
| General Service Less Than 50 kW | kWh | $ 0.0066 | 407,986,442 | - | $ 2,676,864 | 11.7% | $ 2,676,864 | $ 0.0066 |
| General Service 50 to 4,999 kW | kW | $ 2.3133 | 405,214,652 | 1,139,954 | $ 2,637,012 | 11.6% | $ 2,637,012 | $ 2.3133 |
| General Service 50 to 4,999 kW – Interval Metered | kW | $ 2.9665 | 1,113,331,947 | 2,678,768 | $ 7,946,436 | 34.8% | $ 7,946,436 | $ 2.9665 |
| General Service 1,000 To 4,999 kW (co-generation) | kW | $ 3.4245 | 37,918,668 | 48,044 | $ 164,528 | 0.7% | $ 164,528 | $ 3.4245 |
| Standby Power - APPROVED ON AN INTERIM BASIS | kW | $ - | - | 154,800 | $ - | 0.0% | $ - | $ - |
| Large Use | kW | $ 3.0387 | 193,549,148 | 409,088 | $ 1,243,106 | 5.4% | $ 1,243,106 | $ 3.0387 |
| Street Lighting | kW | $ 2.0369 | 23,650,724 | 66,345 | $ 135,137 | 0.6% | $ 135,137 | $ 2.0369 |
| Sentinel Lighting | kW | $ 2.0396 | 812,670 | 2,203 | $ 4,493 | 0.0% | $ 4,493 | $ 2.0396 |
| Unmetered Scattered Load | kWh | $ 0.0066 | 5,645,414 | - | $ 37,040 | 0.2% | $ 37,040 | $ 0.0066 |
| | | | | | $ 22,821,196 | | | |

# RTSR Workform for Electricity Distributors (2013 Filers)

**The purpose of this sheet is to update the re-aligned RTS Connection Rates to recover forecast wholesale connection costs.**

| Rate Class | Unit | Adjusted RTSR-Connection | Loss Adjusted Billed kWh | Loss Adjusted Billed kW | Billed Amount | Billed Amount % | Forecast Wholesale Billing | Proposed RTSR Connection |
|---|---|---|---|---|---|---|---|---|
| Residential | kWh | $ 0.0055 | 1,128,889,459 | - | $ 6,188,288 | 34.3% | $ 6,188,288 | $ 0.0055 |
| General Service Less Than 50 kW | kWh | $ 0.0048 | 407,986,442 | - | $ 1,941,095 | 10.8% | $ 1,941,095 | $ 0.0048 |
| General Service 50 to 4,999 kW | kW | $ 1.7761 | 405,214,652 | 1,139,954 | $ 2,024,656 | 11.2% | $ 2,024,656 | $ 1.7761 |
| General Service 50 to 4,999 kW – Interval Metered | kW | $ 2.4750 | 1,113,331,947 | 2,678,768 | $ 6,629,838 | 36.7% | $ 6,629,838 | $ 2.4750 |
| General Service 1,000 To 4,999 kW (co-generation) | kW | $ 2.6180 | 37,918,668 | 48,044 | $ 125,779 | 0.7% | $ 125,779 | $ 2.6180 |
| Standby Power - APPROVED ON AN INTERIM BASIS | kW | $ - | - | 154,800 | $ - | 0.0% | $ - | $ - |
| Large Use | kW | $ 2.4750 | 193,549,148 | 409,088 | $ 1,012,476 | 5.6% | $ 1,012,476 | $ 2.4750 |
| Street Lighting | kW | $ 1.5640 | 23,650,724 | 66,345 | $ 103,760 | 0.6% | $ 103,760 | $ 1.5640 |
| Sentinel Lighting | kW | $ 1.5659 | 812,670 | 2,203 | $ 3,450 | 0.0% | $ 3,450 | $ 1.5659 |
| Unmetered Scattered Load | kWh | $ 0.0048 | 5,645,414 | - | $ 26,859 | 0.1% | $ 26,859 | $ 0.0048 |
| | | | | | $ 18,056,202 | | | |


**For Cost of Service Applicants, please enter the following Proposed RTS rates into your rates model.**

**For IRM applicants, please enter these rates into the 2013 IRM Rate Generator, Sheet 11 "Proposed Rates", columr description for the RTSRs has been transfered to Sheet 11, Column A from Sheet 4.**

| Rate Class | Unit | Proposed RTSR Network | Proposed RTSR Connection |
|---|---|---|---|
| Residential | kWh | $ 0.0071 | $ 0.0055 |
| General Service Less Than 50 kW | kWh | $ 0.0066 | $ 0.0048 |
| General Service 50 to 4,999 kW | kW | $ 2.3133 | $ 1.7761 |
| General Service 50 to 4,999 kW – Interval Metered | kW | $ 2.9665 | $ 2.4750 |
| General Service 1,000 To 4,999 kW (co-generation) | kW | $ 3.4245 | $ 2.6180 |
| Standby Power - APPROVED ON AN INTERIM BASIS | kW | $ - | $ - |
| Large Use | kW | $ 3.0387 | $ 2.4750 |
| Street Lighting | kW | $ 2.0369 | $ 1.5640 |
| Sentinel Lighting | kW | $ 2.0396 | $ 1.5659 |
| Unmetered Scattered Load | kWh | $ 0.0066 | $ 0.0048 |

# EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

## INDEX

# EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

## INTRODUCTION

London Hydro currently has existing Board-approved Rate Riders for the disposition of Group 1 deferral and variance account ("DVA") balances (audited December 2010 principal balances and carrying charges to April 30, 2012), set out in the Board's Decision in London Hydro's 2012 IRM Application (EB-2011-0181) for the period of May 1, 2012 to April 30, 2014.

London Hydro has included in this Application a request for disposition of audited Group 1 and Group 2 DVA balances at December 31, 2011 and the forecasted interest to April 30, 2013.

London Hydro is requesting disposition of the DVA balances, including interest, over a one-year refund period commencing May 1, 2013 through proposed rate riders.

The forecasted interest on December 31, 2011 principal balances of the DVA balances is calculated using the Board's prescribed rate of 1.47% for the period of January 1, 2012 to April 30, 2013.

This schedule contains descriptions of the DVAs for which London Hydro is requesting disposal through a Deferral and Variance Account Rate Rider. These accounts are detailed in Table 9-3 - Deferral and Variance Accounts Submitted for Recovery with this Application.

London Hydro is not requesting recovery of the RSVA Power and RSVA Power Sub-account Global Adjustment balances as part of this Application.

London Hydro is not requesting recovery of the Renewable Generation Connection and Smart Grid related Deferral Account balances with this Application. These accounts are detailed in Table 9-4 - Deferral and Variance Accounts NOT Submitted for Recovery with This Application.

In accordance with the guidance and directions that have been provided by the Board to date, London Hydro is requesting recovery of the Stranded Meter Costs balance with this Application.

In accordance with the guidance and directions that have been provided by the Board to date, London Hydro is requesting certain new DVA's in this Application.

The following Table 9-1 – Outstanding Deferral and Variance Accounts lists all outstanding DVAs and sub-accounts with balances reported pursuant to section 2.1.7 of the Board's Reporting and Record-keeping Requirements (Trial Balance) on December 31, 2011.

**Table 9-1 – Outstanding Deferral and Variance Accounts**

| Outstanding Deferral and Variance Accounts | | 2.1.7 RRR Balances at Dec 31, 2011 |
|---|---|---|
| **Group 1 Accounts** | | |
| 1580 RSVA - Wholesale Market Service Charge | $ | (8,377,554) |
| 1584 RSVA - Retail Transmission Network Charge | | 785,992 |
| 1586 RSVA - Retail Transmission Connection Charge | | (297,193) |
| 1588 RSVA - Power (excluding Global Adjustment) | | (4,090,581) |
| 1588 RSVA - Power - Sub-account - Global Adjustment | | (2,585,074) |
| 1595 Disposition and Recovery/Refund of Regulatory Balances (2009) | | (286,860) |
| **Total Group 1 Accounts - Subtotal** | | **(14,851,270)** |
| **Group 2 Accounts** | | |
| 1508 Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | $ | 355,673 |
| 1518 Retail Cost Variance Account - Retail | | (83,784) |
| 1531 Renewable Generation Connection Capital Deferral Account | | 6,867 |
| 1532 Renewable Generation Connection OM&A Deferral Account | | 48,783 |
| 1535 Smart Grid OM&A Deferral Account | | 103,789 |
| 1548 Retail Cost Variance Account - Service Transaction Request | | 88,224 |
| **Total Group 2 Accounts - Subtotal** | | **519,552** |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-accounts and contra accounts) | | (146,647) |
| 1592 PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | | (187,005) |
| 1555 Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs | | 3,550,757 |
| | **$** | **(11,114,613)** |

# GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

## 1580 Retail Settlement Variance Account - Wholesale Market Service Charges:

This account is used to record the net of the amounts charged by the Independent Electricity System Operator ("IESO") based on the settlement invoice for the operation of the IESO-administered markets and the operation of the IESO-controlled grid and the amount charged by Hydro One Networks Inc. as host distributor, and the amount billed to customers using the Board-Approved Wholesale Market Service Rate.

## 1584 Retail Settlement Variance Account – Retail Transmission Network:

This account is used to record the net of the amounts charged by the IESO based on the settlement invoice for transmission network services, and the amount billed to customers for the same services using the Board-Approved Transmission Network Charge Rate.

## 1586 Retail Settlement Variance Account – Retail Transmission Connection:

This account is used to record the net of the amounts charged by the IESO based on the settlement invoice for transmission connection services, and the amount billed to customers for the same services using the Board-Approved Transmission Connection Charge Rate.

London Hydro followed the Board's Accounting Procedures Handbook and other Board-issued guidance to record the variances in the RSVA accounts.

The Board approved the disposition of the audited December 31, 2010 RSVA balances with the 2012 IRM Application over a two-year period (EB-2011-0181). This disposition is reflected in the 2013 EDDVAR Continuity Schedule.

## 1595 Disposition and Recovery/Refund of Regulatory Balances:

This account is used to record the disposition of deferral and variance account balances for electricity distributors received approval to recover (or refund) account balances in rates. The sub-account is used to record the approved principal account balances on the transfer to Account 1595 of the Board-approved deferral or variance account balances. It also includes the amounts recovered (or refunded) in rates through regulatory asset or deferral and variance accounts rate rider. The sub-account is used to record the cumulative carrying charge account balances on the transfer to Account 1595 of the Board-approved deferral or variance account balances, and another sub-account is used to record the carrying charges calculated on the opening monthly net principal balance using the rate prescribed by the Board.

# GROUP TWO DEFERRAL AND VARIANCE ACCOUNTS

## 1508 Other Regulatory Assets

### Sub-account - Deferred IFRS Transition Costs:

This account is used to record incremental one-time costs associated with the transition to IFRS during the period March 2009 to December 2011 in excess of amounts previously included in rates, as addressed and established by the Board in the Report to the Board regarding Transition to International Financial Reporting Standards (EB-2008-0408). London Hydro is requesting disposition of costs in this account up until its last audited year (ended December 31, 2011) and that this account will continue until such time as transition to IFRS is complete.

Due to the current uncertainty surrounding rate-regulated accounting under IFRS, London Hydro has opted to defer the implementation of IFRS up until the mandated date of transition currently set for January 1, 2013. Since IFRS is not yet been fully implemented, additional costs will be incurred.

**IFRS Implementation Project:**

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") officially confirmed the requirement for publicly accountable enterprises to adopt IFRS for financial reporting purposes.

To take on the responsibilities and numerous tasks associated with moving to a new accounting standard, London Hydro assembled a team of employees from the Finance, Regulatory, Engineering and Operations departments and engaged consulting services for matters associated with information technology, external audit, the employee future benefits liability and the useful lives of property, plant and equipment.

There are many factors to be considered when moving to a new accounting standard such as:

- **Accounting and Reporting:** accommodating reporting under IFRS, MIFRS and dual reporting under both CGAAP and IFRS in the transitional year
- **Systems and Processes:** assessing the current system and arranging for any required modifications
- **Business:** educating stakeholders, bankers and other readers of results on the impact of IFRS in a rate regulated environment
- **Employee Training:** new procedures and associated employee training to gather new required information

Each of these factors needs to be reviewed and require extensive research and decision making:

## Accounting and Reporting

- **First time adoption of IFRS:** consider and implement mandatory and elective exemptions and prepare the opening balance sheet at the transition date and provide for IFRS 1 disclosure in the financial statements
- **Inventory:** review IFRS differences with respect to the treatment of major spare parts and standby equipment for items which should be reclassified to fixed assets
- **Property Plant and Equipment:** investigation of the major differences between IFRS and CGAAP with respect to fixed assets and assess the required treatment for:

- ***Component accounting***: segregation of significant components and assessment of any required changes with respect to major overhauls and inspection
- ***Depreciation***: assessment and implementation of new life spans on the new components
- ***Derecognition***: development of procedures in order to remove the carrying amount of assets removed from the infrastructure
- ***Borrowing costs***: review IFRS requirements in connection with the capitalization of general and specific interest costs on qualifying projects
- ***Transfer of assets from customers***: accounting and system changes required to treat capital contributions as deferred revenue to be amortized as revenue, and giving further considering to the dual mapping required for the alternative presentation required under MIFRS
- ***Decommissioning liabilities***: review for any liabilities to be accrued in connection with legal or construction obligations related to asset retirement
- ***Impairments***: review and implement changes in order to accommodate any new IFRS requirements with respect to testing for and reporting of tangible and intangible asset impairments
- ***Overhead costs:*** review all capitalized overhead costs to remove those items considered general and administrative in nature and to ensure that only directly attributable costs are included

- **Capitalization policy and procedures**: assess required changes regarding capital versus expense by identifying those expenditures that are considered directly attributable to bring an asset to the location of working condition for its intended use, and development of a formalized written policy to document the new policy and procedures required to comply with IFRS requirements
- **Segregation of intangible assets**: identify and reclassify those assets that are considered intangible in nature such as systems software and land rights and provide for separate disclosure
- **Employee benefits**: review, select and implement elections available with respect to the recognition of actuarial gains and losses
- **Revenue recognition**: review IFRS standards for any required changes in the recognition of revenues

- **Income taxes**: transition from current taxes to deferred taxes in the statement of profit and loss and remove the regulatory liability associated with the future tax asset, as well as assessing and accommodating for the treatment of regulatory assets and liabilities for income tax reporting purposes
- **Operating and capital leases**: review IFRS standards with respect to the classification of leases between finance (capital) or operating
- **Related party transactions**: assess new IFRS requirements with respect to the definition and disclosure of related party transactions and new information that needs to be assembled to accommodate reporting of Key Management Personnel compensation and employee benefits
- **Provisions, contingent liabilities and contingent assets**: review and accommodate for the differences between CGAAP and IFRS with respect to provisions and legal and constructive obligations to be recognized
- **Financial statement disclosure**: review of the countless items that require disclosure under IFRS and the information necessary to accommodate
- **Regulatory accounting**: consider the complexities associated with reporting on regulatory amounts as a profit and loss activity under IFRS, while at the same time reporting these same amounts as a balance sheet activity under MIFRS, and implementing the required dual procedures and transactions needed to accommodate both of these reporting necessities

### Systems and Processes

- **Dual ledgers**: Assessment and modifications for the J.D. Edwards accounting system to run dual ledgers in both the general ledger and the fixed assets module, as required to accommodate the reporting of transactions in the transitional years under both CGAAP and IFRS
- **Unbundling of fixed asset additions**: System and procedural modifications required in order to record fixed asset additions in greater detail when capitalizing capital projects from work in progress, without incurring additional costs associated with the purchase and implementation of a job costing module
- **GIS system modifications**: Review and modification to the Geographic Information System to gather data and issue reporting with respect to assets removed from the infrastructure, which is essential in identifying capital assets to be derecognized as required under IFRS

## Business

- **Rate-regulated accounting uncertainties**: placing issues on hold pending decisions from the AcSB and the Ontario Energy Board
- **Educating financial statement readers**: education and additional reporting to assist readers of financial statements in understanding the differences between CGAAP and IFRS, and the implications of reporting regulatory activities through the statement of profit and loss
- **Budgeting:** modifying the budgeting process to align with reporting under IFRS and preparing dual budgets under CGAAP, IFRS and MIFRS

## Employee Training

- **New processes:** development and implementation of new processes to capture data and record transactions in the detail and structure required to meet new information needs
- **Employee training**: training employees on the new information needs and resulting new processes
- **Documentation**: development of employee reference documentation, as well as forms and templates to gather new information

### IFRS Transition Incremental Costs

Incremental one-time administrative costs incurred as a result of transition to IFRS through the year ended December 31, 2011 have accumulated to $355,673, and consist mainly of incremental professional and consulting services and additional labour requirements as follows:

| | | |
|---|---|---|
| Incremental labour and benefits | | 169,095 |
| Professional and consulting services: | | |
| KPMG - IFRS compliance consulting and training | 107,062 | |
| Kinectrics - study on the useful lives of property, plant, equipment and intangibles | 23,000 | |
| Syntax - assessment and modifications for J.D. Edwards accounting system | 104,454 | |
| Mercer - actuarial review of employee future benefits liability | 15,000 | 249,516 |
| Course tuitions and subscriptions | | 5,412 |
| Subtotal | | 424,023 |
| Add: Carrying charges | | 6,650 |
| Less: Amount included in previous rates | | (75,000) |
| **Transitional costs to December 31, 2011** | | **355,673** |

For greater clarity, please be advised that this account does not contain any capital costs or costs that are ongoing or non-incremental in nature. In addition, none of the above-noted amounts relate to changes in accounting policies as a result of the move to IFRS.

Amounts included in previous rates as per above table relate to London Hydro's last cost of service in 2009 and are detailed on page 10 of this Exhibit.

Pursuant to the Board's Filing Requirements issued June 28, 2012, a schedule of One-Time Incremental IFRS Transition Costs (OEB Appendix 2-U) is provided in Appendix 9B of this Exhibit.

- **Incremental labour and benefits**: These costs relate to additional staffing required to backfill for two positions that were redirected from their normal duties and reassigned to the IFRS transition project. This was necessary to make the numerous revisions for Property, Plant and Equipment accounting and other CGAAP versus IFRS reporting differences as noted above. In addition, these employees are responsible for maintenance of the second IFRS ledger type necessary to report under IFRS in the transitional year, as well as planning and implementing the switch between the two ledgers.
- **IFRS compliance consulting and training**: KPMG consulting services were engaged to assist in the conversion to IFRS to help ensure that all IFRS requirements are being met, and to augment financial statement and disclosure development, as well as training.
- **Useful lives study**: Kinectrics was engaged by London Hydro, along with three other LDC's in the south-western region, to assist in the establishment of useful lives assigned to property, plant, equipment and intangible assets. The fees displayed above represent London Hydro's share of the cost of this study.
- **J.D. Edwards consulting services**: Syntax was engaged to make required modifications to the J.D. Edwards accounting system to accommodate dual reporting under both CGAAP and IFRS in the general ledger and fixed assets module. Their services also provided consulting on the recording of capital asset additions in greater detail and with reference back to capital projects and the Geographic Information System to assist in identifying assets being removed from the infrastructure.

- **Actuarial review of employee future benefits liability**: Mercer actuarial services were hired to review London Hydro's employee future benefits liability in accordance with IFRS IAS19.

**IFRS Implementation Costs Included in Current Rates**

London Hydro's last rebasing in 2009 (EB-2008-0235) included a proxy for IFRS transitional costs in the amount of $100,000, which was prorated over 4 years to an estimated annual cost of $25,000 for rate-making purposes. This annual amount for the three years ending 2009, 2010 and 2011 totals $75,000 and, has been removed from proposed IFRS transitional costs through to December 31, 2011 to be recovered as displayed above. The remaining portion for 2012 in the amount of $25,000 will be applied against account 1508 during the fiscal year ending December 31, 2012.

## 1518 Retail Cost Variance Account – Retail:

This account is used to record the net of revenues derived from establishing Service Agreements, distributor-consolidated billing, and the costs of entering into Service Agreements, and related contract administration, monitoring, and other expenses necessary to maintain the contract, as well as the incremental costs incurred to provide the services described above, and the avoided cost credit arising from retailer-consolidated billing.

This Application includes a request for disposition of these balances through the proposed rate rider.

## 1548 Retail Cost Variance Account – Service Transaction Request:

This account is used to record the net of revenues derived, including accruals, from the Service Transaction Request services and charged by the distributor, and the incremental cost of labour, internal information system maintenance costs, and delivery costs related to the provision of the services associated.

This Application includes a request for disposition of these balances through the proposed rate rider.

Due to the insignificant net variance in the above two Retail Cost Variance Accounts (1518 and 1548) London Hydro respectfully requests the discontinuance of the use of these variance accounts.

**Table 9-2 – Retail Costs Variance Accounts Summary**

| Retail Cost Variance Accounts | Net Accruals / Variances | Carrying Charges | Ending Balances at Dec. 31, 2011 | Projected Interest Jan 12 to Apr 30/13 - 1.47% | Projected Balances as at Apr 30/13 |
|---|---|---|---|---|---|
| 1518 Retail Cost Variance Account - Retail | $ (82,253) | $ (1,531) | $ (83,784) | $ (1,607) | $ (85,391) |
| 1548 Retail Cost Variance Account - STR | 86,736 | 1,488 | 88,224 | 1,694 | 89,918 |
| | **$ 4,483** | **$ (43)** | **$ 4,440** | **$ 88** | **$ 4,528** |

## 1592 PILs and Tax Variances for 2006 and Subsequent Years:

This account includes the Large Corporation Tax amount grossed-up tax proxy from 2006 EDR application PILs model for the period of May 1, 2006 to April 30, 2007.

For the rate years starting May 1, 2006 (or as approved by the Board), London Hydro used this account to record the tax impact of any of the following differences that are not reflected in the distributor's rates:

1) any differences that result from a legislative or regulatory change to the tax rates or rules assumed in the 2006 OEB Tax Model.

2) any differences that result from a change in, or a disclosure of, a new assessing or administrative policy that is published in the public tax administration or interpretation bulletins by relevant federal or provincial tax authorities.

3) any differences in 2006 PILs that result in changes in a distributor's opening 2006 balances for tax accounts due to changes in debits and credits to those accounts arising from a tax re-assessment:

   (a) received by the distributor after its 2006 rate application is filed, and before May 1, 2007; or

   (b) relating to any tax year ending prior to May 1, 2006.

London Hydro followed the guidelines provided in the Board's Frequently Asked Questions of July 2007 when calculating the balance in this account.

This Application includes a request for disposition of this balance through the proposed rate rider.

*Reference: Appendix 9D Deferred PILs Account in OEB Chapter 2 Filing Requirements Schedule Appendix 2-T.*

# 1592 PILs and Tax Variances - Sub-account Savings on Implementation of HST:

This account is used to record amounts repayable to customers associated with incremental Input Tax Credits ("ITCs") as a result of elimination of the Provincial Sales Tax ("PST") and the implementation of Harmonized Sales Tax ("HST") effective July 1, 2010.

Due to the implementation of HST on July 1, 2010, the Ontario 8% PST was eliminated as a cost to London Hydro. Prior to July 1, 2010, PST was unrecoverable and therefore represented an expenditure. In order to recognize the savings associated with this incremental ITC, the Board directed distributors to record implicit PST included in distribution rates in a new sub-account under 1592, PILs and Tax Variances for 2006 and Subsequent Years described as HST / OVAT Input Tax Credits (ITCs).

As directed, London Hydro established a sub-account for 1592 and has accumulated a liability up until its last audited year (ended December 31, 2011) and including carrying charges up until April 30, 2013 in the amount of $191,022, as displayed below:

**HST Savings Liability for July 2010 to December 2011**

| | 2010 July-Dec | 2011 Jan-Dec | **Total** |
|---|---|---|---|
| OM&A | 113,537 | 227,073 | 340,610 |
| Depreciation | 2,027 | 28,455 | 30,482 |
| | 115,564 | 255,528 | **371,092** |
| Portion repayable at 50% | | | 185,546 |
| Carrying charges to April 30, 2013 | | | 5,476 |
| | | | **191,022** |

London Hydro is requesting disposition of this liability in this Application, and at the rate of 50% consistent with how the Board has treated tax changes in the second and third generation IRMs.

London Hydro is also requesting that this account continue in order to provide for recording of the HST liability associated with the forthcoming year ending December 31, 2012.

As suggested in the Board's Accounting Procedures Handbook Frequently Asked Questions issued December 2010, and in order to avoid administrative costs associated with recording this

incremental ITC on a transactional basis, London Hydro used the simplified approach as described under Q & A #4 by performing a one-time analysis to serve as a proxy.

The liability accumulated for PST savings associated with OM&A expenditures was derived by reviewing actual expenditures for the 2009 fiscal year and segregating those accounts which were subject to PST. The implicit PST included in these expenditures was then used as a basis on which to estimate the PST savings and associated amount included in rates for the period commencing July 1, 2010 and ending December 31, 2011 to be repaid to customers.

London Hydro accumulated the liability for PST savings associated with the depreciation of capital assets based on actual capital additions for the 2009 fiscal year subject to PST. Implicit depreciation expense for the period July 2010 to December 2011 was then calculated using an average life span of 21.4 years and applying the ½ year rule in the year of acquisition. Also, estimated additions post July were adjusted to take into consideration those flowing from inventory and construction work-in-progress on hand at the end of June, 2009.

# ACCOUNTS SUBMITTED FOR RECOVERY

Table 9-3 - Deferral and Variance Accounts Submitted for Recovery with this Application reflects the DVA balances in respect of which London Hydro is seeking disposition in this Application. The account balances are the audited amounts for December 31, 2011, and include carrying charges calculated to April 30, 2013.

The balances, proposed for disposition before forecasted interest, are as presented in London Hydro's Audited Financial Statements as at December 31, 2011.

## Table 9-3 - Deferral and Variance Accounts Submitted for Recovery with this Application

| Accounts for Which Disposition is Requested in This Application | Net Accruals / Variances | Carrying Charges | Ending Balances at Dec. 31, 2011 | Recoveries / Adjustments to April 30,2013 | Amount Approved for Disposition May 1, 2012 | Projected Interest Jan 12 to Apr 30/13 - 1.47% | Projected Balances as at Apr 30/13 |
|---|---|---|---|---|---|---|---|
| **Group 1 Accounts:** | | | | | | | |
| 1580 RSVA - Wholesale Market Service Charge | $ (8,261,909) | $ (115,645) | $ (8,377,554) | | $ 4,469,082 | $ (84,464) | $ (3,992,936) |
| 1584 RSVA - Retail Transmission Network Charge | 774,015 | 11,977 | 785,992 | | (544,497) | 8,689 | 250,184 |
| 1586 RSVA - Retail Transmission Connection Charge | (279,774) | (17,419) | (297,193) | | 617,705 | 4,900 | 325,412 |
| 1595 Disposition and Recovery/Refund of Regulatory Balances (2009) | - | (286,860) | (286,860) | | | - | (286,860) |
| **Group 2 Accounts:** | | | | | | | - |
| 1508 Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 349,024 | 6,649 | 355,673 | | | 6,817 | 362,490 |
| 1518 Retail Cost Variance Account - Retail | (82,253) | (1,531) | (83,784) | | | (1,607) | (85,391) |
| 1548 Retail Cost Variance Account - STR | 86,736 | 1,488 | 88,224 | | | 1,694 | 89,918 |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-accounts and contra accounts) | (130,133) | (16,514) | (146,647) | | | (2,542) | (149,189) |
| 1592 PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | (185,546) | (1,852) | (187,398) | | | (3,624) | (191,022) |
| 1555 Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs | 3,550,757 | - | 3,550,757 | (396,676) | | - | 3,154,081 |
| | **$ (4,179,083)** | **$ (419,707)** | **$ (4,598,790)** | **$ (396,676)** | **$ 4,542,290** | **$ (70,137)** | **$ (523,313)** |

# ACCOUNTS NOT SUBMITTED FOR RECOVERY

## RSVA Commodity Accounts:

London Hydro is not seeking recovery of 1588 RSVA Power and 1588 Power Sub-account Global Adjustment Account balances in this Application. These balances were submitted for disposition in a Quarterly Application on September 25, 2012.

