

London Hydro Inc.

2013 Cost of Service Rate Application (EB-2012-0146/ EB- 2012-0380) Response to Interrogatories

Deferral and Variance Accounts (Exhibit 9)

Board Staff Interrogatories Questions:

Question OEB 42

Reference: EB-2012-0380 "Application for Disposition RSVA Group 1 Accounts" (pre-filed evidence filed September 25, 2012) p. 10.

- a) Has London Hydro's external auditor reviewed the adjustments made to Account 1588 in June 2012, namely the \$3.8 million debit to Account 1588 sub-account GA and the \$3.8 million credit to the control account of Account 1588.*
- b) If yes to part a), what were the results of the review? Please file with the Board any documentation that has been provided by the external auditors.*
- c) If yes to part a), how is the external auditor planning to account for the error in the London Hydro 2012 audited financial statements? Please explain.*
- d) If no to part a), why was no review undertaken? Please explain.*

Response OEB 42

- a) No, our external auditors have not reviewed the adjustment requiring a \$3.8 million dollar credit and debit to account 1588 although the adjustments have been discussed with the auditors.
- b) Not applicable

- c) Not applicable
- d) The adjustment was discussed with our external auditor and cause and impact of the adjustment was communicated. As the adjustment is simply a classification difference of a liability it was determined that a review will be undertaken during the 2012 audit and the 2011 amounts will be reclassified with the appropriate note disclosure included within the financial statements.

Question OEB 43

Reference: DVA Continuity Schedules; EB 2008-0235, p. 48

The Board "Finding" in the Board Decision EB 2008-0235 specified the DVAs to be disposed effective May 1, 2009.

Board staff noted that the amounts approved for disposition in EB 2008-0235, p. 48, do not match with the amounts in 2009 DVA Continuity Schedule under columns "Board-Approved Disposition During 2009" for principal and "Board-Approved Disposition During 2009" for interest.

- a) Please confirm if London Hydro reflected the disposition of the approved DVA balances in the DVA Continuity Schedule provided in this application.*
- b) If the answer to part a is "no", please update the "Board Approved Disposition During 2009" columns for both the principal and interest and reflect the revised DVA balances from 2009 onwards, re-file DVA Continuity Schedule including Account 1595 as per EB 2008-0235 and update all other related evidence.*

Response OEB 43

- a) Yes, London Hydro confirms it reflected the disposition of the final approved DVA balances in the DVA Continuity Schedule. The last disposition of the RSVA balances were approved with the 2012 IRM application (EB-2012-0181), and therefore reflected under Board Approved Disposition for that year. The 2009 disposition balances were not separately reflected in the DVA Continuity Schedule under "Board

Approved Disposition”, instead they were summarized under the current year transactions.

Please refer to part b) for the revised DVA Continuity Schedule.

The DVA Continuity Schedules EB-2008-0235 p. 48 reflected the DVA balances with carrying charges up to April 30, 2009. The actual implementation date of the 2009 rates and rate riders is October 1, 2009 with effective date of May 1, 2009.

The Board directed London Hydro to include updated documentation in its Draft Rate Order which shows the account balances at December 31, 2008, the interest calculated from January 1 to September 30, 2009, the allocation of each account to each rate class, and the monthly amount to be refunded including confirmation of the length of the disposition period.

Please refer to **Table: Final Deferral and Variance Accounts** for final disposition amounts, which are also reflected in the DVA Continuity Schedule.

Board Findings London Hydro Inc. EB-2008-0235 Decision and Order, dated August 21, 2009. (Page 49)

Board Findings

While the Board has announced an initiative to consider on a generic basis certain of the deferral and variance accounts, that process is still in the early stages. The RSVA balances are large and the Board finds that these amounts should be disposed of at this time. A rebasing application is an appropriate time at which to consider disposition of each account. The Board finds it appropriate to dispose of all the accounts, except the two PILS accounts (which are subject to a review in a separate proceeding), account 1590 (which the Board has typically not disposed of until the final balance can be verified), and the smart meter and CDM tracking accounts (which will be reviewed at a later date).

The Board finds that the balances at December 31, 2008 shall be disposed of, plus projected interest to the effective date of the 2009 distribution rates.

The Board finds that a period from the implementation date through to April 30, 2011 is appropriate.

The Board directs London to include updated documentation in its Draft Rate Order which shows the account balances at December 31, 2008, the interest calculated from January 1 to September 30, 2009, the allocation of each account to each rate class, and the monthly amount to be refunded including confirmation of the length of the disposition period.

Table: Final Deferral and Variance Accounts

Deferral and Variance Accounts	Account	Principal Balance Dec 31/08	Interest to Dec 31/08	Total Balance Dec 31/08	2009 Interest Jan 1 to Mar 31 2.45%	2009 Interest Apr 1 to June 30 1.0%	2009 Interest July 1 to Sept 30 .55%	Forecast Balance Sept 30/09
RSVA - Wholesale Market Service Charges	1580	\$ (8,012,410)	\$ (351,865)	\$ (8,364,275)	\$ (48,404)	\$ (19,976)	\$ (11,108)	\$ (8,443,762)
RSVA - One-time Wholesale Market Service	1582	\$ 302,950	\$ 53,791	\$ 356,741	\$ 1,830	\$ 755	\$ 420	\$ 359,746
RSVA - Retail Transmission Network Charges	1584	\$ 299,995	\$ 202,411	\$ 502,406	\$ 1,812	\$ 748	\$ 416	\$ 505,382
RSVA - Retail Transmission Connection Charges	1586	\$ (1,042,852)	\$ (59,601)	\$ (1,102,453)	\$ (6,300)	\$ (2,600)	\$ (1,446)	\$ (1,112,799)
RSVA - Power - excluding Global Adjustment sub account	1588	\$ (2,491,900)	\$ (523,489)	\$ (3,015,389)	\$ (15,054)	\$ (6,213)	\$ (3,455)	\$ (3,040,110)
RSVA - Power - Global Adjustment sub account	1588	\$ 2,002,932	\$ (20,903)	\$ 1,982,029	\$ 12,100	\$ 4,994	\$ 2,777	\$ 2,001,899
Other Regulatory Assets - Sub-account OEB Cost Assessments	1508	\$ 392,670	\$ 66,230	\$ 458,900	\$ 2,372	\$ 979	\$ 544	\$ 462,795
Other Regulatory Assets - Sub-account Pension Contributions	1508	\$ 1,491,745	\$ 208,537	\$ 1,700,282	\$ 9,012	\$ 3,719	\$ 2,068	\$ 1,715,081
Retail Cost Variance Account - Retail	1518	\$ (173,238)	\$ (11,254)	\$ (184,492)	\$ (1,047)	\$ (432)	\$ (240)	\$ (186,211)
Retail Cost Variance Account - STR	1548	\$ 113,999	\$ 15,632	\$ 129,631	\$ 689	\$ 284	\$ 158	\$ 130,762
Miscellaneous Deferred Debits - Payments to Customers	1525	\$ 30,810	\$ -	\$ 30,810	\$ -	\$ -	\$ -	\$ 30,810
Low Voltage Variance Account	1550	\$ 10,253	\$ 520	\$ 10,773	\$ 62	\$ 26	\$ 14	\$ 10,875
		\$ (7,075,046)	\$ (419,992)	\$ (7,495,038)	\$ (42,927)	\$ (17,716)	\$ (9,851)	\$ (7,565,532)

EB-2008-0235 p. 48 reflects DVA balances including forecasted transactions and projected interest to April 30, 2009.

London Hydro Inc.
EB-2012-0146/EB-2012-0380
Responses to Interrogatories
Exhibit 9 – Deferral and Variance Accounts
February 4, 2013

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	London Hydro Inc.
Application ID NUMBER	EB-2008-XXXX
Date	

	Board Rate	Days	Average Interest 00		Board Rate	Days	Average Interest 00
Q1 - 08	0.0514	91	0.0128	Q1 - 09	0.0245	90	0.0184
Q2 - 08	0.0418	91	0.0104	Apr 09	0.01	30	0.0025
Q3 - 08	0.0335	92	0.0084			120	
Q4 - 08	0.0335	92	0.0084				
Weighted Average Rate			3.99%				2.00%

Account Number	Projected Interest on Dec 31 -07 balance from Jan 1, 2008 to Dec 31, 2008 ¹	Projected Interest on Dec 31 -07 balance from Jan 1, 2009 to April 30, 2009 ²	Balance before Forecasted Transactions	Forecasted Transactions, Excluding Interest from Jan 1, 2008 to Dec 31, 2008	Forecasted Transactions, Excluding Interest from Jan 1, 2009 to April 30, 2009	Projected Interest from Jan 1, 2008 to Dec 31, 2008 on Forecasted Trans for 2008	Projected Interest from Jan 1, 2009 to April 30, 2009 on Forecasted Trans for 2008 and 2009	Balance
Account Description								
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	\$ 15,668	\$ 2,695	\$ 461,647	\$ -			\$ 461,647
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	\$ 59,521	\$ 10,238	\$ 1,710,720	\$ -	\$ -	\$ -	\$ 1,710,720
Other Regulatory Assets - Sub-Account - Bill 210 Cheque Issuance Costs	1508	\$ -	\$ -	\$ -	\$ -			\$ -
Other Regulatory Assets - Sub-Account - Other ⁴	1508	\$ -	\$ -	\$ -	\$ -			\$ -
Other Regulatory Assets - Sub-Account - Other ⁴	1508	\$ -	\$ -	\$ -	\$ -			\$ -
Retail Cost Variance Account - Retail	1518	\$ (5,586)	\$ (961)	\$ (151,036)	\$ (33,236)	\$ (12,800)	\$ (694)	\$ (198,252)
Misc. Deferred Debits	1525	\$ -	\$ -	\$ 30,810	\$ -	\$ -	\$ -	\$ 30,810
Retail Cost Variance Account - STR	1548	\$ 3,590	\$ 617	\$ 105,853	\$ 24,034	\$ 9,844	\$ 502	\$ 140,300
Qualifying Transition Costs ⁴	1570	\$ -	\$ -	\$ -	\$ -			\$ -
Pre-Market Opening Energy Variances Total ⁴	1571	\$ -	\$ -	\$ -	\$ -			\$ -
Extra-Ordinary Event Costs	1572	\$ -	\$ -	\$ -	\$ -			\$ -
Deferred Rate Impact Amounts	1574	\$ -	\$ -	\$ -	\$ -			\$ -
RSVA - One-time Wholesale Market Service	1582	\$ -	\$ -	\$ -	\$ -			\$ -
Other Deferred Credits	2425	\$ -	\$ -	\$ -	\$ -			\$ -
Sub-Total		\$ 73,192	\$ 12,589	\$ 2,157,395	\$ (9,202)	\$ (2,756)	\$ (192)	\$ 2,145,226
Smart Meter Capital and Recovery Offset								
Smart Meter Operation, Maintenance and Administration	1556	\$ (17,240)	\$ (2,965)	\$ (457,812)	\$ (484,796)	\$ (167,086)	\$ (8,100)	\$ (1,122,012)
Deferred Payments in Lieu of Taxes	1562	\$ 1,503	\$ 258	\$ 40,514	\$ 106,552	\$ 235,886	\$ 1,051	\$ 385,569
Deferred PILs Contra Account ⁸	1563	\$ 4,988	\$ 858	\$ 673,052	\$ -	\$ -	\$ -	\$ 673,052
CDM Expenditures and Recoveries	1565	\$ -	\$ -	\$ -	\$ -			\$ -
CDM Contra Account	1566	\$ (0)	\$ (0)	\$ (0)	\$ -	\$ -	\$ -	\$ (0)
Recovery of Regulatory Asset Balances	1590	\$ -	\$ -	\$ 3,283,469	\$ (2,598,880)	\$ -	\$ -	\$ 684,589
2006 PILs & Taxes Variance	1592	\$ 14,782	\$ -	\$ (143,127)	\$ -	\$ -	\$ -	\$ (143,127)
No sub-total		\$ (5,192)	\$ (883)	\$ (143,127)	\$ -	\$ -	\$ -	\$ (143,127)
Low Voltage Variance Account								
RSVA - Wholesale Market Service Charge	1580	\$ 240	\$ 41	\$ 6,525	\$ 4,227	\$ 341	\$ 97	\$ 11,192
RSVA - One Time Charges	1582	\$ (243,760)	\$ (41,826)	\$ (6,462,160)	\$ (1,850,000)	\$ 80,000	\$ (44,835)	\$ (8,291,252)
RSVA - Retail Transmission Network Charge	1584	\$ 12,089	\$ 2,079	\$ 356,861	\$ -	\$ (2,481)	\$ -	\$ 356,380
RSVA - Retail Transmission Connection Charge	1586	\$ 76,117	\$ 13,093	\$ 2,165,403	\$ (1,666,545)	\$ (280,000)	\$ 1,275	\$ 204,454
RSVA - Power (Including Global Adjustment)	1588	\$ (1,122)	\$ (193)	\$ (63,102)	\$ (1,032,424)	\$ (200,000)	\$ (6,894)	\$ (1,312,347)
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ (52,188)	\$ (8,977)	\$ (1,763,765)	\$ 818,995	\$ 300,000	\$ (87,031)	\$ (722,788)
Sub-Total		\$ (208,624)	\$ (35,884)	\$ (5,758,239)	\$ (3,725,747)	\$ (99,659)	\$ (139,869)	\$ (9,754,361)

Footnotes

EB-2008-0235
London Hydro Inc.
Appendix OEB 110 (36b) - Deferral Accounts (revised)
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Exhibit 9 – Deferral and Variance Accounts
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b) Response:

Revised Schedule for Year 2009 (including the RSVA power account and GA)

		2009									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-09	Transactions Debit/(Credit) during 2009 excluding interest and adjustments ¹	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	\$ -	\$ 8,651,588	\$ 8,012,410		\$ 639,178	\$ -	\$ 433,975	\$ 431,352		\$ 2,623
RSVA - Retail Transmission Network Charge	1584	\$ -	\$ 639,090	\$ 299,995		\$ 339,095	\$ -	\$ 205,492	\$ 205,386		\$ 106
RSVA - Retail Transmission Connection Charge	1586	\$ -	\$ 1,482,860	\$ 1,042,852		\$ 440,008	\$ -	\$ 71,805	\$ 69,947		\$ 1,858
RSVA - Power (excluding Global Adjustment)	1588	\$ -	\$ 4,131,073	\$ 2,491,900		\$ 1,639,173	\$ -	\$ 590,225	\$ 548,210		\$ 42,015
RSVA - Power - Sub-account - Global Adjustment	1588	\$ -	\$ 3,148,937	\$ 2,002,932		\$ 1,146,005	\$ -	\$ 12,538	\$ 1,033		\$ 11,505
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)		\$ -	\$ 16,927,417	\$ 9,244,235	\$ -	\$ 7,683,182	\$ -	\$ 1,403,186	\$ 845,156	\$ -	\$ 558,030
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ -	\$ 20,076,354	\$ 11,247,167	\$ -	\$ 8,829,187	\$ -	\$ 1,390,648	\$ 844,123	\$ -	\$ 546,525
RSVA - Power - Sub-account - Global Adjustment	1588	\$ -	\$ 3,148,937	\$ 2,002,932	\$ -	\$ 1,146,005	\$ -	\$ 12,538	\$ 1,033	\$ -	\$ 11,505
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	1592	\$ -				\$ -	\$ -				\$ -
Input Tax Credits (ITCs)											
Total of Group 1 and Group 2 Accounts (including 1562 and 1592)		\$ 189,372	\$ 16,800,934	\$ 9,303,474	\$ -	\$ 7,686,832	\$ 7,706	\$ 1,405,202	\$ 841,366	\$ -	\$ 571,542
Special Purpose Charge Assessment Variance Account⁹	1521										

Question OEB 44

References:

- i. Exh 9, DVA Continuity Schedule Work Form*
- ii. Filing Requirements for Electricity Transmission & Distribution Applications, Chapter 2, S.2.12, p.51.*

The 2013 Cost of Service filing requirements states:

“Interest rates applied to calculate the carrying charges for each regulatory deferral and variance account. The applicant must provide the rates by month or by quarter for each year. “

Please provide the interest rates used for each DVA account by month or by quarter for each year as per 2013 COS filing requirements.

Response OEB 44

The interest on DVA balances is calculated using the Board's prescribed rate for each quarter.

The quarterly Board Approved Prescribed Interest Rates for Deferral and Variance Accounts used in calculation of carrying charges:

Quarter	Interest Rate
2009 QTR 1	2.45%
2009 QTR 2	1.00%
2009 QTR 3	0.55%
2009 QTR 4	0.55%
2010 QTR 1	0.55%
2010 QTR 2	0.55%
2010 QTR 3	0.89%
2010 QTR 4	1.20%
2011 QTR 1	1.47%
2011 QTR 2	1.47%
2011 QTR 3	1.47%
2011 QTR 4	1.47%
2012 QTR 1	1.47%
2012 QTR 2	1.47%
2012 QTR 3	1.47%
2012 QTR 4	1.47%
2013 QTR 1	1.47%
2013 QTR 2	1.47%

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

References: page 9-1 Line 10-12, and page 15 [Table 9-3 – Deferral and Variance Accounts Submitted for Recovery with this Application](#).

