

Innisfil Hydro

EB-2012-0139

Board staff Supplemental IRs

1.0-Staff-67sRRWF and Updated Revenue Requirement

Ref: 1-Staff-3 and 1-Staff-5

Please provide updated versions of the RRWF and the response to 1.0-Staff-5 reflecting all updates made as a response of supplemental interrogatories. In doing these updates, also reflect the updated Return on Equity and deemed Short-term and Long-term Debt Rates as communicated by the Board on February 14, 2013 for 2013 Cost of Service applications with an effective date of May 1, 2013.

Please file the RRWF in working Microsoft Excel format. Use columns I and M of the RRWF to reflect the further changes made; do not change the Initial Application.

1.0-Staff-68s

Ref: 1.0 Energy Probe #3

In response to Energy Probe IR #3, IHDSL indicated that it will not convert to IFRS on January 1, 2013. IHDSL will take the deferral to January 1, 2014 for the full conversion to IFRS.

Since then, the Accounting Standards Board has extended the option to adopt IFRS to January 1, 2015.

- a) When is IHDSL planning to convert to IFRS?
- b) Please confirm that the current rate application is fully based on MIFRS for the 2013 rate year. If not, please update your evidence accordingly.

2.0-Staff-69s

Ref: Updated Fixed Asset Continuity Schedules, Tables 1.1-1.3 and 2.0-Staff-28 – PP&E Deferral Account

In IHDSL's updated fixed continuity schedule:

- a) IHDSL included CWIP in the schedules. Please confirm that the 2012 CGAAP ending net book value of \$27,554,007 does not include WIP.
- b) Please update the 2012 CGAAP fixed asset continuity schedule to include CWIP in the ending net book value so that the inclusion of WIP is consistent with the 2012 MIFS and 2013 MIFS fixed asset continuity schedules.

- c) Please confirm that IHDSL implemented accounting policy changes for capitalization and depreciation as at January 1, 2012 under CGAAP.
- d) Please indicate if IHDSL has implemented other changes to fixed assets besides the change in capitalization and depreciation as at January 1, 2012.
 - i. If there are no other changes to fixed assets, please explain why the 2012 CGAAP fixed asset continuity schedule is different than the 2012 MIFRS fixed asset continuity schedule. Please update the 2012 CGAAP or MIFRS fixed asset continuity schedules and all relevant evidence as appropriate.

2.0-Staff-70s

Ref: 2.0-Staff-6; Updated Fixed Asset Continuity Schedules, Tables 1.1-1.3 and 2.0-Staff-25

In response to 2.0-Staff-6, IHDSL indicated there were no changes to the Summary of Rate Base table except for the column headings.

- a) IHDSL has indicated on page 24 and 35 of the IRRs that there are no changes to the balances in calculating rate base. However, the fixed asset continuity schedules have been updated as per pages 3-5 of IHDSL's IR responses. Please update the Summary of Rate Base table accordingly, with a separate line indicating the exclusion of WIP in the calculation of rate base.
- b) In Table 2.1, the 2012 column has been titled 2012 CGAAP/MIFRS. Please explain what this means and why the column is both CGAAP and MIFRS.
- c) In Table 2.1, please explain why the 2012 CGAAP net book value would be the same as the 2012 MIRS net book value when the 2012 CGAAP fixed asset continuity schedule is different from the 2012 MIFRS fixed asset continuity schedule.

2.0-Staff-71s

**Ref: 2.0-Staff-28 – PP&E Deferral Account
2.0-Staff-29 – Depreciation
Updated Fixed Asset Continuity and Depreciation Schedules Table 1.1 to 1.6**

In response to 2.0-Staff-28, IHDSL provided an updated Appendix B and to reflect the accounting policy change of useful lives as at January 1, 2012. The PP&E values used in calculating the amount in Account 1576 has not been updated to reflect the update in fixed assets. The depreciation schedules in the IRR have also not been updated to reflect the update in fixed assets.

- a) Please provide the 2012 CGAAP fixed asset continuity schedule where the change in capitalization and depreciation policy was not implemented to support

the amounts under “PP&E Values assuming previous CGAAP Accounting Policies Continued” used in calculating the amount for Account 1576.