London Hydro will continue to monitor the quarterly account balances in the RSVA commodity accounts. If these balances exceed the threshold for two conservative quarters, London Hydro will seek to apply to the Board for disposition of these account balances.

## Renewable Generation Connection and Smart Grid Accounts:

London Hydro is not requesting recovery of 1531 Renewable Generation Connection Capital, 1532 Renewable Generation OM&A, or 1535 Smart Grid OM&A Deferral Account balances with this Application.

The above projects are in the early stages of development, with minimal amounts having been spent to date. London Hydro requests in this Application to continue the use of these deferral accounts until such time that substantial account balances are present. London Hydro will then apply for prudence review and recovery.

If London Hydro were to apply for recovery of these balances, the billing determinants of kWh/kW that would be utilized in volumetric rate rider calculation would require a rate rider reflecting over six digits before a value would result from the calculation. This would not be practical for cost recovery and could have adverse implications for implementation of new rates in London Hydro's billing system.

These accounts are detailed in the following Table 9-4 - Deferral and Variance Accounts NOT Submitted for Recovery with This Application.

**Table 9-4 - Deferral and Variance Accounts NOT Submitted for Recovery with This Application**

| Accounts for Which No Disposition is Requested in This Application | Net Accruals / Variances | Carrying Charges | Ending Balances at Dec. 31, 2011 | Amount Approved for Disposition May 1, 2012 | Projected Interest Jan 12 to Apr 30/13 - 1.47% | Projected Balances as at Apr 30/13 |
|---|---|---|---|---|---|---|
| **Group 1 Accounts:** | | | | | | |
| 1588 RSVA - Power (excluding Global Adjustment) | $ (3,896,805) | $ (193,776) | $ (4,090,581) | $ 1,784,283 | (57,600) | (2,363,898) |
| 1588 RSVA - Power - Sub-account - Global Adjustment | $ (2,612,754) | $ 27,680 | $ (2,585,074) | $ 1,316,166 | (26,111) | (1,295,019) |
| **Group 2 Accounts:** | | | | | | - |
| 1531 Renewable Generation Connection Capital Deferral Account | 6,665 | 202 | 6,867 | | 130 | 6,997 |
| 1532 Renewable Generation Connection OM&A Deferral Account | 48,113 | 670 | 48,783 | | 940 | 49,723 |
| 1535 Smart Grid OM&A Deferral Account | 103,618 | 171 | 103,789 | | 2,024 | 105,813 |
| | **$ (6,351,163)** | **$ (165,053)** | **$ (6,516,216)** | **$ 3,100,449** | **$ (80,617)** | **$ (3,496,384)** |

# METHODS OF DISPOSITION OF DVA BALANCES

The following methods are proposed for disposition of the DVA balances, for those accounts that have been selected for disposition, together with a summary of proposed rates.

## Group One Accounts:

Method of credit disposition: Allocation to rate classes on basis of the forecasted 2013 kWh energy consumption by customer class and disposition through variable component rate rider based on kWh or kW.

Allocation of costs to customer classes is based upon kWh energy consumption by customer class in accordance with the default cost allocation methodology established by the Board for Group 1 deferral and variance accounts in the Electricity Distributor's Deferral and Variance Account Review Initiative (EDDVAR Report), dated July 31, 2009.

London Hydro will continue the use of Retail Settlement Variance Accounts (RSVA's) on a going forward basis.

## Group Two Accounts:

Method of credit disposition: Allocation to rate classes on basis of the forecasted 2013 kWh energy consumption by customer class and disposition through variable component rate rider based on kWh or kW for Group 2 accounts except for 1518 RCVA - Retail and 1548 RCVA - STR accounts.

Allocation of costs to customer classes of 1518 RCVA - Retail and 1548 RCVA - STR account balances is based on the number of customers in accordance with the default cost allocation methodology established by the Board in the EDDVAR Report, dated July 31, 2009.

Allocation of costs to customer classes of 1508 Other Regulatory Assets – Deferred IFRS Transition Costs, 1592 PILs and Tax Variances for 2006 and Subsequent Years, and 1592 PILs and Tax Variance for 2006 and Subsequent Years – Sub-Account HST/OVAT Input Tax Credits (ITCs) balances is based upon kWh energy consumption by customer class for simplicity and consistency.

The continuity schedule for all DVA's submitted for disposition, the cost allocation and rate rider derivation are included in 2013 EDDVAR Continuity Schedule COS latest model and included in Appendix 9A.

# PROPOSED RATE RIDER

The proposed rates that result from the disposal of the DVA balances, as requested, are set out in the table below. The table provides rate riders that would apply with an effective date of May 1, 2013.

Rate riders calculated in Table 9-5 - Proposed DVA Rate Rider for the period commencing May 1, 2013 are based on a 12-month disposition period.

Although the delivery component of the bill is a rather small part of the total electricity bill, London Hydro proposes the one-year disposition period to assist its customers with the overall cost of electricity.

**Table 9-5 - Proposed DVA Rate Rider**

| Rate Class | Billing Parameter | Proposed Rate - May 1/13 to Apr 30/14 |
|---|---|---|
| Residential | kWh | $ (0.0011) |
| GS <50 kW | kWh | $ (0.0011) |
| GS 50 to 4,999 kW | kW | $ (0.4453) |
| GS 50 to 4,999 kW (Co-Generation) | kW | $ (0.2296) |
| Standby | kW | $ (0.2296) |
| Large Use >5MW | kW | $ (0.5619) |
| Street Light | kW | $ (0.3842) |
| Sentinel | kW | $ (0.4004) |
| Unmetered Scattered Load | kWh | $ (0.0011) |

# STRANDED METER COSTS

London Hydro has substantially completed its Smart Meter/TOU project and received a Decision and Order for the disposition and recovery of its costs related to smart meter deployment, offset by Smart Meter Funding Adder revenues collected from May 1, 2006 to April 30, 2012 (EB-2012-0187, Decision and Order, dated July 26, 2012).

In accordance with the Board's Guideline G-2011-0001, whereby distributors are to be "held whole with respect to the cost recovery of stranded meters (i.e. conventional meters replaced as part of the smart meter initiative)", London Hydro seeks disposition of its stranded meter costs as at December 31, 2012.

The Ontario Energy Board issued guidelines with reference to accounting for stranded costs resulting from the smart meter program: Guideline G-2008-0002: Smart Meter Funding and Cost Recovery, dated October 22, 2008; and Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011.

Guideline G-2008-0002 provided two options to distributors regarding the accounting treatment for stranded meter costs due to the installation of new smart meters: leave them in rate base (i.e. Account 1860); or record them in 1555 Smart Meter Capital and Recovery Offset Variance Sub-account Stranded Meter Costs. London Hydro recorded its stranded costs in this sub-account in accordance with Appendix B of that Guideline (Board Letter of January 19, 2007 - Instructions for Stranded Cost Accounting); and the guidance for treatment of stranded meter costs provided in Guideline G-2011-0001.

Historical stranded conventional meter gross asset values and net book values are shown in Table 9-6 – Stranded Meter Costs below. The net book value of the stranded meter assets has been adjusted for the amounts of depreciation approved by the Board in respect of London Hydro's 2009 distribution rates.

**Table 9-6 – Stranded Meter Costs**

| Year | Gross Asset Value | Accumulated Amortization | Contributed Capital (Net of Amortization) | Net Asset | Proceeds on Disposition | Residual Net Book Value |
|---|---|---|---|---|---|---|
| | (A) | (B) | (C) | (D ) = (A) - (B) - (C) | (E) | (F) = (D) - (E) |
| 2006 | | | | $ - | | $ - |
| 2007 | | | | $ - | | $ - |
| 2008 | | | | $ - | | $ - |
| 2009 | $ 272,708 | $ 154,330 | | $ 118,378 | | $ 118,378 |
| 2010 | $ 8,072,293 | $ 5,071,164 | | $ 3,001,129 | $ 45,813 | $ 2,955,316 |
| 2011 | $ 3,276,286 | $ 2,788,445 | | $ 487,841 | $ 10,779 | $ 477,062 |
| 2012 | $ 60,195 | $ 454,754 | | -$ 394,559 | $ 2,116 | -$ 396,675 |
| **YTD at Dec 31, 2012:** | | | | **$ 3,212,789** | **$ 58,708** | **$ 3,154,081** |

London Hydro adhered to the stranded meter accounting treatment described in Guideline G-2011-0001, whereby the stranded meters are recorded in Account 1555 Sub-account Stranded Meter Costs by customer classes. The allocation of stranded meters to Account 1555 is based on the average net book value of the conventional meters that became stranded due to being replaced with smart meters during the years of the program. The net book value is comprised of the gross costs of the stranded meters, less the associated accumulated depreciation, any net sale proceeds from recycling of stranded meters, and the adjustment for the amount of depreciation in the approved 2009 distribution rates. The forecasted net book value of the stranded meter assets is $3,212,789 which includes the adjustment reducing the net book value for depreciation occurring after the meters were removed from service. After deducting the proceeds on disposition from the sale of scrap materials totaling $58,708, the forecasted amount of stranded meter costs requested for disposition at December 31, 2012 is $3,154,081. *Reference: Appendix 9C Stranded Meter Costs presented in OEB Chapter 2 Filing Requirements Schedule Appendix 2-S.*

The stranded costs were recorded to the 1555 Smart Meter Capital and Recovery Offset Variance Sub-account Stranded Meter Costs in a class-specific manner. The net sales proceeds received for recycling of the conventional meters removed from service are also allocated in a class-specific manner. The adjustment for the amount of depreciation in the approved 2009 distribution rates are allocated based on the net book value in each class-specific stranded cost accounts.

London Hydro confirms that no carrying charges were recorded for the stranded meter cost balances in the sub-account.

The 2013 revenue requirement does not include a cost of capital return or depreciation expense associated with the stranded meter costs removed from rate base.

In accordance with the guidance and directions that have been provided by the Board to date, London Hydro is requesting recovery of the Stranded Meter Costs balances through class-specific rate riders from the applicable customer classes.

**Table 9-7 - 1555 Smart Meter Capital and Recovery Offset Variance Sub-account Stranded Meter Costs – Net Book Value Details for Class-Specific Rate Rider Calculation**

| Year | Gross Asset Costs - Residential | Accumulated Amortization - Residential | Proceeds from sale of scrap | Stranded Meter Costs NBV - Residential | Gross Asset Costs - GS<50 | Accumulated Amortization - GS<50 | Proceeds from sale of scrap | Stranded Meter Costs NBV - GS<50 | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | 258,576 | (145,401) | | 113,175 | 14,132 | (8,929) | | 5,203 | 118,378 |
| 2010 | 7,784,625 | (4,706,244) | (44,275) | 3,034,106 | 287,668 | (173,671) | (1,538) | 112,459 | 3,146,565 |
| 2011 | 1,292,555 | (1,012,146) | (9,980) | 270,429 | 1,983,731 | (1,401,966) | (799) | 580,966 | 851,395 |
| 2012 | 5,646 | (4,201) | (1,960) | (515) | 54,548 | (43,605) | (157) | 10,786 | 10,271 |
| **YTD Net Book Value at December 31, 2012:** | | | | **$ 3,417,195** | | | | **$ 709,414** | **$ 4,126,609** |
| Allocate adjustment based on NBV to rate classes: | | | | (805,339) | | | | (167,189) | (972,528) |
| **Net Book Value for Cost allocation and Rate Rider calcu** | | | | **$ 2,611,856** | | | | **$ 542,225** | **$ 3,154,081** |

The proposed class-specific rate riders that result from the disposal of the Stranded Meter Costs Account balance, as requested, are set out in Table 9-8 - Proposed Stranded Asset Recoveries Rate Rider below. The rate riders would apply with an effective date of May 1, 2013 and are based on a 12-month disposition period.

**Table 9-8 - Proposed Stranded Asset Recoveries Rate Rider**

| Rate Class | Billing Parameter | Proposed Rate - May 1/13 to Apr 30/15 |
|---|---|---|
| Residential | Monthly | $ 1.58 |
| GS <50 kW | Monthly | $ 3.77 |

# NEW 1575 IFRS-CGAAP TRANSITIONAL PP&E AMOUNTS

Pursuant to directives and guidance provided in the revised Accounting Procedures Handbook issued December 2011 effective January 1, 2012, London Hydro has created a new deferral account to capture the difference in PP&E and intangible assets as a result of transition from previous Canadian GAAP to modified IFRS up until rebasing.

Since this Application is being filed based on an IFRS implementation date of January 1, 2013, the 1575 IFRS-CGAAP Transitional PP&E Amounts account represents differences in the Company's projected net fixed assets for the 2012 Bridge Year when calculated under CGAAP in comparison to that calculated under MIFRS.

The transitional adjustments noted above amount to $471,922 and details supporting the calculation of this amount have been provided under Exhibit 10 - Transition to MIFRS.

These transitional adjustments for the 2012 Bridge Year result in a lower MIFRS Rate Base in comparison to that calculated under CGAAP. Accordingly, the 1575 IFRS-CGAAP Transitional PP&E Amounts account represents amounts recoverable from customers.

London Hydro is respectfully requesting to amortize this account in full over a period of four years so as to minimize the impact to its customers while having the account cleared by its next rebasing in 2017. Based on an amortization period of four years, amortization expense for the proposed 2013 Test Year has been increased in the amount of $117,981.

Pursuant to Filing Requirements as listed in EB-2006-170 issued June 28, 2012, a schedule of IFRS-GAAP Transitional PP&E Amounts (OEB Appendix 2-EB) is provided in Exhibit 10, Appendix 10C.

# REQUEST FOR APPROVAL OF THE USE OF NEW VARIANCE ACCOUNTS

## 1508 Other Regulatory Assets – P&OPEB Deferral Account:

This account has been used to record the difference in London Hydro's liability for Pension and Other Post-Employment Benefits ("P&OPEB") as at the IFRS transition date January 1, 2012, as calculated under IFRS in comparison to CGAAP.

As indicated in the Addendum to the Report of the Board issued June 13, 2011 regarding Implementation of IFRS in an IRM environment (EB-2008-0408), the Board has not given approval for the creation of a generic account in which to record P&OPEB liability differences at the date of transition. However, the Addendum goes on to state that the option remains for utilities to seek an account where amounts are significant and have a large cost impact.

London Hydro's IFRS transitional adjustment for P&OPEB is substantial and, accordingly, the Company is requesting the creation of a deferral account to record the difference in the P&OPEB liability at January 1, 2012. The transitional adjustment is $1,844,800 and represents unamortized actuarial losses and an unrecognized liability associated with future benefits relating to service awards, which is not a requirement under CGAAP but is a new requirement under IFRS.

No carrying charges have been applied to this account and there is no impact on revenue requirement as filed in this Application as a result of this transitional adjustment.

As discussed in Exhibit 10 of this Application, due to the current uncertainty surrounding rate-regulated accounting under IFRS, London Hydro has opted to defer the implementation of IFRS up until the mandated date of transition currently set for January 1, 2013. Since IFRS has not yet been fully implemented, this transitional adjustment is being made as a *place holder only* until such time as transition to IFRS has been completed.

## LRAM Variance Account:

London Hydro is seeking approval to use the LRAM Variance Account commencing January 1, 2013 to capture the variance between the Board-approved CDM forecast and the actual results at the customer rate level. The Board established Account 1568 LRAMVA to capture this variance.

In accordance with the Board's Guidelines for Electricity Distributor Conservation and Demand Management issued April 26, 2012, (EB-2012-0003), London Hydro understands that the OPA will measure CDM results attributable to the four year targets on a net basis. Consistent with past practices, it is expected the net level of savings will be used for LRAM calculations. As a result, London Hydro submits that the units used for the 2013 LRAM variance account should also be on a net basis.

# ENERGY SALES AND COST OF POWER

The sale of energy is a flow through revenue and the cost of power is a flow through expense. Energy sales and the cost of power expense by component are presented in Table 9-9 – Cost of Power and Table 9-10 – Energy Sales respectively, as reported in the audited financial statements and the trial balance by Uniform System of Accounts. London Hydro has no profit or loss resulting from the flow through energy revenues and expenses. Any temporary variances are included in the RSVA balances.

London Hydro calculated the cost of power for the 2012 Bridge Year and 2013 Test Year based on the results of the load forecast discussed in detail in Exhibit 3. The commodity prices used in the calculation were prices published in the Board's Regulated Price Plan Report – May 1, 2012 to April 30, 2013, issued April 2, 2012. Should the Board publish a revised Regulated Price Plan Report prior to the Decision, London Hydro will update the electricity prices in the forecast.

The detailed calculation of the Cost of Power for 2012 Bridge Year and 2013 Test Year is included in Appendix 9E.

**Table 9-9 – Cost of Power**

| Cost of Power Purchased | | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Bridge Year | 2013 Test Year |
|---|---|---|---|---|---|---|
| 4705 | Power Purchased | $ 200,340,676 | $ 223,639,534 | $ 241,226,307 | $ 271,760,591 | $ 272,168,421 |
| 4708 | Charges WMS | 20,267,357 | 18,694,795 | 18,645,905 | 21,499,683 | 21,535,186 |
| 4714 | Charges NW | 16,139,973 | 19,568,047 | 20,633,041 | 23,107,461 | 23,491,357 |
| 4716 | Charges CN | 14,877,269 | 16,716,006 | 17,497,354 | 17,822,769 | 18,571,246 |
| | | **$ 251,625,275** | **$ 278,618,382** | **$ 298,002,607** | **$ 334,190,504** | **$ 335,766,210** |

## Table 9-10 – Energy Sales

| Energy Costs Billed | | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Bridge Year | 2013 Test Year |
|---|---|---|---|---|---|---|
| 4006 | Residential Energy Sales | $ (54,744,084) | $ (65,517,228) | $ (70,745,244) | $ (90,821,493) | $ (89,278,791) |
| 4020 | Energy Sales to Large Users | (3,979,797) | (4,706,954) | (4,429,379) | (1,166,717) | (1,226,978) |
| 4025 | Street Lighting Energy Sales | | | (776,884) | (1,951,835) | (1,953,882) |
| 4030 | Sentinel Lighting Energy Sales | (45,048) | (49,492) | (55,086) | (66,753) | (65,076) |
| 4035 | General Service Energy Sales | (88,262,574) | (106,143,229) | (119,782,456) | (156,642,019) | (158,129,513) |
| 4050 | Revenue Adjustment | (6,926,079) | 10,815,424 | 3,231,449 | (0) | 0 |
| 4055 | Energy Sales for Resale | (46,917,068) | (53,656,495) | (45,723,501) | (21,111,775) | (21,514,181) |
| 4062 | Billed WMS | (20,428,214) | (22,798,421) | (22,402,777) | ($21,499,682) | ($21,535,187) |
| 4066 | Billed NW | (15,324,387) | (19,514,435) | (20,230,759) | ($23,107,461) | ($23,491,357) |
| 4068 | Billed CN | (14,998,024) | (17,047,552) | (17,087,970) | ($17,822,769) | ($18,571,246) |
| | | **$ (251,625,275)** | **$ (278,618,382)** | **$ (298,002,607)** | **$ (334,190,504)** | **$ (335,766,210)** |

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# APPENDIX 9A

**Deferral and Variance Accounts Continuity Schedule and Rate Rider Calculation**

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# Deferral/Variance Account Workform for 2013 Filers

**Version** 2.0

| | |
|---|---|
| **Utility Name** | London Hydro Inc. |
| **Service Territory** | *(if applicable)* |
| **Assigned EB Number** | EB-2012-0146 |
| **Name of Contact and Title** | Mike Chase |
| **Phone Number** | 519-661-5800 |
| **Email Address** | chasem@londonhydro.com |

**General Notes**

1. Please ensure that your macros have been enabled. (Tools -> Macro -> Security)

2. Due to the time lag of deferral/variance account dispositions, this model assumes that all opening balances include previously disposed of amounts. Accordingly, all "Board Approved Dispositions" are deducted from the opening balance.

3. Please provide information in this model since the last time your balances were disposed.

4. For all Board-Approved dispositions, please ensure that the disposition amount has the same sign (e.g: debit balances are to have a positive figure and credit balance are to have a negative figure) as per the related Board decision.

**Notes**

Pale green cells represent input cells.

Pale blue cells represent drop-down lists. The applicant should select the appropriate item from the drop-down list.

White cells contain fixed values, automatically generated values or formulae.

| Account Descriptions | Account Number | 2005 Opening Principal Amounts as of Jan-1-05 | 2005 Transactions Debit / (Credit) during 2005 excluding interest and adjustments [3] | 2005 Board-Approved Disposition during 2005 | 2005 Adjustments during 2005 - other [2] | 2005 Closing Principal Balance as of Dec-31-05 | 2005 Opening Interest Amounts as of Jan-1-05 | 2005 Interest Jan-1 to Dec-31-05 | 2005 Board-Approved Disposition during 2005 | 2005 Adjustments during 2005 - other [2] | 2005 Closing Interest Amounts as of Dec-31-05 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group 1 Accounts** | | | | | | | | | | | |
| LV Variance Account | 1550 | | | | | $ - | | | | | $ - |
| RSVA - Wholesale Market Service Charge | 1580 | | | | | $ - | | | | | $ - |
| RSVA - Retail Transmission Network Charge | 1584 | | | | | $ - | | | | | $ - |
| RSVA - Retail Transmission Connection Charge | 1586 | | | | | $ - | | | | | $ - |
| RSVA - Power (excluding Global Adjustment) | 1588 | | | | | $ - | | | | | $ - |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | | | | | $ - | | | | | $ - |
| Recovery of Regulatory Asset Balances | 1590 | | | | | $ - | | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2008)[7] | 1595 | | | | | $ - | | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2009)[7] | 1595 | | | | | $ - | | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2010)[7] | 1595 | | | | | $ - | | | | | $ - |
| **Group 1 Sub-Total (including Account 1588 - Global Adjustment)** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **RSVA - Power - Sub-account - Global Adjustment** | **1588** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 2 Accounts** | | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | | | | | $ - | | | | | $ - |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | | | | | $ - | | | | | $ - |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | | | | | $ - | | | | | $ - |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act[8] | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Other [4] | 1508 | | | | | $ - | | | | | $ - |
| Retail Cost Variance Account - Retail | 1518 | $ 77,804 | -$ 21,199 | | -$ 65,327 | -$ 8,722 | $ 6,615 | -$ 5,242 | | | $ 1,373 |
| Misc. Deferred Debits | 1525 | | | | | $ - | | | | | $ - |
| Renewable Generation Connection Capital Deferral Account | 1531 | | | | | $ - | | | | | $ - |
| Renewable Generation Connection OM&A Deferral Account | 1532 | | | | | $ - | | | | | $ - |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | | | | | $ - | | | | | $ - |
| Smart Grid Capital Deferral Account | 1534 | | | | | $ - | | | | | $ - |
| Smart Grid OM&A Deferral Account | 1535 | | | | | $ - | | | | | $ - |
| Smart Grid Funding Adder Deferral Account | 1536 | | | | | $ - | | | | | $ - |
| Retail Cost Variance Account - STR | 1548 | $ 61,002 | $ 29,528 | | -$ 31,085 | $ 59,445 | $ 3,039 | $ 1,138 | | | $ 4,177 |
| Board-Approved CDM Variance Account | 1567 | | | | | | | | | | |
| Extra-Ordinary Event Costs | 1572 | | | | | $ - | | | | | $ - |
| Deferred Rate Impact Amounts | 1574 | | | | | $ - | | | | | $ - |
| RSVA - One-time | 1582 | | | | | $ - | | | | | $ - |
| Other Deferred Credits | 2425 | | | | | $ - | | | | | $ - |
| **Group 2 Sub-Total** | | $ 138,806 | $ 8,329 | $ - | -$ 96,412 | $ 50,723 | $ 9,654 | -$ 4,104 | $ - | $ - | $ 5,550 |
| Deferred Payments in Lieu of Taxes | 1562 | | | | | $ - | | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below) | 1592 | | | | | $ - | | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | | | | | $ - | | | | | $ - |
| **Total of Group 1 and Group 2 Accounts (including 1562 and 1592)** | | $ 138,806 | $ 8,329 | $ - | -$ 96,412 | $ 50,723 | $ 9,654 | -$ 4,104 | $ - | $ - | $ 5,550 |
| **Special Purpose Charge Assessment Variance Account[9]** | **1521** | | | | | | | | | | |

| Account Descriptions | Account Number | 2005 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-05 | Transactions Debit / (Credit) during 2005 excluding interest and adjustments [3] | Board-Approved Disposition during 2005 | Adjustments during 2005 - other [2] | Closing Principal Balance as of Dec-31-05 | Opening Interest Amounts as of Jan-1-05 | Interest Jan-1 to Dec-31-05 | Board-Approved Disposition during 2005 | Adjustments during 2005 - other [2] | Closing Interest Amounts as of Dec-31-05 |
| LRAM Variance Account | 1568 | | | | | | | | | | |
| **Total including Account 1521 and Account 1568** | | $ 138,806 | $ 8,329 | $ - | -$ 96,412 | $ 50,723 | $ 9,654 | -$ 4,104 | $ - | $ - | $ 5,550 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital[11] | 1555 | | | | | $ - | | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries[11] | 1555 | | | | | $ - | | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs[11] | 1555 | | | | | $ - | | | | | $ - |
| Smart Meter OM&A Variance[11] | 1556 | | | | | $ - | | | | | $ - |
| **The following is not included in the total claim but are included on a memo basis:** | | | | | | | | | | | |
| Deferred PILs Contra Account [5] | 1563 | | | | | $ - | | | | | $ - |
| IFRS-CGAAP Transition PP&E Amounts[10] | 1575 | | | | | $ - | | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account | 1592 | | | | | $ - | | | | | $ - |
| Disposition and Recovery of Regulatory Balances[7] | 1595 | | | | | $ - | | | | | $ - |

**For all Board-Approved dispositions, please ensure that the disposition amount has the same sign (e.g: debit balances are to have a positive figure and credit balance are to have a negative figure) as per the related Board decision.**

Provide supporting statement indicating whether due to denial of costs in 2006 EDR by the Board, 10% transition costs write-off, etc.

Adjustments Instructed by the Board include deferral/variance account balances moved to Account 1590 as a result of the 2006 EDR and account 1595 during the 2008 EDR and subsequent years as ordered by the Board.

Please provide explanations for the nature of the adjustments. If the adjustment relates to previously Board Approved disposed balances, please provide amounts for adjustments and include supporting documentations.

For RSVA accounts only, report the net variance to the account during the year. For all other accounts, record the transactions during the year.

Please describe "other" components of 1508 and add more component lines if necessary.

1563 is a contra-account and is not included in the total but is shown on a memo basis. Account 1562 establishes the obligation to the ratepayer.
If the LDC's 2013 rate year begins January 1, 2013, the projected interest is recorded from January 1, 2012 to December 31, 2012 on the December 31, 2011 balance adjusted for the disposed balances approved by the Board in the 2012 rate decision. If the LDC's 2013 rate year begins May 1, 2013 the projected interest is recorded from January 1, 2012 to April 30, 2013 on the December 31, 2011 balance adjusted for the disposed balances approved by the Board in the 2012 rate decision.

Include Account 1595 as part of Group 1 accounts (lines 31, 32 and 33) for review and disposition if the recovery (or refund) period has been completed. If the recovery (or refund) period has not been completed, include the balances in Account 1595 on a memo basis only (line 85).

As per the January 6, 2011 Letter from the Board, regarding the implementation of the Ontario Clean Energy Benefit:
"By way of exception... The Board does acticipate that licensed distributors that cannot adapt their invoices as of January 1, 2011 will require a variance account for OCEB purposes… The Board expects that any principal balances in "Sub account Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act" will be addressed through the monthly settlement process with the IESO or the host distributor, as applicable.

The Board expected that requests for disposition of the balances in Account 1521 were to be addressed as part of the proceedings to set rates for the 2012 rate year, except in cases where this approach would have resulted in non-compliance with the timeline set out in section 8 of the SPC regulation.