Question OEB 45

References: Exh 9, pp. 4 and 15, Table 9-3, 'DVAs Submitted for Recovery with this Application'; Appendix 2-U

Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs is being used by London Hydro to record incremental one-time costs associated with the transition to IFRS during the period March 2009 to December 2011.

In addition, London Hydro is requesting disposition of Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs account balance of \$362,490 in Table 9-3. London Hydro stated that this account will continue until such time as transition to IFRS is complete for January 1, 2013. Since IFRS is not fully implemented, additional costs will be incurred.

- a) Please confirm that the \$362,490 costs are incremental costs and not included in the 2013 OM&A expenses for the test year.*
- b) Please state the percentage of completion of the IFRS Transition Costs relating to the \$362,490.*
- c) As London Hydro expects that the DVA 1508 sub account above will continue when the transition to IFRS is complete, please identify the projected additional IFRS related activities and incremental costs to completion using the format in Appendix 2-U.*

Response OEB 45:

- a) London Hydro confirms that the \$362,490 costs are incremental costs and not included in the 2013 OM&A expenses for the test year.

The amount of \$362,490 is the amount being requested for disposition of Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs account.

The amount \$362,490 (Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs) as reflected in Table 9-3: Deferral and Variance Accounts Submitted for Recovery with this Application in Exhibit 9, page 15, composes of deferred costs from 2009 through to 2011 for IFRS Transition Costs. The annual amounts that compose this account balance are reflected below:

Year		Principle	Carrying Charges	
2009 *		\$ 135,327		
2010 *		\$ 139,434		
2011 *		\$ 74,263	\$ 6,650	*
		\$ 349,024	\$ 6,650	
January 1, 2012 to April 30, 2013			\$ 6,817	
Total for Recovery			\$ 362,490	
* Audited Figures				

- b) London Hydro estimates that the IFRS Transition Costs totalling to the \$362,490 would be 80 percent of the anticipated costs.
- c) As Reflected in a copy of Appendix 2-U: One Time Incremental IFRS Transition Costs the total that London Hydro is seeking for recovery in this Application of Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs is \$ 362,490 (of which \$355,673.38 applied to costs and carrying charges up to December 31, 2011, and these figures have been audited) . The total amount being applied for includes incremental costs not included in OM&A, and carrying charges up to April 30, 2013. Amounts approved as per Board Decision EB-2008-2035 (London Hydro Cost of Service rate application) amount of \$25,000 per year for 2009, 2010, and 2011 have been deducted from the Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs.

Further reflected in the Appendix 2-U is actual incremental costs incurred in 2012 in the total amount of \$37,940 and applied to Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs. Offsetting this amount is the \$25,000 as approved per Board Decision EB-2008-2035 (London Hydro Cost of Service rate application). Carrying charges of \$5,217 were also recorded for 2012. These figures

have not been audited, although are expected to be audited before the conclusion of this Application proceedings.

Projected Test Year 2013 incremental costs associated with Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs total \$65,000 (\$50,000 for professional accounting services and \$15,000 for required IFRS pension actuarial review). These costs have not been included in 2013 OM&A costs.

Total amount projected to be included in Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs as at December 31, 2013 is \$444,048, with carrying charges only calculated to December 31, 2012, as identified in Appendix 2-U.

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					JN - July 27, 2012		on Dec 19, 2012		
Appendix 2-U One Time Incremental IFRS Transition Costs details - for 2013 COS									
			Annual 2009	Annual 2010	Annual 2011	YTD at Dec 2011	Annual 2012 Bridge Year	YTD at Dec 2012	Annual 2013 Test Year
			Actual/ Audited	Actual/ Audited	Actual/ Audited	Actual/ Audited	Actual		YTD at Dec 2013
								Projected	Projected
Non-Incremental expenses - recovered through current rates									
	Amount approved as per decision and order, effective September 1, 2009 - EB-2008-0235		(25,000.00)	(25,000.00)	(25,000.00)	(75,000.00)	(25,000.00)	(100,000.00)	(100,000.00)
Incremental Consulting									
KPMG	- professional accounting fees:								
	Study re conversion from Canadian GAAP to IFRS*		74,372.50	24,637.50	8,062.50	107,062.50	33,090.00	140,152.50	50,000.00
Syntax Systems	- system upgrades, changes where IFRS was the major reason for changes:								
	JDE Consultation IFRS assessment workshop, report Contract # 16192	39,294.08	(23,522.83)	-	15,771.25			15,771.25	15,771.25
	JDE Consultation IFRS EnterpriseOne Project Contract # 16221		46,449.80	555.00	47,004.80			47,004.80	47,004.80
	JDE Development - Programming Contract # 16313		10,246.50	-	10,246.50			10,246.50	10,246.50
	EnterpriseOne Platform Migration - Sun/Oracle to WIN/RedHat/Oracle (multi ledger) Contract # 16335		17,208.00	(1,500.00)	15,708.00			15,708.00	15,708.00
	Travel and related expenses			15,278.48	444.66	15,723.14		15,723.14	15,723.14
			39,294.08	65,659.95	(500.34)	104,453.69	-	104,453.69	-
Kinetrics Inc	Estimating the useful life of assets, report	39,000.00	-	-	39,000.00	-	-	39,000.00	-
	Participating LDC's share of the Kinetrics study (CIS Billings)		(16,000.00)	-	(16,000.00)	-	-	(16,000.00)	-
			39,000.00	(16,000.00)	-	23,000.00	-	23,000.00	-
Mercer Ltd.	IFRS consulting - Pension actuarial to IFRS				15,000.00	15,000.00	4,850.25	19,850.25	15,000.00
									34,850.25
	TOTAL CONSULTING		127,666.58	49,297.45	(2,447.84)	174,516.19	12,940.25	187,456.44	65,000.00
Other incremental one time costs - Training									
	eIFRS online subscription service	388.65			388.65			388.65	388.65
	Risk Management & Governance Collection			63.25	63.25			63.25	63.25
	Training passports			4,960.00	4,960.00			4,960.00	4,960.00
	TOTAL TRAINING		388.65	-	5,023.25	5,411.90	-	5,411.90	-
Incremental Labour									
	incremental Finance staff		7,271.33	90,136.19	71,687.91	169,095.43	-	169,095.43	-
									169,095.43
Cumulative interest on deferred asset									
			133.95	1,842.60	4,673.31	6,649.86	5,217.09	11,866.96	N/A
									17,084.05
			135,460.51	141,276.24	78,936.63	355,673.38	18,157.34	373,830.73	65,000.00
									444,047.82

Question OEB 46

References: Exh 9, pp. 11 and 15, Table 9-3; Accounting Procedures Handbook ("APH"), Article 490, p.4

Article 490 of the APH states:

Retail Service Charges

"Retail services refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity as set out in the Retail Settlement Code ("RSC").

The Board has reviewed practices in other industries and developed a set of estimates for distributors to charge for retail services with the understanding that the actual costs for providing these services may vary. Consequently, distributors are required to establish variance accounts to record the difference between the rates, charges or fees (collectively "approved rates") and the actual costs of providing these services.

A distributor must establish at least two variance accounts for the purpose of recording variances between reasonable costs incurred for the provision of retail services and the rates for these services in their Board-approved rate order. These are:

- i. Retail Cost Variance Account for Retail Services (RCVA, Retail) , and*
- ii. Retail Cost Variance Account for Service Transaction Requests (RCVA, STR).*

London Hydro is requesting the disposition of the account balances of \$85,391 credit for Account 1518 and \$89,918 for Account 1548 in Table 9-3 or net of \$4,527 recoverable from customers. In addition, due to the insignificant net variance in the above two Retail Cost Variance Accounts (1518 and 1548) London Hydro is requesting the discontinuance of the use of these variance accounts.

*London Hydro used Account 1518 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. (emphasis added)*

*On the other hand, Account 1548 is being 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. (emphasis added)*

- a) Please explain why London Hydro wants to deviate from the APH guidelines under Article 490 for accounts 1518 and 1548 and requesting the discontinuance of the use of accounts 1518 and 1548?*
- b) Are the costs charged under these two accounts incremental costs? If they are incremental costs, please provide evidence to support this.*

RESPONSE OEB 46:

- a) The net variance of the two variance accounts is insignificant. *Ref. Exh. 9 / p. 11*

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

London Hydro would like to further respond to its request to deviate from the APH guidelines under Article 490 for accounts 1518 and 1548 and the discontinuance of the use of these accounts by referring to Board's Decision RP-2004-0117, RP-2004-0118, RP-2004-0100, RP-2004-0069, RP-2004-0064, dated December 9, 2004.

In the Decision, page 29, is the following:

“Board Findings

“4.0.12 APH490 is more current and clearly supersedes the Rate Handbook reference. However, given the relative insignificance of the balances in the RCVA accounts as revealed in this proceeding, the Board will not require recording and filing of this information if a distributor has not already done so. It is likely that the assessment of the reasonableness of the current charges for future consideration can be accomplished through filings by the present Applicants and by other distributors who plan to report balances in these deferral accounts. It may be that these accounts will not be needed in the future.”

London Hydro requests consideration for the discontinuance of the RSVA accounts based on Board Decision and that the balances in the RSVA accounts of London Hydro reflect relative insignificance. In London's review of the Decision, it appears the Board has indicated insignificant RSVA balances permits a distributor to not be required to record or filing of this information.

- b) London Hydro provides the following to demonstrate that Accounts 1518 and 1548 reflect incremental costs. The revenues and costs reflected in schedules are those for quarter ending September 30, 2012 and for period January 1, 2012 to September 30, 2012.

2.1.1 Retail Services and Settlement Variances					
Monitoring Requirements For RCVA per Chapter 11 of the Rates Handbook					
REVENUES - Quarter September 30, 2012					
Service Description		Charge Per Unit ***	Number of Units	Unit Measure	Total Revenue (credit)
Section 1 - Service Agreements					
Standard Charge	\$	100.00	0	One time charge per retailer	\$ -
Monthly Fixed Charge	\$	20.00	60	Per month per retailer	\$ (1,200.00)
Monthly Variable Charge	\$	0.50	40,750	Per month per customer	\$ (20,375)
Section 2 - Distributor Consolidated Billing					
Bill - ready billing	\$	0.30	40,358	Per month per customer	\$ (12,107)
Rate - ready billing			-		\$ -
Section 3 -Retailer Consolidated Billing					
Avoided Cost Credit	\$	(0.30)	-	Per month per customer	\$ -
Section 4 -Split Billing					
Split Billing			-		
				TOTAL (Account 4082)	\$ (33,682)
Service Description		Charge Per Unit ***	Number of Units	Unit Measure	Total Revenue (credit)
Section 5 - Service Transaction Request					
Request Fee	\$	0.25	2,220	Per request	\$ (555)
Processing Fee	\$	0.50	1,154	Per request	\$ (577)
Information delivery charge - other than EBT	\$2.00 plus any incremental delivery costs		-	Per request greater than 2 requests	\$ -
Section 6 - Retailer Settlement Payment Default					
Request Fee	\$	0.25	-	Per request	\$ -
Processing Fee	\$	0.50	-	Per request	\$ -
Section 7 - Other associated costs to be recovered - Please specify					
					\$ -
					\$ -
				TOTAL (Account 4084)	\$ (1,132)
INCREMENTAL COSTS INCURRED					
Accounts where costs recorded	Cumulative Incremental Cost				Account Balance to date
	For Qtr ending: September 30, 2012		For the Period from Jan 1 to September 30, 2012		
	Retail Services Related \$	STR Related \$	Retail Services Related \$	STR Related \$	
5315	28,453.27	9,129.55	\$ 102,557	\$ 27,506	\$ 130,063
					\$ -
*** Charges per unit according to Chapter 11 of the Rate Handbook					

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Summary of Revenues & Expenses					
	Rate	Monthly Expense	Q3 - 2012 Exp	Q3 - 2012 Rev	Net
Retailer Charges 1518					
Standard One Time Charge	\$ 100.00	\$ -	\$ -	\$ -	
Retailer Monthly Fixed Charge	20.00	175.00	525	(1,200)	
Retailer Monthly Variable Charge	0.50	6,506.27	19,519	(20,375)	
LDC Consolidated Billing Charge	0.30	2,326.10	6,978	(12,107)	
Avoided cost credits	(0.30)	-	-	-	
	Plus inflation 2009 using CPI index	24.82	74		
	Plus inflation 2010 using CPI index	155.14	465		
	Plus inflation 2011 using CPI index	190.82	572		
	Plus inflation 2012 using CPI index	106.27	319		
		\$ 9,484	\$ 28,453	\$ (33,682)	\$ (5,229)
STR Charges 1548					
STR - Request Fees	\$ 0.25	\$ 1,412.97	\$ 4,239	\$ (555)	
STR - Processing Fees	0.50	1,412.97	4,239	(577)	
STR - Information Request Fee	2.00		\$ -	-	
	Plus inflation 2009 using CPI index	11.30	34		
	Plus inflation 2010 using CPI index	70.65	212		
	Plus inflation 2011 using CPI index	86.90	261		
	Plus inflation 2012 using CPI index	48.39	145		
		\$ 3,043	\$ 9,130	\$ (1,132)	\$ 7,998
		Totals	\$ 37,583	\$ (34,814)	\$ 2,768
Retailer Charges					
Standard One-Time Charge \$100.00 per agreement per Retailer					
The Standard Charge is a one-time charge and is intended to recover the costs of entering into the service agreement required by the RSC					
Monthly Fixed Charge \$20.00 per month per retailer					
The Monthly Fixed Charge is intended to recover the cost of contract administration, and monitoring prudential requirements					
Contract Administration					
Set up as a monthly "Regular Charge" in CIS					
Charge applied to the Retailer's account on the 1 st of each month automatically by the system					
Update Service Agreement, Retailer Contact Information i.e. contacts, phone numbers, mailing address, etc.					
Retailer Prudential					
Request Retailer reports from Rakesh					
Verify calculations by Retailer					
Prepare Retailer Prudential spreadsheets					
Create Retailer letter					
E-mail and send by courier a copy of the Prudential package to each Retailer					
Update Retailer database i.e. cash and or CIS i.e. letter of credit					
Update Retailer Prudential tracking database					
Finance alerted of all cash deposits					
Finance calculates Prudential interest monthly					
Finance updates Prudential interest spreadsheet					
Collections follows up on all letters of credit i.e. expiry/renewals					
Function	Mthly Time - hours	Rate	Systems Involved	Mthly Costs	Annual Costs
Contract Administration	0.50	\$ 30.00	CIS/Excel	\$ 15.00	\$ 180.00
Prudential					
Request Reports	0.00	30.00	Crystal	-	-
Verify Calculations	0.50	30.00		15.00	180.00
Prepare spreadsheets	0.50	30.00		15.00	180.00
Retailer letter	0.50	30.00		15.00	180.00
E-mail/Courier	0.50	30.00		15.00	180.00
Courier costs	12.04 per unit	30.00	Purolator	70.00	840.00
Update database	0.25	30.00	CIS	7.50	90.00
Update database	0.25	30.00	Excel	7.50	90.00
Calculate Interest	0.25	30.00		7.50	90.00
Update Interest spreadsheet	0.25	30.00		7.50	90.00
				\$ 175.00	\$ 2,100.00

Avoided Cost Credit					
.30 per month per customer (credit)					
Under this option, a distributor shall not directly bill a customer and as a result, should be able to avoid certain costs (e.g. mailing). Hence, an avoided cost credit will be available to retailers against the monthly variable charge. Credit available to a retailer					
The costs avoided should equal the incremental costs identified to provide the services.					
Thus total avoided costs are estimated to the number of transactions avoided times the average transaction cost.					
Total transactions for the period				-	
Avoided cost per transaction			\$	0.09	
Total avoided cost			\$	-	
Total credits given to retailers			\$	-	
STR CHARGES					
Request Fee					
.25 per request					
This fee will apply once an STR is placed regardless of whether that STRs can be processed. It is intended to recover costs incurred by a distributor for the initial screening process of an STR, as required under section 10.4 of the RSC. This fee will apply to the requesting party.					
STR Request Fees					
Process transactions					
Send acknowledgement i.e. Accept/Reject					
Charges generated by the system and placed on the Retailer's A/R					
Total Actual Costs Charged:					
Function	Mthly Time - hours	Rate	Systems Involved	Mthly Costs	Annual Costs
Processing transactions	development cost over 5 years		SPI/EBT/Workflow	1,412.97	16,955.64
Send acknowledgement	0.00	-	CIS	-	-
				\$ 1,412.97	\$ 16,955.64
Processing Fee					
.50 per request processed					
This fee will apply to the requesting party if the request is processed. It is intended to recover the costs incurred to process the transaction based on rules and procedures set out under Chapter 10 of the RSC.					
The processing fee is applicable to the following services:					
<ul style="list-style-type: none"> A change in electricity supply for a customer from SSS to a retailer A change in electricity supply for a customer from one retailer to another A change in electricity supply for a consumer from a retailer to SSS A change in a consumer's metering or billing options for consumers currently served by a retailer A change in customer location 					
STR Processing					
Process transactions					
Charges generated by the system and placed on the Retailer's A/R					
Total Actual Costs Charged:					
Function	Mthly Time - hours	Rate	Systems Involved	Mthly Costs	Annual Costs
Processing transactions	development cost over 5 years		SPI/EBT/Workflow	1,412.97	16,955.64
Send acknowledgement	0.00	-		-	-
				\$ 1,412.97	\$ 16,955.64

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References

- i. *Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003), Section 13: LRAM*
- ii. *Chapter 2 of the Filing Requirements for Electricity Transmission and Distribution Applications, Last Revised on June 28, 2012, Section 2.7.10: CDM Costs*
- iii. *Exh 1, p. 33 and Exh 4, p. 135*

London notes that it has elected not to file an LRAMVA claim with this application, but rather defer its claim until its 2014 rate application.