- b) Please update the calculation of the Account 1576 balance to reflect the updated fixed asset continuity schedules, excluding WIP, provided in IRR pages 3 to 4.
- c) Please update the depreciation schedules Appendix 2-CH (IRR pages 6-8, 42) Review Requirement Workform and any other applicable evidence to reflect the updated fixed asset continuity schedules and revised depreciation adjustment resulting from Account 1576.
- d) In response to 2.0-Staff-29, IHDSL updated the depreciation schedule Appendix 2-CH to reconcile to the Revenue Requirement Workform. In reconciling depreciation expense on Appendix 2-CH to depreciation expense on the Revenue Requirement Workform, IHDSL removes Rolling Stock/Transportation depreciation. Please explain what this adjustment in depreciation is for.

2.0-Staff-72s

Ref: 6.0-VECC

In the table provided in response to 6.0-VECC, IHDSL shows a capital project costs of \$1,370,674 for reliability in the 2013 test year. IHDSL also shows \$557,150 in the 2012 bridge year and \$356,000 in the 2013 test year for Hardware and Software.

- a) Please provide a table listing the projects and costs included the reliability category.
- b) Please state if any capital cost for software and hardware included in the 2013 capital budget relate to IFRS transition.
 - i. If so, please explain if these cost are incremental to cost recovered for IFRS transition.

2.0-Staff-73s Land purchase

Ref: 2.0-Staff-7, 2.0-Staff-11 and Updated Fixed Asset Continuity Schedules, Tables 1.1-1.3

The updated continuity schedules include \$465,000 capital additions for a transformer station site in the 2012 rate year and a \$200,000 capital addition in the 2013 test year.

- a) Please explain why a capital addition of \$465,000 should be included in rate base given that the property will be neither used nor useful in the 2013 test year.
- b) Please explain the capital addition of \$200,000 under account 1805 in the 2013 test year.

- c) Please explain why IHDSL did not include the purchase of \$650,000 for the 2147 Innisfil Beach Rd. property in capital additions in account 1805 for the 2012 bridge year.

2.0-Staff-74s New Office Building

Ref: 2.0-Staff-8 and Appendix 3IR Ref OEB Staff-8a – Options Analysis

- a) Please state why Option #5 did not include Land costs in IHDSL analysis of various options.
- b) Please confirm that IHDSL is including a land value of \$650,000 in its estimated cost for the new headquarter.
- c) Please comment on why IHDSL selected to Option #5.

2.0-Staff-75s

Ref: 2.0-Staff-12

- a) Please provide a disaggregation of the 2012 meter additions of \$74,240 reference in part a) of 2.0-Staff-12 between:
 - i. Smart meters for Residential and GS < 50 kW customers;
 - ii. Meters for other metered customers (e.g. GS > 50 kW); and
 - iii. Wholesale meters.

Also, indicate the number of meters acquired for deployment and inventory in each of the above categories.

2.0-Staff-76s

Ref: 2.0-Staff-29 Depreciation

IHDSL has included depreciation expenses of \$170,800 for Rolling Stock. Please explain what is included in rolling stock.

2.0-Staff-77s

Ref: 2-SEC-4 and 2.0 Energy Probe #13

- a) Please provide an update to table 2.6 for the most recent year-to-date actuals.
- b) Please explain why IHDSL's capital expenditure is \$2,398,262 below its forecasted levels as of November 2012 and provide IHDSL level of capital expenditure by December 31, 2012.

2.0-Staff-78s

Ref: 2.0-Staff-16 – Base

IHDSL noted that in 2012 \$293k payment was part of the Economic Evaluation payout, which impacted the base budget.

- a) Please provide a detailed explanation of this expense.
- b) Please provide the 2012 actual capital expenditure under the Base category.

2.0-Staff-79s

Ref: 2.0-Staff-17

IHDSL's response to 2.0-Staff-17 b) and e) stated:

This load calculation is based on the total load and DG on the entire feeder, including the HONI portion as applicable.

It should be noted that the table referred to in this question pertains only to micro-FiT projects. Hence, the limits presented in the table also apply only to micro-FiT projects. Unless the feeder's minimum load increases, additional micro-FiT projects cannot be connected on this feeder (as discussed above, based on HONI guidelines). However, this does not limit the installation of projects larger than 10kW.

- a) Since the "remaining capacity" calculation is based on the total load and DG on the entire feeder, including the HONI portion, what is the capacity available to IHDSL (i.e. excluding the portion that would be available to HONI)?
- b) Please explain why it is that the limit referred to above applies to micro-FiT projects (<10 kW) but the limit does not apply to projects larger than 10 kW. Please explain the technical basis for the limitation on the Innisfil station F3 feeder.

2.0-Staff-80s

Ref: 2.0-Staff-18

IHDSL's response to 2.0-Staff-18 b) did not answer the question of what expected infrastructure upgrades are likely be required to accommodate the expected new DG.