Account 1575 shall not be cleared through the distributor's deferral and variance account rate rider. Account 1575 shall be cleared as an adjustment to the distributor's revenue requirement.

Deferral accounts related to Smart Meter deployment are not to be recovered/refunded through the Deferral and Variance Account rate rider. For details on how to dispose of balances in Smart Meter accounts see the Board's Guideline: Smart Meter Disposition and Cost Recovery (G-2011-0001)

| Account Descriptions | Account Number | 2006 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-06 | Transactions Debit / (Credit) during 2006 excluding interest and adjustments [3] | Board-Approved Disposition during 2006 [1,1A] | Adjustments during 2006 - other [2] | Closing Principal Balance as of Dec-31-06 | Opening Interest Amounts as of Jan-1-06 | Interest Jan-1 to Dec-31-06 | Board-Approved Disposition during 2006 [1,1A] | Adjustments during 2006 - other [2] | Closing Interest Amounts as of Dec-31-06 |
| **Group 1 Accounts** | | | | | | | | | | | |
| LV Variance Account | 1550 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Wholesale Market Service Charge | 1580 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Retail Transmission Network Charge | 1584 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Retail Transmission Connection Charge | 1586 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Power (excluding Global Adjustment) | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| Recovery of Regulatory Asset Balances | 1590 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2008)[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2009)[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2010)[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 1 Sub-Total (including Account 1588 - Global Adjustment)** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **RSVA - Power - Sub-account - Global Adjustment** | **1588** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 2 Accounts** | | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act[8] | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Other [4] | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - Retail | 1518 | -$ 8,722 | -$ 57,735 | | | -$ 66,457 | $ 1,373 | -$ 1,267 | | | $ 106 |
| Misc. Deferred Debits | 1525 | $ - | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Capital Deferral Account | 1531 | | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection OM&A Deferral Account | 1532 | | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | | | | | $ - | $ - | | | | $ - |
| Smart Grid Capital Deferral Account | 1534 | | | | | $ - | $ - | | | | $ - |
| Smart Grid OM&A Deferral Account | 1535 | | | | | $ - | $ - | | | | $ - |
| Smart Grid Funding Adder Deferral Account | 1536 | | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - STR | 1548 | $ 59,445 | $ 18,145 | | | $ 77,590 | $ 4,177 | $ 3,577 | | | $ 7,754 |
| Board-Approved CDM Variance Account | 1567 | | | | | | | | | | |
| Extra-Ordinary Event Costs | 1572 | $ - | | | | $ - | $ - | | | | $ - |
| Deferred Rate Impact Amounts | 1574 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - One-time | 1582 | $ - | | | | $ - | $ - | | | | $ - |
| Other Deferred Credits | 2425 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 2 Sub-Total** | | $ 50,723 | -$ 39,590 | $ - | $ - | $ 11,133 | $ 5,550 | $ 2,310 | $ - | $ - | $ 7,860 |
| Deferred Payments in Lieu of Taxes | 1562 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below) | 1592 | $ - | -$ 86,752 | | | -$ 86,752 | $ - | -$ 1,165 | | | -$ 1,165 |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | $ - | | | | $ - | $ - | | | | $ - |
| **Total of Group 1 and Group 2 Accounts (including 1562 and 1592)** | | $ 50,723 | -$ 126,342 | $ - | $ - | -$ 75,619 | $ 5,550 | $ 1,145 | $ - | $ - | $ 6,695 |
| **Special Purpose Charge Assessment Variance Account[9]** | **1521** | | | | | | | | | | |

| Account Descriptions | Account Number | 2006 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-06 | Transactions Debit/ (Credit) during 2006 excluding interest and adjustments [3] | Board-Approved Disposition during 2006 [1,1A] | Adjustments during 2006 - other [2] | Closing Principal Balance as of Dec-31-06 | Opening Interest Amounts as of Jan-1-06 | Interest Jan-1 to Dec-31-06 | Board-Approved Disposition during 2006 [1,1A] | Adjustments during 2006 - other [2] | Closing Interest Amounts as of Dec-31-06 |
| LRAM Variance Account | 1568 | | | | | | | | | | |
| **Total including Account 1521 and Account 1568** | | $ 50,723 | -$ 126,342 | $ - | $ - | -$ 75,619 | $ 5,550 | $ 1,145 | $ - | $ - | $ 6,695 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter OM&A Variance[11] | 1556 | $ - | | | | $ - | $ - | | | | $ - |
| **The following is not included in the total claim but are included on a memo basis:** | | | | | | | | | | | |
| Deferred PILs Contra Account [5] | 1563 | $ - | | | | $ - | $ - | | | | $ - |
| IFRS-CGAAP Transition PP&E Amounts[10] | 1575 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account | 1592 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery of Regulatory Balances[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |

| Account Descriptions | Account Number | 2007 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-07 | Transactions Debit / (Credit) during 2007 excluding interest and adjustments [3] | Board-Approved Disposition during 2007 | Adjustments during 2007 - other [2] | Closing Principal Balance as of Dec-31-07 | Opening Interest Amounts as of Jan-1-07 | Interest Jan-1 to Dec-31-07 | Board-Approved Disposition during 2007 | Adjustments during 2007 - other [2] | Closing Interest Amounts as of Dec-31-07 |
| **Group 1 Accounts** | | | | | | | | | | | |
| LV Variance Account | 1550 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Wholesale Market Service Charge | 1580 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Retail Transmission Network Charge | 1584 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Retail Transmission Connection Charge | 1586 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Power (excluding Global Adjustment) | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| Recovery of Regulatory Asset Balances | 1590 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2008) [7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2009) [7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2010) [7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 1 Sub-Total (including Account 1588 - Global Adjustment)** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **RSVA - Power - Sub-account - Global Adjustment** | **1588** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 2 Accounts** | | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act [8] | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Other [4] | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - Retail | 1518 | -$ 66,457 | -$ 73,545 | | | -$ 140,002 | $ 106 | -$ 5,193 | | | -$ 5,087 |
| Misc. Deferred Debits | 1525 | $ - | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Capital Deferral Account | 1531 | | | | | $ - | | | | | $ - |
| Renewable Generation Connection OM&A Deferral Account | 1532 | | | | | $ - | | | | | $ - |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | | | | | $ - | | | | | $ - |
| Smart Grid Capital Deferral Account | 1534 | | | | | $ - | | | | | $ - |
| Smart Grid OM&A Deferral Account | 1535 | | | | | $ - | | | | | $ - |
| Smart Grid Funding Adder Deferral Account | 1536 | | | | | $ - | | | | | $ - |
| Retail Cost Variance Account - STR | 1548 | $ 77,590 | $ 12,375 | | | $ 89,965 | $ 7,754 | $ 3,927 | | | $ 11,681 |
| Board-Approved CDM Variance Account | 1567 | | | | | | | | | | |
| Extra-Ordinary Event Costs | 1572 | $ - | | | | $ - | $ - | | | | $ - |
| Deferred Rate Impact Amounts | 1574 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - One-time | 1582 | $ - | | | | $ - | $ - | | | | $ - |
| Other Deferred Credits | 2425 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 2 Sub-Total** | | $ 11,133 | -$ 61,170 | $ - | $ - | -$ 50,037 | $ 7,860 | -$ 1,266 | $ - | $ - | $ 6,594 |
| Deferred Payments in Lieu of Taxes | 1562 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below) | 1592 | -$ 86,752 | -$ 43,381 | | | -$ 130,133 | -$ 1,165 | -$ 5,744 | | | -$ 6,909 |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | $ - | | | | $ - | $ - | | | | $ - |
| **Total of Group 1 and Group 2 Accounts (including 1562 and 1592)** | | -$ 75,619 | -$ 104,551 | $ - | $ - | -$ 180,170 | $ 6,695 | -$ 7,010 | $ - | $ - | -$ 315 |
| **Special Purpose Charge Assessment Variance Account [9]** | **1521** | | | | | | | | | | |

| Account Descriptions | Account Number | 2007 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-07 | Transactions Debit / (Credit) during 2007 excluding interest and adjustments [3] | Board-Approved Disposition during 2007 | Adjustments during 2007 - other [2] | Closing Principal Balance as of Dec-31-07 | Opening Interest Amounts as of Jan-1-07 | Interest Jan-1 to Dec-31-07 | Board-Approved Disposition during 2007 | Adjustments during 2007 - other [2] | Closing Interest Amounts as of Dec-31-07 |
| **LRAM Variance Account** | **1568** | | | | | | | | | | |
| **Total including Account 1521 and Account 1568** | | -$ 75,619 | -$ 104,551 | $ - | $ - | -$ 180,170 | $ 6,695 | -$ 7,010 | $ - | $ - | -$ 315 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter OM&A Variance[11] | 1556 | $ - | | | | $ - | $ - | | | | $ - |
| **The following is not included in the total claim but are included on a memo basis:** | | | | | | | | | | | |
| Deferred PILs Contra Account [5] | 1563 | $ - | | | | $ - | $ - | | | | $ - |
| IFRS-CGAAP Transition PP&E Amounts[10] | 1575 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account | 1592 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery of Regulatory Balances[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |

| Account Descriptions | Account Number | 2008 Opening Principal Amounts as of Jan-1-08 | 2008 Transactions Debit / (Credit) during 2008 excluding interest and adjustments [3] | 2008 Board-Approved Disposition during 2008 | 2008 Adjustments during 2008 - other [2] | 2008 Closing Principal Balance as of Dec-31-08 | 2008 Opening Interest Amounts as of Jan-1-08 | 2008 Interest Jan-1 to Dec-31-08 | 2008 Board-Approved Disposition during 2008 | 2008 Adjustments during 2008 - other [2] | 2008 Closing Interest Amounts as of Dec-31-08 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group 1 Accounts** | | | | | | | | | | | |
| LV Variance Account | 1550 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Wholesale Market Service Charge | 1580 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Retail Transmission Network Charge | 1584 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Retail Transmission Connection Charge | 1586 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Power (excluding Global Adjustment) | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| Recovery of Regulatory Asset Balances | 1590 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2008)[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2009)[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2010)[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 1 Sub-Total (including Account 1588 - Global Adjustment)** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **RSVA - Power - Sub-account - Global Adjustment** | **1588** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 2 Accounts** | | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act[8] | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - Other [4] | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - Retail | 1518 | -$ 140,002 | -$ 33,236 | | | -$ 173,238 | -$ 5,087 | -$ 6,167 | | | -$ 11,254 |
| Misc. Deferred Debits | 1525 | $ - | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Capital Deferral Account | 1531 | | | | | $ - | | | | | $ - |
| Renewable Generation Connection OM&A Deferral Account | 1532 | | | | | $ - | | | | | $ - |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | | | | | $ - | | | | | $ - |
| Smart Grid Capital Deferral Account | 1534 | | | | | $ - | | | | | $ - |
| Smart Grid OM&A Deferral Account | 1535 | | | | | $ - | | | | | $ - |
| Smart Grid Funding Adder Deferral Account | 1536 | | | | | $ - | | | | | $ - |
| Retail Cost Variance Account - STR | 1548 | $ 89,965 | $ 24,034 | | | $ 113,999 | $ 11,681 | $ 3,951 | | | $ 15,632 |
| Board-Approved CDM Variance Account | 1567 | | | | | | | | | | |
| Extra-Ordinary Event Costs | 1572 | $ - | | | | $ - | $ - | | | | $ - |
| Deferred Rate Impact Amounts | 1574 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - One-time | 1582 | $ - | | | | $ - | $ - | | | | $ - |
| Other Deferred Credits | 2425 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 2 Sub-Total** | | -$ 50,037 | -$ 9,202 | $ - | $ - | -$ 59,239 | $ 6,594 | -$ 2,216 | $ - | $ - | $ 4,378 |
| Deferred Payments in Lieu of Taxes | 1562 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below) | 1592 | -$ 130,133 | | | | -$ 130,133 | -$ 6,909 | -$ 5,175 | | | -$ 12,084 |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | $ - | | | | $ - | $ - | | | | $ - |
| **Total of Group 1 and Group 2 Accounts (including 1562 and 1592)** | | -$ 180,170 | -$ 9,202 | $ - | $ - | -$ 189,372 | -$ 315 | -$ 7,391 | $ - | $ - | -$ 7,706 |
| **Special Purpose Charge Assessment Variance Account[9]** | **1521** | | | | | | | | | | |

| Account Descriptions | Account Number | 2008 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-08 | Transactions Debit / (Credit) during 2008 excluding interest and adjustments [3] | Board-Approved Disposition during 2008 | Adjustments during 2008 - other [2] | Closing Principal Balance as of Dec-31-08 | Opening Interest Amounts as of Jan-1-08 | Interest Jan-1 to Dec-31-08 | Board-Approved Disposition during 2008 | Adjustments during 2008 - other [2] | Closing Interest Amounts as of Dec-31-08 |
| LRAM Variance Account | 1568 | | | | | | | | | | |
| **Total including Account 1521 and Account 1568** | | -$ 180,170 | -$ 9,202 | $ - | $ - | -$ 189,372 | -$ 315 | -$ 7,391 | $ - | $ - | -$ 7,706 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter OM&A Variance[11] | 1556 | $ - | | | | $ - | $ - | | | | $ - |
| **The following is not included in the total claim but are included on a memo basis:** | | | | | | | | | | | |
| Deferred PILs Contra Account [5] | 1563 | $ - | | | | $ - | $ - | | | | $ - |
| IFRS-CGAAP Transition PP&E Amounts[10] | 1575 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account | 1592 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery of Regulatory Balances[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |

| Account Descriptions | Account Number | 2009 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-09 | Transactions Debit / (Credit) during 2009 excluding interest and adjustments [3] | Board-Approved Disposition during 2009 | Adjustments during 2009 - other [2] | Closing Principal Balance as of Dec-31-09 | Opening Interest Amounts as of Jan-1-09 | Interest Jan-1 to Dec-31-09 | Board-Approved Disposition during 2009 | Adjustments during 2009 - other [2] | Closing Interest Amounts as of Dec-31-09 |
| **Group 1 Accounts** | | | | | | | | | | | |
| LV Variance Account | 1550 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Wholesale Market Service Charge | 1580 | $ - | -$ 639,178 | | | -$ 639,178 | $ - | -$ 82,110 | -$ 79,487 | | -$ 2,623 |
| RSVA - Retail Transmission Network Charge | 1584 | $ - | $ 339,095 | | | $ 339,095 | $ - | $ 3,082 | $ 2,976 | | $ 106 |
| RSVA - Retail Transmission Connection Charge | 1586 | $ - | -$ 440,008 | | | -$ 440,008 | $ - | -$ 12,204 | -$ 10,346 | | -$ 1,858 |
| RSVA - Power (excluding Global Adjustment) | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| Recovery of Regulatory Asset Balances | 1590 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2008) [7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2009) [7] | 1595 | $ - | -$ 6,449,923 | | | -$ 6,449,923 | $ - | -$ 500,135 | | | -$ 500,135 |
| Disposition and Recovery/Refund of Regulatory Balances (2010) [7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 1 Sub-Total (including Account 1588 - Global Adjustment)** | | $ - | -$ 7,190,014 | $ - | $ - | -$ 7,190,014 | $ - | -$ 591,367 | -$ 86,857 | $ - | -$ 504,510 |
| **Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)** | | $ - | -$ 7,190,014 | $ - | $ - | -$ 7,190,014 | $ - | -$ 591,367 | -$ 86,857 | $ - | -$ 504,510 |
| **RSVA - Power - Sub-account - Global Adjustment** | **1588** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 2 Accounts** | | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | $ - | $ 135,327 | | | $ 135,327 | $ - | $ 72 | | | $ 72 |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act [8] | 1508 | | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Other [4] | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - Retail | 1518 | -$ 173,238 | -$ 39,087 | -$ 173,238 | | -$ 39,087 | -$ 11,254 | -$ 1,847 | -$ 12,973 | | -$ 128 |
| Misc. Deferred Debits | 1525 | $ - | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Capital Deferral Account | 1531 | | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection OM&A Deferral Account | 1532 | | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | | | | | $ - | $ - | | | | $ - |
| Smart Grid Capital Deferral Account | 1534 | | | | | $ - | $ - | | | | $ - |
| Smart Grid OM&A Deferral Account | 1535 | | | | | $ - | $ - | | | | $ - |
| Smart Grid Funding Adder Deferral Account | 1536 | | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - STR | 1548 | $ 113,999 | $ 30,243 | $ 113,999 | | $ 30,243 | $ 15,632 | $ 1,230 | $ 16,763 | | $ 99 |
| Board-Approved CDM Variance Account | 1567 | | | | | | | | | | $ - |
| Extra-Ordinary Event Costs | 1572 | $ - | | | | $ - | $ - | | | | $ - |
| Deferred Rate Impact Amounts | 1574 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - One-time | 1582 | $ - | | | | $ - | $ - | | | | $ - |
| Other Deferred Credits | 2425 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 2 Sub-Total** | | -$ 59,239 | $ 126,483 | -$ 59,239 | $ - | $ 126,483 | $ 4,378 | -$ 545 | $ 3,790 | $ - | $ 43 |
| Deferred Payments in Lieu of Taxes | 1562 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below) | 1592 | -$ 130,133 | | | | -$ 130,133 | -$ 12,084 | -$ 1,471 | | | -$ 13,555 |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | $ - | | | | $ - | $ - | | | | $ - |
| **Total of Group 1 and Group 2 Accounts (including 1562 and 1592)** | | -$ 189,372 | -$ 7,063,531 | -$ 59,239 | $ - | -$ 7,193,664 | -$ 7,706 | -$ 593,383 | -$ 83,067 | $ - | -$ 518,022 |
| **Special Purpose Charge Assessment Variance Account [9]** | **1521** | | | | | | | | | | |

| Account Descriptions | Account Number | 2009 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-09 | Transactions Debit / (Credit) during 2009 excluding interest and adjustments [3] | Board-Approved Disposition during 2009 | Adjustments during 2009 - other [2] | Closing Principal Balance as of Dec-31-09 | Opening Interest Amounts as of Jan-1-09 | Interest Jan-1 to Dec-31-09 | Board-Approved Disposition during 2009 | Adjustments during 2009 - other [2] | Closing Interest Amounts as of Dec-31-09 |
| LRAM Variance Account | 1568 | | | | | | | | | | |
| **Total including Account 1521 and Account 1568** | | -$ 189,372 | -$ 7,063,531 | -$ 59,239 | $ - | -$ 7,193,664 | -$ 7,706 | -$ 593,383 | -$ 83,067 | $ - | -$ 518,022 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs[11] | 1555 | $ - | $ 118,378 | | | $ 118,378 | $ - | | | | $ - |
| Smart Meter OM&A Variance[11] | 1556 | $ - | | | | $ - | $ - | | | | $ - |
| **The following is not included in the total claim but are included on a memo basis:** | | | | | | | | | | | |
| Deferred PILs Contra Account [5] | 1563 | $ - | | | | $ - | $ - | | | | $ - |
| IFRS-CGAAP Transition PP&E Amounts[10] | 1575 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account | 1592 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery of Regulatory Balances[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |

| Account Descriptions | Account Number | 2010 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-10 | Transactions Debit / (Credit) during 2010 excluding interest and adjustments [3] | Board-Approved Disposition during 2010 | Adjustments during 2010 - other [2] | Closing Principal Balance as of Dec-31-10 | Opening Interest Amounts as of Jan-1-10 | Interest Jan-1 to Dec-31-10 | Board-Approved Disposition during 2010 | Adjustments during 2010 - other [2] | Closing Interest Amounts as of Dec-31-10 |
| **Group 1 Accounts** | | | | | | | | | | | |
| LV Variance Account | 1550 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Wholesale Market Service Charge | 1580 | -$ 639,178 | -$ 3,729,866 | | | -$ 4,369,044 | -$ 2,623 | -$ 20,236 | | | -$ 22,859 |
| RSVA - Retail Transmission Network Charge | 1584 | $ 339,095 | $ 195,481 | | | $ 534,576 | $ 106 | $ 3,363 | | | $ 3,469 |
| RSVA - Retail Transmission Connection Charge | 1586 | -$ 440,008 | -$ 160,567 | | | -$ 600,575 | -$ 1,858 | -$ 4,872 | | | -$ 6,730 |
| RSVA - Power (excluding Global Adjustment) | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | $ - | | | | $ - | $ - | | | | $ - |
| Recovery of Regulatory Asset Balances | 1590 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2008) [7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2009) [7] | 1595 | -$ 6,449,923 | $ 4,758,911 | | | -$ 1,691,012 | -$ 500,135 | -$ 30,440 | | | -$ 530,575 |
| Disposition and Recovery/Refund of Regulatory Balances (2010) [7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 1 Sub-Total (including Account 1588 - Global Adjustment)** | | -$ 7,190,014 | $ 1,063,959 | $ - | $ - | -$ 6,126,055 | -$ 504,510 | -$ 52,185 | $ - | $ - | -$ 556,695 |
| **Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)** | | -$ 7,190,014 | $ 1,063,959 | $ - | $ - | -$ 6,126,055 | -$ 504,510 | -$ 52,185 | $ - | $ - | -$ 556,695 |
| **RSVA - Power - Sub-account - Global Adjustment** | **1588** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 2 Accounts** | | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | $ 135,327 | $ 139,433 | | | $ 274,760 | $ 72 | $ 1,905 | | | $ 1,977 |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act [8] | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Other [4] | 1508 | $ - | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - Retail | 1518 | -$ 39,087 | -$ 15,876 | | | -$ 54,963 | -$ 128 | -$ 380 | | | -$ 508 |
| Misc. Deferred Debits | 1525 | $ - | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Capital Deferral Account | 1531 | $ - | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection OM&A Deferral Account | 1532 | $ - | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Grid Capital Deferral Account | 1534 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Grid OM&A Deferral Account | 1535 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Grid Funding Adder Deferral Account | 1536 | $ - | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - STR | 1548 | $ 30,243 | $ 26,397 | | | $ 56,640 | $ 99 | $ 357 | | | $ 456 |
| Board-Approved CDM Variance Account | 1567 | | | | | $ - | $ - | | | | $ - |
| Extra-Ordinary Event Costs | 1572 | $ - | | | | $ - | $ - | | | | $ - |
| Deferred Rate Impact Amounts | 1574 | $ - | | | | $ - | $ - | | | | $ - |
| RSVA - One-time | 1582 | $ - | | | | $ - | $ - | | | | $ - |
| Other Deferred Credits | 2425 | $ - | | | | $ - | $ - | | | | $ - |
| **Group 2 Sub-Total** | | $ 126,483 | $ 149,954 | $ - | $ - | $ 276,437 | $ 43 | $ 1,882 | $ - | $ - | $ 1,925 |
| Deferred Payments in Lieu of Taxes | 1562 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below) | 1592 | -$ 130,133 | | | | -$ 130,133 | -$ 13,555 | -$ 1,041 | | | -$ 14,596 |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | $ - | -$ 57,782 | | | -$ 57,782 | $ - | -$ 138 | | | -$ 138 |
| **Total of Group 1 and Group 2 Accounts (including 1562 and 1592)** | | -$ 7,193,664 | $ 1,156,131 | $ - | $ - | -$ 6,037,533 | -$ 518,022 | -$ 51,482 | $ - | $ - | -$ 569,504 |
| **Special Purpose Charge Assessment Variance Account [9]** | **1521** | | | | | $ - | | | | | $ - |

| Account Descriptions | Account Number | 2010 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening Principal Amounts as of Jan-1-10 | Transactions Debit / (Credit) during 2010 excluding interest and adjustments [3] | Board-Approved Disposition during 2010 | Adjustments during 2010 - other [2] | Closing Principal Balance as of Dec-31-10 | Opening Interest Amounts as of Jan-1-10 | Interest Jan-1 to Dec-31-10 | Board-Approved Disposition during 2010 | Adjustments during 2010 - other [2] | Closing Interest Amounts as of Dec-31-10 |
| LRAM Variance Account | 1568 | | | | | $ - | | | | | $ - |
| **Total including Account 1521 and Account 1568** | | -$ 7,193,664 | $ 1,156,131 | $ - | $ - | -$ 6,037,533 | -$ 518,022 | -$ 51,482 | $ - | $ - | -$ 569,504 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries[11] | 1555 | $ - | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs[11] | 1555 | $ 118,378 | $ 2,955,316 | | | $ 3,073,694 | $ - | | | | $ - |
| Smart Meter OM&A Variance[11] | 1556 | $ - | | | | $ - | $ - | | | | $ - |
| **The following is not included in the total claim but are included on a memo basis:** | | | | | | | | | | | |
| Deferred PILs Contra Account [5] | 1563 | $ - | | | | $ - | $ - | | | | $ - |
| IFRS-CGAAP Transition PP&E Amounts[10] | 1575 | $ - | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account | 1592 | $ - | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery of Regulatory Balances[7] | 1595 | $ - | | | | $ - | $ - | | | | $ - |

| Account Descriptions | Account Number | 2011 Opening Principal Amounts as of Jan-1-11 | Transactions Debit / (Credit) during 2011 excluding interest and adjustments [3] | Board-Approved Disposition during 2011 | Other [2] Adjustments during Q1 2011 | Other [2] Adjustments during Q2 2011 | Other [2] Adjustments during Q3 2011 | Other [2] Adjustments during Q4 2011 | Closing Principal Balance as of Dec-31-11 | Opening Interest Amounts as of Jan-1-11 | Interest Jan-1 to Dec-31-11 | Board-Approved Disposition during 2011 | Adjustments during 2011 - other [2] | Closing Interest Amounts as of Dec-31-11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group 1 Accounts** | | | | | | | | | | | | | | |
| LV Variance Account | 1550 | $ - | | | | | | | $ - | $ - | | | | $ - |
| RSVA - Wholesale Market Service Charge | 1580 | -$ 4,369,044 | -$ 3,892,865 | | | | | | -$ 8,261,909 | -$ 22,859 | -$ 92,786 | | | -$ 115,645 |
| RSVA - Retail Transmission Network Charge | 1584 | $ 534,576 | $ 239,439 | | | | | | $ 774,015 | $ 3,469 | $ 8,508 | | | $ 11,977 |
| RSVA - Retail Transmission Connection Charge | 1586 | -$ 600,575 | $ 320,801 | | | | | | -$ 279,774 | -$ 6,730 | -$ 10,689 | | | -$ 17,419 |
| RSVA - Power (excluding Global Adjustment) | 1588 | $ - | | | | | | | $ - | $ - | | | | $ - |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Recovery of Regulatory Asset Balances | 1590 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2008)[7] | 1595 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2009)[7] | 1595 | -$ 1,691,012 | $ 1,691,012 | | | | | | $ - | -$ 530,575 | $ 243,715 | | | -$ 286,860 |
| Disposition and Recovery/Refund of Regulatory Balances (2010)[7] | 1595 | $ - | | | | | | | $ - | $ - | | | | $ - |
| **Group 1 Sub-Total (including Account 1588 - Global Adjustment)** | | -$ 6,126,055 | -$ 1,641,613 | $ - | $ - | $ - | $ - | $ - | -$ 7,767,668 | -$ 556,695 | $ 148,748 | $ - | $ - | -$ 407,947 |
| **Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)** | | -$ 6,126,055 | -$ 1,641,613 | $ - | $ - | $ - | $ - | $ - | -$ 7,767,668 | -$ 556,695 | $ 148,748 | $ - | $ - | -$ 407,947 |
| **RSVA - Power - Sub-account - Global Adjustment** | **1588** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 2 Accounts** | | | | | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | $ 274,760 | $ 74,264 | | | | | | $ 349,024 | $ 1,977 | $ 4,672 | | | $ 6,649 |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act[8] | 1508 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Other Regulatory Assets - Sub-Account - Other [4] | 1508 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - Retail | 1518 | -$ 54,963 | -$ 27,290 | | | | | | -$ 82,253 | -$ 508 | -$ 1,023 | | | -$ 1,531 |
| Misc. Deferred Debits | 1525 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Capital Deferral Account | 1531 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection OM&A Deferral Account | 1532 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Smart Grid Capital Deferral Account | 1534 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Smart Grid OM&A Deferral Account | 1535 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Smart Grid Funding Adder Deferral Account | 1536 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Retail Cost Variance Account - STR | 1548 | $ 56,640 | $ 30,096 | | | | | | $ 86,736 | $ 456 | $ 1,032 | | | $ 1,488 |
| Board-Approved CDM Variance Account | 1567 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Extra-Ordinary Event Costs | 1572 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Deferred Rate Impact Amounts | 1574 | $ - | | | | | | | $ - | $ - | | | | $ - |
| RSVA - One-time | 1582 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Other Deferred Credits | 2425 | $ - | | | | | | | $ - | $ - | | | | $ - |
| **Group 2 Sub-Total** | | $ 276,437 | $ 77,070 | $ - | $ - | $ - | $ - | $ - | $ 353,507 | $ 1,925 | $ 4,681 | $ - | $ - | $ 6,606 |
| Deferred Payments in Lieu of Taxes | 1562 | $ - | | | | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below) | 1592 | -$ 130,133 | | | | | | | -$ 130,133 | -$ 14,596 | -$ 1,918 | | | -$ 16,514 |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | -$ 57,782 | -$ 127,764 | | | | | | -$ 185,546 | -$ 138 | -$ 1,714 | | | -$ 1,852 |
| **Total of Group 1 and Group 2 Accounts (including 1562 and 1592)** | | -$ 6,037,533 | -$ 1,692,307 | $ - | $ - | $ - | $ - | $ - | -$ 7,729,840 | -$ 569,504 | $ 149,797 | $ - | $ - | -$ 419,707 |
| **Special Purpose Charge Assessment Variance Account[9]** | **1521** | $ - | | | | | | | $ - | $ - | | | | $ - |