As stated in Section 13.4 of the Board's Guidelines for Electricity Distributor Conservation and Demand Management, April 26, 2012 (EB-2012-0003) and section 2.7.10 – CDM Costs, LRAMVA, Pages 36-37 of the Filing Requirements, at a minimum, distributors must apply for the disposition of the balance in the LRAMVA as part of their COS applications.

Please provide the evidence supporting the disposition of your LRAMVA – Account 1568 balance as of December 31, 2011. Please ensure that the evidence comprises the elements listed below.

- i) *Full LRAMVA calculations that are based on the final evaluation results for 2011 OPA-Contracted Province-Wide CDM Programs ("OPA Programs"). The LRAMVA calculations are determined by calculating the energy savings by customer class and valuing those energy savings using the distributor's Board-approved variable distribution charge appropriate to the class;*
- ii) *Separate tables for each rate class that shows the LRAMVA amounts requested in association with the final evaluation results for 2011 OPA Programs;*
- iii) *A statement that indicates the amount, if any, that London's last approved load forecast was adjusted to reflect forecasted CDM impacts in association with London's 2011-2014 CDM Targets;*
- iv) *Calculations showing the variance, if any, between the CDM component related to the 2011-2014 CDM Targets included in London's last approved load forecast and the final evaluation results for London's 2011 OPA Programs;*
- v) *A statement indicating that the distributor has relied on the most recent final evaluation report from the OPA in support of its LRAMVA calculation;*
- vi) *A statement indicating that the distributor has used the most recent input assumptions available at the time of the program evaluation when calculating its LRAMVA amount;*
- vii) *Applicable LRAMVA rate riders for all affected rate classes;*

- viii) *A statement, and if applicable a table, that indicates if carrying charges are being requested on the LRAMVA amount; and*
- ix) *Documentation of the distributor's final evaluation results for its 2011 OPA Programs.*

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- i) London Hydro has now received its OPA report on the final 2011 OPA CDM program results, and is now able to proceed with applying for LRAM for 2011 OPA CDM Programs.

Based on OPA's report, contained in the submission as an excel file, LondonHydro_Copy of 2011_Final_ Annual_ Report_ Data_ CDM_ OPAPrograms_20130108 calculations for determining LRAM have been made in Appendix C: London Hydro 2013 LRAM for 2011 CDM Programs Recoveries Rate Application. Included in this appendix are full LRAMVA calculations that are based on the 2011 final evaluation results for 2011 OPA-Contracted Province-Wide CDM Program report, using the energy savings by customer class and valuing those energy savings using London Hydro's Board-approved variable distribution charge appropriate to the class.

The amount associated with 2011 OPA CDM Programs that the Applicant seeks to recover through volumetric rate riders totals a LRAM amount of \$176,092, including carrying costs.

- ii) Separate tables for each rate class is provided in Appendix C: London Hydro 2013 LRAM for 2011 CDM Programs Recoveries Rate Application that show LRAM amounts requested with the final evaluation results for 2011 OPA Programs.

The following reflects the results as indicated in Appendix C:

London Hydro Inc.
OPA CDM Program Load Impacts (2011)

2011 Data from OPA Verified Results
see Tab 1- OPA CDM Savings

*London Hydro is not requesting LRAM /SSM for Programs in 2006, 2007, and 2008. Programs in 2009 were also not included

		2011		2011		2012		2012		TOTAL		TOTAL	
		NET		GROSS		NET		GROSS		NET		GROSS	
Class/ Program	Year Program Implimented	kWh	Kw	kWh	Kw	kWh	Kw	kWh	Kw	kWh	Kw	kWh	Kw
RESIDENTIAL													
Appliance Retirement	2011	1,002,610	167.0	1,967,720	350.0	1,002,610	167.0	2,471,000	395.0	2,005,220	334.0	4,438,720	745.0
Appliance Exchange	2011	15,910	12.0	30,871	24.0	15,910	12.0	2,855,000	1,826.0	31,820	24.0	2,885,871	1,850.0
HVAC Incentives	2011	1,901,868	1,052.0	3,173,112	1,739.0	1,901,868	1,052.0	1,159,000	112.0	3,803,736	2,104.0	4,332,112	1,861.0
Conservative Instant Coupon Booklet	2011	512,644	32.0	465,107	28.0	512,644	32.0	1,159,000	112.0	1,025,288	64.0	1,624,107	140.0
Bi-Annual Retailer Event	2011	802,521	46.0	734,572	41.0	802,521	46.0	1,159,000	112.0	1,605,042	92.0	1,893,572	153.0
Residential Total		4,235,553	1,309.0	6,371,382	2,182.0	4,235,553	1,309.0	8,803,000	2,557.0	8,471,106	2,618.0	15,174,382	4,739.0
General Service < 50 kW													
OPA Energy Retrofit Incentive Program (ERIP)	2010	797,576	111.4	1,329,017	187.6	797,576	111.4	1,329,017	187.6	1,595,151	222.9	2,658,033	375.2
High Performance New Construction*	2010	865,905	169.0	1,731,809	337.0	865,905	169.0	1,731,809	337.0	1,731,810	338.0	3,463,618	674.0
Efficiency Equipment Replacement	2011	493,355	95	657,805	130	493,355	95	657,805	129.6	986,710	190.6	1,315,610	259.1
Direct Install Lighting	2011	145,929	56.0	157,160	52.0	145,929	368.0	1,198,000	525.0	291,858	424.0	1,355,160	577.0
Demand Response 3	2011	19,012	485.0	19,012	642.0	0	0.0	0	0.0	19,012	485.0	19,012	642.0
Total General Service < 50 kW		2,321,777	917	3,894,802	1,348	2,302,765	744	4,916,630	1,179.2	4,624,542	1,660.4	8,811,433	2,527.4
General Service 50 kW to 4,999 kW													
OPA Energy Retrofit Incentive Program (ERIP)	2010	8,928,955	1,247.6	14,878,502	2,100.4	8,928,955	1,247.6	14,878,502	2,100.4	17,857,911	2,495.1	29,757,005	4,200.8
Efficiency Equipment Replacement	2011	5,523,172	1,066.7	7,364,206	1,450.4	5,523,172	1,066.7	7,364,206	1,450.4	11,046,344	2,133.4	14,728,412	2,900.9
Demand Response 3	2011	125,454	2,137.0	125,454	2,536.0	0	0.0	0	0.0	125,454	0.0	125,454	0.0
Total General Service 50 to 4,999 kW		14,577,581	4,451.3	22,368,163	6,087	14,452,127	2,314	22,242,709	3,550.8	29,029,708	4,628.6	44,610,871	7,101.6
Total Load Impacts from OPA programs		21,134,911	6,677	32,634,347	9,617	20,990,445	4,367	35,962,339	7,287	42,125,356	8,907	68,596,686	14,368

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Forgone Revenue by Program and Class

*London Hydro is not requesting LRAM /SSM for Programs in 2006, 2007, and 2008. Programs in 2009 were also not included

		2011				2012				Total Revenue
Class/ Program	Year Program Implimented	Load Impact	kWh or kW	Rate per Unit	Revenue	Load Impact	kWh or kW	Rate per Unit	Revenue	
RESIDENTIAL										
Appliance Retirement	2011	1,002,610	kWh	\$ 0.0142	\$ 14,237.06	1,002,610	kWh	\$ 0.0143	\$ 14,337.32	\$ 28,574.39
Appliance Exchange	2011	15,910	kWh	\$ 0.0142	\$ 225.92	15,910	kWh	\$ 0.0143	\$ 227.51	\$ 453.44
HVAC Incentives	2011	1,901,868	kWh	\$ 0.0142	\$ 27,006.53	1,901,868	kWh	\$ 0.0143	\$ 27,196.71	\$ 54,203.24
Conservative Instant Coupon Booklet	2011	512,644	kWh	\$ 0.0142	\$ 7,279.54	512,644	kWh	\$ 0.0143	\$ 7,330.81	\$ 14,610.35
Bi-Annual Retailer Event	2011	802,521	kWh	\$ 0.0142	\$ 11,395.80	802,521	kWh	\$ 0.0143	\$ 11,476.05	\$ 22,871.85
Residential Total		4,235,553			\$ 60,144.85	4,235,553			\$ 60,568.41	\$ 120,713.26
General Service < 50 kW										
OPA Energy Retrofit Incentive Program (ERIP)	2010	797,576	kWh	\$ 0.0091	\$ 7,257.94	797,576	kWh	\$ 0.0092	\$ 7,337.69	\$ 14,595.63
High Performance New Construction*	2010	865,905	kWh	\$ 0.0091	\$ 7,879.74	865,905	kWh	\$ 0.0092	\$ 7,966.33	\$ 15,846.06
Efficiency Equipment Replacement	2011	493,355	kWh	\$ 0.0091	\$ 4,489.53	493,355	kWh	\$ 0.0092	\$ 4,538.87	\$ 9,028.40
Direct Install Lighting	2011	145,929	kWh	\$ 0.0091	\$ 1,327.95	145,929	kWh	\$ 0.0092	\$ 1,342.55	\$ 2,670.50
Demand Response 3	2011	19,012	kWh	\$ 0.0091	\$ 173.01	0	kWh	\$ 0.0092	\$ -	\$ 173.01
	2011	0	kWh	\$ 0.0091	\$ -	0	kWh	\$ 0.0092	\$ -	\$ -
Total General Service < 50 kW		2,321,777			\$ 21,128.17	2,302,765			\$ 21,185.44	\$ 42,313.60
General Service 50 kW to 4,999 kW										
OPA Energy Retrofit Incentive Program (ERIP)	2010	1,247.6	kW	\$ 1.6081	\$ 2,006.20	1,248	kW	\$ 1.6223	\$ 2,023.92	\$ 4,030.12
Efficiency Equipment Replacement	2011	1,066.7	kW	\$ 1.6081	\$ 1,715.39	1,067	kW	\$ 1.6223	\$ 1,730.53	\$ 3,445.92
Demand Response 3	2011	2,137	kW	\$ 1.6081	\$ 3,436.51	0	kW	\$ 1.6223	\$ -	\$ 3,436.51
Total General Service 50 to 4,999 kW		4,451			\$ 7,158.10	2,314			\$ 3,754.45	\$ 10,912.55
Total Forgone Revenue OPA programs		6,561,781			\$ 88,431.12	6,540,632			\$ 85,508.30	\$ 173,939.42

- iii) London's last approved load forecast was approved as part of London's 2009 COS application. The approved load forecast did not include a component relating to the programs associated with achieving the 2011-2014 CDM targets. As a result, the variance calculation for 2011 which relates to the 2011-2014 CDM targets would be the final evaluation results for London's 2011 OPA Programs minus zero.
- iv) See Q# 47 iii). London Hydro's last approved load forecast was in 2009 which did not include adjustments for CDM impacts in association with London Hydro's 2011 – 2014 CDM Targets.
- v) London Hydro confirms it has relied on the most recent final evaluation report Copy of 2011_Final_Annual_Report_Data_CDM_OPAPrograms_20130108 from the

OPA in supporting its LRAM calculation. A copy of the OPA report (for year 2011) can be sourced in Appendix C: London Hydro 2013 LRAM for 2011 CDM Programs Recoveries Rate Application

- vi) London Hydro has used the most recent input assumptions available at the time of the program evaluation when calculating its LRAM amount.
- vii) The applicable LRAM rate riders associated with 2011 CDM programs, and as determined in excel LondonHydro_LRAMVA_2011_Bdstaff IR Q # 47 _ 20130108, are as follows:

Class	Units	LRAM	Carrying Charges	Total	2011 Billing Determines	Rate Rider
Residential	kWh	\$ 120,713	\$ 1,476	\$ 122,190	1,128,904,736	\$ 0.00011
GS < 50 kW	kWh	\$ 42,314	\$ 518	\$ 42,832	408,115,902	\$ 0.00010
GS 50 to 4,999 kW	kW	\$ 10,913	\$ 159	\$ 11,071	3,944,476	\$ 0.00281
Totals		\$ 173,939	\$ 2,152	\$ 176,092		

Billing Determinates used 2011 Distribution Energy Quantities (Actual)

- viii) London Hydro is requesting recoveries for carrying charges applicable to LRAM amounts determined for 2011 OPA CDM Programs.

London Hydro has based its carrying charges on the Toronto Hydro Decision, in which the Board found that Toronto Hydro was entitled to carrying charges on the LRAM balances. London Hydro has calculated carrying charges as follows: interest has been applied to the ending balance of the annual LRAM for all of 2011 and 2012. The calculation of the carrying costs used the Board's prescribed interest rates for Q1 2011 – Q1 2013, as shown below:

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	4 Months to April 30, 2013	Total
%	1.47	1.47	1.47	1.47	1.47	
Residential (\$)	\$ 221	\$ 221	\$ 221	\$ 221	\$ 591	\$ 1,475.62
GS < 50 kW (\$)	\$ 78	\$ 78	\$ 78	\$ 78	\$ 207	\$ 517.92
GS 50 to 4,999 kW (\$)	\$ 26	\$ 26	\$ 26	\$ 26	\$ 53	\$ 158.70

London Hydro is seeking a total of \$2,152 for carrying charges.

- ix) London Hydro once again states that it has relied on the most recent final evaluation report Copy of 2011_Final_Annual_Report_Data_CDM_OPAPrograms_20130108 from the OPA in supporting its LRAM calculation. A copy of the OPA report (for year 2011) can be sourced in Appendix C: London Hydro 2013 LRAM for 2011 CDM Programs Recoveries Rate Application.

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References:

- i. *Exh 9, p. 15 (Table 9-3);*
- ii. *Appendix 9-A, p. 44*

Account 1595 has carrying charges of \$286,860 (credit to customers), but appears to have no principal balance on December 31, 2011.

Please explain the \$286,806 credit balance and provide a detailed calculation of the carrying charges, principal and the interest rates used for the balance of (\$286,860).

Response OEB 48

Account 1595 Disposition and Recovery of Regulatory Balances Control Account Sub-account Disposition of Account Balances Approved in 2009 reflects the residual balances approved for disposition with the previous COS proceedings EB-2008-0235. The full amount of principal was refunded to the customers, and the residual balance consists of interest only.