In response to 2.0-Staff-18 d), IHDSL indicated that "the proposed additional technician will be carrying out work outlined in our GEA....." and that " the scope of work outlined for the new technician pertains to infrastructure upkeep (including capital)...."

- a) For the five distribution feeders that have already reached maximum capacity or are nearing their maximum capacity for DG connectivity, please indicate the expected infrastructure upgrades that will likely be required to accommodate the expected new DG.

- b) With respect to the role of the proposed additional technician, please confirm whether IHDSL considers work pertaining to infrastructure upkeep (including capital) to be part its GEA plan and if so please explain.

2.0-Staff-81s

Ref: 2.0-Staff-19 and 2.0-Staff-22

2.0-Staff-19 a) and 22 c) related to whether the contents of Tables 8 and 9 in Exhibit 2 Appendix C pertain to IHDSL's Green Energy Act Plan. It is not clear from the responses whether the contents of Tables 8 and 9 pertain to requirements under the Green Energy Act Plan.

- a) Please confirm whether IHDSL considers each of the items listed in Tables 8 and 9 referenced above to be part of its Green Energy Act Plan and provide the rationale for it.

2.0-Staff-82s

Ref: 2.0-Staff-23

In response to 2.0-Staff-23 IHDSL shows the derivation of the weighted average calculation of the direct benefit as follows:

Table 6.1

Average Net Fixed Assets	Direct Benefit %	2012	2013	2014
Renewable Connections Capital - Expansions	17%	\$ -	\$ -	\$ -
Renewable Connections Capital - Renewable Enabling Improvements	8%	\$ 123,811	\$ 368,058	\$ 608,944
Feeder Automation Projects	100%	\$ -	\$ 405,000	\$ 360,000
		\$ 123,811	\$ 773,058	\$ 968,944
Direct Benefit		\$ 7,417	\$ 427,083	\$ 396,417
Weighted Average Direct Benefit %		0.00%	55.25%	41.00%

Please explain why the Feeder Automation Project, which is considered a 100% direct benefit to IHDSL customer, should be considered for provincial rate protection through a weighting of the direct benefit in the 2013 and 2014 rate years.

2.0-Staff-83s

Ref: 2.0-Staff-24

In response to 2.0-Staff-24, IHDSL provided a comparison of capital asset useful lives. Please map the proposed useful lives by the specific asset

category/component/type identified in the Kinetrics Study (i.e. page 17 of the Kinetrics Report) and explain any departure from the Kinetrics Study.

3.0-Staff-84s

Ref: 3.0-Staff-35

Please confirm the estimated occupancy of the 1600 units forecasted for the Big Bay Point development as 2014. Please confirm that this customers and associated load are not accounted for in the customer or load forecast for the 2013 test year.

3.0-Staff-85s

Ref: 3.0-Staff-31

- a) IHDSL stated that it was unable to update Table 3.4 as 2012 were not available at the time that it responded to the initial interrogatories. Can IHDSL provide an update to Table 3.4 as requested. In the alternative, please explain.
- b) With respect to part c) of 3.0-Staff-31, IHDSL has not explained why the historical decline in the average consumption per streetlighting connection has decreased by 9.2%, nor has it explained why the forecasted decrease of 1.2% per annum for 2012 and 2013 is reasonable. Please provide an explanation for the decline.
- c) Similarly, the response to part d) of 3.0-Staff-31 does not explain the rationale that would support the estimated decline in per sentinel light consumption in 2011 and the continuing forecasted declines for 2012 and 2013. Please provide a response, similar to that requested in b) above, with respect to part d) of 3.0-Staff-31.
- d) Similarly, the response to part e) of 3.0-Staff-31 does not explain the rationale that would support the estimated increase in per USL consumption for 2012 and 2013. Please provide a response, similar to that forecasted in b) above, with respect to part e) of 3.0-Staff-31.

3.0-Staff-86s

Ref: 3.0-Staff-67, 17.0-VECC

- a) In the update to Table 3-16 provided in the response to 3.0-Staff-67, IHDSL shows 592,454 kWh as the annualized impact of 2011 CDM programs for all years from 2011 to 2014. These are explained as being the final verified CDM results as reported by the OPA. In the 2011 final CDM Report filed as Exhibit 3/Appendix 2 in response to 17.0-VECC b), IHDSL's 2011 CDM results are shown as 0.56 GWh for each of 2011, 2012 and 2013, and 0.54 GWh for 2014. Please confirm and reconcile the numbers provided in the updated Table 3-16.
- b) If available, please provide the 2011 CDM report in its Microsoft Excel format.