| Account Descriptions | Account Number | 2011 Opening Principal Amounts as of Jan-1-11 | Transactions Debit/ (Credit) during 2011 excluding interest and adjustments [3] | Board-Approved Disposition during 2011 | Other [2] Adjustments during Q1 2011 | Other [2] Adjustments during Q2 2011 | Other [2] Adjustments during Q3 2011 | Other [2] Adjustments during Q4 2011 | Closing Principal Balance as of Dec-31-11 | Opening Interest Amounts as of Jan-1-11 | Interest Jan-1 to Dec-31-11 | Board-Approved Disposition during 2011 | Adjustments during 2011 - other [2] | Closing Interest Amounts as of Dec-31-11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LRAM Variance Account | 1568 | $ - | | | | | | | $ - | $ - | | | | $ - |
| **Total including Account 1521 and Account 1568** | | -$ 6,037,533 | -$ 1,692,307 | $ - | $ - | $ - | $ - | $ - | -$ 7,729,840 | -$ 569,504 | $ 149,797 | $ - | $ - | -$ 419,707 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital[11] | 1555 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries[11] | 1555 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs[11] | 1555 | $ 3,073,694 | $ 477,063 | | | | | | $ 3,550,757 | $ - | | | | $ - |
| Smart Meter OM&A Variance[11] | 1556 | $ - | | | | | | | $ - | $ - | | | | $ - |
| **The following is not included in the total claim but are included on a memo basis:** | | | | | | | | | | | | | | |
| Deferred PILs Contra Account [5] | 1563 | $ - | | | | | | | $ - | $ - | | | | $ - |
| IFRS-CGAAP Transition PP&E Amounts[10] | 1575 | $ - | | | | | | | $ - | $ - | | | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account | 1592 | $ - | | | | | | | $ - | $ - | | | | $ - |
| Disposition and Recovery of Regulatory Balances[7] | 1595 | $ - | | | | | | | $ - | $ - | | | | $ - |

| | | 2012 | | | | Projected Interest on Dec-31-11 Balances | | | 2.1.7 RRR | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Account Descriptions** | **Account Number** | **Principal Disposition during 2012 - instructed by Board** | **Interest Disposition during 2012 - instructed by Board** | **Closing Principal Balances as of Dec 31-11 Adjusted for Dispositions during 2012** | **Closing Interest Balances as of Dec 31-11 Adjusted for Dispositions during 2012** | **Projected Interest from Jan 1, 2012 to December 31, 2012 on Dec 31 -11 balance adjusted for disposition during 2012 [6]** | **Projected Interest from January 1, 2013 to April 30, 2013 on Dec 31 -11 balance adjusted for disposition during 2012 [6]** | **Total Claim** | **As of Dec 31-11** | **Variance RRR vs. 2011 Balance *(Principal + Interest)*** |
| **Group 1 Accounts** | | | | | | | | | | |
| LV Variance Account | 1550 | | | $ - | $ - | | | $ - | | $ - |
| RSVA - Wholesale Market Service Charge | 1580 | -$ 3,937,692 | -$ 531,390 | -$ 4,324,217 | $ 415,745 | -$ 63,566 | -$ 20,898 | -$ 3,992,936 | -$ 8,377,554 | $ - |
| RSVA - Retail Transmission Network Charge | 1584 | $ 329,189 | $ 215,308 | $ 444,826 | -$ 203,331 | $ 6,539 | $ 2,150 | $ 250,184 | $ 785,992 | $ - |
| RSVA - Retail Transmission Connection Charge | 1586 | -$ 530,629 | -$ 87,076 | $ 250,855 | $ 69,657 | $ 3,688 | $ 1,212 | $ 325,412 | -$ 297,193 | $ - |
| RSVA - Power (excluding Global Adjustment) | 1588 | | | $ - | $ - | | | $ - | | $ - |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | | | $ - | $ - | | | $ - | | $ - |
| Recovery of Regulatory Asset Balances | 1590 | | | $ - | $ - | | | $ - | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2008)[7] | 1595 | | | $ - | $ - | | | $ - | | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2009)[7] | 1595 | | | $ - | -$ 286,860 | $ - | $ - | -$ 286,860 | -$ 286,860 | $ - |
| Disposition and Recovery/Refund of Regulatory Balances (2010)[7] | 1595 | | | $ - | $ - | | | $ - | | $ - |
| **Group 1 Sub-Total (including Account 1588 - Global Adjustment)** | | -$ 4,139,132 | -$ 403,158 | -$ 3,628,536 | -$ 4,789 | -$ 53,339 | -$ 17,536 | -$ 3,704,201 | -$ 8,175,615 | $ - |
| **Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)** | | -$ 4,139,132 | -$ 403,158 | -$ 3,628,536 | -$ 4,789 | -$ 53,339 | -$ 17,536 | -$ 3,704,201 | -$ 8,175,615 | $ - |
| **RSVA - Power - Sub-account - Global Adjustment** | **1588** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Group 2 Accounts** | | | | | | | | | | |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | | | $ - | $ - | | | $ - | | $ - |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | | | $ - | $ - | | | $ - | | $ - |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | | | $ 349,024 | $ 6,649 | $ 5,131 | $ 1,687 | $ 362,490 | $ 355,673 | $ - |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | | | $ - | $ - | | | $ - | | $ - |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act[8] | 1508 | | | $ - | $ - | | | $ - | | $ - |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | | | $ - | $ - | | | $ - | | $ - |
| Other Regulatory Assets - Sub-Account - Other [4] | 1508 | | | $ - | $ - | | | $ - | | $ - |
| Retail Cost Variance Account - Retail | 1518 | | | -$ 82,253 | -$ 1,531 | -$ 1,209 | -$ 398 | -$ 85,391 | -$ 83,784 | $ - |
| Misc. Deferred Debits | 1525 | | | $ - | $ - | | | $ - | | $ - |
| Renewable Generation Connection Capital Deferral Account | 1531 | | | $ - | $ - | | | $ - | | $ - |
| Renewable Generation Connection OM&A Deferral Account | 1532 | | | $ - | $ - | | | $ - | | $ - |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | | | $ - | $ - | | | $ - | | $ - |
| Smart Grid Capital Deferral Account | 1534 | | | $ - | $ - | | | $ - | | $ - |
| Smart Grid OM&A Deferral Account | 1535 | | | $ - | $ - | | | $ - | | $ - |
| Smart Grid Funding Adder Deferral Account | 1536 | | | $ - | $ - | | | $ - | | $ - |
| Retail Cost Variance Account - STR | 1548 | | | $ 86,736 | $ 1,488 | $ 1,275 | $ 419 | $ 89,918 | $ 88,224 | $ - |
| Board-Approved CDM Variance Account | 1567 | | | $ - | $ - | | | $ - | | $ - |
| Extra-Ordinary Event Costs | 1572 | | | $ - | $ - | | | $ - | | $ - |
| Deferred Rate Impact Amounts | 1574 | | | $ - | $ - | | | $ - | | $ - |
| RSVA - One-time | 1582 | | | $ - | $ - | | | $ - | | $ - |
| Other Deferred Credits | 2425 | | | $ - | $ - | | | $ - | | $ - |
| **Group 2 Sub-Total** | | $ - | $ - | $ 353,507 | $ 6,606 | $ 5,197 | $ 1,708 | $ 367,018 | $ 360,113 | $ - |
| Deferred Payments in Lieu of Taxes | 1562 | | | $ - | $ - | | | $ - | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below) | 1592 | | | -$ 130,133 | -$ 16,514 | -$ 1,913 | -$ 629 | -$ 149,189 | -$ 146,647 | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | | | -$ 185,546 | -$ 1,852 | -$ 2,728 | -$ 897 | -$ 191,022 | -$ 187,005 | $ 393 |
| | | | | | | | | | | $ - |
| **Total of Group 1 and Group 2 Accounts (including 1562 and 1592)** | | -$ 4,139,132 | -$ 403,158 | -$ 3,590,708 | -$ 16,549 | -$ 52,783 | -$ 17,353 | -$ 3,677,394 | -$ 8,149,154 | $ 393 |
| **Special Purpose Charge Assessment Variance Account[9]** | **1521** | | | $ - | $ - | | | $ - | | $ - |

| | | 2012 | | | | Projected Interest on Dec-31-11 Balances | | | 2.1.7 RRR | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Account Descriptions** | **Account Number** | **Principal Disposition during 2012 - instructed by Board** | **Interest Disposition during 2012 - instructed by Board** | **Closing Principal Balances as of Dec 31-11 Adjusted for Dispositions during 2012** | **Closing Interest Balances as of Dec 31-11 Adjusted for Dispositions during 2012** | **Projected Interest from Jan 1, 2012 to December 31, 2012 on Dec 31 -11 balance adjusted for disposition during 2012 [6]** | **Projected Interest from January 1, 2013 to April 30, 2013 on Dec 31 -11 balance adjusted for disposition during 2012 [6]** | **Total Claim** | **As of Dec 31-11** | **Variance RRR vs. 2011 Balance *(Principal + Interest)*** |
| | | | | | | | | | | $ - |
| **LRAM Variance Account** | **1568** | | | $ - | $ - | | | $ - | | $ - |
| **Total including Account 1521 and Account 1568** | | -$ 4,139,132 | -$ 403,158 | -$ 3,590,708 | -$ 16,549 | -$ 52,783 | -$ 17,353 | -$ 3,677,394 | -$ 8,149,154 | $ 393 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital[11] | 1555 | | | $ - | $ - | | | $ - | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries[11] | 1555 | | | $ - | $ - | | | $ - | | $ - |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs[11] | 1555 | | | $ 3,550,757 | $ - | | | $ 3,550,757 | $ 3,550,757 | $ - |
| Smart Meter OM&A Variance[11] | 1556 | | | $ - | $ - | | | $ - | | $ - |
| **The following is not included in the total claim but are included on a memo basis:** | | | | | | | | | | |
| Deferred PILs Contra Account [5] | 1563 | | | $ - | $ - | | | $ - | | $ - |
| IFRS-CGAAP Transition PP&E Amounts[10] | 1575 | | | $ - | $ - | | | $ - | | $ - |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account | 1592 | | | $ - | $ - | | | $ - | | $ - |
| Disposition and Recovery of Regulatory Balances[7] | 1595 | | | $ - | $ - | | | $ - | | $ - |

| Account Descriptions | Account Number | Variance RRR vs. 2011 Balance *(Principal + Interest)* | Explanation |
|---|---|---|---|
| **Group 1 Accounts** | | | |
| **Group 2 Accounts** | | | |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT | 1592 | $ 393.00 | Interest was not included in 2.1.7 RRR filing for Year 2011 |

| Rate Class (Enter Rate Classes in cells below) | Units | # of Customers | Metered kWh | Metered kW | Billed kWh for Non-RPP Customers | Estimated kW for Non-RPP Customers | Distribution Revenue [1] | 1590 Recovery Share Proportion | 1595 Recovery Share Proportion (2008) [2] | 1595 Recovery Share Proportion (2009) [2] | 1595 Recovery Share Proportion (2010) [2] | 1568 LRAM Variance Account Class Allocation ($ amounts) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | - | | | | | | |
| Residential | kWh | 138,004 | 1,081,449,144 | | 140,125,171 | - | | | | | | |
| GS <50 kW | kWh | 11,970 | 392,909,717 | | 64,923,564 | - | | | | | | |
| GS 50 to 4,999 kW | kW | 1,662 | 1,565,906,059 | 3,914,575 | 1,376,431,633 | 3,440,912 | | | | | | |
| GS 50 to 4,999 kW (Co-Generation | kW | 3 | 10,038,359 | 48,666 | 10,038,359 | 48,666 | | | | | | |
| Standby | kW | - | 31,930,696 | 154,800 | 31,930,696 | 154,800 | | | | | | |
| Large Use >5MW | kW | 3 | 195,626,331 | 387,522 | 195,626,331 | 387,522 | | | | | | |
| Street Light | kW | 35,004 | 23,966,083 | 67,255 | 23,966,083 | 67,255 | | | | | | |
| Sentinel | kW | 681 | 780,921 | 2,130 | 37,539 | 102 | | | | | | |
| Unmetered Scattered Load | kWh | 1,544 | 4,994,818 | - | 41,642 | - | | | | | | |
| | | | | | | - | | | | | | |
| | | | | | | - | | | | | | |
| | | | | | | - | | | | | | |
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| | | | | | | - | | | | | | |
| | | | | | | - | | | | | | |
| **Total** | | **188,871** | **3,307,602,128** | **4,574,948** | **1,843,121,017** | **4,099,257** | **$ -** | **0%** | **0%** | **0%** | **0%** | **$ -** |
| | | | | | | | | | | | Balance as per Sheet 2 | $ - |
| | | | | | | | | | | | Variance | $ - |

[1] For Account 1562, the allocation to customer classes should be performed on the basis of the test year distribution revenue allocation to customer classes found in the Applicant's Cost of Service application that was most recently approved at the time of disposition of the 1562 account balances

[2] Residual Account balance to be allocated to rate classes in proportion to the recovery share as established when rate riders were implemented.

| | | Amounts from Sheet 2 | Allocator | | Residential | GS <50 kW | GS 50 to 4,999 kW | GS 50 to 4,999 kW (Co-Generation) |
|---|---|---|---|---|---|---|---|---|
| LV Variance Account | 1550 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| RSVA - Wholesale Market Service Charge | 1580 | (3,992,936) | kWh | 0 | (1,305,525) | (474,321) | (1,890,361) | (12,118) |
| RSVA - Retail Transmission Network Charge | 1584 | 250,184 | kWh | 0 | 81,800 | 29,719 | 118,444 | 759 |
| RSVA - Retail Transmission Connection Charge | 1586 | 325,412 | kWh | 0 | 106,396 | 38,656 | 154,059 | 988 |
| RSVA - Power (excluding Global Adjustment) | 1588 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | 0 | Non-RPP kWh | 0 | 0 | 0 | 0 | 0 |
| Recovery of Regulatory Asset Balances | 1590 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| Disposition and Recovery/Refund of Regulatory Balances (2008) | 1595 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| Disposition and Recovery/Refund of Regulatory Balances (2009) | 1595 | (286,860) | kWh | 0 | (93,791) | (34,076) | (135,807) | (871) |
| Disposition and Recovery/Refund of Regulatory Balances (2010) | 1595 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| **Total of Group 1 Accounts (excluding 1588 sub-account)** | | **(3,704,201)** | | **0** | **(1,211,120)** | **(440,022)** | **(1,753,666)** | **(11,242)** |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | 362,490 | kWh | 0 | 118,519 | 43,060 | 171,613 | 1,100 |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Other | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Retail Cost Variance Account - Retail | 1518 | (85,391) | # of Customers | 0 | (62,393) | (5,412) | (751) | (1) |
| Misc. Deferred Debits | 1525 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Renewable Generation Connection Capital Deferral Account | 1531 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Renewable Generation Connection OM&A Deferral Account | 1532 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Smart Grid Capital Deferral Account | 1534 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Smart Grid OM&A Deferral Account | 1535 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Smart Grid Funding Adder Deferral Account | 1536 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Retail Cost Variance Account - STR | 1548 | 89,918 | # of Customers | 0 | 65,701 | 5,699 | 791 | 1 |
| Board-Approved CDM Variance Account | 1567 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Extra-Ordinary Event Costs | 1572 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Deferred Rate Impact Amounts | 1574 | 0 | | 0 | 0 | 0 | 0 | 0 |
| RSVA - One-time | 1582 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Deferred Credits | 2425 | 0 | | 0 | 0 | 0 | 0 | 0 |
| **Total of Group 2 Accounts** | | **367,018** | | **0** | **121,828** | **43,347** | **171,652** | **1,100** |
| Deferred Payments in Lieu of Taxes | 1562 | 0 | | 0 | 0 | 0 | 0 | 0 |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account) | 1592 | (149,189) | kWh | 0 | (48,779) | (17,722) | (70,630) | (453) |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | (191,022) | kWh | 0 | (62,456) | (22,692) | (90,435) | (580) |
| **Total of Account 1562 and Account 1592** | | **(340,211)** | | **0** | **(111,235)** | **(40,414)** | **(161,065)** | **(1,033)** |
| Special Purpose Charge Assessment Variance Account | 1521 | 0 | | 0 | 0 | 0 | 0 | 0 |
| LRAM Variance Account **(Enter dollar amount for each class)** | 1568 | 0 | | | | | | |
| (Account 1568 - total amount allocated to classes) | | 0 | | | | | | |
| Variance | | 0 | | | | | | |
| **Total Balance Allocated to each class (excluding 1588 sub-account)** | | **(3,677,394)** | | **0** | **(1,200,528)** | **(437,088)** | **(1,743,079)** | **(11,174)** |
| **Total Balance in Account 1588 - sub account** | | **0** | | **0** | **0** | **0** | **0** | **0** |
| **Total Balance Allocated to each class (including 1588 sub-account)** | | **(3,677,394)** | | **0** | **(1,200,528)** | **(437,088)** | **(1,743,079)** | **(11,174)** |

| | | Amounts from Sheet 2 | Allocator | Standby | Large Use >5MW | Street Light | Sentinel | Unmetered Scattered Load |
|---|---|---|---|---|---|---|---|---|
| LV Variance Account | 1550 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| RSVA - Wholesale Market Service Charge | 1580 | (3,992,936) | kWh | (38,547) | (236,160) | (28,932) | (943) | (6,030) |
| RSVA - Retail Transmission Network Charge | 1584 | 250,184 | kWh | 2,415 | 14,797 | 1,813 | 59 | 378 |
| RSVA - Retail Transmission Connection Charge | 1586 | 325,412 | kWh | 3,141 | 19,246 | 2,358 | 77 | 491 |
| RSVA - Power (excluding Global Adjustment) | 1588 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| RSVA - Power - Sub-account - Global Adjustment | 1588 | 0 | Non-RPP kWh | 0 | 0 | 0 | 0 | 0 |
| Recovery of Regulatory Asset Balances | 1590 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| Disposition and Recovery/Refund of Regulatory Balances (2008) | 1595 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| Disposition and Recovery/Refund of Regulatory Balances (2009) | 1595 | (286,860) | kWh | (2,769) | (16,966) | (2,079) | (68) | (433) |
| Disposition and Recovery/Refund of Regulatory Balances (2010) | 1595 | 0 | kWh | 0 | 0 | 0 | 0 | 0 |
| **Total of Group 1 Accounts (excluding 1588 sub-account)** | | **(3,704,201)** | | **(35,759)** | **(219,083)** | **(26,840)** | **(875)** | **(5,594)** |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs | 1508 | 362,490 | kWh | 3,499 | 21,439 | 2,627 | 86 | 547 |
| Other Regulatory Assets - Sub-Account - Incremental Capital Charges | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Other | 1508 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Retail Cost Variance Account - Retail | 1518 | (85,391) | # of Customers | 0 | (1) | (15,826) | (308) | (698) |
| Misc. Deferred Debits | 1525 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Renewable Generation Connection Capital Deferral Account | 1531 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Renewable Generation Connection OM&A Deferral Account | 1532 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Smart Grid Capital Deferral Account | 1534 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Smart Grid OM&A Deferral Account | 1535 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Smart Grid Funding Adder Deferral Account | 1536 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Retail Cost Variance Account - STR | 1548 | 89,918 | # of Customers | 0 | 1 | 16,665 | 324 | 735 |
| Board-Approved CDM Variance Account | 1567 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Extra-Ordinary Event Costs | 1572 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Deferred Rate Impact Amounts | 1574 | 0 | | 0 | 0 | 0 | 0 | 0 |
| RSVA - One-time | 1582 | 0 | | 0 | 0 | 0 | 0 | 0 |
| Other Deferred Credits | 2425 | 0 | | 0 | 0 | 0 | 0 | 0 |
| **Total of Group 2 Accounts** | | **367,018** | | **3,499** | **21,439** | **3,466** | **102** | **584** |
| Deferred Payments in Lieu of Taxes | 1562 | 0 | | 0 | 0 | 0 | 0 | 0 |
| PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account) | 1592 | (149,189) | kWh | (1,440) | (8,824) | (1,081) | (35) | (225) |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs) | 1592 | (191,022) | kWh | (1,844) | (11,298) | (1,384) | (45) | (288) |
| **Total of Account 1562 and Account 1592** | | **(340,211)** | | **(3,284)** | **(20,122)** | **(2,465)** | **(80)** | **(514)** |
| Special Purpose Charge Assessment Variance Account | 1521 | 0 | | 0 | 0 | 0 | 0 | 0 |
| LRAM Variance Account **(Enter dollar amount for each class)** | 1568 | 0 | | | | | | |
| (Account 1568 - total amount allocated to classes) | | 0 | | | | | | |
| Variance | | 0 | | | | | | |
| **Total Balance Allocated to each class (excluding 1588 sub-account)** | | **(3,677,394)** | | **(35,544)** | **(217,765)** | **(25,839)** | **(853)** | **(5,523)** |
| **Total Balance in Account 1588 - sub account** | | **0** | | **0** | **0** | **0** | **0** | **0** |
| **Total Balance Allocated to each class (including 1588 sub-account)** | | **(3,677,394)** | | **(35,544)** | **(217,765)** | **(25,839)** | **(853)** | **(5,523)** |

**Please indicate the Rate Rider Recovery Period (in years)** 1

# Rate Rider Calculation for Deferral / Variance Accounts Balances (excluding Global Adj.)

| Rate Class (Enter Rate Classes in cells below) | Units | kW / kWh / # of Customers | Allocated Balance (excluding 1588 sub-account) | Rate Rider for Deferral/Variance Accounts | |
|---|---|---|---|---|---|
| | | - | $ - | - | |
| Residential | kWh | 1,081,449,144 | -$ 1,200,528 | - **0.0011** | $/kWh |
| GS <50 kW | kWh | 392,909,717 | -$ 437,088 | - **0.0011** | $/kWh |
| GS 50 to 4,999 kW | **kW** | 3,914,575 | -$ 1,743,079 | - **0.4453** | **$/kW** |
| GS 50 to 4,999 kW (Co-Generation) | **kW** | 48,666 | -$ 11,174 | - **0.2296** | **$/kW** |
| Standby | **kW** | 154,800 | -$ 35,544 | - **0.2296** | **$/kW** |
| Large Use >5MW | **kW** | 387,522 | -$ 217,765 | - **0.5619** | **$/kW** |
| Street Light | **kW** | 67,255 | -$ 25,839 | - **0.3842** | **$/kW** |
| Sentinel | **kW** | 2,130 | -$ 853 | - **0.4004** | **$/kW** |
| Unmetered Scattered Load | kWh | 4,994,818 | -$ 5,523 | - **0.0011** | $/kWh |
| | | - | $ - | - | |
| | | - | $ - | - | |
| | | - | $ - | - | |
| | | - | $ - | - | |
| | | - | $ - | - | |
| | | - | $ - | - | |
| | | - | $ - | - | |
| | | - | $ - | - | |
| | | - | $ - | - | |
| | | - | $ - | - | |
| **Total** | | | **-$ 3,677,394** | | |

# APPENDIX 9B

## One-Time Incremental IFRS Transition Costs

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**London Hydro Inc.**

**File Number:**
**Exhibit:**
**Tab:**
**Schedule:**
**Page:**
**Date:**

## Appendix 2-U
## One-Time Incremental IFRS Transition Costs

The following table should be completed based on the information requested below. An explanation should be provided for any blank entries. The entries should include one-time incremental IFRS transition costs that are currently included in Account 1508, Other Regulatory Assets, sub-account Deferred IFRS Transition Costs Account, or Account 1508, Other Regulatory Assets, sub-account IFRS Transition Costs Variance Account.

| Nature of One-Time Incremental IFRS Transition Costs [1] | Audited Actual Costs Incurred 2009 | Audited Actual Costs Incurred 2010 | Audited Actual Costs Incurred 2011 | Audited Carrying Charges to Dec 31, 2011 | Total Audited Actual Costs to Dec 31, 2011 | RRR 2.1.7 Balance 31-Dec-11 | Variance [2] | Reasons why the costs recorded meet the criteria of one-time IFRS administrative incremental costs |
|---|---|---|---|---|---|---|---|---|
| Professional accounting consulting fees - conversion from Canadian GAAP to IFRS | $ 74,373 | $ 24,638 | $ 8,053 | $ 2,040 | $ 109,102 | | | Consulting fees paid to KMPG Accounting Firm |
| Kinectrics study of useful life of assets (net cost after reimbursement from other LDCs- joint | $ 39,000 | -$ 16,000 | | $ 438 | $ 23,438 | | | Consulting fees paid to Kinectrics |
| Pension actuarial to IFRS | | | $ 15,000 | $ 286 | $ 15,286 | | | Consulting fees paid to Actuarial Firm |
| Salaries, wages and benefits of staff added to support the transition to IFRS | $ 7,271 | $ 90,136 | $ 71,688 | $ 3,222 | $ 172,317 | | | Temporary position added to permit IFRS transition requirements |
| Associated staff training and development costs | $ 389 | | $ 5,023 | $ 103 | $ 5,515 | | | IFRS training costs |
| Costs related to system upgrades, or changes where IFRS was the major reason for conversion | $ 39,294 | $ 65,660 | -$ 500 | $ 1,990 | $ 106,444 | | | Accounting system upgrade primariily due to the transition to IFRS |
| Amount approved as per decision and order, effective September 1, 2009 - EB-2008-0235 | -$ 25,000 | -$ 25,000 | -$ 25,000 | -$ 1,429 | -$ 76,429 | | | |
| | | | | | $ - | | | |
| | | | | | $ - | | | |
| | | | | | $ - | | | |
| | | | | | $ - | | | |
| | | | | | $ - | | | |
| Insert description of additional item(s) and new rows if needed. | | | | | $ - | | | |
| **Total** | $ 135,327 | $ 139,434 | $ 74,263 | $ 6,650 | $ 355,673 | $ 355,673 | $ 0 | |

**Note:**

1 The Deferred IFRS Transition Costs Account and the IFRS Transition Costs Variance Account are exclusively for necessary, incremental transition costs and shall not include ongoing IFRS compliance costs or impacts arising from adopting accounting policy changes that reflect changes in the timing of the recognition of income. The incremental costs in these accounts shall not include costs related to system upgrades, or replacements or changes where IFRS was not the major reason for conversion. In addition, incremental IFRS costs shall not include capital assets or expenditures.