Schedule of Account 1595 Disposition and Recovery of Regulatory Balances Control Account Sub-account Disposition of Account Balances Approved in 2009

Date	Account 1595 Opening Balance	Principal Recoveries/ Refunds	Closing Principal Balance	Days	Interest Rate	Interest Earned After Sept 30/09	Interest Recoveries	Transfers IN - Interest	Closing Interest Balance	Account 1595 Closing Balance	Actual Recoveries/ Refunds for the Period
31-Aug-09	-	-	-	31	0.55%	-	-	-	-	-	-
30-Sep-09	-	-	-	30	0.55%	-	-	-	-	-	-
31-Oct-09	(7,075,045)	16,617	(7,058,428)	31	0.55%	(3,304.92)	-	(490,487)	(493,792)	(7,552,219)	16,617
30-Nov-09	(7,058,428)	309,241	(6,749,187)	30	0.55%	(3,190.80)	-	-	(496,983)	(7,246,170)	309,241
31-Dec-09	(6,749,187)	299,264	(6,449,923)	31	0.55%	(3,152.70)	-	-	(500,135)	(6,950,058)	299,264
31-Jan-10	(6,449,923)	421,499	(6,028,424)	31	0.55%	(3,012.91)	-	-	(503,148)	(6,531,573)	421,499
28-Feb-10	(6,028,424)	382,471	(5,645,953)	29	0.55%	(2,634.34)	-	-	(505,783)	(6,151,736)	382,471
31-Mar-10	(5,645,953)	436,290	(5,209,663)	31	0.55%	(2,637.36)	-	-	(508,420)	(5,718,083)	436,290
30-Apr-10	(5,209,663)	364,388	(4,845,275)	30	0.55%	(2,355.05)	-	-	(510,775)	(5,356,050)	364,388
31-May-10	(4,845,275)	352,821	(4,492,454)	31	0.55%	(2,263.34)	-	-	(513,038)	(5,005,492)	352,821
30-Jun-10	(4,492,454)	395,105	(4,097,349)	30	0.55%	(2,030.84)	-	-	(515,069)	(4,612,418)	395,105
31-Jul-10	(4,097,349)	419,332	(3,678,016)	31	0.89%	(3,097.15)	-	-	(518,166)	(4,196,183)	419,332
31-Aug-10	(3,678,016)	456,570	(3,221,446)	31	0.89%	(2,780.18)	-	-	(520,946)	(3,742,393)	456,570
30-Sep-10	(3,221,446)	436,366	(2,785,080)	30	0.89%	(2,356.51)	-	-	(523,303)	(3,308,383)	436,366
31-Oct-10	(2,785,080)	392,422	(2,392,658)	31	1.20%	(2,838.49)	-	-	(526,141)	(2,918,799)	392,422
30-Nov-10	(2,392,658)	358,412	(2,034,245)	30	1.20%	(2,359.88)	-	-	(528,501)	(2,562,747)	358,412
31-Dec-10	(2,034,245)	343,234	(1,691,012)	31	1.20%	(2,073.26)	-	-	(530,575)	(2,221,586)	343,234
31-Jan-11	(1,691,012)	416,249	(1,274,762)	31	1.47%	(2,111.22)	-	-	(532,686)	(1,807,448)	416,249
28-Feb-11	(1,274,762)	362,141	(912,621)	28	1.47%	(1,437.51)	-	-	(534,123)	(1,446,745)	362,141
31-Mar-11	(912,621)	424,901	(487,721)	31	1.47%	(1,139.40)	-	-	(535,263)	(1,022,983)	424,901
30-Apr-11	(487,721)	348,112	(139,609)	30	1.47%	(589.27)	-	-	(535,852)	(675,461)	348,112
31-May-11	(139,609)	139,609	-	31	1.47%	(174.30)	211,518	-	(324,508)	(324,508)	351,127
30-Jun-11	-	-	-	30	1.47%	-	34,288	-	(290,220)	(290,220)	34,288
31-Jul-11	-	-	-	31	1.47%	-	4,329	-	(285,891)	(285,891)	4,329
31-Aug-11	-	-	-	31	1.47%	-	(22)	-	(285,913)	(285,913)	(22)
30-Sep-11	-	-	-	30	1.47%	-	179	-	(285,734)	(285,734)	179
31-Oct-11	-	-	-	31	1.47%	-	(81)	-	(285,815)	(285,815)	(81)
30-Nov-11	-	-	-	30	1.47%	(0.10)	(960)	-	(286,775)	(286,775)	(960)
31-Dec-11	-	-	-	31	1.47%	(1.30)	(83)	-	(286,860)	(286,860)	(83)

Question OEB 49

References

- i. Exh 1, p.15;
- ii. Exh 9, p.2;
- iii. *Accounting Procedures Handbook (APH): Article 210, p. 23: 7000 account series;*
- iv. *APH FAQ #3, July 2012; Addendum to Report of the Board: Implementing International Financial Reporting Standards (IFRS) in an Incentive Rate Mechanism Environment dated June 13, 2011 (EB 2008-0408), pp. 23- 24*

The Addendum to Report of the Board on Implementing IFRS states:

“With respect to P&OPEB items, the Board is not persuaded that a generic account is necessary. It is not clear that the impact of the transition to IFRS on P&OPEB Items will be consistent among Ontario utilities. Individual utilities that can demonstrate the likelihood of large variances can seek an individual variance account from the Board.

If it becomes apparent over time that utilities are generally experiencing material, unpredictable variances in these items, the Board will consider solutions in its development of rate-setting mechanisms.”

The July 2012 APH Q & A #3 states:

“Electricity distributors are required to annually open new sub-accounts of Account 1595, Disposition and Recovery/Refund of Regulatory Balances. New accounting procedures for Account 1595 are provided in the revised 2012 APH in Article 220. The account description of (control) Account 1595 specifies that for each year the deferral or variance account balances are approved for disposition by the Board, distributors are required to set-up under the control account three sub-accounts using the format of a vintage year classification of the year in which the balances are approved for disposition and recovery from or refund to customers.

The three sub-accounts are as follows:

- 1. Sub-account Principal Balances Approved in “20yy”*
- 2. Sub-account Carrying Charges Approved in “20yy”*
- 3. Sub-account Carrying Charges for Net Principal in “20yy”*

London Hydro is requesting three new Deferred and Variance Accounts (DVA):

- I. To record re-measurement recognized in Other Comprehensive Income (OCI) such as the MIFRS post-employment benefit adjustment.*
- II. To record the recovery and refunds pertaining to the disposition of the deferral and variance accounts at December 31, 2011 including carrying charges forecasted to April 30, 2013 under sub account 1595 for Global Adjustment (GA).*
- III. To record the recovery and refunds pertaining to the disposition of the deferral and variance accounts at December 31, 2011 including carrying charges forecasted to April 30, 2013 under sub account 1595 for all other DVAs other than GA.*

Questions / Requests

- a) For part “I”, please clarify what London Hydro means by “re-measurement recognized in Other Comprehensive Income (OCI) such as the MIFRS post - employment benefit adjustment”.
- b) Please explain why London Hydro require a new DVA account for part “I”.
- c) *The APH has established Uniform System of Accounts (USoA) for OCI, in particular the 7000 account series. Given this, why does London Hydro need a new separate DVA for the re-measurement in OCI for the MIFRS post-employment benefit adjustment?*
- d) *With regards to the projected variance in the new DVA account requested in part “I”, what is London Hydro’s estimate in \$ and how material is this amount?*
- e) *For part “II” and “III”, please confirm that London Hydro will be following the guidelines provided in the APH FAQ #3, July 2012 for the two sub accounts requested under account 1595 for GA and for all other DVAs other than GA.*

Response OEB 49

- a) Where London Hydro refers to “re-measurement recognized in Other Comprehensive Income (“OCI”) such as the MIFRS post – employment benefit adjustment” on page 15 of Exhibit 1, it was referring to the one-time Pension and Other Post-Employment Benefits adjustment to be made at the time of transition to IFRS. This one-time transitional adjustment is currently \$1,844,800 as indicated in Exhibit 10, page 21 and as also referenced below under Question 58.
- b) As addressed below under Question 58, Addendum to Report of the Board: Implementing International Financial Reporting Standards (IFRS) in an Incentive Rate Mechanism Environment EB 2008-0408 dated June 13, 2011, pp. 23-24 states that “Individual utilities that can demonstrate the likelihood of large variances can seek an individual variance account from the Board.”

Since the transitional P&OPEB adjustment is a material amount (\$1,844,800), London Hydro is requesting that a deferral account be opened for use when the Company does in fact move to IFRS.

- c) London Hydro is requesting a deferral account for the one-time P&OPEB transitional adjustment noted above so that it can be amortized for rate making purpose over a period greater than one year.

This transitional adjustment is an adjustment to the opening balance sheet on transition to IFRS, rather than a charge to OM&A for a given year. It is London Hydro's understanding that the newly established 7000 account series are for the purposes of recording activities for one year. As discussed in Exhibit 10, this adjustment represents the difference in the Company's liability under IFRS in comparison to that calculated under CGAAP as at January 1, 2012 and represents unamortized actuarial losses and an unrecognized liability associated with future benefits relating to service awards.

- d) As indicated above, the estimate dollar amount of this one-time transitional adjustment is \$1,844,800 which is material. The materiality limited for the 2012 Bridge Year under CGAAP is \$349,000.
- e) London Hydro confirms that it will be fully following the guidelines as provided in APH FAQ #3 July 2012 for both sub-accounts, 1595 for Global Adjustment (GA) and sub-account 1595 for all other DVAs other than GA.

Question OEB 50

Reference: EB-2012-0380 pre-filed evidence filed September 25, 2012, p. 10 / Table 2

London Hydro has noted \$3.8 million debit and credit adjustments to Account 1588

- a) Please confirm the error related to \$3.8 million for Account 1588 is related to the balances from December 31, 2008 to June 30, 2012. If not, please explain.*
- b) Please provide the journal entries (both sides – debits and credits) made in June 2012 to reflect the adjustments made to Account 1588, involving the \$3.8 million debit to Account 1588 sub-account GA and the \$3.8 million credit to the control account of Account 1588.*

Response OEB 50

Please reference Appendix D – RSVA Commodity Variance Accounts – Unbilled Energy Calculation Review 1588 RSVA Power and RSVA Power Sub-account Global Adjustment ("RSVA background document"), which is also identified in Board staff Q# 52, *before reading* the response to this question.

a) 1588 Power:

The \$3.8 Million relates to the balances as at December 31, 2010. This is the amount accrued for the RPP portion of energy price adjustment on the unbilled energy at December 31, 2010 via reversing journal entry, which is the equivalent with the remaining settlement amount with the IESO.

dr 4705 Power Purchased	\$3,806,100
cr 2205 Accounts Payable	(\$3,806,100)

Fixed price energy debit/credit on unbilled amounts

dr 1588 RSVA Power	\$3,806,100
cr 4705 Power Purchased	(\$3,806,100)

Close off to RSVA - fixed price energy debit/credit on unbilled amounts

London Hydro has determined there is no error associated with the 1588 Power account as at December 31, 2010 and initially reported values are correct.

1588 Power Sub-account Global Adjustment:

The \$3.8 Million relates to the balances as at December 31, 2010. This is the amount accrued for the RPP portion of Global Adjustment claim on the unbilled energy at December 31, 2010 via reversing journal entry.

dr 2205 Accounts Payable	\$3,802,961
cr 4707 Charges – Global Adjustment	(\$3,802,961)

GA credit on unbilled amounts

dr 4707 Charges – Global Adjustment	\$3,802,961
cr 1588 RSVA Power Sub-account Global Adjustment	(\$3,802,961)

Close off to RSVA - GA credit on unbilled amounts

This \$3.8 Million should not have been accrued (as discussed in the RSVA Background Document) as the prorated / accrual method is already being followed and therefore the additional accrual is not required.

- b) As a result of the findings discussed in the RSVA Background Document the quarterly RRR filings for 2012 will be requested for resubmission to the OEB.

London Hydro is requesting the disposition of the 1588 accounts based on balances as at December 31, 2011 (audited) balances and therefore the June 30, 2012 balances are no longer relevant.

Question OEB 51

Reference: EB-2012-0380 pre-filed evidence filed September 25, 2012 / p. 9.

London Hydro stated on page 9 of the pre-filed evidence filed on September 25, 2012 that “as a result of this accounting error [an] incorrect account balance was submitted for approval for disposition in the 2012 IRM proceeding...”

- a) In which fiscal period was the fixed price debits/credits calculated and first included twice in the unbilled energy period end balance? Please explain.*
- b) How far back was this error made? Please specify the date and summarize the dollar impact to the Account 1588 control account and Account 1588 sub-account GA on an annual basis in a table format.*
- c) Does the inaccurate presentation of Account 1588 control account and Account 1588 sub-account GA impact the December 31, 2008 balances cleared in the 2009 Cost of Service proceeding, in addition to the December 31, 2010 balances cleared in the 2012 IRM proceeding? Please explain.*

Response OEB 51

Please reference the RSVA background document found in Appendix D and referenced in Board staff Q # 52, before reading the response to this question.

- a) The 1588 Power Sub-account Global Adjustment double accrual started in August 2010 upon the implementation of the accrual method. The reversing accrual entry at the end of December 2010 was made for \$3,802,961 for RPP related Global Adjustment credit. This entry is not required, since the credit was calculated based on the accrual method described in response to question OEB 52a) in the Review Report Amendment.

1588 RSVA Power account has no error. The reconciliation of the RPP price difference is completed on a forward basis, and therefore, the accrual entry for the unbilled portion has to be accrued in addition to the trade month IESO unpaid invoice for the month-end to arrive at the result of the accrual method. The accrual entry accounts for this outstanding amount and moves it to Accounts Payable due to the IESO.

- b) As described in the Review report Amendment (response to question OEB 52a), the error occurred only in the 1588 Power Sub-account Global Adjustment commencing in Year 2010.

1588 RSVA Power Sub-account Global Adjustment as filed and reconciled to RRR 2.1.7

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Credits	Total Net Accruals	Board Approved Disposition	Closing Balance	RRR 2.1.7	Variance
No fixed price credit accrued in Year 2008									
Year 2009	1,982,029	8,365	5,408,166	(4,262,161) ✓	1,146,005	(2,001,899) ✓	1,134,500	1,134,500	0 Note 1.
Year 2010	1,134,500	(2,644)	(2,882,212)	459,200 ✓	(2,423,013)	- ✓	(1,291,157)	(1,291,157)	0
Year 2011	(1,291,157)	41,830	662,392	(1,998,139) ✓	(1,335,747)	- ✓	(2,585,074)	(2,585,074)	(0)
Year 2012 to June 30, 2012	(2,585,074)	28,679	(929,556)	5,801,100 ✓	4,871,544	1,316,166	3,631,315	3,631,315	0 Note 2.
Year-to-date		76,230	2,258,788	-	2,258,788	(685,733)			

Note 1: Disposition set out in the Board's Decision in London Hydro's 2009 COS Application (EB-2008-0235) for the period of Oct 1, 2009 to April 30, 2011.

Note 2: Disposition 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.

1588 RSVA Power Sub-account Global Adjustment recalculated with eliminating the amount for fixed price credit accrued in error after the accrual method is implemented

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Credits	Total Net Accruals	Board Approved Disposition	Closing Balance
No fixed price credit accrued in Year 2008							
Year 2009	1,982,029	8,365	5,408,166	(4,262,161) ✓	1,146,005	(2,001,899)	1,134,500
Year 2010	1,134,500	(2,644)	(2,882,212)	4,262,161 ✓	1,379,948	-	2,511,804
Year 2011	2,511,804	41,830	662,392	- ✓	662,392	-	3,216,026
Year 2012 to June 30, 2012	3,216,026	28,679	(929,556)	- ✓	(929,556)	1,316,166	3,631,315
Year-to-date		76,230	2,258,788	-	2,258,788	(685,733)	

The above tables illustrate after the last reversal of the fixed price debits/credits in 2012, the closing balance of the account is the same as if the fixed price debits/credits were accrued only for the time period the forward methodology was employed.

The total transactions, including carrying charges on paid/billed principal, are the same for over the years.

- c) London Hydro can confirm the 1588 RSVA Power account had the correct balances for each year, and therefore the appropriate balances were approved for disposition.

The external audit conducted by the Ministry of Finance on the behalf of the Ontario Power Authority, confirmed the 1588 RSVA Power and 1588 Power Sub-account Global Adjustment balances as at 2008.

In regards to the 1588 Power Sub-account Global Adjustment there had been no additional accruals made for fixed price credits on unbilled energy in 2008. The appropriate accrual entry was added during the 2009 year . However, the accrual entry was no longer required upon implementation of the accrual method in year 2010.

London Hydro is unable to acquire extensive historical information prior to 2008 within the short period of time associated with this submission. However, London Hydro is confident that the account balance for 1588 Power Sub-account Global Adjustment for Year 2011 is now correct. By disposing the current recalculated balance any prior error resulting from incorrect accruals or disposition is self-corrected.

Question OEB 52

Reference: EB-2012-0380 pre-filed evidence filed September 25, 2012 / p. 6.

London Hydro stated at the referenced page that it had performed an internal review of the unbilled energy calculation and discovered that the fixed price debits/credits were calculated and included twice in the unbilled energy period end balance.

- a) *Please file with the Board a copy of the London Hydro's internal review and analysis, if any, with respect to this issue.*
- b) *When London Hydro refers to the fixed price debits/credits and unbilled energy does it mean an inaccurate unbilled RPP kWh accrual at period-end and subsequent reversal the following period? Please explain if this is the case or not. Please explain what was accrued at period-end and what was or was not reversed the following period.*

- c) *When London Hydro refers to the fixed price debits/credits and unbilled energy does it mean that the inaccurate RPP kWh accrual caused an inaccurate impact to the following calculation for Form 1598 and its predecessor forms (e.g. Form 1506, etc.)? Please explain if this is the case or not..*
- d) *Please also confirm that London Hydro uses the formula*
*“Fixed price adjustment = RPP kWh * [\$RPP/kWh - (\$HOEP/kWh + \$Global Adjustment/kWh)”*
in its calculation for Form 1598 and its predecessor forms (e.g. Form 1506, etc.). Please explain if this is the case or not the case.
- e) *Please explain and provide a schedule to show how the inaccurate unbilled RPP kWh accrual and other inaccurate adjustments to the above “Fixed price adjustment” calculation were incorporated into each year-end balance – the period-ends since the inception of Form 1598 and its predecessor forms (e.g. Form 1506, etc.), not just since year-end 2008. Please detail by each year-end. Please reconcile this schedule to the schedules detailed in Appendix A of the pre-filed evidence filed on September 25, 2012 page 15 and page 16.*

Response OEB 52

- a) Please refer to Appendix D – RSVA Commodity Variance Accounts – Unbilled Energy Calculation Review 1588 RSVA Power and RSVA Power Sub-account Global Adjustment (“RSVA background document”)

- b) The fixed price adjustments on unbilled energy were calculated and using the appropriate applicable rates.

The accrual is required for the unbilled portion of the RPP price variance due to the IESO and is calculated and accrued at the end of each month. This entry reverses on the first day of the next month. Then a new reversing accrual is booked for the required amount at the end of the month again.

The accrual was not required for the unbilled portion of global adjustment fixed price credits because the accrual method is used in the calculation for the

submission. This entry reversed on the first of the next month. After the initial review of the unbilled energy calculation, no further accruals were booked.

Further details are provided in RSVA background document.

- c) The RPP settlement amount for Form 1598 is calculated using the applicable formula. This amount is submitted to the IESO and included in the IESO invoice as Charge Type 142. The invoice for the trade month is received from IESO around the 10th business day in the following month. All charges including 1598 settlement amount, are booked as unbilled cost of power for the month of consumption based on the invoice received from the IESO.

The accruals booked to the ledger have no impact on the calculation of amounts submitted on the Form 1598.

The accrual is a second adjustment booked for the fixed price debits/credits in addition what is already settled with the IESO. This calculation takes place after the Form 1598 is submitted. The accrual for the global adjustment credit should not have been made as described in the RSVA background document.

- d) Yes, London Hydro uses the above described formulae to calculate the RPP adjustment amount (Charge Type 142) to be settled with the IESO.

The amount calculated for the Global adjustment ($\text{RPP kWh} * \$\text{GA/kWh}$) uses the accrual method described in the APH, and all estimates are trued up two months later when actual billed amounts become available.

The amount calculated for the energy price adjustment ($\text{RPP kWh} * (\$ \text{RPP/kWh} - \$ \text{HOEP/kWh})$) uses the forward method where the settlement amount for the price differences are based on current month billings. The current month billings include billings for consumption of the current month and the prior month. The

RPP price difference for the unbilled portion of consumption is submitted in the following month, therefore an accrual is required in the current trade month as described in RSVA background document.

- e) London Hydro can confirm that 1588 RSVA Power account has no error; therefore there is no change necessary to balances prior to Year 2012. The IESO settlement has been completed on a forward basis for the RPP energy price difference since the inception of Form 1598, and therefore the accrual entry for the unbilled portion of the RPP fixed price difference is required to arrive at the same month-end results as the accrual method. The accrual entry accounts for this outstanding amount and moves it to Accounts Payable due to the IESO. This entry should be completed as long as the forward method is in place for the calculation of the fixed price debits. The existing rate rider is not affected.

Recordings for Global Adjustment were introduced in Year 2005. The forward method was used in calculation of the RPP price differences prior August 2010. Therefore the accrual entry was required to arrive at the same results as the accrual method. The additional accrual entry made for fixed price credits on unbilled energy in 1588 Power Sub-account GA was implemented in Year 2009.

The accrual method was adopted in 2010 and therefore the accrual entry was not necessary after August 2010. The result was 1588 Power Sub-account Global Adjustment reflected a double accrual commencing in August 2010.

The reversing accrual entry at end of December 2010 and 2011 was made for \$3.8 Million and \$5.8 Million, respectively, for the RPP related Global Adjustment credit. Please review response OEB IR 54 a) and the table reflecting the correction of the amount \$5.8 Million that adjusts the 1588 Power Sub-account GA December 31, 2011, balance for proposed recovery.

Further reference can be found in response to question OEB 52a) in the RSVA background document.

1588 RSVA Power (excluding Global Adjustment) as filed and reconciled to RRR 2.1.7

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Debits	Total Net Accruals	Board Approved Disposition	Closing Balance	RRR 2.1.7	Variance
2008 Year-end accrual for Fixed Price Credit reversing in 2009				1,187,000	1,187,000				
Year 2009	(3,015,389)	(66,735)	(3,908,474)	2,269,300	(1,639,174)	3,040,110	(1,681,188)	(1,681,188)	(0) Note 1.
Year 2010	(1,681,188)	(44,119)	(390,197)	349,800	(40,397)	-	(1,765,703)	(1,765,703)	0
Year 2011	(1,765,703)	(111,746)	(4,479,632)	2,266,500	(2,213,132)	-	(4,090,581)	(4,090,581)	(0)
Year 2012 to June 30, 2012	(4,090,581)	(76,062)	(833,576)	(6,072,600)	(6,906,176)	1,784,283	(9,288,536)	(9,288,536)	(0) Note 2.
		(298,661)	(9,611,879)	-	(9,611,879)	4,824,393			

Note 1: Disposition set out in the Board's Decision in London Hydro's 2009 COS Application (EB-2008-0235) for the period of Oct 1, 2009 to April 30, 2011.

Note 2: Disposition 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.

1588 RSVA Power (excluding Global Adjustment) recalculated with the amount for fixed price debit due to the IESO

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Debits	Total Net Accruals	Board Approved Disposition	Closing Balance
2008 Year-end accrual for Fixed Price Credit reversing in 2009				1,187,000	1,187,000		
Year 2009	(3,015,389)	(66,735)	(3,908,474)	2,269,300	(1,639,174)	3,040,110	(1,681,188)
Year 2010	(1,681,188)	(44,119)	(390,197)	349,800	(40,397)	-	(1,765,703)
Year 2011	(1,765,703)	(111,746)	(4,479,632)	2,266,500	(2,213,132)	-	(4,090,581)
Year 2012 to June 30, 2012	(4,090,581)	(76,062)	(833,576)	909,300	75,724	1,784,283	(2,306,636)
		(298,661)	(9,611,879)	6,981,900	(2,629,979)	4,824,393	

The above table illustrates the fixed price debits for the unbilled portion of energy price differences due to the IESO using the forward method. The entry for the "fixed price debits" is the value of this outstanding liability. This liability is allocated to 2205 Accounts Payable Due to the IESO account from 1588 RSVA Power. The total actual paid/invoiced transactions, including carrying charges on paid/billed principal, are the same for over the years.

1

1588 RSVA Power Sub-account Global Adjustment

* as Filed RRR 2.17

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Credits	Total Net Accruals	Board Approved Disposition	Closing Balance	RRR 2.1.7	Variance
No fixed price credit accrued in Year 2008									
Year 2009	1,982,029	8,365	5,408,166	(4,262,161) ✓	1,146,005	(2,001,899) ✓	1,134,500	1,134,500	0 Note 1.
Year 2010	1,134,500	(2,644)	(2,882,212)	459,200 ✓	(2,423,013)	- ✓	(1,291,157)	(1,291,157)	0
Year 2011	(1,291,157)	41,830	662,392	(1,998,139) ✓	(1,335,747)	- ✓	(2,585,074)	(2,585,074)	(0)
Year 2012 to June 30, 2012	(2,585,074)	28,679	(929,556)	5,801,100 ✓	4,871,544	1,316,166	3,631,315	3,631,315	0 Note 2.
Year-to-date		76,230	2,258,788	-	2,258,788	(685,733)			

Note 1: Disposition set out in the Board's Decision in London Hydro's 2009 COS Application (EB-2008-0235) for the period of Oct 1, 2009 to April 30, 2011.

Note 2: Disposition 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.

1588 RSVA Power Sub-account Global Adjustment recalculated with eliminating the amount for fixed price credit accrued in error after the accrual method is implemented

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Credits	Total Net Accruals	Board Approved Disposition	Closing Balance
No fixed price credit accrued in Year 2008							
Year 2009	1,982,029	8,365	5,408,166	(4,262,161) ✓	1,146,005	(2,001,899)	1,134,500
Year 2010	1,134,500	(2,644)	(2,882,212)	4,262,161 ✓	1,379,948	-	2,511,804
Year 2011	2,511,804	41,830	662,392	- ✓	662,392	-	3,216,026
Year 2012 to June 30, 2012	3,216,026	28,679	(929,556)	- ✓	(929,556)	1,316,166	3,631,315
Year-to-date		76,230	2,258,788	-	2,258,788	(685,733)	

The above tables illustrate after the last reversal of the fixed price debits/credits in 2012, the closing balance of the account is the same as if the fixed price debits/credits were accrued only for the time period the forward methodology was employed.

The total transactions, including carrying charges on paid/billed principal, are the same for over the years.

2

Question OEB 53

Reference: EB-2012-0380 pre-filed evidence filed September 25, 2012 / p. 15.

In Appendix A of the pre-filed evidence page 15, London Hydro has shown an impact on the 2008 year-end accrual in the first table regarding the control account of Account 1588, but it has not shown any impact for the year-end accrual in the second table. In the same appendix on page 16, the Account 1588 sub-account GA/Account 1589 GA reconciliation does not show a 2008 year-end accrual and instead it starts with the 2009 year-end.

- a) Please explain why the schedules shown on page 15 start with the year 2008 in the first table of the schedule and the year 2009 in the second table of the schedule.*
- b) Please explain why the schedules shown on page 16 start with the year 2009 and not the year 2008.*

Response OEB 53

Please reference the RSVA background document found in Appendix D and identified in Board staff Q3 52 before reading the response to this question.

- a) Based on the findings contained in the RSVA background document referenced in Q# 52 and Appendix D, these tables are no longer relevant.
- b) In Appendix D of the Power Variance Account Application the first table illustrates the 1588 RSVA Power Sub-account Global Adjustment with the accrual made for fixed price debits. The second table illustrates the variance account without the accrual to show what the end balance would have been if the entry was never made.

There was no entry made for Global Adjustment fixed price credit at the end of Year 2008. Please note that the opening balance is identical in both the first and second tables - \$1.98 Million. This is because there was no accrual made in Year 2008, so both tables have the same opening balance without the extra accrual.

Question OEB 54

References:

- i. *Application for Disposition of RSVA Group 1 Accounts, (pre-filed evidence in EB-2012-0380), pp. 12-13 and 21-23.*
- ii. *Exhibit 9, pag. 46 - 47*
 - a) *Please provide the principal balances as of December 31, 2011 for all deferral and variance accounts including Account 1588 RSVA Power (excluding the Global Adjustment) and Account 1588 RSVA Power Global Adjustment sub-account. The balances in Account 1588 RSVA Power (excluding the Global Adjustment) and Account 1588 RSVA Power Global Adjustment sub-account should reflect the corrections required to redress the alleged error of \$3.8 million.*
 - b) *Please calculate the rate riders applicable to RPP and non-RPP customers as per part a) of this interrogatory, assuming an implementation date of February 1, 2013. Please include carrying charges up to January 31, 2013 and assume a sunset date of April 30, 2014.*
 - c) *Please calculate the rate riders applicable to RPP and non-RPP customers as per part a) of this interrogatory, assuming an implementation date of May 1, 2013. Please include carrying charges up to April 30, 2013, and assume a sunset date of April 30, 2014.*

Response OEB 54

a)

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

Accounts for Which Disposition is Requested in This Application - Updated to include 1588 R SVA Power accounts	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
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)	5,801,100	1,316,166	87,201	4,619,393
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
1592 PILs and Tax Variance for 2006 and Subsequent Years	(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)
	\$ (14,239,399)	\$ (585,803)	\$ (14,825,202)	\$ 5,801,100	\$ 7,642,739	\$ (40,536)	\$ (1,421,899)
1555 Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	3,550,757	-	3,550,757	(396,675)		-	3,154,082

The above table includes the correction of \$5.8 Million to the 1588 RSVA Power Sub-account Global Adjustment.

- b) The proposed recalculated rate riders are based on the December 31, 2011 audited 1588 RSVA Power and 1588 RSVA Power Sub-account Global Adjustment updated balances and applicable carrying charges to January 31, 2013, with assumed implementation date of February 1, 2013 and sunset date of April 30, 2014.

Exhibit 9 - Table 5 - Proposed Updated Rate Rider for Deferral / Variance Account Balances (excluding Global Adjustment)

Rate Class	Billing Parameter	Proposed Rate - Feb 1/13 to Apr 30/14
Residential	kWh	\$ (0.0006)
GS <50 kW	kWh	\$ (0.0006)
GS 50 to 4,999 kW	kW	\$ (0.2277)
GS 50 to 4,999 kW (Co-Generation)	kW	\$ (0.1174)
Standby	kW	\$ (0.1174)
Large Use >5MW	kW	\$ (0.2873)
Street Light	kW	\$ (0.2028)
Sentinel	kW	\$ (0.2087)
Unmetered Scattered Load	kWh	\$ (0.0006)

Exhibit 9 - Table 5a - Proposed Updated Rate Rider for RSVA - Global Adjustment Account

Rate Class	Billing Parameter	Proposed Rate - Feb 1/13 to Apr 30/14
Residential	kWh	\$ 0.0025
GS <50 kW	kWh	\$ 0.0025
GS 50 to 4,999 kW	kW	\$ 1.0026
GS 50 to 4,999 kW (Co-Generation)	kW	\$ 0.5170
Standby	kW	\$ 0.5170
Large Use >5MW	kW	\$ 1.2652
Street Light	kW	\$ 0.8931
Sentinel	kW	\$ 0.9189
Unmetered Scattered Load	kWh	\$ 0.0025

c) The proposed recalculated rate riders are based on the December 31, 2011 audited Deferral / Variance Account balances (including the updated 1588 RSVA Power Account and Power sub-account RSVA Global Adjustment), and applicable carrying charges to April 30, 2013, as presented in **Table 9-3 – Deferral and Variance Accounts Submitted for Recovery with this Application Updated** within response to Question 54 in Part a).

Exhibit 9 - Table 5 - Proposed Updated Rate Rider for Deferral / Variance Account Balances (excluding Global Adjustment)

Rate Class	Billing Parameter	Proposed Rate - May 1/13 to Apr 30/14
Residential	kWh	\$ (0.0018)
GS <50 kW	kWh	\$ (0.0018)
GS 50 to 4,999 kW	kW	\$ (0.7312)
GS 50 to 4,999 kW (Co-Generation)	kW	\$ (0.3770)
Standby	kW	\$ (0.3770)
Large Use >5MW	kW	\$ (0.9227)
Street Light	kW	\$ (0.6389)
Sentinel	kW	\$ (0.6625)
Unmetered Scattered Load	kWh	\$ (0.0018)

Exhibit 9 - Table 5a - Proposed Updated Rate Rider for RSVA - Global Adjustment Account

Rate Class	Billing Parameter	Proposed Rate - May 1/13 to Apr 30/14
Residential	kWh	\$ 0.0025
GS <50 kW	kWh	\$ 0.0025
GS 50 to 4,999 kW	kW	\$ 1.0026
GS 50 to 4,999 kW (Co-Generation)	kW	\$ 0.5170
Standby	kW	\$ 0.5170
Large Use >5MW	kW	\$ 1.2652
Street Light	kW	\$ 0.8931
Sentinel	kW	\$ 0.9189
Unmetered Scattered Load	kWh	\$ 0.0025

Question OEB 55

References:

- i. Exh 9, p. 15: Table 9-3;
- ii. Exh 9, p. 19: Table 9-5
- iii. DVA Continuity Schedule Work Form;

Table 9-3 lists all the DVA balances London Hydro is requesting for disposition. Currently Table 9-3 shows a total credit balance of \$523,313. However, Table 9-3 includes the balance of \$3,154,081 for Account 1555, Smart Meter Capital & Recovery Offset Variance-Sub account, Stranded Meter Costs.

It is to be noted that a separate rate rider was proposed in Table 9-8 for Account 1555, sub account Stranded Meters.

- a) *Please confirm that London Hydro is requesting disposition of account 1555, Smart Meter Capital & Recovery Offset Variance-Sub account, Stranded Meter Costs through a separate rate rider, Stranded Meter Rate Rider (SMRR).*

- b) Please confirm that the total DVA balance requested for disposition in Table 9-3 is a credit balance of \$3,677,394 balance (excluding sub account Stranded Meter Costs) and that the DVA rate riders in Table 9-5 calculation were based on the \$3,677,394 credit balance (and not on \$523,313 credit balance which includes the subaccount).