2 Applicants are to provide an explanation of material variances in evidence

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# APPENDIX 9C

**Stranded Meter Costs**

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**London Hydro**

| | |
|---|---|
| **File Number:** | EB-2012-0146 |
| **Exhibit:** | 9 |
| **Tab:** | |
| **Schedule:** | |
| **Page:** | |
| **Date:** | |

# Appendix 2-S
# Stranded Meter Treatment

| Year | Notes | Gross Asset Value | Accumulated Amortization | Contributed Capital (Net of Amortization) | Net Asset | Proceeds on Disposition | Residual Net Book Value |
|---|---|---|---|---|---|---|---|
| | | (A) | (B) | (C) | (D ) = (A) - (B) - (C) | (E) | (F) = (D) - (E) |
| 2006 | | | | | $ - | | $ - |
| 2007 | | | | | $ - | | $ - |
| 2008 | | | | | $ - | | $ - |
| 2009 | | $ 272,708 | $ 154,330 | | $ 118,378 | | $ 118,378 |
| 2010 | | $ 8,072,293 | $ 5,071,164 | | $ 3,001,129 | $ 45,813 | $ 2,955,316 |
| 2011 | | $ 3,276,286 | $ 2,788,445 | | $ 487,841 | $ 10,779 | $ 477,062 |
| 2012 | (1) | $ 60,195 | $ 454,754 | | -$ 394,559 | $ 2,116 | -$ 396,675 |

**Notes:**

(1) *For 2012, please indicate whether the amounts provided are on a forecast or actual basis.*

Some distributors have transferred the cost of stranded meters from Account 1860 - Meters to "Sub-account Stranded Meter Costs of Account 1555", while in some cases distributors have left these costs in Account 1860. Depending on which treatment the applicant has chosen. please provide the information under either of the two scenarios (A and B below), as applicable.

***Scenario A:*** *If the stranded meter costs were transferred to "Sub-account Stranded Meter Costs" of Account 1555, the above table should be completed and the following information should be provided.*

1 A description of the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.

2 The amount of the pooled residual net book value of the removed from service stranded meters, less any contributed capital (net of accumulated amortization), and less any net proceeds from sales, which were transferred to this sub-account as of December 31, 2010.

3 A statement as to whether or not, since transferring the removed stranded meter costs to the sub-account, the recording of depreciation expenses was continued in order to reduce the net book value through accumulated depreciation. If so, the total depreciation expense amount for the period from the time the costs for the stranded meters were transferred to the sub-account to December 31, 2010 should be provided.

If no depreciation expenses were recorded to reduce the net book value of stranded meter costs through accumulated depreciation, the total depreciation expense amount that would have been applicable from the time that the stranded meter costs were transferred to the sub-account of Account 1555 to December 31, 2010 should be provided. In addition, the following information should be provided:

a) Whether or not carrying charges were recorded for the stranded meter cost balances in the sub-account, and if so, the total carrying charges recorded to December 31, 2010.

b) The estimated amount of the pooled residual net book value of the removed from service meters, less any net proceeds from sales and contributed capital, at the time when the smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, the actual amount should be provided.

c) A description as to how the applicant intends to recover in rates the remaining costs for stranded meters, including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.

***Scenario B:*** *If the stranded meter costs remained recorded in Account 1860, the above table should be completed and the following information should be provided:*

1 A description of the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.

2 The amount of the pooled residual net book value of the removed from service stranded meters, less any contributed capital (net of accumulated amortization), and less any net proceeds from sales, as of December 31, 2010.

3 A statement as to whether or not the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation. If so, provision of the total (cumulative) depreciation expense for the period from the time that the meters became stranded to December 31, 2010.

4 If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, the total (cumulative) depreciation expense amount that would have been applicable for the period from the time that the meters became stranded to December 31, 2010.

5 The estimated amount of the pooled residual net book value of the removed from service meters, less any net proceeds from sales and contributed capital, at the time when smart meters will have been fully deployed. If the smart meters have been fully deployed, please provide the actual amount.

6 A description as to how the applicant intends to recover in rates the costs for stranded meters, including the proposed accounting treatment, the proposed disposition period and the associated bill impacts.

Distributors should also provide the Net Book Value per class of meter as of December 31, 2010 as well as the number of meters that were removed / stranded. In preparing this information, distributors should review the Board's letter of January 16, 2007 *Stranded Meter Costs Related to the Installation of Smart Meters* which stated that records were to be kept of the type and number of each meter to support the stranded meter costs.

# APPENDIX 9D

**1592 Deferred PILs Account**

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# Appendix 2-T
# Deferred PILs Account 1592 Balances

The following table should be completed based on the information requested below, in accordance with the notes following the table. An explanation should be provided for any blank entries.

| Tax Item | Principal as of December 31, 2011 |
|---|---|
| Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from May 1, 2006 to April 30, 2007 | -$ 130,133 |
| Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from January 1, 2006 to April 30, 2006 (4/12ths of the approved grossed-up proxy), if not recorded in PILs account 1562 | |
| Ontario Capital Tax rate decrease and increase in capital deduction for 2007 | |
| Ontario Capital Tax rate decrease and increase in capital deduction for 2008 | |
| Ontario Capital Tax rate decrease and increase in capital deduction for 2009 | |
| Ontario Capital Tax rate decrease and increase in capital deduction for 2010 | |
| Capital Cost Allowance class changes from 2006 EDR application for 2006 | |
| Capital Cost Allowance class changes from 2006 EDR application for 2007 | |
| Capital Cost Allowance class changes from 2006 EDR application for 2008 | |
| Capital Cost Allowance class changes from 2006 EDR application for 2009 | |
| Capital Cost Allowance class changes from 2006 EDR application for 2010 | |
| Capital Cost Allowance class changes from 2006 EDR application for 2011 | |
| Capital Cost Allowance class changes from any prior application not recorded above. Please provide details and explanation separately. | |
| Insert description of additional item(s) and new rows if needed. | |
| **Total** | -$ 130,133 |

**Notes:**

1 Revise the deferral and variance account continuity schedule to include account 1592 as a group 2 account and enter all relevant information for transactions, adjustments, etc., for all relevant years.

2 Describe each type of tax item that has been recorded in account 1592.

3 Provide the calculations that show how each item was determined and provide any pertinent supporting evidence and documentation.

4 Please state whether or not the applicant followed the guidance provided in the FAQ of July 2007. If not, please provide an explanation.

5 Identify the account balance as of December 31, 2011 as per the 2011 Audited Financial Statements. Identify the account balance as of December 31, 2011 as per the April 2012 2.1.7 RRR filing to the Board. Provide a reconciliation if the balances provided are not identical to each other and to the total shown on the continuity schedule.

6 Complete the above table based on the answers to the previous. Add rows as required to complete the analysis in an informative manner. Please provide the completed table as a working Excel spreadsheet.

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# APPENDIX 9E

**Cost of Power Calculation**

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# Cost of Power Calculation 2012 Bridge Year

| ***2012 Load Forecast*** | **kWh** | **kW** | **2011 %RPP** |
|---|---|---|---|
| Residential | 1,093,900,394 | | 87% |
| General Service < 50 kW | 396,446,167 | | 83% |
| General Service 50 to 4,999 kW | 1,529,881,851 | 3,824,518 | 12% |
| GS 50 to 4,999 kW (Co-Generation) | 39,888,115 | 193,378 | 0% |
| Large Use >5MW | 194,563,634 | 385,417 | 0% |
| Street Lighting | 23,805,271 | 66,804 | 0% |
| Sentinel Lighting | 796,502 | 2,173 | 95% |
| Unmetered Scattered Load | 5,309,579 | | 99% |
| **TOTAL** | **3,284,591,514** | **4,472,289** | |

| ***Electricity - Commodity RPP*** **Class per Load Forecast RPP** | **2012 Forecasted Metered kWhs** | **2012 Loss Factor** | | **2012** | |
|---|---|---|---|---|---|
| Residential | 952,161,894 | 1.0409 | 991,105,315 | $0.08069 | $79,972,288 |
| General Service < 50 kW | 330,938,247 | 1.0409 | 344,473,622 | $0.08069 | $27,795,577 |
| General Service 50 to 4,999 kW | 185,115,502 | 1.0409 | 192,686,726 | $0.08069 | $15,547,892 |
| GS 50 to 4,999 kW (Co-Generation) | 0 | 1.0141 | 0 | $0.08069 | $0 |
| Large Use >5MW | 0 | 1.0141 | 0 | $0.08069 | $0 |
| Street Lighting | 0 | 1.0409 | 0 | $0.08069 | $0 |
| Sentinel Lighting | 758,215 | 1.0409 | 789,226 | $0.08069 | $63,683 |
| Unmetered Scattered Load | 5,265,314 | 1.0409 | 5,480,665 | $0.08069 | $442,235 |
| | 0 | 1.0409 | 0 | $0.08069 | $0 |
| **TOTAL** | **1,474,239,172** | | **1,534,535,554** | | **$123,821,674** |

| ***Electricity - Commodity Non-RPP*** **Class per Load Forecast** | **2012 Forecasted Metered kWhs** | **2012 Loss Factor** | | **2012** | |
|---|---|---|---|---|---|
| Residential | 141,738,500 | 1.0409 | 147,535,605 | $0.07877 | $11,621,380 |
| General Service < 50 kW | 65,507,920 | 1.0409 | 68,187,194 | $0.07877 | $5,371,105 |
| General Service 50 to 4,999 kW | 1,344,766,349 | 1.0409 | 1,399,767,292 | $0.07877 | $110,259,670 |
| GS 50 to 4,999 kW (Co-Generation) | 39,888,115 | 1.0141 | 40,450,537 | $0.07877 | $3,186,289 |
| Large Use >5MW | 194,563,634 | 1.0141 | 197,306,981 | $0.07877 | $15,541,871 |
| Street Lighting | 23,805,271 | 1.0409 | 24,778,907 | $0.07877 | $1,951,835 |
| Sentinel Lighting | 38,288 | 1.0409 | 39,853 | $0.07877 | $3,139 |
| Unmetered Scattered Load | 44,266 | 1.0409 | 46,076 | $0.07877 | $3,629 |
| | 0 | 1.0409 | 0 | $0.07877 | $0 |
| **TOTAL** | **1,810,352,342** | | **1,878,112,446** | | **$147,938,917** |

| ***Transmission - Network*** **Class per Load Forecast** | **2011%** | **Volume Metric** | | **2012** | |
|---|---|---|---|---|---|
| Residential | | kWh | 1,138,640,921 | $0.0070 | $7,970,486 |
| General Service < 50 kW | | kW | 412,660,816 | $0.0065 | $2,682,295 |
| General Service 50 to 4,999 kW Non-Interval | 31% | kW | 1,199,574 | $2.2917 | $2,749,065 |
| General Service 50 to 4,999 Kw Interval | 69% | kW | 2,624,944 | $2.9388 | $7,714,186 |
| GS 50 to 4,999 kW (Co-Generation) | | kW | 193,378 | $3.3926 | $656,053 |
| Large Use >5MW | | kW | 385,417 | $3.0104 | $1,160,259 |
| Street Lighting | | kWh | 66,804 | $2.0179 | $134,804 |
| Sentinel Lighting | | kW | 2,173 | $2.0206 | $4,390 |
| Unmetered Scattered Load | | kW | 5,526,741 | $0.0065 | $35,924 |
| | | kWh | 0 | | $0 |
| **TOTAL** | | | | | **$23,107,461** |

## Cost of Power Calculation 2012 Bridge Year Cont'd.

| ***Transmission - Connection*** | | **Volume** | | | |
|---|---|---|---|---|---|
| **Class per Load Forecast** | | **Metric** | | **2012** | |
| Residential | | kWh | 1,138,640,921 | $0.0053 | $6,034,797 |
| General Service < 50 kW | | kW | 412,660,816 | $0.0046 | $1,898,240 |
| General Service 50 to 4,999 kW Non-Interval | 31% | kW | 1,189,026 | $1.7172 | $2,041,796 |
| General Service 50 to 4,999 Kw Interval | 69% | kW | 2,635,492 | $2.3929 | $6,306,469 |
| GS 50 to 4,999 kW (Co-Generation) | | kW | 193,378 | $2.5312 | $489,477 |
| Large Use >5MW | | kW | 385,417 | $2.3929 | $922,264 |
| Street Lighting | | kWh | 66,804 | $1.5121 | $101,014 |
| Sentinel Lighting | | kW | 2,173 | $1.5140 | $3,289 |
| Unmetered Scattered Load | | kW | 5,526,741 | $0.0046 | $25,423 |
| | | kWh | 0 | | $0 |
| **TOTAL** | | | | | **$17,822,769** |

| ***Wholesale Market Service*** | | | | | |
|---|---|---|---|---|---|
| **Class per Load Forecast** | | | | **2012** | |
| Residential | | | 1,138,640,921 | $0.0052 | $5,920,933 |
| General Service < 50 kW | | | 412,660,816 | $0.0052 | $2,145,836 |
| General Service 50 to 4,999 kW | | | 1,592,454,019 | $0.0052 | $8,280,761 |
| GS 50 to 4,999 kW (Co-Generation) | | | 40,450,537 | $0.0052 | $210,343 |
| Large Use >5MW | | | 197,306,981 | $0.0052 | $1,025,996 |
| Street Lighting | | | 24,778,907 | $0.0052 | $128,850 |
| Sentinel Lighting | | | 829,079 | $0.0052 | $4,311 |
| Unmetered Scattered Load | | | 5,526,741 | $0.0052 | $28,739 |
| | | | 0 | | $0 |
| **TOTAL** | | | **3,412,648,000** | | **$17,745,770** |

| ***Rural Rate Assistance*** | | | | | |
|---|---|---|---|---|---|
| **Class per Load Forecast** | | | | **2012** | |
| Residential | | | 1,138,640,921 | $0.0011 | $1,252,505 |
| General Service < 50 kW | | | 412,660,816 | $0.0011 | $453,927 |
| General Service 50 to 4,999 kW | | | 1,592,454,019 | $0.0011 | $1,751,699 |
| GS 50 to 4,999 kW (Co-Generation) | | | 40,450,537 | $0.0011 | $44,496 |
| Large Use >5MW | | | 197,306,981 | $0.0011 | $217,038 |
| Street Lighting | | | 24,778,907 | $0.0011 | $27,257 |
| Sentinel Lighting | | | 829,079 | $0.0011 | $912 |
| Unmetered Scattered Load | | | 5,526,741 | $0.0011 | $6,079 |
| | | | 0 | | $0 |
| **TOTAL** | | | **3,412,648,000** | | **$3,753,913** |

| **Cost of Power** | **2012** |
|---|---|
| 4705-Power Purchased | $271,760,591 |
| 4708-Charges-WMS | $17,745,770 |
| 4714-Charges-NW | $23,107,461 |
| 4716-Charges-CN | $17,822,769 |
| 4730-Rural Rate Assistance | $3,753,913 |
| **TOTAL** | **334,190,504** |

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## Cost of Power Calculation 2013 Test Year

| ***2013 Load Foreacst*** | **kWh** | **kW** | **2011 %RPP** |
|---|---|---|---|
| Residential | 1,081,449,144 | | 87% |
| General Service < 50 kW | 392,909,717 | | 83% |
| General Service 50 to 4,999 kW | 1,565,906,059 | 3,914,575 | 12% |
| GS 50 to 4,999 kW (Co-Generation) | 41,969,054 | 203,466 | 0% |
| Large Use >5MW | 195,626,331 | 387,522 | 0% |
| Street Lighting | 23,966,083 | 67,255 | 0% |
| Sentinel Lighting | 780,921 | 2,130 | 95% |
| Unmetered Scattered Load | 4,994,818 | | 99% |
| | | | 0% |
| **TOTAL** | **3,307,602,128** | **4,574,948** | |

| ***Electricity - Commodity RPP*** **Class per Load Forecast RPP** | **2013 Forecasted Metered kWhs** | **2013 Loss Factor** | | **2013** | |
|---|---|---|---|---|---|
| Residential | 941,323,973 | 1.0350 | 974,270,312 | $0.08069 | $78,613,872 |
| General Service < 50 kW | 327,986,152 | 1.0350 | 339,465,668 | $0.08069 | $27,391,485 |
| General Service 50 to 4,999 kW | 189,474,427 | 1.0350 | 196,106,032 | $0.08069 | $15,823,796 |
| GS 50 to 4,999 kW (Co-Generation) | 0 | 1.0136 | 0 | $0.08069 | $0 |
| Large Use >5MW | 0 | 1.0136 | 0 | $0.08069 | $0 |
| Street Lighting | 0 | 1.0350 | 0 | $0.08069 | $0 |
| Sentinel Lighting | 743,383 | 1.0350 | 769,401 | $0.08069 | $62,083 |
| Unmetered Scattered Load | 4,953,177 | 1.0350 | 5,126,538 | $0.08069 | $413,660 |
| **TOTAL** | **1,464,481,112** | | **1,515,737,951** | | **$122,304,895** |

| ***Electricity - Commodity Non-RPP*** **Class per Load Forecast** | **2013 Forecasted Metered kWhs** | **2013 Loss Factor** | | **2013** | |
|---|---|---|---|---|---|
| Residential | 140,125,171 | 1.0350 | 145,029,552 | $0.07877 | $11,423,978 |
| General Service < 50 kW | 64,923,564 | 1.0350 | 67,195,889 | $0.07877 | $5,293,020 |
| General Service 50 to 4,999 kW | 1,376,431,633 | 1.0350 | 1,424,606,740 | $0.07877 | $112,216,273 |
| GS 50 to 4,999 kW (Co-Generation) | 41,969,054 | 1.0136 | 42,539,833 | $0.07877 | $3,350,863 |
| Large Use >5MW | 195,626,331 | 1.0136 | 198,286,849 | $0.07877 | $15,619,055 |
| Street Lighting | 23,966,083 | 1.0350 | 24,804,896 | $0.07877 | $1,953,882 |
| Sentinel Lighting | 37,539 | 1.0350 | 38,852 | $0.07877 | $3,060 |
| Unmetered Scattered Load | 41,642 | 1.0350 | 43,099 | $0.07877 | $3,395 |
| **TOTAL** | **1,843,121,017** | | **1,902,545,711** | | **$149,863,526** |

| ***Transmission - Network*** **Class per Load Forecast** | | **Volume Metric** | | **2013** | |
|---|---|---|---|---|---|
| Residential | | kWh | 1,119,299,865 | $0.0071 | $7,947,029 |
| General Service < 50 kW | | kWh | 406,661,557 | $0.0066 | $2,683,966 |
| General Service 50 to 4,999 kW Non-Interval | 31% | kW | 1,227,821 | $2.3133 | $2,840,318 |
| General Service 50 to 4,999 Kw Interval | 69% | kW | 2,686,754 | $2.9665 | $7,970,255 |
| GS 50 to 4,999 kW (Co-Generation) | | kW | 203,466 | $3.4245 | $696,769 |
| Large Use >5MW | | kW | 387,522 | $3.0387 | $1,177,563 |
| Street Lighting | | kW | 67,255 | $2.0369 | $136,992 |
| Sentinel Lighting | | kW | 2,130 | $2.0396 | $4,344 |
| Unmetered Scattered Load | | kWh | 5,169,637 | $0.0066 | $34,120 |
| **TOTAL** | | | | | **$23,491,357** |

# Cost of Power Calculation 2013 Test Year Cont'd.

| ***Transmission - Connection*** | | **Volume** | | | |
|---|---|---|---|---|---|
| **Class per Load Forecast** | | **Metric** | | **2013** | |
| Residential | | kWh | 1,119,299,865 | $0.0055 | $6,156,149 |
| General Service < 50 kW | | kWh | 406,661,557 | $0.0048 | $1,951,975 |
| General Service 50 to 4,999 kW Non-Interval | 31% | kW | 1,217,025 | $1.7761 | $2,161,557 |
| General Service 50 to 4,999 Kw Interval | 69% | kW | 2,697,550 | $2.4750 | $6,676,436 |
| GS 50 to 4,999 kW (Co-Generation) | | kW | 203,466 | $2.6180 | $532,674 |
| Large Use >5MW | | kW | 387,522 | $2.4750 | $959,117 |
| Street Lighting | | kW | 67,255 | $1.5640 | $105,187 |
| Sentinel Lighting | | kW | 2,130 | $1.5659 | $3,335 |
| Unmetered Scattered Load | | kWh | 5,169,637 | $0.0048 | $24,814 |
| **TOTAL** | | | | | **$18,571,246** |

| ***Wholesale Market Service*** | | | | | |
|---|---|---|---|---|---|
| **Class per Load Forecast** | | | | **2013** | |
| Residential | | | 1,119,299,865 | $0.0052 | $5,820,359 |
| General Service < 50 kW | | | 406,661,557 | $0.0052 | $2,114,640 |
| General Service 50 to 4,999 kW | | | 1,620,712,771 | $0.0052 | $8,427,706 |
| GS 50 to 4,999 kW (Co-Generation) | | | 42,539,833 | $0.0052 | $221,207 |
| Large Use >5MW | | | 198,286,849 | $0.0052 | $1,031,092 |
| Street Lighting | | | 24,804,896 | $0.0052 | $128,985 |
| Sentinel Lighting | | | 808,253 | $0.0052 | $4,203 |
| Unmetered Scattered Load | | | 5,169,637 | $0.0052 | $26,882 |
| **TOTAL** | | | **3,418,283,662** | | **$17,775,075** |

| ***Rural Rate Assistance*** | | | | | |
|---|---|---|---|---|---|
| **Class per Load Forecast** | | | | **2013** | |
| Residential | | | 1,119,299,865 | $0.0011 | $1,231,230 |
| General Service < 50 kW | | | 406,661,557 | $0.0011 | $447,328 |
| General Service 50 to 4,999 kW | | | 1,620,712,771 | $0.0011 | $1,782,784 |
| GS 50 to 4,999 kW (Co-Generation) | | | 42,539,833 | $0.0011 | $46,794 |
| Large Use >5MW | | | 198,286,849 | $0.0011 | $218,116 |
| Street Lighting | | | 24,804,896 | $0.0011 | $27,285 |
| Sentinel Lighting | | | 808,253 | $0.0011 | $889 |
| Unmetered Scattered Load | | | 5,169,637 | $0.0011 | $5,687 |
| **TOTAL** | | | **3,418,283,662** | | **$3,760,112** |

| | **2013** |
|---|---|
| 4705-Power Purchased | $272,168,421 |
| 4708-Charges-WMS | $17,775,075 |
| 4714-Charges-NW | $23,491,357 |
| 4716-Charges-CN | $18,571,246 |
| 4730-Rural Rate Assistance | $3,760,112 |
| **TOTAL** | **335,766,210** |

# EXHIBIT 10 – TRANSITION TO MIFRS

## INDEX

# OVERVIEW

This Exhibit provides a summary of calculated Rate Base and Base Revenue Requirement for the 2012 Bridge Year and proposed 2013 Test Year in accordance with MIFRS and discusses the differences between amounts calculated under MIFRS in comparison to those calculated in accordance with CGAAP.

Exhibit 2 regarding Rate Base has been prepared under CGAAP and all matters relating to transition to MIFRS have been addressed in this Exhibit 10.

Transition to MIFRS has been isolated to assist in providing a clearer illustration of the impacts of MIFRS on Rate Base and Base Revenue Requirement. In addition, segregating the impact of transition to MIFRS to this Exhibit helps to provide more comparable forecasted and historical amounts in Exhibit 2.

## Background

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") officially confirmed the requirement for publicly accountable enterprises to adopt IFRS for financial reporting purposes in 2011.

London Hydro is considered to be a publicly accountable enterprise since it is municipally owned and holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

IFRSs are issued by the International Accounting Standards Board ("IASB") and represent high-quality, global accounting standards that require transparent and comparable information in financial statements and other financial reporting.

However, the concept of regulatory accounting is not considered under the current IFRS Framework or in any specific standard and, therefore, the general principles in connection with assets and liabilities are applied. Consequently, items which were previously reported as regulatory assets and liabilities under CGAAP are reported in the statement of profit and loss for a given period under IFRS.

In July 2009, the IASB issued an Exposure Draft ("ED") proposing accounting requirements for rate-regulated activities ("RRA"). In September 2010, the IASB staff issued Agenda Paper 12 outlining the staff's view that regulatory assets and regulatory liabilities did not meet the definitions of an intangible asset under *IAS 38 – Intangible Assets*, a financial liability nor a provision under *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*.

The Canadian Electricity Association ("CEA") wrote a joint letter to the IASB on September 2010 requesting an interim standard to grandfather previous GAAP accounting practices, such as those in Canada, be developed with respect to accounting for regulatory assets and liabilities. The IASB response indicated that it would further consider an interim standard after public consolidation in 2011. To date, the IASB has not approved any temporary exemption or finalized a rate-regulated activities standard under IFRS.

## IFRS Implementation deferrals

This potential for further discussions with respect to rate regulated accounting has resulted in the AcSB providing two separate one year extensions:

In October 2010, the AcSB approved the incorporation of a one year deferral of Part 1 of the Canadian Institute of Chartered Accountants ("CICA") Handbook for qualifying entities with activities subject to rate regulation. Part 1 of the CICA Handbook specifies that first-time adoption is mandatory for interim and annual financial statements relating to annual periods beginning on or after January 1, 2012.

In March 2012, the AcSB decided to extend the deferral of the mandatory IFRS changeover date for entities with qualifying rate-regulated activities by one more year, from 2012 to 2013. Rate-regulated entities now have the option to defer their changeover to IFRS to January 1, 2013.

This additional deferral date to January 1, 2013 is in light of recent discussions of the IASB's future agenda. Those discussions suggest an increased possibility that the IASB may address rate-regulated activities as part of its future agenda and could potentially develop interim guidance that, in effect, would allow the continuation of accounting practices in accordance with pre-changeover standards in Part V of the Handbook.

By providing a further deferral to January 1, 2013, the AcSB has more time to consider the actions it might take should the IASB add to its agenda a project on the effects of rate regulation.

## London Hydro currently under CGAAP

Due to the current uncertainty surrounding rate-regulated accounting, London Hydro has elected to defer its changeover and is currently capturing and reporting its 2012 results in accordance with CGAAP for both internal and external reporting purposes.

London Hydro has chosen to defer in the hope that a standard will be developed to accommodate rate-regulated accounting. This would assist with reducing confusion for the reader of financial results and the complexities associated with tracking and reporting regulatory assets and liabilities as profit and loss items.

## Cost of Service Application under MIFRS

In accordance with the Board's correspondence of April 30, 2012 regarding the "Impact of the Decision to Defer the Mandatory Date for the Implementation of International Financial Reporting Standards to January 1, 2013 by the Canadian Accounting Standards Board" and by virtue of the existing AcSB standard at the timing of filing, this Application for 2013 is being filed in accordance with MIFRS.

# IMPACT ON BASE REVENUE REQUIREMENT

Implementation of IFRS as at January 1, 2013, with 2012 being the transition year, results in an approximate decrease of $6,062,000 in proposed base revenue requirement for the 2013 Test Year compared to CGAAP summarized as follows:

**Table 10-1 – MIFRS Impact on Base Revenue Requirement**

| **MIFRS - Impact on Revenue Requirement** *(in thousands)* | | | |
|---|---|---|---|
| | CGAAP | MIFRS | Impact |
| Operations and Maintenance | 33,509 | 33,845 | 336 |
| Amortization | 20,664 | 15,788 | (4,876) |
| Interest | 8,574 | 8,648 | 74 |
| PILs | 2,732 | 934 | (1,798) |
| Return on equity | 9,751 | 9,835 | 84 |
| | 75,230 | 69,050 | (6,180) |
| Revenue offsets | (3,398) | (3,398) | - |
| | 71,832 | 65,652 | (6,180) |
| Amortization of 1575 PP&E deferral account | | 118 | 118 |
| **Total Base Revenue** | **71,832** | **65,770** | **(6,062)** |

## *Differences as a result of IFRS implementation*

There are various differences between IFRS and CGAAP, but only two items have an impact on this Cost of Service Application:

1) The life spans applied to capital assets and the resulting amortization expense; and

2) Overhead costs allocated out from gross expenditures and applied to the cost of capital asset additions.