Response OEB 55

- a) Yes, London Hydro is requesting the disposition of account 1555 Smart Meter Capital and Recovery Offset Variance – Sub-Account, Stranded Meter Costs through a separate rate rider, Stranded Meter Rate Rider (SMRR). The total amount of Stranded Meter Costs requested for disposition is \$3,154,081. Ref. Exh. 9 pages 21 and 22, Tables 9-6 and 9-7. The proposed class specific rate riders are set out in [Table 9-8 - Proposed Stranded Asset Recoveries Rate Rider](#) in Exhibit 9 Page 22. 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 30/14
Residential	Monthly	\$ 1.58
GS <50 kW	Monthly	\$ 3.77

- b) London Hydro confirms that Table 9-3 includes all DVA accounts that London Hydro requested disposition of in its 2013 COS Rate Application. Of these balances, disposition of account 1555 Smart Meter Capital and Recovery Offset Variance – Sub-Account, Stranded Meter Costs is requested through a separate rate rider, Stranded Meter Rate Rider (SMRR). Table 9-3 is now updated with the 1588 RSVA Power and sub-account Global Adjustment accounts requested for disposition. The total of all the other DVA accounts (excluding sub account Stranded Meter

Costs), is a \$1,421,899 credit balance, which is reflected in the updated EDDVAR Continuity Schedule. The amount consists of the December 31, 2011 balances plus the OEB prescribed interest projected to April 30, 2013. The disposition of this \$1,421,899 credit balance is requested through the proposed updated rate riders set out in Table 9-5 in response to question 54 part c. These rate riders were calculated utilizing the EDDVAR Continuity Schedule for 2013 COS Filers.

Question OEB 59

References:

- i. *Exh 9, Page 5, Table 9-3;*
- ii. *Appendix 2-T,*
- iii. *APH FAQs, July 2007, #1- #5*

London Hydro is requesting for disposition of Account 1592, 'PILS & Tax Variance for 2006 and Subsequent Years' (excludes sub accounts and contra accounts), for a credit balance of \$149,189 in Table 9-3.

Note 3 of Appendix 2-T requires the calculations that show how each item was determined and any supporting evidence and documentation. In addition, Note 4 of Appendix 2-T must state whether or not the applicant followed the guidance provided in the FAQs of 2007.

- a) *Please provide the calculations of each item and the supporting evidence and documentation required in Appendix 2-T*
- b) *Please confirm that London Hydro followed the FAQs of 2007. If not, please explain.*

Response OEB 59

- a) Contained in updated Appendix 2-T (Appendix 2-T Def Tax_2013_01_08) reflects the evidence and calculations that determined the Account 1592, PILS & Tax Variance for 2006 and Subsequent Years.

Referencing the Appendix 2-T on tab 2- PILS Calculations, is a copy of the 2006 EDR filing for London Hydro's Ontario Capital Tax, Large Corporation Tax. The filing utilizes the OEB 2006 PILs form. In its Decision (RP-2005-0020 and EB-2005-0389) the Board approved this form and to include \$130,143 for Grossed-up LCT (cell E38 of this tab).

Again referencing the Appendix 2-T, referring to tab 5- Carry FW is a spreadsheet permitting the recording of the monthly LTC Credit of the approved Grossed-up PILS of \$130,143. Referring to cell B 50 of the Appendix 2-T under column D is the monthly LTC Credit ($\$130,143 / 12 = \$18,844$ monthly) as collected from customer from period May 1, 2006 through to April 30, 2007. This represents an entire year of credited grossed-up LCT.

Also reflected in Tab 5 is use of applicable OEB prescribe interest rates and LTC credit balances to calculate the relevant carrying charges owed to our customers through period up to April 30, 2013. The amount of \$130,143 and carrying charges to April 30, 2013 of \$19,046, totals the amount of disposition requested in the Application, an amount of \$149,189.

- b) London Hydro confirms that it followed the FAQs of 2007 (APH FAQ, July 2007, #1-#5) in determining the balances of Account 1592, 'PILS & Tax Variance for 2006 and Subsequent Years'.

Question OEB 60

References:

- i. *Exh 9, Page 5, Table 9-3;*
- ii. *DVA Continuity Schedules Work Form;*
- iii. *Exh 9, Page 13: Table: HST Savings Liability for July 2010 to December 31, 2011;*
- iv. *Appendix 2-T;*
- v. *2013 Cost of Service Filing Requirements for Electricity Transmission and Distribution Applications, sections 2.12.1 and 2;*
- vi. *APH FAQ #4, December 2010*

London Hydro is requesting for disposition of Account 1592, 'PILS & Tax Variance for 2006 and Subsequent Years, sub account HST/OVAT/ITCs', for a credit balance of \$191,022 in Table 9-3 for Account 1592, 'PILS & Tax Variance for 2006 and Subsequent Years, sub account HST/OVAT/ITCs'.

Note 3 of Appendix 2-T requires the calculations show how each item was determined and any supporting evidence and documentation. Appendix 2-T does not show the balance in Account 1592, PILS & Tax Variance for 2006 and Subsequent Years, sub account HST/OVAT/ITCs.

The 2013 COS filing requirements expects that no more amounts should be recorded in the above sub account 1592, HST/OVAT/ITCs for the test year and going forward.

- a) *Please confirm that London Hydro is seeking disposition for account 1592, sub account HST/OVAT/ITCs.*
- b) *Please provide the detailed schedules, similar to Table 1 and Table 2 of Question 4 of the December 2010 APH FAQs, to indicate the period HST savings on OM&A costs and capital expenditures for the periods of:*

- I. July 1, 2010 to December 31, 2010;*
 - II. January 1, 2011 to December 31, 2011;*
 - III. January 1, 2012 to December 31, 2012; and*
 - IV. January 1, 2012 to December 31, 2013*
- c) Since the calculation of the HST savings in question 4 of the December 2010 APH FAQs for OMA costs and capital expenditures is based on a proxy using 2009 spending, has the distributor experienced actual spending which were materially different from the above-noted periods in part a? If so please explain the basis for the differences and provide detailed schedules for the HST savings for each period.*
- d) If the answer in part b is “yes”, please update the table found in Exhibit 9, page 13 to reflect part b above, from July 1, 2010 to April 30, 2013 including the related carrying charges.*
- e) Please update Appendix 2-T to include the balance in Account 1592, sub account HST/OVAT/ITCs.*
- f) Please confirm that London Hydro will stop recording in sub account 1592, HST/OVAT/ITCs from May 1, 2013 onwards.*

Response OEB 60

- a) London Hydro confirms that it is seeking disposition for account 1592, sub account HST/OVAT/ITCs with respect to amounts accumulated during the audited years ended December 2010 and December 2011.
- b) As requested, Table 1 below has been provided to indicate the HST savings associated with capital expenditures in a fashion similar to that set out in Question 4 of the December 2010 APH FAQs:

<u>Table 1 - PST Savings on Capital Purchases</u>					
Pre-HST Purchases with PST Included in Assets					
	Asset	Depreciation			
		<u>July-Dec 2010</u>	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2012</u>	<u>Total</u>
2010 Purchases	25,635,800	15,919,000	15,919,000	15,919,000	47,757,000
2011 Purchases	25,635,800		15,919,000	15,919,000	31,838,000
2012 Purchases	25,635,800			15,919,000	15,919,000
Total Depreciation Expense (A)		15,919,000	31,838,000	47,757,000	95,514,000
Post HST Purchases with Input Tax Credit excluded from Assets					
2010 Purchases	25,571,441	15,916,973	15,914,945	15,914,945	47,746,863
2011 Purchases	24,861,196		15,894,600	15,870,200	31,764,800
2012 Purchases	25,635,800			15,891,754	15,891,754
Total Depreciation Expense (B)		15,916,973	31,809,545	47,676,899	95,403,417
Total Capital Items PST Savings (A - B)		\$ 2,027	\$ 28,455	\$ 80,101	\$ 110,583

Also as requested, Table 2 below has been provided to indicate the HST savings associated with OM&A costs and capital expenditures in a fashion similar to that set out in Question 4 of the December 2010 APH FAQs:

<u>Table 2 - Summary of PST Savings from 2009 Historical Year Analysis</u>				
	<u>July-Dec 2010</u>	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2012</u>	<u>Total</u>
2009 Historic Year PST Analysis:				
OM&A Expenses PST Savings	113,537	227,073	227,073	567,683
Capital Items PST Savings (Table 1)	2,027	28,455	80,101	110,583
Total Annual PST Savings	115,564	255,528	307,174	678,266
Monthly PST Savings	\$ 19,261	\$ 21,294	\$ 25,598	\$ 22,609

Please note that since 2013 is London Hydro's year for rebasing, there is no PST savings associated with the period January 1, 2013 to December 31, 2013.

- c) Answer 4 of the December 2010 APH FAQs discusses the options available for calculating the PST savings post July 1, 2010 and indicates that:

“Any alternative method to determine and record incremental ITCs must yield similar results so that there is no material difference between results from the alternative method and the amounts that would be derived from a transactional analysis. The Board established the deferral account to facilitate capturing the savings derived from the implementation of the HST so they can be passed to the distributor’s customers in due course.

An alternative method suggested below provides a simplified approach that should also provide administrative cost saving opportunities. This alternative method requires a distributor to complete a detailed one-time analysis of its most recent historic year (prior to implementation of HST). This analysis of the 2009 historic year (i.e., first complete year prior to implementation of the HST) would identify the PST included in OM&A costs and capital spending that would be removed by the elimination of the PST and would be eligible to receive incremental ITCs effective July 1, 2010 under the Excise Tax Act.”

In order to save administrative costs, London Hydro chose to follow the simplified approach provided in answer 4 of the December 2010 APH FAQs in that a detailed one-time analysis was performed using 2009 actual transactional data. This analysis served to identify the amount of PST embedded in 2009 spending so as to provide a basis on which to extrapolate the implicit annual PST savings from July 1, 2010 to December 31, 2012.

This analysis was compiled using actual transactions for 2009 and not based on any projections or proxy. Accordingly, there are no differences between actual spending and the basis on which the HST liability was derived.

- d) Not applicable.
- e) As requested, Appendix 2-T, Deferred PILs Account 1592 Balances, has been amended to include the HST savings liability for the period July 1, 2010 to its last audited year December 31, 2011. Copy of the Appendix has been filed as amended excel spreadsheet.
- f) London Hydro confirms that there will be no further entries to sub account 1592, HST/OVAT/ITCs from May 1, 2013 onwards, with the exception of carrying charges.

Question OEB 61

Reference: Exh 9, p. 44

Account 1595 (2009) has carrying charges of \$286,860 (credit to customers), but appears to have no principal balance.

- a) Please describe the transactions and/or journal entries during 2011 that resulted in reducing the principal balance to exactly \$0, and that reduced the interest balance from (\$530,575) to (\$286,860).*
- b) Will there be transactions and/or interest recorded in this account in 2012?*

Response OEB 61

- a) Please refer to Table: Account 1595 –Regulatory Asset Recoveries/ Refunds on next page for details as to transactions during 2011.

Transactions recorded in this subaccount during 2011 consists of:

- \$1,691,012 principal refunded to customers
- \$249,168 interest refunded to customers
- \$5,453 interest applied on outstanding principal

The rate rider was in effect for the period of October 1, 2009 to April 30, 2011. London Hydro has followed practice that recoveries will first be applied to principal balance.

- b) There were billing adjustments for prior periods to customer accounts in the amount of \$1,057 during the first four months of 2012. The prior period adjustments are related to billing period(s) prior to April 30, 2011.

There will be no further transactions or interest recorded in this sub-account.

Table: Account 1595 –Regulatory Asset Recoveries/ Refunds

Account 1595 - Regulatory Asset Recoveries/Refunds	Total	Principal Sept 30, 2009	Interest To Sept 30, 2009	Interest Earned on Outstanding Principal Balance After Sept 30, 2009
Balances at December 31, 2010	\$ (2,221,586)	\$ (1,691,012)	\$ (490,487)	\$ (40,088)
Recoveries/Refunds Jan 1 to Dec 31 , 2011	\$ 1,940,180	\$ 1,691,012	\$ 249,168	
Interest Jan 1 to Dec 31 , 2011	\$ (5,453)			\$ (5,453)
Balances at December 31, 2011	\$ (286,860)	\$ 0	\$ (241,319)	\$ (45,541)
Recoveries/Refunds Jan 1 to Dec 31 , 2012 (prior period billing adjustments)	\$ 1,057		\$ 1,055	\$ 1
Interest Jan 1 to Dec 31 , 2012	\$ -			
Balances at December 31, 2012	\$ (285,803)	\$ 0	\$ (240,264)	\$ (45,539)

Vulnerable Energy Consumers Coalition (VECC) Interrogatories Questions:

VECC - # 42

Reference: Exhibit 9, pg. 22, pg. 59

- a) Please provide the stranded meter cost and show the calculation of the class balances for recovery.
- b) Please provide the average installed cost for pre-smart (thermal) meters for residential and GS customers.
- c) Please comment on how the proposed methodology for the stranded meter cost disposition reflects class cost causality.
- d) Why was a one-year disposition period chosen rather than a two or three year period or a period coinciding with the anticipated IRM period?

Response VECC - # 42

- a) The historical gross asset value and the related accumulated amortization 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.

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
Allocate adjustment based on NBV to rate classes:				(805,339)					(167,189)
Net Book Value for Cost allocation and Rate Rider calcu				\$ 2,611,856					\$ 542,225
									\$ 3,154,081

b) Average installed cost per meter:

Year	GS < 50		Residential	
	Cost - 1 Phase	Cost - 3 Phase	Cost - 1 Phase	Cost - 3 Phase
Average cost - Years 1980-1989	44.79	273.75	44.79	273.75
Average cost - Years 1990-1999	71.15	350.95	71.15	350.95
Average cost - Years 2000-2008	94.83	402.27	94.83	402.27

c) The gross asset values and the associated accumulated amortization of the meters removed from Residential services and GS<50 services due to smart meter replacement were tracked separately in 1555 Smart Meter Capital and Recovery Offset Variance Sub-account Stranded Meter Costs. The net sale proceeds from disposition of the removed meters were allocated to each billing class based on the number of meters removed from services of each billing class. 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 account. The stranded costs recorded in each account represent the pooled residual value of the removed meters recoverable from each of the billing classes.

The above methodology is practical since the NBV of the stranded meter assets are known by customer classes.

Reference: G-2011-0001 Smart Meter Funding and Cost Recovery – Final Disposition, issued December 15, 2011

“... If a distributor has recorded the NBV of the stranded meters by customer class, it should propose class-specific rate riders for each applicable class (Residential, GS<50 and any other classes approved by the Board for smart meter deployment)...”

d) A one-year standard recovery period was chosen to have the sunset date of the Stranded Meter Cost Rate Rider to coincide with the DVA Rate Rider. The originally proposed DVA Rate Riders would have approximately offset the Stranded Meter Rate Rider with no significant bill impact to the Residential and GS < 50 kW customers.

VECC #43

Reference: OEB # 47 , Appendix B, Appendix C

a) Does the response to Board Staff IR #47 and Appendix B and C constitute London's entire application for LRAM and SSM recovery.

Response VECC #43

The entire application for LRAM recoveries consists of London Hydro's response to Board staff IR# 39 and #47, as well as Appendix B and C. The Appendixes are identified as APPENDIX B: 2013 Lost Revenue Adjustment Mechanism ("LRAM") Recoveries Rate Application

Persistence of 2010 OPA CDM Programs (Response to Board Staff IR # 39: LRAM 2010 of Persistence 2010 OPA CDM Programs), and Appendix C: London Hydro 2013 LRAM for 2011 CDM Programs Recoveries Rate Application (Response to Board Staff IR # 47: LRAMVA 2011 OPA CDM Programs).

London Hydro is not filing for SSM recoveries. London Hydro is applying to the Board for the approval to recover 2011 and 2012 lost distribution revenues due to persistent 2010 CDM programs funded by the OPA a LRAM amount of \$266,877.56, including carrying costs. London Hydro is also seeking Board approval for LRAM recoveries associated with 2011 OPA CDM Programs a LRAM amount of \$176,092, including carrying costs.

VECC #44

Reference: OEB IR # 47 Appendix B, pg. 204

a) Please clarify whether London Hydro retained a third-party to review its LRAM proposal for 2010 or 2011.

b) Do the tables at pages 206-208 constitute the entire OPA report on London Hydro's CDM results? If not, please file the source document from which these tables are extracted.

Response VECC Q44:

- a) Yes, London Hydro obtained third party validation for all data utilized in the LRAM application.

London Hydro has referenced Board's Guidelines for Electricity Distributor Conservation and Demand Management issued on March 28, 2008 (the "CDM Guidelines", EB-2008-0037), with respect to verifications of program evaluation by the OPA (2010 and 2011). London Hydro is only applying for LRAM associated with OPA programs, as reported by the OPA.

On pages 204 and 224 of the Response to Board staff Interrogatories the following statement is identified.

Third party Verification

Section 7.5 of the Board's Guidelines requires that distributors should engage an independent third party to review the program evaluations prepared for the purposes of LRAM claims filed with the Board. The Guidelines state "This independent third party review applies to LRAM and SSM claims made in relation to programs funded in 2007 and beyond", but goes on to say "The Board would consider an evaluation by the OPA or a third party designated by the OPA to be sufficient. For programs funded by the OPA, it will be the role of the third party to:

- Verify the participation levels, and,*
- Confirm that input assumptions are those used by the OPA"*

- b) The tables located on pages 206-208 are only certain significant segments of the OPA Report "OPA – 2006-2010 Final Annual CDM Results London Hydro Inc". A copy of this report for London is to be filed as an excel file onto the OEB web drawer with the title LondonHydro_Copy_2006-2010_Final_OPA_CDM_20130204.

A copy of the entire OPA's Final 2011 CDM Report for London, titled,

London_IRR BS_ Copy of
2011_Final_Annual_Report_Data_CDM_OPAPrograms_xlsx_20130108

and referred to in OEB #20, had been filed on the OEB web drawer for London Hydro with link:

http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/search/rec&sm_udf10=EB-2012-0146&sortd1=rs_dateregistered&rows=200

Due to the amount of information and complexity of the OPA spreadsheets, London Hydro decided to provide summarized information as the full document can be accessed on the OEB web drawer by any interested party. Certain significant segments of the OPA Report can also be found contained in Board Staff IR Questions Response Filing Appendix C: London Hydro 2013 LRAM for 2011 CDM Programs Recoveries Rate Application (Response to Board Staff IR # 47: LRAMVA 2011 OPA CDM Programs) and Appendix B: 2013 Lost Revenue Adjustment Mechanism ("LRAM") Recoveries Rate Application- Persistence of 2010 OPA CDM Programs (Response to Board Staff IR # 39: LRAM 2010 of Persistence 2010 OPA CDM Programs)

VECC #45

Reference: OEB IR #47 Appendix B & C

Please provide a table for 2010 and 2011 CDM programs showing for each row:

- i. Program Name*
- ii. Energy Efficiency Measure*
- iii. Rate Class*
- iv. Number of Units-Participation*
- v. Measure Life*
- vi. LRAM free Ridership rate (%)*
- vii. Annual Energy Saving – (kWh annual)*
- viii. Annual Peak Demand Savings (kW annual)*
- ix. Dollar value contribution to LRAM*

Response VECC Q45

London Hydro has obtained its LRAM information from OPA verified 2010 and 2011 CDM reports. Filed in the OEB web drawer are excel spreadsheets reflecting most of the information as requested in VECC IR 45. The 2010 spreadsheets, including requested table and calculations, can be referenced in OEB web drawer and titled "LondonHydro_IRR_Excel_BdStaffIRR39_20130108". In regards to 2011 OPA CDM programs, spreadsheets and requested table and calculations can be referenced with file titled, "LondonHydro_LRAMVA_2011_Bdstaff IR Q47_20130108".

Below are snapshots of the 2010 and 2011 tables:

London Hydro LRAM Recovery for 2010 OPA CDM Programs

London Hydro Inc.

OPA CDM Program Load Impacts (2010)

2011 Data from OPA Verified Results -per link

<http://www.powerauthority.on.ca/evaluation-measurement-and-verification/measures-assumptions-lists>

*London Hydro is not requesting LRAM /SSM for Programs in 2006, 2007, and 2008. Programs in 2009 were also not included

		2011		2011			2012		2012		TOTAL		TOTAL	
		NET		GROSS			NET		GROSS		NET		GROSS	
Class/ Program	Year Program Implemented	kWh	Kw	kWh	Kw		kWh	Kw	kWh	Kw	kWh	Kw	kWh	Kw
RESIDENTIAL														
Great Refrigerator Roundup	2010	1,313,000	201.0	2,471,000	395.0		1,313,000	201.0	2,471,000	395.0	2,626,000	402.0	4,942,000	790.0
Cool Savings Rebate	2010	1,228,000	811.0	2,855,000	1,826.0		1,228,000	811.0	2,855,000	1,826.0	2,456,000	1,622.0	5,710,000	3,652.0
Every Kilowatt Counts Power Savings Event	2010	473,000	46.0	1,161,000	112.0		458,000	46.0	1,159,000	112.0	931,000	92.0	2,320,000	224.0
Residential Total		3,014,000	1,058.0	6,487,000	2,333.0		2,999,000	1,058.0	6,485,000	2,333.0	6,013,000	2,116.0	12,972,000	4,666.0
General Service < 50 kW														
OPA Energy Retrofit Incentive Program (ERIP)	2010	116,358	21	229,436	39		116,358	20.7	229,436	39.4	232,716	41.3	458,872	78.7
High Performance New Construction	2010	839,000	368.0	1,198,000	525.0		839,000	368.0	1,198,000	525.0	1,678,000	736.0	2,396,000	1,050.0
Power Savings Blitz	2010	7,485,000	2,439.0	7,560,000	2,464.0		7,485,000	2,439.0	7,560,000	2,464.0	14,970,000	4,878.0	15,120,000	4,928.0
MultiFamily Energy Efficiency Rebates	2010	1,244,000	105.0	1,689,000	138.0		1,244,000	105.0	1,689,000	138.0	2,488,000	210.0	3,378,000	276.0
Total General Service < 50 kW		9,684,358	2,932.7	10,676,436	3,166.4		9,684,358	2,932.7	10,676,436	3,166.4	19,368,716	5,865.3	21,352,872	6,332.7
General Service 50 kW to 4,999 kW														
OPA Energy Retrofit Incentive Program (ERIP)	2010	1,302,642	231.3	2,568,564	440.6		1,302,642	231.3	2,568,564	440.6	2,605,284	462.7	5,137,128	881.3
Demand Response 1	2010	0	0.0	0	0.0		0	0.0	0	0.0	0	0.0	0	0.0
Total General Service 50 to 4,999 kW		1,302,642	231.3	2,568,564	440.6		1,302,642	231.3	2,568,564	440.6	2,605,284	462.7	5,137,128	881.3
Total Load Impacts from OPA programs		14,001,000	4,222	19,732,000	5,940	0	13,986,000	4,222	19,730,000	5,940	27,987,000	8,444	39,462,000	11,880

Forgone Revenue by Program and Class
(2010 OPA Programs Only)

*London Hydro is not requesting LRAM /SSM for Programs in 2006, 2007, and 2008. Programs in 2009 were also not included

		2011				2012				Total Revenue
Class/ Program	Year Program Implemented	Load Impact	kWh or kW	Rate per Unit	Revenue	Load Impact	kWh or kW	Rate per Unit	Revenue	
RESIDENTIAL										
Great Refrigerator Roundup	2010	1,313,000	kWh	\$ 0.0142	\$ 18,644.60	1,313,000	kWh	\$ 0.0143	\$ 18,775.90	\$ 37,420.50
Cool Savings Rebate	2010	1,228,000	kWh	\$ 0.0142	\$ 17,437.60	1,228,000	kWh	\$ 0.0143	\$ 17,560.40	\$ 34,998.00
Every Kilowatt Counts Power Savings Event	2010	473,000	kWh	\$ 0.0142	\$ 6,716.60	458,000	kWh	\$ 0.0143	\$ 6,549.40	\$ 13,266.00
Residential Total		3,014,000			\$ 42,798.80	2,999,000			\$ 42,885.70	\$ 85,684.50
General Service < 50 kW										
OPA Energy Retrofit Incentive Program (ERIP)	2010	116,358	kWh	\$ 0.0091	\$ 1,058.86	116,358	kWh	\$ 0.0092	\$ 1,070.49	\$ 2,129.35
High Performance New Construction	2010	839,000	kWh	\$ 0.0091	\$ 7,634.90	839,000	kWh	\$ 0.0092	\$ 7,718.80	\$ 15,353.70
Power Savings Blitz	2010	7,485,000	kWh	\$ 0.0091	\$ 68,113.50	7,485,000	kWh	\$ 0.0092	\$ 68,862.00	\$ 136,975.50
MultiFamily Energy Efficiency Rebates	2010	1,244,000	kWh	\$ 0.0091	\$ 11,320.40	1,244,000	kWh	\$ 0.0092	\$ 11,444.80	\$ 22,765.20
Total General Service < 50 kW		9,684,358			\$ 88,127.66	9,684,358			\$ 89,096.09	\$ 177,223.75
General Service 50 kW to 4,999 kW										
OPA Energy Retrofit Incentive Program (ERIP)	2010	231.3	kW	\$ 1.6081	\$ 372.01	231	kW	\$ 1.6223	\$ 375.30	\$ 747.31
Demand Response 1		0	kW	\$ 1.6081	\$ -	0	kW	\$ 1.6223	\$ -	\$ -
Total General Service 50 to 4,999 kW		231			\$ 372.01	231			\$ 375.30	\$ 747.31
Total Forgone Revenue OPA programs		12,698,589			\$ 131,298.47	12,683,589			\$ 132,357.09	\$ 263,655.56

London Hydro LRAM Recovery for 2011 OPA CDM Programs

London Hydro Inc.

OPA CDM Program Load Impacts (2011)

2011 Data from OPA Verified Results
see Tab 1- OPA CDM Savings

*London Hydro is not requesting LRAM /SSM for Programs in 2006, 2007, and 2008. Programs in 2009 were also not included

		2011		2011		2012		2012		TOTAL		TOTAL	
		NET		GROSS		NET		GROSS		NET		GROSS	
Class/ Program	Year Program Implimented	kWh	Kw	kWh	Kw	kWh	Kw	kWh	Kw	kWh	Kw	kWh	Kw
RESIDENTIAL													
Appliance Retirement	2011	1,002,610	167.0	1,967,720	350.0	1,002,610	167.0	2,471,000	395.0	2,005,220	334.0	4,438,720	745.0
Appliance Exchange	2011	15,910	12.0	30,871	24.0	15,910	12.0	2,855,000	1,826.0	31,820	24.0	2,885,871	1,850.0
HVAC Incentives	2011	1,901,868	1,052.0	3,173,112	1,739.0	1,901,868	1,052.0	1,159,000	112.0	3,803,736	2,104.0	4,332,112	1,851.0
Conservative Instant Coupon Booklet	2011	512,644	32.0	465,107	28.0	512,644	32.0	1,159,000	112.0	1,025,288	64.0	1,624,107	140.0
Bi-Annual Retailer Event	2011	802,521	46.0	734,572	41.0	802,521	46.0	1,159,000	112.0	1,605,042	92.0	1,893,572	153.0
Residential Total		4,235,553	1,309.0	6,371,382	2,182.0	4,235,553	1,309.0	8,803,000	2,557.0	8,471,106	2,618.0	15,174,382	4,739.0
General Service < 50 kW													
OPA Energy Retrofit Incentive Program (ERIP)	2010	797,576	111.4	1,329,017	187.6	797,576	111.4	1,329,017	187.6	1,595,151	222.9	2,658,033	375.2
High Performance New Construction*	2010	865,905	169.0	1,731,809	337.0	865,905	169.0	1,731,809	337.0	1,731,810	338.0	3,463,618	674.0
Efficiency Equipment Replacement	2011	493,355	95	657,805	130	493,355	95	657,805	129.6	986,710	190.6	1,315,610	259.1
Direct Install Lighting	2011	145,929	56.0	157,160	52.0	145,929	368.0	1,198,000	525.0	291,858	424.0	1,355,160	577.0
Demand Response 3	2011	19,012	485.0	19,012	642.0	0	0.0	0	0.0	19,012	485.0	19,012	642.0
Total General Service < 50 kW		2,321,777	917	3,894,802	1,348	2,302,765	744	4,916,630	1,179.2	4,624,542	1,660.4	8,811,433	2,527.4
General Service 50 kW to 4,999 kW													
OPA Energy Retrofit Incentive Program (ERIP)	2010	8,928,955	1,247.6	14,878,502	2,100.4	8,928,955	1,247.6	14,878,502	2,100.4	17,857,911	2,495.1	29,757,005	4,200.8
Efficiency Equipment Replacement	2011	5,523,172	1,066.7	7,364,206	1,450.4	5,523,172	1,066.7	7,364,206	1,450.4	11,046,344	2,133.4	14,728,412	2,900.9
Demand Response 3	2011	125,454	2,137.0	125,454	2,536.0	0	0.0	0	0.0	125,454	0.0	125,454	0.0
Total General Service 50 to 4,999 kW		14,577,581	4,451.3	22,368,163	6,087	14,452,127	2,314	22,242,709	3,550.8	29,029,708	4,628.6	44,610,871	7,101.6
Total Load Impacts from OPA programs		21,134,911	6,677	32,634,347	9,617	20,990,445	4,367	35,962,339	7,287	42,125,356	8,907	68,596,686	14,368

Forgone Revenue by Program and Class

*London Hydro is not requesting LRAM /SSM for Programs in 2006, 2007, and 2008. Programs in 2009 were also not included

		2011				2012				Total Revenue
Class/ Program	Year Program Implemented	Load Impact	kWh or kW	Rate per Unit	Revenue	Load Impact	kWh or kW	Rate per Unit	Revenue	
RESIDENTIAL										
Appliance Retirement	2011	1,002,610	kWh	\$ 0.0142	\$ 14,237.06	1,002,610	kWh	\$ 0.0143	\$ 14,337.32	\$ 28,574.39
Appliance Exchange	2011	15,910	kWh	\$ 0.0142	\$ 225.92	15,910	kWh	\$ 0.0143	\$ 227.51	\$ 453.44
HVAC Incentives	2011	1,901,868	kWh	\$ 0.0142	\$ 27,006.53	1,901,868	kWh	\$ 0.0143	\$ 27,196.71	\$ 54,203.24
Conservative Instant Coupon Booklet	2011	512,644	kWh	\$ 0.0142	\$ 7,279.54	512,644	kWh	\$ 0.0143	\$ 7,330.81	\$ 14,610.35
Bi-Annual Retailer Event	2011	802,521	kWh	\$ 0.0142	\$ 11,395.80	802,521	kWh	\$ 0.0143	\$ 11,476.05	\$ 22,871.85
Residential Total		4,235,553			\$ 60,144.85	4,235,553			\$ 60,568.41	\$ 120,713.26
General Service < 50 kW										
OPA Energy Retrofit Incentive Program (ERIP)	2010	797,576	kWh	\$ 0.0091	\$ 7,257.94	797,576	kWh	\$ 0.0092	\$ 7,337.69	\$ 14,595.63
High Performance New Construction*	2010	865,905	kWh	\$ 0.0091	\$ 7,879.74	865,905	kWh	\$ 0.0092	\$ 7,966.33	\$ 15,846.06
Efficiency Equipment Replacement	2011	493,355	kWh	\$ 0.0091	\$ 4,489.53	493,355	kWh	\$ 0.0092	\$ 4,538.87	\$ 9,028.40
Direct Install Lighting	2011	145,929	kWh	\$ 0.0091	\$ 1,327.95	145,929	kWh	\$ 0.0092	\$ 1,342.55	\$ 2,670.50
Demand Response 3	2011	19,012	kWh	\$ 0.0091	\$ 173.01	0	kWh	\$ 0.0092	\$ -	\$ 173.01
	2011	0	kWh	\$ 0.0091	\$ -	0	kWh	\$ 0.0092	\$ -	\$ -
Total General Service < 50 kW		2,321,777			\$ 21,128.17	2,302,765			\$ 21,185.44	\$ 42,313.60
General Service 50 kW to 4,999 kW										
OPA Energy Retrofit Incentive Program (ERIP)	2010	1,247.6	kW	\$ 1.6081	\$ 2,006.20	1,248	kW	\$ 1.6223	\$ 2,023.92	\$ 4,030.12
Efficiency Equipment Replacement	2011	1,066.7	kW	\$ 1.6081	\$ 1,715.39	1,067	kW	\$ 1.6223	\$ 1,730.53	\$ 3,445.92
Demand Response 3	2011	2,137	kW	\$ 1.6081	\$ 3,436.51	0	kW	\$ 1.6223	\$ -	\$ 3,436.51
Total General Service 50 to 4,999 kW		4,451			\$ 7,158.10	2,314			\$ 3,754.45	\$ 10,912.55
Total Forgone Revenue OPA programs		6,561,781			\$ 88,431.12	6,540,632			\$ 85,508.30	\$ 173,939.42

London Hydro has relied on OPA verified CDM Program evaluation reports. In review of these reports the Applicant has been unable to identify data related Energy Efficiency Measure, Measure Life, and LRAM free Ridership rate (%) in either of the OPA reports.