These differences impact capital assets and OM&A expenditures as follows:

1) The change in life spans applied to capital assets has lowered amortization expense by $4,876,000 for the proposed 2013 Test Year (2012 Bridge Year - $144,000 increase); and

2) The change to overhead cost allocations has increased OM&A expenditures by $336,000 for the proposed 2013 Test Year (2012 Bridge Year $328,000).

## RATE BASE

London Hydro has calculated its proposed rate base under MIFRS for the 2013 test year as $269,590,258 as summarized in Table 10-2 below:

**Table 10-2 – MIFRS Rate Base**

| LONDON HYDRO INC. 2013 RATE BASE (MIFRS) | | |
|---|---|---|
| | | 2013 Test Year |
| Net Fixed Asset balances, December 31, 2012 | 222,156,052 | |
| Net Fixed Asset balances, December 31, 2013 | 231,661,519 | |
| | 453,817,571 | |
| Net Fixed Assets (*Average)* for Rate Base | /2 | 226,908,786 |
| Account 1575 IFRS-CGAAP Transitional PP&E Account | | 471,922 |
| Allowance for Working Capital | | 42,209,550 |
| **Rate Base** | | **269,590,258** |

The proposed MIFRS rate base for the 2013 test year is approximately $2,308,000 higher than that calculated under CGAAP as indicated in Table 10-3 below, resulting mainly from the change in life spans applied to capital assets:

**Table 10-3 – Comparison between MIFRS and CGAAP Rate Base**

| MIFRS - Impact on Rate Base *(in thousands)* | | | | | |
|---|---|---|---|---|---|
| | | CGAAP | | MIFRS | Impact |
| Net fixed assets - 2012 | 222,628 | | 222,156 | | (472) |
| Net fixed assets - 2013 | 227,594 | | 231,662 | | 4,068 |
| **Net fixed assets *(average)*** | **450,222** | **225,111** | **453,818** | **226,909** | **1,798** |
| **PP&E deferral account 1575** | | | | **472** | **472** |
| OM&A | 33,509 | | 33,845 | | 336 |
| Cost of Power | 335,766 | | 335,766 | | - |
| **Working capital allowance at 11.42%** | 369,275 | **42,171** | 369,611 | **42,210** | **38** |
| | | **267,282** | | **269,591** | **2,308** |

# Net Fixed Assets

Net Fixed Assets for the 2012 Bridge Year and proposed 2013 Test Year are $222,156,052 and $231,661,519 as illustrated in Table 10-4 below:

**Table 10-4 – MIFRS Net Fixed Assets for 2012 Bridge and 2013 Test Years**

| LONDON HYDRO INC. SUMMARY OF NET FIXED ASSETS FOR MIFRS RATE BASE | | |
|---|---|---|
| | 2012 Bridge Year | 2013 Test Year |
| **Gross Fixed Assets** | | |
| Opening balance | 374,992,974 | 413,940,268 |
| Transfer smart meters Jan 1, 2012 | 24,403,497 | - |
| Additions | 26,559,300 | 26,021,400 |
| Disposals | (12,015,503) | (12,032,357) |
| Closing balance (excluding WIP) | 413,940,268 | 427,929,311 |
| **Accumulated Depreciation** | | |
| Opening balance | 180,917,507 | 191,784,216 |
| Transfer smart meters Jan 1, 2012 | 2,593,363 | - |
| Additions | 20,287,927 | 16,515,527 |
| Disposals | (12,014,581) | (12,031,951) |
| Closing balance | 191,784,216 | 196,267,792 |
| **Net Fixed Assets *(MIFRS Actuals)*** | **222,156,052** | **231,661,519** |

Net fixed assets under MIFRS for the proposed 2013 Test Year have been calculated as $231,661,519. A reconciliation between net fixed assets forecasted at December 31, 2013 under CGAAP in comparison to MIFRS is provided below:

**Table 10-5 – CGAAP to MIFRS Net Fixed Assets Comparison - 2013 Test**

| CGAAP TO IFRS NET FIXED ASSETS COMPARISON - DECEMBER 2013 | | | |
|---|---|---|---|
| | Cost | Accumulated Depreciation | Net Book Value |
| CGAAP, as at December 31, 2013 | 427,010,528 | (199,416,579) | 227,593,949 |
| IFRS transitional adjustments: | | | |
| Overhead costs | | | |
| 2012 | (684,700) | | (684,700) |
| 2013 | (736,600) | | (736,600) |
| Amortization | | | |
| 2012 | | 212,901 | 212,901 |
| 2013 | | 5,276,298 | 5,276,298 |
| Disposals NBV | | | |
| 2012 | - | (123) | (123) |
| 2013 | 2,340,083 | (2,340,289) | (206) |
| | 918,783 | 3,148,787 | 4,067,570 |
| **IFRS, as at December 31, 2013** | 427,929,311 | (196,267,792) | **231,661,519** |

London Hydro acknowledges the difference between the amortization expense in Table 10-5 compared to the amortization expense recorded throughout much of the rest of the Application. The difference relates to approximately $401,000 of amortization expense associated with vehicles that are classified as OM&A expenses. The decrease in overhead expenses indicated above of $736,600 corresponds to the increase in OM&A expenditures of approximately $336,000, when considering the increase in Materials Management costs ($496,000), the decrease in vehicle depreciation expense ($401,000), less the amount of vehicle depreciation expense decrease that is allocated to capital through reduced burdens ($160,000).

As referenced in Table 10-4, net fixed assets under MIFRS for the 2012 bridge year have been calculated as $222,156,052. A reconciliation between net fixed assets forecasted at December 31, 2012 under CGAAP in comparison to MIFRS is provided below:

**Table 10-6 – CGAAP to MIFRS Net Fixed Assets Comparison - 2012 Bridge**

| CGAAP TO IFRS NET FIXED ASSETS COMPARISON - DECEMBER 2012 | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| CGAAP, as at December 31, 2012 | 414,624,968 | (191,996,994) | 222,627,974 |
| **IFRS transitional adjustments:** | | | |
| Overhead costs | (684,700) | | (684,700) |
| Amortization | | 212,901 | 212,901 |
| Disposals NBV | | (123) | (123) |
| **Total IFRS transitional adjustments (account 1575)** | (684,700) | 212,778 | **(471,922)** |
| **IFRS, as at December 31, 2012** | 413,940,268 | (191,784,216) | **222,156,052** |

For full details and analysis regarding Rate Base and Net Fixed Assets for the 2012 Bridge Year and proposed 2013 Test Year under CGAAP, please refer to Exhibit 2 – Rate Base in this Application.

## 1575 IFRS-CGAAP Transitional PP&E Amounts

Pursuant to directives and guidance provided in the revised Accounting Procedures Handbook issued December 2011 effective January 1, 2012, London Hydro has created a new deferral account to capture the difference in PP&E and intangible assets as a result of transition from previous CGAAP to MIFRS up until rebasing.

Since this Application is being filed based on an IFRS implementation date of January 1, 2013, the 1575 IFRS-CGAAP Transitional PP&E Amounts account represents differences in the Company's projected net fixed assets for the 2012 Bridge Year when calculated under Canadian GAAP in comparison to that calculated under MIFRS.

As noted above in Table 10-6 – CGAAP to MIFRS Net Fixed Assets Comparison - 2012 Bridge, these transitional adjustments are projected as $471,922 and relate mainly to differences in amortization expense and overhead costs, as summarized below:

| **IFRS - CGAAP Transitional Differences - 2012** | |
|---|---|
| Decrease in amortization expense | (4,958,049) |
| Assets with no remaining life at January 1, 2012 | 4,745,148 |
| Net decrease in amortization expense | (212,901) |
| Decrease in overhead costs included in additions | 684,700 |
| Disposal net book value differences | 123 |
| | **471,922** |

These transitional adjustments for the 2012 Bridge Year result in a lower MIFRS Rate Base in comparison to that calculated under CGAAP. Accordingly, the 1575 IFRS-CGAAP Transitional PP&E Amounts account represents amounts recoverable from customers.

London Hydro is respectfully requesting to amortize this account over a period of four years so as to have the account cleared by its next rebasing in 2017. Based on an amortization period of four years, amortization expense for the proposed 2013 Test Year has been increased in the amount of $117,981, as listed in Table 10-7 below:

**Table 10-7 – 1575 IFRS – CGAAP Transitional PP&E Amounts**

| **1575 IFRS - CGAAP Transitional PP&E Amounts** | |
|---|---|
| Balance recoverable December 2012 | 471,922 |
| Amortization for 2013 at 1/4 | (117,981) |
| Unamortized balance December 2013 | 353,941 |

Pursuant to Filing Requirements as listed in EB-2006-170 issued June 28, 2012, a schedule of IFRS-GAAP Transitional PP&E Amounts (OEB Appendix 2-EB) is provided in APPENDIX 10C - IFRS-CGAAP TRANSITIONAL PP&E AMOUNTS of this Exhibit.

### *Decrease in amortization expense*

New life spans have been applied to capital assets as at January 1, 2012 resulting in a decrease in amortization expense of $4,958,049 for the 2012 Bridge Year.

### *Assets with no remaining life*

On transition to IFRS, most capital asset life spans were increased. However, there were some capital assets where the life span was decreased (for example, where segregating electrical components from a building). In these situations where an asset's life span was reduced and the asset had no remaining life under the new policy, the asset's remaining net book value as at January 1, 2012 was charged to amortization expense. As noted above, this amounted to $4,745,148, leaving a net amortization decrease of $212,901 for the 2012 Bridge Year.

### *Decrease in overhead costs*

As a result of the transition to IFRS on January 1, 2012, London Hydro was required to adjust the overhead burdens which had been historically capitalized under CGAAP. London Hydro has always maintained a fairly conservative capitalization policy and as such, the impacts to overhead costs were relatively insignificant when compared to the impact of the change in useful lives. The end result is that capital additions for the 2012 Bridge Year decreased by $684,700 compared to CGAAP. This reduction represents lower overhead charges for Materials Management $470,700 and reduced vehicle costs due to decreased fleet amortization $214,000.

## OM&A AND AMORTIZATION EXPENDITURES

Transition to MIFRS has the effect of increasing OM&A and amortization expenditures for the 2012 Bridge Year in the amount of $472,000 and decreasing OM&A expenditures for the 2013 Test Year in the amount of $4,421,000 as summarized in Table 10-8 below:

**Table 10-8 – MIFRS Impact on OM&A and Amortization Expenditures**

| MIFRS Impact on OM&A *and Amortization* Expenditures *(in thousands)* | 2012 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | CGAAP | MIFRS | Impact | CGAAP | MIFRS | Impact |
| Employee benefits | 3,017 | 3,017 | - | 3,162 | 3,162 | - |
| Vehicle expenditures (excluding amortization) | 969 | 969 | - | 983 | 983 | - |
| Materials Management | 174 | 645 | 471 | 178 | 674 | 496 |
| PP&E amortization | 20,012 | 20,156 | 144 | 20,664 | 15,789 | (4,875) |
| Vehicle amortization (100%) | 926 | 569 | (357) | 1,128 | 727 | (401) |
| Total Amortization | 20,938 | 20,725 | (213) | 21,792 | 16,516 | (5,276) |
| Amortization of 1575 PP&E deferral account | - | - | - | - | 118 | 118 |
| Total before allocation of vehicle amortization decrease | 25,098 | 25,356 | 258 | 26,115 | 21,453 | (4,662) |
| Vehicle amortization to capital additions (60%) | (556) | (341) | 214 | (677) | (436) | 241 |
| **MIFRS Impact on OM&A and Amortization Expenditures** | **24,543** | **25,015** | **472** | **25,439** | **21,017** | **(4,421)** |
| Allocated to: | | | | | | |
| Controllables (incl. net vehicle amortization) | 4,531 | 4,859 | 328 | 4,775 | 5,110 | 336 |
| Amortization | 20,012 | 20,156 | 144 | 20,664 | 15,907 | (4,757) |
| | **24,543** | **25,015** | **472** | **25,439** | **21,017** | **(4,421)** |

For greater clarity, it should be noted that the decrease in OM&A expenditures for the 2012 Test Year corresponds to amounts included in the 1575 IFRS-CGAAP Transitional PP&E Amounts account as displayed in Table 10-6 and 10-7 above.

### *Vehicle amortization decrease impact on OM&A*

New life spans implemented January 1, 2012 provide lower vehicle amortization for the 2012 Bridge Year in the amount of $357,000 and $401,000 for the 2013 Test Year.

Vehicles are used for both capital and OM&A activities at an approximate ratio of 60:40, based on historical data analysis. Accordingly, this amortization reduction has the effect of decreasing the cost of capital additions in the amount of $241,000 (60%) and OM&A controllable expenditures by $160,000 (40%) for the 2013 Test Year. For the 2012 Bridge Year, the cost of capital additions was reduced by $214,000 (60%) and $143,000 (40%) in OM&A controllables, as illustrated in Table 10-9 below:

**Table 10-9 – MIFRS Vehicle Amortization Impact**

| MIFRS Vehicle Amortization Impact *(in thousands)* | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2012 | | | 2013 | | |
| | | CGAAP | MIFRS | Impact | CGAAP | MIFRS | Impact |
| Vehicle amortization | 100% | 926 | 569 | **(357)** | 1,128 | 727 | **(401)** |
| Impact: | | | | | | | |
| Capital additions | 60% | 556 | 341 | (214) | 677 | 436 | (241) |
| Controllables - amortization | 40% | 370 | 228 | (143) | 451 | 291 | (160) |
| | | 926 | 569 | **(357)** | 1,128 | 727 | **(401)** |

## WORKING CAPITAL ALLOWANCE

London Hydro's working capital allowance for the 2013 Test Year has been increased by $38,000 as a result of transition to MIFRS, resulting from reduced Materials Management overhead cost allocations to capital and longer life spans applied to vehicles, as displayed below:

**Table 10-10 – MIFRS Impact on Working Capital Allowance**

| MIFRS Impact on Working Capital Allowance *(in thousands)* | | | |
|---|---|---|---|
| | 2013 | | |
| | Amount | WC % | Impact |
| Materials management | 496 | | |
| Fleet amortization | (160) | | |
| | 336 | 11.42% | **38** |

# DIFFERENCES BETWEEN CGAAP AND IFRS

## AMORTIZATION OF CAPITAL ASSETS

### Componentization

IFRS requires more rigorous accounting for significant components of property, plant and equipment than is required under CGAAP. Under IFRS (IAS 16), an item should be separated into parts (components) when the cost of those parts is significant in relation to the total cost of the item.

#### *Unbundling of capital assets in 2009*

In preparation for its transition to IFRS which was originally targeted to have a transition date of January 1, 2010, London Hydro performed an analysis and review of capital assets as at December 31, 2009 for the purpose of unbundling account balances and reclassifying amounts into more intricate detail so that items can be depreciated separately.

#### *Implementation of new life spans deferred to 2012*

The componentization project was completed and applied to December 31, 2009 balances. However, the implementation of IFRS was subsequently deferred and, therefore, new life spans were not applied to the new IFRS components until January 2012, using the results of the analysis previously performed as it was determined that no significant changes to the overall useful lives for any asset class had occurred since the report was finalized.

### Life Spans

#### *Development of new useful lives*

Once the componentization exercise was complete, the second phase in the transition to IFRS project was to determine the useful lives of the components. Useful lives were established by London Hydro Engineering and Operations staff and with the assistance of a study done by Kinectrics Inc. The Kinectrics study, which was developed during 2009 and completed January 2010, was prepared for the benefit of a small consortium of utilities in the southwestern region. A copy of this Kinectrics study has been provided in Exhibit 4 - Appendix 4D.

### *Detailed schedule of useful lives*

A schedule of useful lives adopted by London Hydro as a result of this exercise is provided in Exhibit 4 – Table 4-52 Comparison of London Hydro and Kinectrics Studies.

### *Resulting decrease in amortization expense*

The new adopted life spans have the effect of decreasing amortization expense by $4,958,049 for the 2012 Bridge Year and $5,276,298 for the proposed 2013 Test Year. However, as noted above, there was a one-time transitional adjustment to increase amortization expense in the 2012 Bridge Year in the amount of $4,745,148 representing the net book value of assets with no remaining life under the new adopted life spans as at January 1, 2012.

## OVERHEAD COSTS

Overhead costs allocated to capital under MIFRS have been reduced by $685,000 for the 2012 Bridge Year and $737,000 for the 2013 Test Year related to materials management and vehicle amortization as follows:

**Table 10-11 – A Comparison of Overhead Costs under CGAAP and MIFRS**

| Overhead Costs *(in thousands)* | | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2013 | | |
| | CGAAP | MIFRS | Impact | CGAAP | MIFRS | Impact |
| Employee benefits | 3,017 | 3,017 | - | 3,162 | 3,162 | - |
| Vehicle expenditures | 969 | 969 | - | 983 | 983 | - |
| Vehicle amortization (60%) | 556 | 341 | (214) | 677 | 436 | (241) |
| Materials Management | 719 | 248 | (471) | 751 | 255 | (496) |
| | **5,261** | **4,575** | **(685)** | **5,573** | **4,837** | **(737)** |

A summary of rates used to apply overhead costs under CGAAP in comparison to IFRS is in Table 10-12 below. These rates are applied on a transaction by transaction basis with true-up adjustments being made on a periodic basis to ensure that all overhead costs are applied in full.

**Table 10-12 – A Comparison of Overhead Rates under CGAAP and MIFRS**

| Overhead Rates Summary | | |
|---|---|---|
| | CGAAP | IFRS |
| **Labour** | | |
| full-time | 64% | 64% |
| part-time | 22% | 22% |
| **Vehicle usage rates** | no change | no change |
| **Materials management** | | |
| items >$1,000 and wire/cable | 7% | 3% |
| all other items | 16% | 5% |

Pursuant to the Board's Filing Requirements dated June 28, 2012, a schedule of overhead expense (OEB Appendix 2-D) impact on Property, Plant and Equipment as well as OM&A is provided in APPENDIX 10D - OVERHEAD EXPENSE IMPACT ON CAPITAL AND OM&A.

*Overhead cost types*

London Hydro has three types of overhead costs that are allocated to activities in order to recognize expenditures associated with:

- **Employee Benefits and Employer Costs:** applied to direct labour costs to recognize employee benefits such as vacation time, OMERS, group health insurance, LTD insurance and employer costs such as Canada Pension, Employment Insurance, Employer Health Tax and Workers' Compensation.

- **Vehicles:** charged to activities at an hourly rate based on usage to capture costs associated with vehicles required to perform the given activity, such as a capital project, operating and maintenance activities and billable services.

- **Materials Management:** attached to the value of materials issued from the Stores Department in order to recognize expenditures associated with keeping required stock on hand and available in an efficient and timely manner.

### *IFRS requirements*

IAS 16 states that the cost of an item of property, plant and equipment should be comprised 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".

Costs of an item should include, for example:

- costs of employee benefits arising directly from the construction or acquisition of the item of property, plant and equipment;
- costs of site preparation;
- initial delivery and handling costs;
- installation and assembly costs;
- costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
- professional fees.

Costs of an item should *not* include, for example:

- costs of opening a new facility;
- costs of introducing a new product or service (including costs of advertising and promotional activities);
- costs of conducting business in a new location or with a new class of customer (including costs of staff training); and
- administrative and other general overhead costs.

### *London Hydro's review of overhead costs*

In order to comply with IFRS with respect to appropriate overhead amounts to be allocated to capital, London Hydro reviewed all of its overhead allocation bases consisting of employee benefits and employer costs, vehicles and the materials management, as follows:

## Employee benefits and employer costs

Under CGAAP, London Hydro applies a payroll overhead rate to direct labour charges in order to recognize associated indirect costs in connection with benefits such as vacation, sick leave, statutory holidays, training, bereavement, long-term disability benefits, group medical coverage and OMERS, as well as employer costs such as Canada Pension Plan, Employment Insurance, WSIB and Employer Health Tax. These benefits equate to a percentage rate of 64% for full-time employees and 22% for non full-time employees.

In order to accommodate IFRS requirements, overhead rates were revised to remove indirect costs associated with training. This modification was implemented under CGAAP effective January 1, 2012 since this was a relatively minor revision and acceptable under Canadian GAAP. Recent increases in OMERS rates called for an increase in the benefits overhead rate applied, however, the rate was left unchanged so as to offset the indirect training component included in the 64% rate.

## Vehicles

Under CGAAP, London Hydro allocates the entire cost of the fleet department including expenditures such as labour, insurance, fuel, licensing, supplies, amortization and vehicle repairs and maintenance however, excluding any costs associated with facilities. The fleet department is charged out based on vehicle hours used which is tracked through time sheets.

No changes have been made to the fleet allocation base as it was determined that these expenditures are associated with a specific item of property, plant and equipment since usage is tracked through the use of time sheets and these costs would be avoided if the given asset had not been constructed or acquired.

The decrease in vehicle overheads allocated to capital as noted above ($214,000 for the 2012 Bridge Year and $241,000 for the proposed 2013 Test Year) is a result of lower amortization expense resulting from the longer service lives being applied to vehicles under MIFRS.

## Materials Management

Under CGAAP, London Hydro allocates the entire cost of the Stores Department, excluding the cost of inventory obsolescence. These costs include expenditures such as labour, waste disposal, supplies and photocopiers, but they exclude any costs associated with facilities. Costs are charged to an activity through a percentage rate applied to the value of an item being issued from stock.

IFRS does not allow for the capitalization of general and administrative overheads. Accordingly, management performed a review of overhead allocations to capital and made revision to exclude a large majority of the Stores Department expenditures since the associated activity cannot be tied to a specific item of property, plant and equipment or is considered warehousing in nature.

Under IFRS, only the costs associated with one project manager and two stock keepers are included in the base for overhead allocations to capital. All other costs are expensed as OM&A. This has the effect of decreasing property, plant and equipment and intangible assets and increasing OM&A expenditures in the amount of $471,000 for the 2012 Bridge Year and $496,000 for the proposed 2013 Test Year.

## CAPITAL CONTRIBUTIONS

Contributions in aid of construction under IFRS are reported as deferred revenue and amortized to income on a straight-line basis over the estimated economic useful life of the acquired or contributed assets.

Under MIFRS, the amortization of these contributions, over an estimated life span, has been credited to amortization expense rather than income. Also, the unamortized balance of capital contributions is recorded as a credit against property, plant and equipment rather than a deferred revenue item.

# CAPITALIZATION POLICY

Prior to the implementation of IFRS, London Hydro did not have a formal written capitalization policy, however, it followed Generally Accepted Accounting Principles, in particular the CICA Handbook Section 3060, Capital Assets. London Hydro also used the guidelines as set out in the Board's Accounting Procedures Handbook, where applicable.

While under CGAAP, London Hydro did not capitalize interest on funds used during construction unless such funds relate to specific borrowings for capital purposes, and did not capitalize, through internal cost allocations, any indirect administrative support costs such as Finance, Human Resources, Corporate Services or Facilities**.**

The Report of the Board (EB-2008-0408) issued July 28, 2009 to set regulatory policy for, and provide guidance on, transition to IFRS states that:

> *3.3 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. The utility will file a copy of its capitalization policy, identifying any updates to the policy, as part of its first cost of service rate filing after IFRS adoption. Revenue requirement impacts of any change in capitalization policy must be specifically and separately quantified.*

In order to accommodate the above-noted requirement and to assist in its transition to IFRS, London Hydro developed a written capitalization policy to document existing policies in place to be carried forward into IFRS and clarify new policies and procedures required as a result of the move to IFRS. A copy of the written capitalization policy is provided under APPENDIX 10B – CAPITALIZATION POLICY.

Highlights of London Hydro's policies and procedures with respect to the capitalization of assets are as follows:

- Grouped accounting for capital assets has ceased. This requires that all asset disposals be assessed to determine their net book value and materiality so that gains and losses are recognized appropriately in profit and loss.

As noted below, no gain or loss on disposal amounts as a result of transition to MIFRS have been included in the projected OM&A expenditures for the 2013 test year.

- London Hydro has not accrued to any asset retirement obligations (ARO's) due the perpetual nature of the entity, combined with the fact that no contractual obligations exist to pay any specific disposition or retirement costs.

- Capitalization thresholds have been documented to ensure an items materiality warrants capitalization and to provide consistency in policies being applied throughout the Organization.

- The policy calls for an annual review of the applied life spans and is in accordance with the IFRS requirement that useful lives, residual values and amortization methods be reviewed annually.

- The capitalization policy stipulates the IFRS requirement that expenditures be 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.

## CAPITALIZED BORROWING COSTS

London Hydro's policy on the capitalization of interest during the construction of capital assets has been documented in London Hydro's Capitalization Policy and outlines that interest or borrowing costs should be capitalized where construction activity extends beyond one year.

There are no capital projects scheduled for 2012 or 2013 that are anticipated to have a construction period beyond one year. Accordingly, no amounts have been included in the cost of capital asset additions for the 2012 Bridge Year or proposed 2013 Test Year with respect to capitalized borrowing costs.

## GAINS AND LOSSES ON DISPOSAL OF CAPITAL ASSETS

No provision has been made in this Application for any changes to gains and losses on disposal of capital assets as a result of transition to MIFRS.

Although IFRS requires that the gain or loss arising from the derecognition of an item of property, plant and equipment or intangible asset be recognized immediately in the profit and loss of the Company, London Hydro does not currently have sufficient historical records available on which to forecast a proposed budget. Grouped accounting for like items was used up until December 31, 2011 and, accordingly, there was no requirement to track this type of activity in the past.

London Hydro has recently begun to monitor disposal activity and information with respect to the net book value of items removed is being gathered to provide historical data on which to develop budgets. Additionally, enhancements are being implemented in the Geographic Information System (GIS) that will provide data and reporting that will assist in identifying assets that have been removed from the infrastructure.

## POST-RETIREMENT LIABILITY

London Hydro's IFRS transitional adjustment for Pension and Other Post-Employment Benefits ("P&OPEB") is $1,844,800, representing the difference in the Company's liability under IFRS in comparison to that calculated under CGAAP as at January 1, 2012. The transitional adjustment represents unamortized actuarial losses and an unrecognized liability associated with future benefits relating to service awards, which is not a requirement under CGAAP but is a new requirement under IFRS.

A copy of London Hydro's actuarial review on non-pension post-retirement benefit costs as at December 31, 2011 is provided in Exhibit 4 – Appendix 4C.

This transitional adjustment has no impact on revenue requirement as filed in this Application and no carrying charges have been applied to this amount.

Since IFRS has not yet been fully implemented, this transitional adjustment is being made as a *place holder only* until such time as transition to IFRS has been completed.

## OPENING BALANCE SHEET JANUARY 1, 2012

With the exception of the P&OPEB transitional adjustment noted above, there were no further adjustments to London Hydro's opening balance sheet as at January 1, 2012 as a result of transitioning from CGAAP to IFRS.