Energy Probe (EP) Interrogatories Questions:

EP - 30

Ref: Exhibit 9, Table 9-6 Stranded Meters

- a) Please provide the numbers of meters replaced and Gross asset value by type (single and 3-phase) by class Residential GS<50 kw and Other, for the period 2009-2012.
- b) Please breakdown Table 9-6 by class showing gross and net amounts for recovery.

Response – EP -30

- a) The number of meters replaced by year and by class:

Year	Residential			GS < 50			Total Replaced meters
	1 Phase	3 Phase	Total	1 Phase	3 Phase	Total	
2009	6,035	-	6,035	348	-	348	6,383
2010	113,340	6,759	120,099	3,762	274	4,036	124,135
2011	399	4,289	4,688	348	5,957	6,305	10,993
2012	33	8	41	29	45	74	115
Total	119,807	11,056	130,863	4,487	6,276	10,763	141,626

Gross Asset Value of stranded meters by year and by class:

Year	Residential			GS < 50			Total Gross Asset Value
	1 Phase	3 Phase	Total	1 Phase	3 Phase	Total	
2009	258,576	-	258,576	14,132	-	14,132	272,708
2010	5,708,899	2,075,727	7,784,626	201,967	85,700	287,667	8,072,293
2011	22,214	1,270,341	1,292,555	21,529	1,962,202	1,983,732	3,276,286
2012	1,635	4,011	5,646	2,037	52,512	54,549	60,195
Total	\$ 5,991,323	\$ 3,350,079	\$ 9,341,402	\$ 239,666	\$ 2,100,414	\$ 2,340,080	\$ 11,681,482

b) Breakdown of Table 9-6 by class showing gross and net amounts for recovery:

Stranded Meter Costs by Residential Class

Year	Gross Asset Value for Recovery	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	\$ 258,576	\$ 145,401		\$ 113,175		\$ 113,175
2010	\$ 7,784,625	\$ 4,864,614		\$ 2,920,011	\$ 44,275	\$ 2,875,736
2011	\$ 1,292,555	\$ 1,322,127		-\$ 29,572	\$ 9,980	-\$ 39,552
2012	\$ 5,646	\$ 341,189		-\$ 335,543	\$ 1,960	-\$ 337,503
YTD at Dec 31, 2012	\$ 9,341,402	\$ 6,673,331	\$ -	\$ 2,668,071	\$ 56,215	\$ 2,611,856

Stranded Meter Costs by General Service less than 50 kW Class

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	\$ 14,132	\$ 8,929		\$ 5,203		\$ 5,203
2010	\$ 287,668	\$ 206,549		\$ 81,119	\$ 1,538	\$ 79,581
2011	\$ 1,983,731	\$ 1,466,318		\$ 517,413	\$ 799	\$ 516,614
2012	\$ 54,548	\$ 113,564		-\$ 59,016	\$ 157	-\$ 59,173
YTD at Dec 31, 2012	\$ 2,340,079	\$ 1,795,360	\$ -	\$ 544,719	\$ 2,494	\$ 542,225

EP-31

Ref: Exhibit 9, Table 9-8

a) Please provide the calculations to derive the SM recovery rate riders in the table.

b) Reconcile to the response to the prior Interrogatory.

Response - EP-31

- a) The rate rider is one month worth of the residual net book value of the stranded costs per customer by customer class.

The billing determinant for the Stranded Meter Rate Rider (SMRR) is the number of customers, as the stranded costs are invariant to the customer's demand or consumption.

Customer Class	Billing Parameter (Number of Customers)	Residual NBV per Customer Class	Proposed Rate Riders - May 1/13 to Apr 30/14
Residential	138,004	\$ 2,611,856	\$ 1.58
General Service < 50 kW	11,970	\$ 542,225	\$ 3.77
	149,974	\$ 3,154,081	

- b) The SMRR in place for a 1-year period billed as a monthly charge will total to approximately the residual NBV of the stranded asset.

Rate Class	Billing Parameter	Proposed Rate - May 1/13 to Apr 30/14	Reconciliation
Residential	138,004	\$ 1.58	\$ 2,616,553
General Service < 50 kW	11,970	\$ 3.77	\$ 541,523
			\$ 3,158,076

**APPENDIX D – RSVA Commodity Variance Accounts –
Unbilled Energy Calculation Review
1588 RSVA Power and RSVA Power Sub-account Global
Adjustment**

(Response to Board Staff IR #52: Account 1588)

**RSVA Commodity Variance Accounts – Unbilled Energy Calculation Review
1588 RSVA Power and RSVA Power Sub-account Global Adjustment background
information.**

During the 2012 year, it was identified that there may be an issue with the RRR reporting of the RSVA Power and the RSVA Power Sub-account Global adjustment (“RSVA-GA”) unbilled energy calculations due to the accruals utilized in the month end reporting process and as a result an extensive review has taken place.

After the completion of this review it has been determined that the suspicion of the incorrect reporting has been confirmed for the RSVA-GA balances although the RSVA Power balances are determined to be correct.

Background process:

Cost of Power – power purchases from the IESO (wholesale kWh)

The IESO invoices the distributor the power consumed in the trade month. This invoice is received after the month end, and is accrued into the respective trade month to reflect the cost of power in the appropriate period.

The charges are for the current trade month consumption (wholesale purchases) at current trade month prices (charge types 101, 148), adjusted with the RPP settlement amount (charge type 142) for the trade month. The RPP settlement amount is calculated and submitted by the distributor to the IESO before the invoice is issued.

The formula to calculate RPP settlement amount:

$$\text{Current trade month usage RPP portion kWh} * (\$RPP/kWh - (\$HOEP/kWh + \$GA/kWh))$$

Cost of Power for trade month

	<u>\$(000)</u>
Energy Charge type 101	\$ 10,800
Global Adjustment CT 148	\$ 11,400
RPP Settlement CT 142	\$ 300
	\$ 22,500

1588 RSVA Power – Sub-account Global Adjustment:

The Power Sub-account Global Adjustment account is used to record the difference between the global adjustment amount billed to non-RPP consumers and the global adjustment charge to London Hydro for non-RPP consumers.

Since this account is applicable to non-RPP customers only, it should be cleared to non-RPP customers only.

What is the RSVA Power sub-account Global Adjustment consists of?

Historically, here is an example of the entries that would be recorded surrounding the RSVA GA account. Example:

			(\$000)	
during month	<u>Amounts billed to customers</u>		(6,700)	
	GA billed to Non-RPP customers only	(6,700)		
during month	<u>Total payments to IESO</u>		5,900	
	Paid IESO invoice - GA (charge types 146,147,148)	10,800		
	Fixed price adjustment: RPP kWh * \$GA/kWh	(4,900)		
	<u>Interest</u>	2	2	
last day of month	<u>Unbilled energy accrued</u>		(4,600)	
	Non-RPP customers (unbilled kWh * \$GA/kWh)	(4,600)		
last day of month	<u>Accrued unpaid IESO invoice for trade month</u>		6,200	
	Unpaid IESO invoice - GA (charge types 146,147,148)	11,400		
	Fixed price adjustment: RPP kWh * \$GA/kWh	(5,200)		
last day of month	<u>Fixed price energy credits on unbilled</u>		(5,200)	
	Fixed price adjustment: RPP kWh * \$GA/kWh	(5,200)		
first day of next month	<u>Reversing Accrual of Unbilled Energy for prior month</u>		4,600	
	Non-RPP customers (unbilled kWh * \$GA/kWh)	4,600		
first day of next month	<u>Reversing accrual for Unpaid IESO invoice</u>		(6,200)	
	Global Adjustment (charge types 146,147,148)	(11,400)		
	Fixed price adjustment: RPP kWh * \$GA/kWh	5,200		
first day of next month	<u>Reversing prior month Fixed price energy credits on unbilled</u>		5,200	
	Fixed price adjustment: RPP kWh * \$GA/kWh	5,200		

These accruals net to zero after reversal

London Hydro utilizes a prorated/accrual method to determine the unbilled quantities in the RSVA-GA calculation and therefore there is no outstanding portion to be submitted in future periods, (other than minor true-ups for prior periods). Therefore, the historical accrual using the unbilled kWh for global adjustment credit is not required (this is the accrual highlighted in red booked on the last day of the month in the above example).

Initially, the forward method was utilized by London Hydro in the calculation of the global adjustment fixed price credits, but the accrual method was implemented during 2010. From the implementation in 2010 forward the accrual entry based unbilled quantities should have no longer been recorded.

The disposition resulting from the 2012 IRM proceedings (EB-2012-0181) included the accrual for \$3,802,961 credit. This was accrued in error and therefore the Global Adjustment Rate Rider currently in place is misaligned.

The disposition amount was: \$1,291,157 **credit** *plus carrying charges to April 30, 2012*

The disposition amount should have been: \$2,511,804 **debit** *plus carrying charges to April 30, 2012*

Adjustment required to-realign this disposition: \$3,802,961 **debit** *plus carrying charges*

1588 RSVA Power (excluding Global Adjustment):

The RSVA Power account is designed to capture variances due to billing timing differences, price and quantity differences, and line loss differences. The power variance should be cleared to all customers.

What is the RSVA Power Account consists of? Example

during month	<u>Amounts billed to customers</u>		(17,000)	
	Energy billed to Non-RPP customers	(6,000)		
	Energy billed to RPP customers	(11,000)		
during month	<u>Total payments to IESO (previous trade month invoice)</u>		18,200	
	Paid IESO invoice - energy (charge type 101)	12,800		
	Fixed price adjustment: RPP kWh * (\$RPP/kWh - \$HOEP/kWh)	5,400		
	<u>Interest</u>	(10)	(10)	
last day of month	<u>Accrue Unbilled Energy for trade month</u>		(15,100)	
	Non-RPP customers unbilled kWh * \$HOEP/kWh	(5,060)		
	RPP customers unbilled kWh * \$RPP/kWh	(10,040)		
last day of month	<u>Accrue Unpaid IESO Invoice for trade month</u>		16,300	
	Energy (charge type 101)	10,800		
	Fixed price adjustment: RPP kWh * (\$RPP/kWh - \$HOEP/kWh)	5,500		
last day of month	<u>Fixed price energy credits on unbilled</u>			
	Fixed price adjustment: RPP kWh * (\$RPP/kWh - \$HOEP/kWh)	5,500	5,500	
first day of next month	<u>Reversing Accrual of Unbilled Energy from prior month</u>		15,100	
	Non-RPP customers (unbilled kWh * \$HOEP/kWh)	5,060		
	RPP customers (unbilled kWh * \$RPP/kWh)	10,040		
first day of next month	<u>Reversing accrual for Unpaid IESO invoice</u>		(16,300)	
	Energy (charge type 101)	(10,800)		
	Fixed price adjustment: RPP kWh * (\$RPP/kWh - \$HOEP/kWh)	(5,500)		
first day of next month	<u>Reversing prior month Fixed price energy credits on unbilled</u>		(5,500)	
	Fixed price adjustment: RPP kWh * (\$RPP/kWh - \$HOEP/kWh)	(5,500)		

These accruals net to zero after reversal

London Hydro has utilized the forward based methodology since the commencement of Form 1598. As a result of the forward methodology, there are amounts which have yet to be billed by the IESO for power consumed for fixed price customers.

The above illustration shows the accrued unpaid IESO invoice for the trade month including the fixed price debits applicable to RPP billings calculated on a forward basis. That is:

$$\text{billed RPP kWh} * (\$RPP/kWh - \$HOEP/kWh)$$

The unbilled portion of the energy price variance is added to the IESO invoice in the following period. The accrual entry for this amount is calculated using the formula of:

$$\text{unbilled RPP kWh} * (\$RPP/\text{kWh} - \$HOEP/\text{kWh})$$

Based on the illustration above and after the completion of the comprehensive review, the accrual entry for the fixed price debits within 1588 RSVA Power account **is required** for the unbilled portion of energy to arrive at the same month-end results as the accrual method. The journal entries are:

dr 4705 Power Purchased	\$5,400
cr 2205 Accounts Payable – Due to IESO	(\$5,400)

Fixed price energy debit/credit on unbilled amounts

dr 1588 RSVA Power	\$5,400
cr 4705 Power Purchased	(\$5,400)

Close off power purchase to RSVA Account

The accrual entry estimates the amount to be submitted in the subsequent month for the usage within current trade month from 1588 RSVA Power account to Accounts Payable due to the IESO. This is a consequential result of employing the forward based method in calculating the RPP energy price variance.

All prior year RSVA Power reported balances up until the end of 2011 are correct including the balance disposed with the 2012 IRM proceedings (EB-2012-0181). No realignment is required for the Rate Rider including the RSVA Power disposition.

1588 RSVA Power Account recalculated

1588 RSVA Power Sub-Account Global Adjustment recalculated

1588 RSVA Power (excluding Global Adjustment) as filed and reconciled to RRR 2.1.7

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Debits	Total Net Accruals	Board Approved Disposition	Closing Balance	RRR 2.1.7	Variance
2008 Year-end accrual for Fixed Price Credit reversing in 2009				1,187,000	1,187,000				
Year 2009	(3,015,389)	(66,735)	(3,908,474)	2,269,300	(1,639,174)	3,040,110	(1,681,188)	(1,681,188)	(0) Note 1.
Year 2010	(1,681,188)	(44,119)	(390,197)	349,800	(40,397)	-	(1,765,703)	(1,765,703)	0 Note 2.
Year 2011	(1,765,703)	(111,746)	(4,479,632)	2,266,500	(2,213,132)	-	(4,090,581)	(4,090,581)	(0)
		(222,600)	(8,778,302)	6,072,600	(2,705,702)	3,040,110			

Note 1: Disposition set out in the Board's Decision in London Hydro's 2009 COS Application (EB-2008-0235) for the period of Oct 1, 2009 to April 30, 2011.

Note 2: Disposition 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.

1588 RSVA Power (excluding Global Adjustment) recalculated with the amount for fixed price debit due to the IESO

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Debits	Total Net Accruals	Board Approved Disposition	Closing Balance
2008 Year-end accrual for Fixed Price Credit reversing in 2009				1,187,000	1,187,000		
Year 2009	(3,015,389)	(66,735)	(3,908,474)	2,269,300	(1,639,174)	3,040,110	(1,681,188)
Year 2010	(1,681,188)	(44,119)	(390,197)	349,800	(40,397)	-	(1,765,703)
Year 2011	(1,765,703)	(111,746)	(4,479,632)	2,266,500	(2,213,132)	-	(4,090,581)
		(222,600)	(8,778,302)	6,072,600	(2,705,702)	3,040,110	

The above table illustrates the fixed price debits for the unbilled portion of energy price differences due to the IESO using the forward method. The entry for the "fixed price debits" is the value of this outstanding liability. This liability is allocated to 2205 Accounts Payable Due to the IESO account from 1588 RSVA Power. The total actual paid/invoiced transactions, including carrying charges on paid/billed principal, are the same for over the years.

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Exhibit 9 – Deferral and Variance Accounts
February 4, 2013

1588 RSVA Power Sub-account Global Adjustment as filed and reconciled to RRR 2.1.7

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Credits	Total Net Accruals	Board Approved Disposition	Closing Balance	RRR 2.1.7	Variance
No fixed price credit accrued in Year 2008				-	-				
Year 2009	1,982,029	8,365	5,408,166	(4,262,161)	1,146,005	(2,001,899)	1,134,500	1,134,500	0 Note 1.
Year 2010	1,134,500	(2,644)	(2,882,212)	459,200	(2,423,013)	-	(1,291,157)	(1,291,157)	0 Note 2.
Year 2011	(1,291,157)	41,830	662,392	(1,998,139)	(1,335,747)	-	(2,585,074)	(2,585,074)	(0)
		47,551	3,188,345	(5,801,100)	(2,612,755)	(2,001,899)			

Note 1: Disposition set out in the Board's Decision in London Hydro's 2009 COS Application (EB-2008-0235) for the period of Oct 1, 2009 to April 30, 2011.

Note 2: Disposition 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.

1588 RSVA Power Sub-account Global Adjustment recalculated with eliminating the amount for fixed price credit accrued in error after the accrual method is implemented

Year	Account 1589 Opening Balance	Carrying Charges	Net Accruals	Fixed Price Credits	Total Net Accruals	Board Approved Disposition	Closing Balance
No fixed price credit accrued in Year 2008				-	-		
Year 2009	1,982,029	8,365	5,408,166	(4,262,161)	1,146,005	(2,001,899)	1,134,500
Year 2010	1,134,500	(2,644)	(2,882,212)	4,262,161	1,379,948	-	2,511,804
Year 2011	2,511,804	41,830	662,392	-	662,392	-	3,216,026
		47,551	3,188,345	-	3,188,345	(2,001,899)	

The above tables illustrate after the last reversal of the fixed price debits/credits in 2012, the closing balance of the account is the same as if the fixed price debits/credits were accrued only for the time period the forward methodology was employed.

The total transactions, including carrying charges on paid/billed principal, are the same for over the years.

Respectfully Submitted