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# APPENDIX 10A – FIXED ASSET CONTINUITY SCHEDULES (2012 and 2013)

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# Table 10-13 - 2012 FORECAST Fixed Asset Continuity Schedule – CGAAP

**(OEB Appendix item 2-B)**

| | | | | Cost | | | | | Accumulated Depreciation | | | | | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OEB Object | Description | Current CCA Class | Deprec Rate (Yrs) | Actual Balance 12/31/2011 | Additions | Transfer from 1555 (SM) | Adjustments / Disposals | Balance 12/31/2012 | Balance 12/31/2011 | Provision | Transfer from 1555 (SM) | Adjustments / Disposals | Balance 12/31/2012 | 31-Dec 2012 |
| 1805 | Land | n/a | n/a | 385,690 | - | | | 385,690 | - | | | | - | 385,690 |
| 1806 | Land Rights | n/a | 15-25 | 322,234 | | | | 322,234 | 148,566 | 11,835 | | | 160,401 | 161,833 |
| 1808 | Buildings (Substations) | 47 | 25-50 | 1,128,336 | 75,000 | | | 1,203,336 | 685,092 | 29,807 | | | 714,899 | 488,437 |
| 1820 | Equipment (Substations) | 47 | 30 | 16,379,236 | 192,500 | | | 16,571,736 | 6,133,163 | 443,811 | | | 6,576,974 | 9,994,762 |
| 1830 | Poles, Towers & Fixtures | 47 | 25 | 37,347,430 | 2,172,700 | | | 39,520,130 | 18,826,274 | 1,505,461 | | | 20,331,735 | 19,188,395 |
| 1835 | OH Conductors & Devices | 47 | 15-25 | 51,330,910 | 3,196,400 | | (1,627,067) | 52,900,243 | 21,438,441 | 2,157,692 | | (1,627,067) | 21,969,066 | 30,931,177 |
| 1840 | UG Conduit | 47 | 25 | 31,235,352 | 2,345,000 | | | 33,580,352 | 8,836,345 | 1,276,038 | | | 10,112,383 | 23,467,969 |
| 1845 | UG Conductors & Devices | 47 | 25-40 | 111,723,077 | 4,647,600 | | (5,510,858) | 110,859,819 | 61,630,972 | 4,171,527 | | (5,510,858) | 60,291,641 | 50,568,178 |
| 1850 | Transformers | 47 | 15-35 | 72,340,094 | 5,327,300 | | (2,415,478) | 75,251,916 | 29,991,898 | 2,932,035 | | (2,415,478) | 30,508,455 | 44,743,461 |
| 1855 | Services | 47 | 25 | 20,013,915 | 1,217,500 | | | 21,231,415 | 7,391,678 | 815,144 | | | 8,206,822 | 13,024,593 |
| 1860 | Electric Meters | 8 | 15-35 | 7,668,908 | 755,400 | 16,635,384 | (240,625) | 24,819,067 | 3,953,013 | 1,443,651 | 1,906,666 | (240,625) | 7,062,705 | 17,756,362 |
| 1908 | Buildings (General Plant Area) | 1 | 25-55 | 22,479,216 | 800,000 | | (104,237) | 23,174,979 | 9,837,032 | 638,895 | | (104,237) | 10,371,690 | 12,803,289 |
| 1915 | General Office | 8 | 10 | 1,237,751 | 80,000 | | (237,722) | 1,080,029 | 620,648 | 102,684 | | (237,722) | 485,610 | 594,419 |
| 1920 | Computer Equipment - Hardware | 50 | 5 | 2,442,606 | 448,000 | 277,738 | (504,125) | 2,664,219 | 1,525,576 | 433,722 | 128,219 | (504,125) | 1,583,392 | 1,080,827 |
| 1925 | Computer Equipment - Software | 12 | 5 | 16,361,147 | 5,320,000 | 4,152,969 | (526,224) | 25,307,892 | 7,397,167 | 4,398,868 | 106,653 | (526,224) | 11,376,464 | 13,931,428 |
| 1930 | Transportation | 10 & 38 | 5-10 | 9,491,683 | 1,815,000 | | (440,325) | 10,866,358 | 6,257,616 | 825,063 | | (439,525) | 6,643,154 | 4,223,204 |
| 1935 | Stores Department | 8 | 10 | 295,020 | 5,000 | | (19,122) | 280,898 | 264,001 | 9,446 | | (19,122) | 254,325 | 26,573 |
| 1940 | Tools, Shop, Garage Equipment | 8 | 10 | 1,329,620 | 130,000 | | (163,138) | 1,296,482 | 711,331 | 112,247 | | (163,138) | 660,440 | 636,042 |
| 1945 | Meter Department | 8 | 10 | 103,056 | 93,000 | | (59,192) | 136,864 | 88,465 | 9,036 | | (59,192) | 38,309 | 98,555 |
| 1950 | Power Operated (Major) Equipment | 38 | 8 | 1,029,137 | 75,000 | | | 1,104,137 | 412,831 | 101,038 | | | 513,869 | 590,268 |
| 1955 | Communication Equipment | 8 | 15 | 6,128 | 445,000 | 3,337,406 | | 3,788,534 | 340 | 225,895 | 451,825 | | 678,060 | 3,110,474 |
| 1960 | Miscellaneous | 8 | 10 | - | | | | - | - | | | | - | - |
| 1980 | System Supervisory Equip (Scada) | 47 | 15 | 3,404,802 | 114,600 | | (167,390) | 3,352,012 | 1,734,834 | 219,647 | | (167,390) | 1,787,091 | 1,564,921 |
| 1995 | Contributed Capital | 47 | 25 | (28,843,633) | | | | (28,843,633) | (6,917,361) | (1,153,745) | | | (8,071,106) | (20,772,527) |
| 1995 | Contributed Capital (2011 fwd) | 47 | 25 | (4,218,741) | (2,011,000) | | | (6,229,741) | (50,416) | (208,969) | | | (259,385) | (5,970,356) |
| | **Total before Work In Progress** | | | **374,992,974** | **27,244,000** | **24,403,497** | **(12,015,503)** | **414,624,968** | **180,917,506** | **20,500,828** | **2,593,363** | **(12,014,703)** | **191,996,994** | **222,627,974** |
| 2055 | Work in progress | | | 10,617,840 | - | | | 10,617,840 | | | | | - | 10,617,840 |
| | **Total After Work In Progress** | | | **385,610,814** | **27,244,000** | **24,403,497** | **(12,015,503)** | **425,242,808** | **180,917,506** | **20,500,828** | **2,593,363** | **(12,014,703)** | **191,996,994** | **233,245,814** |
| 1675 | Renewable Generation | 43.2 | 20 | 935,237 | 2,850,000 | | | 3,785,237 | 31,821 | 118,012 | | | 149,833 | 3,635,404 |
| | **Total London Hydro Inc** | | | **386,546,051** | **30,094,000** | **24,403,497** | **(12,015,503)** | **429,028,045** | **180,949,327** | **20,618,840** | **2,593,363** | **(12,014,703)** | **192,146,827** | **236,881,218** |
| | Work in progress | | | | | | | | | | | | | (10,617,840) |
| | LH renewable generation | | | | | | | | | (118,012) | | | | (3,635,404) |
| | Stranded meter depreciation | | | | | | | | | 437,000 | | | | |
| | Fully allocated vehicle depreciation | | | | | | | | | (926,101) | | | | |
| | Rounding | | | | | | | | | 273 | | | | |
| | | | | | | | | | | **20,012,000** | | | | **222,627,974** |

# Table 10-14 - 2012 FORECAST Fixed Asset Continuity Schedule – MIFRS

## (OEB Appendix item 2-B)

| | | | | Cost | | | | | Accumulated Depreciation | | | | | | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OEB Object | Description | Current CCA Class | Deprec Rate (Yrs) | Balance 12/31/2011 | Additions | Transfer from 1555 (SM) | Adjustments / Disposals | Balance 12/31/2012 | Balance 12/31/2011 | Assets with no remaining life | Provision | Transfer from 1555 (SM) | Adjustments / Disposals | Balance 12/31/2012 | 31-Dec 2012 |
| 1805 | Land | n/a | n/a | 385,690 | - | | | 385,690 | - | - | | | | - | 385,690 |
| 1612 | Land Rights | n/a | 25 | 322,234 | | | | 322,234 | 148,566 | - | 15,009 | | | 163,575 | 158,659 |
| 1808 | Buildings (Substations) | 47 | 30-75 | 1,128,336 | 75,000 | | | 1,203,336 | 685,092 | 6,180 | 11,592 | | | 702,864 | 500,472 |
| 1820 | Equipment (Substations) | 47 | 15-45 | 15,086,086 | 191,700 | | | 15,277,786 | 6,011,442 | 9,926 | 272,489 | | | 6,293,857 | 8,983,929 |
| 1610 | Intangible - wholesale meters | CEC | 30 | 1,293,150 | - | | | 1,293,150 | 121,721 | - | 43,055 | | | 164,776 | 1,128,374 |
| 1830 | Poles, Towers & Fixtures | 47 | 45 | 37,347,430 | 2,119,500 | | | 39,466,930 | 18,826,274 | - | 540,059 | | | 19,366,333 | 20,100,597 |
| 1835 | OH Conductors & Devices | 47 | 45-50 | 51,330,910 | 3,113,100 | | (1,627,067) | 52,816,943 | 21,438,441 | - | 753,640 | | (1,627,067) | 20,565,014 | 32,251,929 |
| 1840 | UG Conduit | 47 | 25-30 | 31,235,352 | 2,278,200 | | | 33,513,552 | 8,836,345 | 8,726 | 467,752 | | | 9,312,823 | 24,200,729 |
| 1845 | UG Conductors & Devices | 47 | 30-60 | 111,723,077 | 4,534,800 | | (5,510,858) | 110,747,019 | 61,630,972 | 3,195,817 | 3,256,158 | | (5,510,858) | 62,572,089 | 48,174,930 |
| 1850 | Transformers | 47 | 15-35 | 72,340,094 | 5,002,800 | | (2,415,478) | 74,927,416 | 29,991,898 | - | 1,640,882 | | (2,415,478) | 29,217,302 | 45,710,114 |
| 1855 | Services | 47 | 30-60 | 20,013,915 | 1,180,500 | | | 21,194,415 | 7,391,678 | - | 391,970 | | | 7,783,648 | 13,410,767 |
| 1860 | Electric Meters | 8 | 15-30 | 7,668,908 | 752,000 | 16,635,384 | (240,625) | 24,815,667 | 3,953,013 | 23,073 | 1,380,792 | 1,906,666 | (240,625) | 7,022,919 | 17,792,748 |
| 1908 | Buildings (General Plant Area) | 1 | 12-65 | 22,479,216 | 800,000 | | (104,237) | 23,174,979 | 9,837,032 | 1,045,713 | 828,817 | | (104,237) | 11,607,325 | 11,567,654 |
| 1915 | General Office | 8 | 5 | 1,237,751 | 80,000 | | (237,722) | 1,080,029 | 620,648 | 117,952 | 213,160 | | (237,722) | 714,038 | 365,991 |
| 1920 | Computer Equipment - Hardware | 50 | 3 | 2,442,606 | 448,000 | 277,738 | (504,125) | 2,664,219 | 1,525,576 | 140,552 | 588,224 | 128,219 | (504,125) | 1,878,446 | 785,773 |
| 1611 | Computer Software | 12 | 3-5 | 16,361,147 | 5,320,000 | 4,152,969 | (526,224) | 25,307,892 | 7,397,167 | 64,814 | 4,520,527 | 106,653 | (526,224) | 11,562,937 | 13,744,955 |
| 1930 | Transportation | 10 & 38 | 8-12 | 9,491,683 | 1,815,000 | | (440,325) | 10,866,358 | 6,257,616 | - | 467,744 | | (439,402) | 6,285,958 | 4,580,400 |
| 1935 | Stores Department | 8 | 8 | 295,020 | 5,000 | | (19,122) | 280,898 | 264,001 | 4,614 | 7,625 | | (19,122) | 257,118 | 23,780 |
| 1940 | Tools, Shop, Garage Equipment | 8 | 8 | 1,329,620 | 130,000 | | (163,138) | 1,296,482 | 711,331 | 11,339 | 173,044 | | (163,138) | 732,576 | 563,906 |
| 1945 | Meter Department | 8 | 8 | 103,056 | 93,000 | | (59,192) | 136,864 | 88,465 | 5,846 | 7,747 | | (59,192) | 42,866 | 93,998 |
| 1950 | Power Operated (Major) Equipment | 38 | 8 | 1,029,137 | 75,000 | | | 1,104,137 | 412,831 | - | 101,179 | | | 514,010 | 590,127 |
| 1955 | Communication Equipment | 8 | 15-35 | 6,128 | 445,000 | 3,337,406 | | 3,788,534 | 340 | - | 225,893 | 451,825 | | 678,058 | 3,110,476 |
| 1960 | Miscellaneous | 8 | 10 | - | | | | - | - | - | | | | - | - |
| 1980 | System Supervisory Equip (Scada) | 47 | 10-20 | 3,404,802 | 111,700 | | (167,390) | 3,349,112 | 1,734,834 | 110,596 | 405,008 | | (167,390) | 2,083,048 | 1,266,064 |
| 1995 | Contributed Capital | 47 | 40 | (33,062,374) | (2,011,000) | | | (35,073,374) | (6,967,777) | - | (769,587) | | | (7,737,364) | (27,336,010) |
| | **Total before Work In Progress** | | | **374,992,974** | **26,559,300** | **24,403,497** | **(12,015,503)** | **413,940,268** | **180,917,506** | **4,745,148** | **15,542,779** | **2,593,363** | **(12,014,580)** | **191,784,216** | **222,156,052** |
| 2055 | Work in progress | | | 10,617,840 | - | | | 10,617,840 | | | | | | - | 10,617,840 |
| | **Total After Work In Progress** | | | **385,610,814** | **26,559,300** | **24,403,497** | **(12,015,503)** | **424,558,108** | **180,917,506** | **4,745,148** | **15,542,779** | **2,593,363** | **(12,014,580)** | **191,784,216** | **232,773,892** |
| 1675 | Renewable Generation | 43.2 | 20 | 935,237 | 2,850,000 | | | 3,785,237 | 31,821 | | 117,818 | | | 149,639 | 3,635,598 |
| | **Total London Hydro Inc** | | | **386,546,051** | **29,409,300** | **24,403,497** | **(12,015,503)** | **428,343,345** | **180,949,327** | **4,745,148** | **15,660,597** | **2,593,363** | **(12,014,580)** | **191,933,855** | **236,409,490** |

| | | |
|---|---|---|
| Work in progress | | (10,617,840) |
| LH renewable generation | (117,818) | (3,635,598) |
| Assets with no remaining life | 4,745,148 | |
| Stranded meter depreciation | 437,000 | |
| Fully allocated vehicle depreciation | (568,923) | |
| Rounding | (4) | |
| | **20,156,000** | **222,156,052** |

# Table 10-15 - 2013 FORECAST Fixed Asset Continuity Schedule – CGAAP

**(OEB Appendix item 2-B)**

| OEB Object | Description | Current CCA Class | Deprec Rate (Yrs) | Cost | | | | Accumulated Depreciation | | | | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance 12/31/2012 | Additions | Adjustments / Disposals | Balance 12/31/2013 | Balance 12/31/2012 | Provision | Adjustments / Disposals | Balance 12/31/2013 | 31-Dec 2013 |
| 1805 | Land | n/a | n/a | 385,690 | | | 385,690 | - | | | - | 385,690 |
| 1806 | Land Rights | n/a | 15-25 | 322,234 | | | 322,234 | 160,401 | 11,835 | | 172,236 | 149,998 |
| 1808 | Buildings (Substations & Gagen) | 47 | 25-50 | 1,203,336 | 75,000 | | 1,278,336 | 714,899 | 32,807 | | 747,706 | 530,630 |
| 1820 | Equipment (Substations) | 47 | 30 | 16,571,736 | 169,400 | | 16,741,136 | 6,576,974 | 446,325 | | 7,023,299 | 9,717,837 |
| 1830 | Poles, Towers & Fixtures | 47 | 25 | 39,520,130 | 2,890,200 | | 42,410,330 | 20,331,735 | 1,563,993 | | 21,895,728 | 20,514,602 |
| 1835 | OH Conductors & Devices | 47 | 15-25 | 52,900,243 | 3,783,300 | (2,179,898) | 54,503,645 | 21,969,066 | 2,265,896 | (2,179,898) | 22,055,064 | 32,448,581 |
| 1840 | UG Conduit | 47 | 25 | 33,580,352 | 2,146,200 | | 35,726,552 | 10,112,383 | 1,358,697 | | 11,471,080 | 24,255,472 |
| 1845 | UG Conductors & Devices | 47 | 25-40 | 110,859,819 | 4,109,800 | (4,530,149) | 110,439,470 | 60,291,641 | 4,172,634 | (4,530,149) | 59,934,126 | 50,505,344 |
| 1850 | Transformers | 47 | 15-35 | 75,251,916 | 5,106,900 | (3,544,267) | 76,814,549 | 30,508,455 | 2,960,818 | (3,544,267) | 29,925,006 | 46,889,543 |
| 1855 | Services | 47 | 25 | 21,231,415 | 1,223,200 | | 22,454,615 | 8,206,822 | 850,879 | | 9,057,701 | 13,396,914 |
| 1860 | Electric Meters | 8 | 15-35 | 24,819,067 | 744,600 | (462,946) | 25,100,721 | 7,062,705 | 1,465,805 | (462,946) | 8,065,564 | 17,035,161 |
| 1908 | Buildings (General Plant Area) | 1 | 25-55 | 23,174,979 | 575,000 | (72,908) | 23,677,071 | 10,371,690 | 659,104 | (72,908) | 10,957,886 | 12,719,185 |
| 1915 | General Office | 8 | 10 | 1,080,029 | 80,000 | (28,876) | 1,131,153 | 485,610 | 107,425 | (28,876) | 564,159 | 566,994 |
| 1920 | Computer Equipment - Hardware | 50 | 5 | 2,664,219 | 480,000 | (712,506) | 2,431,713 | 1,583,392 | 417,261 | (712,506) | 1,288,147 | 1,143,566 |
| 1925 | Computer Equipment - Software | 12 | 5 | 25,307,892 | 5,520,000 | (1,902,338) | 28,925,554 | 11,376,464 | 5,208,742 | (1,902,338) | 14,682,868 | 14,242,686 |
| 1930 | Transportation | 10 & 38 | 5-10 | 10,866,358 | 1,300,000 | (563,723) | 11,602,635 | 6,643,154 | 1,014,978 | (563,523) | 7,094,609 | 4,508,026 |
| 1935 | Stores Department | 8 | 10 | 280,898 | 5,000 | (3,378) | 282,520 | 254,325 | 5,346 | (3,378) | 256,293 | 26,227 |
| 1940 | Tools, Shop, Garage Equipment | 8 | 10 | 1,296,482 | 130,000 | (145,696) | 1,280,786 | 660,440 | 118,560 | (145,696) | 633,304 | 647,482 |
| 1945 | Meter Department | 8 | 10 | 136,864 | 20,000 | | 156,864 | 38,309 | 14,432 | | 52,741 | 104,123 |
| 1950 | Power Operated (Major) Equipment | 38 | 8 | 1,104,137 | 110,000 | | 1,214,137 | 513,869 | 112,600 | | 626,469 | 587,668 |
| 1955 | Communication Equipment | 8 | 15 | 3,788,534 | | | 3,788,534 | 678,060 | 230,800 | | 908,860 | 2,879,674 |
| 1960 | Miscellaneous | 8 | 10 | - | | | - | - | | | - | - |
| 1980 | System Supervisory Equip (Scada) | 47 | 15 | 3,352,012 | 121,400 | (225,755) | 3,247,657 | 1,787,091 | 212,463 | (225,755) | 1,773,799 | 1,473,858 |
| 1995 | Contributed Capital | 47 | 25 | (28,843,633) | | | (28,843,633) | (8,071,106) | (1,153,745) | | (9,224,851) | (19,618,782) |
| 1995 | Contributed Capital (2011 fwd) | 47 | 25 | (6,229,741) | (1,832,000) | | (8,061,741) | (259,385) | (285,830) | | (545,215) | (7,516,526) |
| | **Total before Work In Progress** | | | **414,624,968** | **26,758,000** | **(14,372,440)** | **427,010,528** | **191,996,994** | **21,791,825** | **(14,372,240)** | **199,416,579** | **227,593,953** |
| 2055 | Work in progress | | | 10,617,840 | - | | 10,617,840 | | | | - | 10,617,840 |
| | **Total After Work In Progress** | | | **425,242,808** | **26,758,000** | **(14,372,440)** | **437,628,368** | **191,996,994** | **21,791,825** | **(14,372,240)** | **199,416,579** | **238,211,793** |
| 1675 | Renewable Generation | 43.2 | 20 | 3,785,237 | 1,060,000 | | 4,845,237 | 149,833 | 215,762 | | 365,595 | 4,479,642 |
| | **Total London Hydro Inc** | | | **429,028,045** | **27,818,000** | **(14,372,440)** | **442,473,605** | **192,146,827** | **22,007,587** | **(14,372,240)** | **199,782,174** | **242,691,435** |
| | Work in progress | | | | | | | | | | | (10,617,840) |
| | LH renewable generation | | | | | | | | (215,762) | | | (4,479,642) |
| | Fully allocated vehicle depreciation | | | | | | | | (1,127,578) | | | |
| | Rounding | | | | | | | | (47) | | | (4) |
| | | | | | | | | | **20,664,200** | | | **227,593,949** |

# Table 10-16 - 2013 FORECAST Fixed Asset Continuity Schedule - MIFRS

**(OEB Appendix item 2-B)**

| | | | | Cost | | | | Accumulated Depreciation | | | | Net Book Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OEB Object | Description | Current CCA Class | Deprec Rate (Yrs) | Balance 12/31/2012 | Additions | Adjustments / Disposals | Balance 12/31/2013 | Balance 12/31/2012 | Provision | Adjustments / Disposals | Balance 12/31/2013 | 31-Dec 2013 |
| 1805 | Land | n/a | n/a | 385,690 | | | 385,690 | - | | | - | 385,690 |
| 1612 | Land Rights | n/a | 25 | 322,234 | | | 322,234 | 163,575 | 15,009 | | 178,584 | 143,650 |
| 1808 | Buildings (Substations & Gagen) | 47 | 30-75 | 1,203,336 | 75,000 | | 1,278,336 | 702,864 | 12,592 | | 715,456 | 562,880 |
| 1820 | Equipment (Substations) | 47 | 15-45 | 15,277,786 | 168,600 | | 15,446,386 | 6,293,857 | 267,507 | | 6,561,364 | 8,885,022 |
| 1610 | Intangible Wholesale Meters | CEC | 30 | 1,293,150 | - | | 1,293,150 | 164,776 | 43,055 | | 207,831 | 1,085,319 |
| 1830 | Poles, Towers & Fixtures | 47 | 45 | 39,466,930 | 2,823,800 | (797,263) | 41,493,467 | 19,366,333 | 594,985 | (797,263) | 19,164,055 | 22,329,412 |
| 1835 | OH Conductors & Devices | 47 | 45-50 | 52,816,943 | 3,692,600 | (829,804) | 55,679,739 | 20,565,014 | 822,496 | (829,804) | 20,557,706 | 35,122,033 |
| 1840 | UG Conduit | 47 | 25-30 | 33,513,552 | 2,084,200 | (278,304) | 35,319,448 | 9,312,823 | 503,296 | (278,304) | 9,537,815 | 25,781,633 |
| 1845 | UG Conductors & Devices | 47 | 30-60 | 110,747,019 | 4,009,500 | (5,232,554) | 109,523,965 | 62,572,089 | 3,383,304 | (5,232,554) | 60,722,839 | 48,801,126 |
| 1850 | Transformers | 47 | 15-35 | 74,927,416 | 4,733,400 | (2,415,478) | 77,245,338 | 29,217,302 | 1,786,062 | (2,415,478) | 28,587,886 | 48,657,452 |
| 1855 | Services | 47 | 30-60 | 21,194,415 | 1,186,600 | | 22,381,015 | 7,783,648 | 423,138 | | 8,206,786 | 14,174,229 |
| 1860 | Electric Meters | 8 | 15-30 | 24,815,667 | 741,200 | (238,319) | 25,318,548 | 7,022,919 | 1,384,699 | (238,319) | 8,169,299 | 17,149,253 |
| 1908 | Buildings (General Plant Area) | 1 | 12-65 | 23,174,979 | 575,000 | | 23,749,979 | 11,607,325 | 832,892 | | 12,440,217 | 11,309,762 |
| 1915 | General Office | 8 | 5 | 1,080,029 | 80,000 | (237,722) | 922,307 | 714,038 | 156,331 | (237,722) | 632,647 | 289,660 |
| 1920 | Computer Equipment - Hardware | 50 | 3 | 2,664,219 | 480,000 | (504,125) | 2,640,094 | 1,878,446 | 510,931 | (504,125) | 1,885,252 | 754,842 |
| 1611 | Computer Software | 12 | 3-5 | 25,307,892 | 5,520,000 | (526,224) | 30,301,668 | 11,562,937 | 5,356,665 | (526,224) | 16,393,378 | 13,908,290 |
| 1930 | Transportation | 10 & 38 | 8-12 | 10,866,358 | 1,300,000 | (563,723) | 11,602,635 | 6,285,958 | 614,032 | (563,317) | 6,336,673 | 5,265,962 |
| 1935 | Stores Department | 8 | 8 | 280,898 | 5,000 | (19,122) | 266,776 | 257,118 | 8,118 | (19,122) | 246,114 | 20,662 |
| 1940 | Tools, Shop, Garage Equipment | 8 | 8 | 1,296,482 | 130,000 | (222,330) | 1,204,152 | 732,576 | 139,334 | (163,138) | 708,772 | 495,380 |
| 1945 | Meter Department | 8 | 8 | 136,864 | 20,000 | | 156,864 | 42,866 | 14,809 | (59,192) | (1,517) | 158,381 |
| 1950 | Power Operated (Major) Equipment | 38 | 8 | 1,104,137 | 110,000 | | 1,214,137 | 514,010 | 112,741 | | 626,751 | 587,386 |
| 1955 | Communication Equipment | 8 | 15-35 | 3,788,534 | | | 3,788,534 | 678,058 | 230,598 | | 908,656 | 2,879,878 |
| 1960 | Miscellaneous | 8 | 10 | - | | | - | - | | | - | - |
| 1980 | System Supervisory Equip (Scada) | 47 | 10-20 | 3,349,112 | 118,500 | (167,389) | 3,300,223 | 2,083,048 | 120,557 | (167,389) | 2,036,216 | 1,264,007 |
| 1995 | Contributed Capital | 47 | 40 | (35,073,374) | (1,832,000) | | (36,905,374) | (7,737,364) | (817,624) | | (8,554,988) | (28,350,386) |
| | **Total before Work In Progress** | | | **413,940,268** | **26,021,400** | **(12,032,357)** | **427,929,311** | **191,784,216** | **16,515,527** | **(12,031,951)** | **196,267,792** | **231,661,523** |
| 2055 | Work in progress | | | 10,617,840 | - | | 10,617,840 | | | | - | 10,617,840 |
| | **Total After Work In Progress** | | | **424,558,108** | **26,021,400** | **(12,032,357)** | **438,547,151** | **191,784,216** | **16,515,527** | **(12,031,951)** | **196,267,792** | **242,279,363** |
| 1675 | Renewable Generation | 43.2 | 20 | 3,785,237 | 1,060,000 | | 4,845,237 | 149,639 | 215,568 | | 365,207 | 4,480,030 |
| | **Total London Hydro Inc** | | | **428,343,345** | **27,081,400** | **(12,032,357)** | **443,392,388** | **191,933,855** | **16,731,095** | **(12,031,951)** | **196,632,999** | **246,759,393** |

| | | |
|---|---|---|
| Work in progress | - | (10,617,840) |
| LH renewable generation | (215,568) | (4,480,030) |
| Fully allocated vehicle depreciation | (726,773) | |
| Amortization of 1575 IFRS-GAAP PP&E Transitional Amounts | 117,981 | |
| Rounding | (535) | (4) |
| | **15,906,200** | **231,661,519** |

# APPENDIX 10B – CAPITALIZATION POLICY

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# CAPITAL ASSETS ACCOUNTING POLICIES AND PROCEDURES

**(Property, Plant and Equipment and Intangible Assets)**

## OVERVIEW

London Hydro applies International Financial Accounting Standards (IFRS), as identified in IFRS 1 First Time Adoption of IFRS and in IAS 16 Property, Plant and Equipment (PP&E), for the following general capitalization principles and procedures. Up to and including the date of transition to IFRS, the transition date is January 1, 2012, Canadian Generally Accepted Accounting Principles (CGAAP), and in particular CICA Handbook (Sections 3061 to 3064), and the guidelines as specified in the Ontario Energy Board (OEB) Accounting Procedures Handbook (APH) (Article 410) were the basis for general capitalization principles and procedures. As of January 1 2013, CGAAP will no longer be the accounting standard for London Hydro. However, London Hydro will still be required to be under the guidelines as specified in the Ontario Energy Board (OEB) Accounting Procedures Handbook (APH) for rate setting purposes.

The accounting standards guidelines as specified in the Ontario Energy Board (OEB) Accounting Procedures Handbook (APH) are expected to be modified for inclusion of IFRS requirements. It is unknown at this time as to what OEB changes to the APH may occur. As noted by the OEB in EB-2008-0408 Report to the Board: Transition to International Financial Reporting Standards, "Future regulatory accounting and regulatory reporting requirements established by the Board will be aligned with IFRS requirements as long as that alignment is not inconsistent with sound regulatory rate making principles". Of further consideration is IFRS guidelines are expected to change due to expected modifications to Exposure Drafts (ED) by the International Accounting Standards Board. As well, ongoing differences as to interpretations of IFRS as conducted by various consulting IFRS Groups could also impact policies and procedures.

# GENERAL CAPITALIZATION POLICY

## 1.0 PURPOSE

This document describes the accounting policies and processes set for the appropriate classification of London Hydro's expenditures and provides guidelines to assist in determining whether expenditures are capitalized and recorded to the balance sheet (capital assets) or expensed to operations in the period incurred (expensed).

The accounting policies and processes document is to permit accurate recognition of expenditures as either capital assets or operating expenses which is necessary for meeting the financial reporting requirements for IFRS and of the OEB, to provide accurate financial reporting to management and our shareholder, and to prepare meaningful budgets.

*It should also be noted that capitalized expenditures attempt to provide for an equitable allocation of cost among existing and future customers as the assets are used.*

## 2.0 ACCOUNTING POLICY

### 2.1 Recognition Principle

An *item* of Property, Plant and Equipment should be recognized as a capital asset, if and only if, it is probable that *future economic benefits* associated with the asset will flow to the Company, and the cost of the item can be measured reliably. (IAS 1 67.74 a and b)

Other Criteria for recognition as a capital asset include:

Expenditures incurred to purchase or to build tangible assets that will provide *benefits lasting beyond one year* to the Company will be capitalized.

Expenditures incurred to improve (betterment) an existing asset will be capitalized if it is probable that future economic benefits will flow to the Company. Future economic benefits are demonstrated by the expenditure extending the asset's useful life/lifespan or increasing the asset's potential productivity/capacity or potentially lowering operating costs.

For LDCs, capital assets include electric plant, transmission, generation and distribution facilities, meters, vehicles, office furniture, computer equipment and other equipment.

Expenditures for repairs and/or maintenance designed to maintain an asset in its original state are not capital expenditures and should be charged to an operating account.

***In the event of uncertainty surrounding the determination of a cost to be capital or operating or the application of materiality limits, if any exist, the Finance Department or the CFO should be consulted.***

## 2.2 Measurement

Whether capital assets are purchased or constructed by the Company, they are stated at cost and include expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The cost of self-constructed assets includes direct materials, initial delivery and assembly, labour, employee benefits, professional fees and any other costs directly attributable to bringing the asset to a working condition for its intended use. Other costs could include expenditures directly attributable to the asset from engineering, overheads, contracted services, and interest or borrowing costs.

Overheads are identified as being costs that support capital and operating activities, specifically within Supply Chain Management, Fleet Operations and Labour costing. Similarly, expenditures included in Overheads must be reviewed to determine whether they are "directly attributable" to bringing the asset to the location and working condition for its intended use (IAS 16.16 b). Interest or borrowing costs should be capitalized on qualifying projects where construction activity extends over one year.

Costs that are not included in the cost of an item of PP&E include training costs, administration and other general overhead costs, feasibility studies conducted prior to project approval.

## 2.3 Amortization / Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of PP&E that is significant in relation to the total cost of

the item. PP&E are considered tangible assets. Land and perpetual land rights are not depreciated. Finite lived intangible assets are amortized over their estimated useful life (IAS 38).

Construction-in-progress assets are not amortized until the item of PP&E is **"available for use"** (in its location and condition necessary for it to be capable of operating in the manner intended by management) (IAS 16.55).

The components of PP&E and their estimated useful lives used for amortization or depreciation are reflected in attached *Appendix A: London Hydro PP&E Components with IFRS Lifespans.*

Depreciation methods, useful lives and residual values are reviewed annually. Changes in useful life and residual values resulting from this review will be accounted for on a prospective basis as a change in accounting estimate in accordance with IAS 8.

Depreciation of an asset ceases when the asset is derecognized. (IAS 16.55). Depreciation does not cease when the asset is idle or retired from active use except when the asset is classified as held for sale.

## 2.4 Derecognition (Retirements and Disposals)

An item of PP&E will be removed from the capital assets on the balance sheet when it is taken out of service, or abandoned where no future benefits are expected or when sold. The resulting loss equal to its net book value less disposal costs will be recognized in profit and loss. In the case of a sale of an item of PP&E, gains and losses are determined by comparing the proceeds from the disposal with the net book value of the item disposed with the gain or loss recognized in profit or loss. (IAS 16.68)

Derecognition will follow materiality limits to avoid undue administrative burden where costs may outweigh the benefits. For assets which cannot be individually identified, *this materiality limit has been set to $10,000* in that an item will not be removed from PP&E where its net book value is equal to or less than this limit. This threshold takes into consideration, and assists in offsetting for, those assets in service that have exceeded their life expectancy.

This above-noted materiality limit does not apply where an individual asset record is maintained. For example, in the case of a vehicle.

## 2.5 Impairments

At the end of each annual reporting period, the Company must assess whether there is any indication that an asset may be impaired, and if so, determine and measure the impairment loss (IAS 36.9).

An item of PP&E is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the item. IAS 36.12 (f) states that a plan to dispose of an asset before the previously expected date is an indicator of impairment that triggers the calculation of the asset's recoverable amount for the purpose of determining whether the asset is impaired. Further indications of possible impairment are reflected below.

*Indications of Impairment* [IAS 36.12]

*External sources:*

- market value declines
- negative changes in technology, markets, economy, or laws
- increases in market interest rates

*Internal sources:*

- obsolescence or physical damage
- asset is part of a restructuring or held for disposal
- worse economic performance than expected

The above list is not intended to be exhaustive. [IAS 36.13]

If there is an indication that an impairment loss on assets exists, the recoverable amount is estimated. The impairment loss is the amount by which the asset's carrying amount or net book value exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

# 3.0 DEFINITIONS

## 3.1 Tangible Assets

Property, Plant and Equipment as set out in IAS 16.6 indicates that they are a tangible item that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

## 3.2 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events (for example, purchased or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected. [IAS 38.8] Thus, the three critical attributes of an intangible asset are:

- identifiable
- control (power to obtain benefits from the asset) resulting from a past event
- future economic benefits (such as revenues or reduced future costs)

*Identifiable*: an intangible asset is identifiable when it: (IAS 38.12) is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract) or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

## 3.3 Betterment

A betterment is defined as the cost incurred to enhance the service potential of a capital asset. It can include the increasing of the capacity of the asset, lowering associated operating costs, improving the quality of output or extending the asset's useful life. Expenditures for betterments are capitalized if the capital asset will provide future economic benefit to the Company (see 4.1 for materiality limits as to betterments).

## 3.4 Repair

A repair is a cost which is incurred in the maintenance of the existing service potential of a capital asset. These costs are normally wear and tear in the normal use of the capital asset and do not enhance the service life of the asset. Repair costs are expensed in the period in which they occur.

## 3.5 Administrative and other general overhead

IAS 16.19 (d) explicitly prohibits capitalization of administration and other general overhead costs ("G&A"). IAS 16 does not define administration and other general overhead costs nor is it defined elsewhere in IFRS literature and therefore requires the application of judgment to identify such costs. In considering whether a cost is in the nature of G&A, the nature of the cost itself is not determinative. Rather, it is the specific facts and circumstances surrounding the cost at an entity and the entity's ability to demonstrate that the cost is directly attributable to an item of PP&E.

G&A costs typically benefit the organization as a whole or areas of the organization more broadly rather than contributing directly to bringing a physical asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The more the nature of a particular costs strays from being directly attributable to an item of PP&E, then the more likely it is that the cost will be determined to be in the nature of G&A.

## 3.6 Recoverable amount

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use.

Fair value, less costs to sell, is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.

## 3.7 Qualifying assets

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. A substantial period of time is defined as greater than one year.

# 4.0 CAPITALIZATION GUIDELINES

## 4.1 Materiality Limits

All expenditures for capital assets, including betterments, are subject to materiality limits.

While an expenditure might meet the definition to qualify as a capital asset, a materiality limit has been established to minimize the cost disadvantages where administration costs of capitalizing an asset may outweigh the intended benefits.

In view of the foregoing, expenditures that *are less than $2,000* should be charged to an operating account (expensed). This limit applies to an individual asset, the total costs of a constructed asset, as well as betterments.

In cases where items are routinely purchased as a set, and have an aggregate purchase price of $2,000 or more, the items will be capitalized and depreciated. For example: the purchase of a table and 4 chairs from the same vendor where the table and chairs are to be utilized as a set and the value of which is over $2,000 in total.

Bulk purchases of similar items that have an *aggregate value of $5,000* or more are to be recorded as a fixed asset regardless of individual price of item. For example: the purchase of 10 hand tools at $500 each, where the total purchase is $5,000 or more.

With respect to office furniture and computer hardware purchases, these materiality limits are reduced to $500 and $2,000. Specifically, expenditures that are less than $500 should be expensed and bulk purchase of $2,000 or more are to be capitalized. All acquisitions of used office furniture should be charged to expense.

## 4.2 Componentization of Assets

For each part of an item of PP&E with a cost that is significant in relation to the total cost of the item, the item shall be depreciated separately (IAS 16.43).

An entity allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates each such part (IAS 16.44).

A significant part of an item of PP&E may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another part of the same item. Such parts may be grouped in determining the depreciation charge (IAS 16.45).

## 4.3 Interest or Borrowing Costs

Borrowing costs that are directly attributable to the construction or acquisition of qualifying assets are capitalized as part of the cost of the asset. The OEB usually identifies borrowing costs that are capitalized as being Allowance for Funds Used in Construction (AFUDC). Only those assets with construction periods of *over 1 year* are to be considered for having their interest or borrowing costs capitalized.

For the purposes of determining whether an asset is a qualifying asset, those periods of time where there is a lack of construction activity, for whatever reason, should reflect a reduction of construction duration. Therefore, the period of time reflecting a lack of construction should be eliminated from the construction duration when determining whether the asset has a construction period of greater than one year.

Further requirements include that the qualifying asset has a reasonable expectation of completion and recovery. Interest or borrowing costs are to be charged to an operating account once substantially all of the activities necessary to prepare the qualifying asset for its intended use are complete (IAS 23.22).

The capitalization of borrowing costs should be suspended when there are extended periods where active development of a qualifying asset are suspended.

Borrowing costs are based on the Company's cost of borrowing. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made (IAS 23.10). When the company borrows funds specifically for the purpose of obtaining a particular qualifying asset, the borrowing costs that directly relate to that qualifying asset can be readily identified. Borrowing costs related to general borrowings, where general borrowings are used to obtain a qualifying asset, should be determined. A capitalization rate should be

calculated as the weighted average of the borrowing costs applicable to the borrowings outstanding during the period (IAS 23.14).

## 4.4 Replacement Parts

The cost of replacing part of an item of PP&E is recognized in the carrying amount of the item if it is probable that the future incremental economic benefits embodied within the part will flow to the Company and its costs can be measured reliability (IAS 16.7, 16.13). The carrying amount of the replaced part is derecognized (IAS 16.13).

## 4.5 Decommissioning or Dismantling (Constructive and Asset Retirement Obligations or ARO)

Where there is a legal or constructive obligation to remove and dispose of PP&E at the end of their useful life, a provision is recorded to cover such future removal and disposal costs. (IAS 37, Provisions, Contingent Liabilities and Contingent Assets) The obligation costs are recognized at best estimate to settle the present obligation (IAS 37.36).

It is felt that the Company's distribution network essentially operates in perpetuity, and accordingly the date upon which it will be taken out of service is generally not determinable. Therefore, the present value of that obligation should be immaterial if it exists at all.

Decommissioning or dismantling obligations may arise from contractual agreements (such as leases) or legislation governing the disposal requirements for an asset. When such obligations arise as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, a liability should be recorded. The initial estimate of such a liability is included in the cost of the asset (IAS 16.16 (c)).

## 4.6 Capital Spares

Spare parts and stand-by equipment are considered PP&E when the Company expects to use them during more than one period (year). If the spare parts and servicing equipment can be used only in connection with an item of PP&E, they are considered PP&E (IAS 16.8).

Therefore, spare transformers and meters and other such items of PP&E that are applicable to this guidance, are accounted for as an item of PP&E as they are i) not intended for resale, ii)

have a longer period of future benefit as compared to inventory items, iii) form an integral part of the original distribution plant by enhancing reliability of the original distribution plant, and iv) provide future benefits because they are expected to be placed in service.

Spare parts commence to be amortized when the spare part is available for use (rather than put to use) (IAS 16.55).

## 4.7 Contributed Capital (Contributions in Aid of Construction)

Certain assets may be acquired or constructed with financial assistance in the form of contribution from customers or developers.

Capital contributions received are treated as a liability on the balance sheet (IFRIC 18).

Amortization of the deferred customer contributions is required and done so over the average life span of the related assets.

Additions to contributed capital throughout the year need to be amortized as incurred.

*Amounts that are amortized are to be recorded as a charge to the revenue deferral account and a credit to revenue account. For the purposes of reporting to the OEB, contributed capital is considered to be recorded as a capital account (as a credit to the asset contra account).*

The Company has yet to have a customer or developer with a new expansion project select an "alternative bid" option as determined under 3.2.3 of the OEB Distribution System Code. An alternative bid option is one in which the customer provides on their own the purchase or building of the expansion faculties. Upon acceptance of these facilities by the Company as meeting specific requirements, the facility ownership is then to be transferred from the customer to the Company. The transfer price for the expansion project is based on the Company's initial offer that was made to the customer.

## 4.8 Major Inspections/Overhauls of Item of PP&E

If regular "major" inspections are instituted on an item or items of PP&E, regardless if the parts of the item are replaced, this cost is recognized in the carrying amount of the item of PP&E. (IAS

16.13). If the PP&E item is derecognized the remaining carrying amount of the cost of the previous major inspection is also derecognized.

The cost of the major inspection or overhaul included in the amount initially recognized for an item of PP&E should be allocated to the major inspection or overhaul component and amortized separately over the useful life of this component so that it is fully depreciated before the next major inspection occurs.

The Company does not normally realize regular major inspections on its PP&E, and therefore does not anticipate having a separate component for major inspection costs.

## 4.9 London Hydro Contributions to PP&E not Owned by London Hydro

Contributions to PP&E made by London Hydro, where ownership is not realized by London Hydro, should be classified as an Intangible Asset, based on the following requirements:

The contribution is a resource that is controlled by the entity as a result of asset purchase or self-creation and from which future economic benefits (inflows of cash or other assets) are expected. [IAS 38.8]

Thus, the three critical attributes of an intangible asset are:

- identifiability
- control (power to obtain benefits from the asset)
- future economic benefits (such as revenues or reduced future costs)

An example of such an intangible asset would be London Hydro contributions to a Hydro One Transformer Station. Although London Hydro provided expenditures to the PP&E item, London Hydro does not retain ownership of the item. However, London Hydro does obtain future economic benefit and has been provided by Hydro One assurance that London Hydro has the right to use the item of PP&E or that the item of PP&E's future economic benefits will continue to accrue to London Hydro.

## 4.10 Computer Software Expenditures

Computer software expenditures are to be classified as an intangible asset if it is probable that the expected future economic benefits attributable to it will flow to the entity (IAS 38.21). Only major application software projects with total "acquisition and enhancement expenditures" in excess of the established materiality limit, per 4.1 Materiality Limit, and with an expected future life ***exceeding two years***, are capitalized. All other software expenditures are charged to operations as incurred.

IAS 38, Intangible Assets, guidance for the recording and recognition of computer software expenditure:

- Purchased: capitalize
- Operating system for hardware: include in hardware cost **
- Internally developed (whether for use or sale): charge to expense until technological feasibility, probable future benefits, intent and ability to use or sell the software, resources to complete the software, and ability to measure cost
- Amortization: over useful life based on pattern of benefits (straight-line is the default)

Further criteria for computer software expenditures to be recorded as an item of an intangible asset is identified in item 3.2 Intangible Assets. Further interpretations can be found under "*Further Guidance, Intangible Assets"*, towards end of this Capital Asset Accounting Policy and Procedures document.

Software acquisition and enhancement expenditures include:

- Software purchase costs (including internal and external customization charges)
- Development costs for internally developed software. Permitted development costs must be identified with the following:
    i. being technological feasibility,
    ii. intending to complete the software,
    iii. having the ability to use the intangible asset,
    iv. having probable future benefits,
    v. having available resources to complete the software, and
    vi. having the ability to measure cost.

Examples of permitted development costs for internal development software projects can include testing, data purchase and loading costs, commissioning and documentation.

Software-related expenditures for existing data clean up or repair prior to loading are not capitalized as they represent a repair of existing data (exclusion to this is where data is required to be formatted before loading to a new computer system). Business process reengineering costs that are directly related to certain computer systems are charged to operation as incurred, as these costs are not an integral component for software. Training costs associated with any computer software projects are charged to operation as incurred (IAS 38.69).

Subsequent expenditure on computer software after its purchase or completion should be recognized as an expense when it is incurred, unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably. [Referenced to IAS 38.60]

** Software required for hardware to function (integral part of the related hardware) is considered hardware. For example, an operating system is to be charged to tangible fixed assets under computer hardware. Software that is not an integral part of computer hardware will be considered software and capitalized as an intangible asset. Both examples assume expenditures meet materiality limits and life span requirements.

## 5.0 POLICY COMPLIANCE

As with any policy, there are to be no exemptions to the requirements of this policy in the execution of day-to-day business. Staff must report incidents of non-compliance relating to this policy in a timely manner to their Manager or Supervisor. Non-compliance issues of a serious nature will be immediately reported to the CFO.

## *FURTHER GUIDANCE*

### *Measurement Recognition*

The Company shall measure an item of PP&E at initial recognition at its cost (IAS 16.15).

The cost of an item of PP&E comprises of:

a) purchase price, including legal and brokerage fees, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
b) Any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can be costs of site preparation, initial delivery and handling, installation and assembly, and testing of functionality.
c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. (IAS 16.16 a., b. and c.) (reference Item 4.5 for further information)

Examples of directly attributable costs are costs of employee benefits (as defined IAS 19 Employee Benefits), directly arising from the construction or acquisition of the item of PP&E; costs of site preparation; initial delivery and handling costs; installation and assembly costs; cost of testing whether the asset is functioning properly and professional fees.

As per IAS 16.19, the following costs are examples of costs not to be included as PP&E, and therefore shall be expensed. They are: Costs of opening a new facility, introduction of a new product or service, conducting business in a new location or with a new class of customer, administration and other general overhead costs. Other costs that should be recorded as expense include training, non-specific pre-construction project costs (where it is uncertain whether the costs will result in an addition to PP&E), and abnormal waste.

### *Useful Life Determinates*

The Company shall consider all the following factors in determining the useful life of an asset (IAS 17.12):

a) The expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output
b) Expected physical wear and tear, which depends on operational factors such as loads to be used on asset, the repairs and maintenance program, and the care and maintenance of the asset while it is idle
c) Technical or commercial obsolescence arising from changes or improvements in production, or change in the market demand or service input of the asset
d) Legal or similar limits on the use of the asset

### *Intangible Assets*

#### *Classification of Intangible Assets Based on Useful Life*

Intangible assets are classified as: [IAS 38.88]

- **Indefinite life:** no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity
- **Finite life:** a limited period of benefit to the entity

#### *Measurement Subsequent to Acquisition: Intangible Assets with Finite Lives*

The cost less residual value of an intangible asset with a finite useful life should be amortized on a systematic basis over that life: [IAS 38.97]

- The amortization method should reflect the pattern in which the benefits are expected to be consumed.
- If the pattern cannot be determined reliably, amortize by the straight line method.
- The amortization charge is recognized in profit or loss unless another IFRS requires that it be included in the cost of another asset.
- The amortization period and method should be reviewed when required.

- The asset should also be assessed for impairment in accordance with IAS 36. [IAS 38.111]

### *Measurement Subsequent to Acquisition: Intangible Assets with Indefinite Lives*

An intangible asset with an indefinite useful life should not be amortized. [IAS 38.107]

Its useful life should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate. [IAS 38.109]

The asset should also be assessed for impairment in accordance with IAS 36 on an annual basis. [IAS 38.108]

### *Subsequent Expenditure*

Subsequent expenditure on an intangible asset after its purchase or completion should be recognized as an expense when it is incurred, unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably. [IAS 38.60]

## *Land and Land Rights*

Capitalized land includes direct purchase costs including appraisals, fees, commissions, surveys, title search and registration. Costs for first clearing and grading and installation of the plant are ultimately capitalized as part of the cost of PP&E constructed on the land, rather than as an integral cost of the land.

Capitalized land rights include costs of acquiring rights, interests and privileges in land owned by others. Land rights are considered under IFRS as an intangible asset and so guidance can be identified in intangible sections of this policy.

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# APPENDIX 10C – IFRS-CGAAP TRANSITIONAL PP&E AMOUNTS

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# APPENDIX 10C - IFRS-CGAAP TRANSITIONAL PP&E AMOUNTS

OEB Appendix 2-EB

| | 2009 Rebasing Year | 2010 | 2011 | 2012 | 2013 Rebasing Year | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|
| **Reporting Basis** | **CGAAP** | **IRM** | **IRM** | **IRM** | **MIFRS** | **IRM** | **IRM** | **IRM** |
| **Forecast vs. Actual Used in Rebasing Year** | **Forecast** | **Actual** | **Actual** | **Forecast** | **Forecast** | | | |
| | | | $ | $ | $ | $ | $ | $ |
| **PP&E Values under CGAAP** | | | | | | | | |
| Opening net PP&E - Note 1 | | | | 386,546,051 | | | | |
| Additions | | | | 51,647,497 | | | | |
| Depreciation (amounts should be negative) | | | | -23,094,191 | | | | |
| Net book value of disposals | | | | -800 | | | | |
| **Closing net PP&E (1)** | | | | 415,098,557 | | | | |
| **PP&E Values under MIFRS (Starts from 2012, the transition year)** | | | | | | | | |
| Opening net PP&E - Note 1 | | | | 386,546,051 | | | | |
| Additions | | | | 50,962,797 | | | | |
| Depreciation (amounts should be negative) | | | | -22,881,290 | | | | |
| Net book value of disposals | | | | -923 | | | | |
| **Closing net PP&E (2)** | | | | 414,626,635 | | | | |
| **Difference in Closing net PP&E, CGAAP vs. MIFRS (Shown as adjustment to rate base on rebasing)** | | | | 471,922 | | | | |
| **Account 1575 - IFRS-CGAAP Transitional PP&E Amounts** | | | | | | | | |
| Opening balance | | | | - | 471,922 | 353,942 | 235,961 | 117,981 |
| Amounts added in the year | | | | 471,922 | | | | |
| **Sub-total** | | | | 471,922 | 471,922 | 353,942 | 235,961 | 117,981 |
| Amount of amortization, included in depreciation expense - Note 2 | | | | | (117,981) | (117,981) | (117,981) | (117,981) |
| **Closing balance in deferral account** | | | | 471,922 | 353,942 | 235,961 | 117,981 | - |

| | |
|---|---|
| **Effect on Revenue Requirement** | |
| Amortization of deferred balance as above - Note 2 | 117,981 |
| Return on Rate Base Associated with deferred PP&E balance at WACC - Note 3 | 53,893 |
| **Amount included in Revenue Requirement on rebasing** | 171,874 |

| | |
|---|---|
| **WACC** | 11.42% |
| **Disposition Period - Note 4** | **4** |

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# APPENDIX 10D – OVERHEAD EXPENSE IMPACT ON CAPITAL AND OM&A

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# APPENDIX 10D - OVERHEAD EXPENSE IMPACT ON CAPITAL AND OM&A

## OEB Appendix 2-D

The following table should be completed based on the information requested below. An explanation should be provided for any blank entries. The entries should include overhead costs that are currently capitalized on self-constructed assets under MIFRS or an alternate accounting standard.

| | (A) [1] | (B) | (C) | (D) | (E) [1] | (F) | (G) |
|---|---|---|---|---|---|---|---|
| **Nature of the Overhead Costs** | **Dollar Impact on PP&E Historic Year** | **Dollar Impact on PP&E Bridge Year** | **Dollar Impact on PP&E Test Year** | **Dollar Impact - PP&E Variance Test versus Bridge** | **Dollar Impact - PP&E Variance Test versus Historic** | **Directly Attributable? (Y/N)** | **Reasons why the overhead costs are allowed to be capitalized under MIFRS or an alternate accounting standard given limitations on capitalized overhead** |
| employee benefits | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| costs of site preparation | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| initial delivery and handling costs | | -$ 471 | -$ 496 | -$ 25 | -$ 496 | Y | Stores: a portion of labour is considered directly attributable |
| costs of testing whether the asset is functioning properly | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| professional fees | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| | | | | $ - | $ - | | |
| costs of opening a new facility | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| costs of introducing a new product or service (including costs of advertising and promotional activities) | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| costs of conducting business in a new location or with a new class of customer (including costs of staff training) | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| administration and other general overhead costs | | | | $ - | $ - | | no general and administrative included in CGAAP or IFRS |
| Decrease in vehicle depreciation allocated to capital at 60% | | -$ 214 | -$ 241 | -$ 27 | -$ 241 | Y | Fleet: considered directly attributable since usage is logged |
| | | | | $ - | $ - | | |
| | | | | $ - | $ - | | |
| Insert description of additional item(s) and new rows if needed. | | | | $ - | $ - | | |
| **Total** | $ - | -$ 685 | -$ 737 | -$ 52 | -$ 737 | | |

The following table should be completed based on the information requested below. An explanation should be provided for any blank entries. The entries should include overhead costs that were capitalized on self-constructed assets under CGAAP but are no longer capitalized under MIFRS or an alternate accounting standard and are included in OM&A.

| | (A) [1] | (B) | (C) | (D) | (E) [1] | (F) | (G) |
|---|---|---|---|---|---|---|---|
| **Nature of the Overhead Costs** | **Dollar Impact on OM&A Historic Year** | **Dollar Impact on OM&A Bridge Year** | **Dollar Impact on OM&A Test Year** | **Dollar Impact - OM&A Variance Test versus Bridge** | **Dollar Impact - OM&A Variance Test versus Historic** | **Directly Attributable? (Y/N)** | **Reasons why the overhead costs are not allowed to be capitalized under MIFRS or an alternate accounting standard given limitations on capitalized overhead** |
| employee benefits | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| costs of site preparation | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| initial delivery and handling costs | | $ 471 | $ 496 | $ 25 | $ 496 | N | Stores: considered general & administrative or warehousing |
| costs of testing whether the asset is functioning properly | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| professional fees | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| | | | | | | | |
| costs of opening a new facility | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| costs of introducing a new product or service (including costs of advertising and promotional | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| costs of conducting business in a new location or with a new class of customer (including costs of | | | | $ - | $ - | | direct charges only to capital under CGAAP and IFRS |
| administration and other general overhead costs | | | | $ - | $ - | | no general and administrative included in CGAAP or IFRS |
| Decrease in vehicle depreciation allocated to OM&A at 40% | | -$ 143 | -$ 160 | -$ 17 | -$ 160 | Y | Fleet: considered directly attributable since usage is logged |
| | | | | $ - | $ - | | |
| | | | | $ - | $ - | | |
| Insert description of additional item(s) and new rows if needed. | | | | $ - | $ - | | |
| **Total** | $ - | $ 328 | $ 336 | $ 8 | $ 336 | | |

**Notes:**

1 If the applicant chooses to adopt IFRS or an alternate accounting standard for financial reporting purposes in 2013, the applicant does not need to complete Columns A, E. If the applicant adopts IFRS or an alternate accounting standard for financial reporting purposes in 2012, the applicant must complete all columns.