3.0-Staff-87s

Ref: 3.0-Staff-67, 17.0-VECC

One approach for dealing with the CDM adjustment for the purposes of establishing the base amount for the LRAMVA for 2013 and the corresponding (but not equal adjustment) the load forecast is to take into account the 2011 results and their persistence, as measured and reported by the OPA for IHDSL, and then to assume an equal increment for each of 2012, 2013, and 2014 so as to achieve THI's CDM target of 9,200,000 kWh. The response to 3.0-Staff-67 reflects this approach.

Based on the final 2011 OPA results provided in response to 17.0-VECC and also in 3.0-Staff-67, Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

Load Forecast CDM Adjustment Work Form (2013)

Innisfil Hydro Distribution System Ltd.

EB-2012-0139

4 Year (2011-2014) kWh Target:					
9,200,000					
	2011	2012	2013	2014	Total
%					
2011 CDM Programs	6.09%	6.09%	6.09%	5.87%	24.13%
2012 CDM Programs		12.64%	12.64%	12.64%	37.93%
2013 CDM Programs			12.64%	12.64%	25.29%
2014 CDM Programs				12.64%	12.64%
Total in Year	6.09%	18.73%	31.38%	43.80%	100.00%
kWh					
2011 CDM Programs	560,000	560,000	560,000	540,000	2,220,000
2012 CDM Programs		1,163,333	1,163,333	1,163,333	3,490,000
2013 CDM Programs			1,163,333	1,163,333	2,326,667
2014 CDM Programs				1,163,333	1,163,333
Total in Year	560,000	1,723,333	2,886,667	4,030,000	9,200,000

Check 9,200,000

	Net-to-Gross Conversion			
	"Gross"	"Net"	Difference	"Net-to-Gross" Conversion Factor ('g')
2006 to 2011 OPA CDM programs: Persistence to 2013		1	1	0
				0.00%

	2011	2012	2013	2014	Total for 2013
Amount used for CDM threshold for LRAMVA	560,000	1,163,333	1,163,333		2,886,667
Manual Adjustment for 2013 Load Forecast	560,000	1,163,333	581,667		2,305,000
<i>Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g))</i>			<i>Only 50% of 2013 CDM impact is used based on a half year rule</i>		

The methodology for this is as follows:

For the top table

- The 2011-2014 CDM target is input into cell B4;
- Measured results for 2011 CDM programs for each of the years 2011 and persistence into 2012, 2013 and 2014 are input into cells C13 to F13;
- Based on these inputs, the residual kWh to achieve the 4 year CDM target is allocated so that there is an equal incremental increase in each of the years 2012, 2013 and 2014.

The second table is to calculate the conversion from "net" to "gross" results. While the LRAMVA is based on the "net" OPA-reported results, the load forecast is impacted also by CDM savings of "free riders" and "free drivers". While Board staff has input values of "1" in each of cells D24 and E24, in the absence of information, these should be populated with the measured "gross" and "net" CDM savings for the persistence of all CDM programs from 2006 to 2011 on 2013, as reported in the final OPA reports.

For the last table, two numbers are calculated:

- The "Amount used for CDM threshold for LRAMVA" is the sum of the persistence of 2011 and 2012 CDM programs and the annualized impact of 2013 CDM programs on 2013; and
- "Manual Adjustment for 2013 Load Forecast" represents the amount to be reflected in the 2013 load forecast. This amount uses the "gross" impact, which

is calculated by multiplying each year's CDM program impact or persistence by $(1 + g)$ from the second table. In addition, the impact of the 2013 CDM programs on 2013 "actual" consumption is divided by 2 to reflect a "half year" rule. Since the 2013 CDM programs are not in effect at midnight on January 1, 2013, the "annualized" results reported in the OPA report will overstate the "actual" impact. In the absence of information on the timing and uptake of CDM programs in their initial year, a "half-year" rule may proxy the impact.

- a) Please input the "gross" and "net" cumulative kWh CDM savings from all CDM programs from 2006 to 2011 on 2013 as measured in the final OPA reports into, respectively, cells D24 and E24.
- b) Please verify the inputs and results of the model.
- c) Please derive the class CDM kWh and kW savings that would correspond with the "net" CDM savings above.
- d) Please provide IHDSL's comments on the methodology above to develop the CDM savings that will underlie the 2013 CDM amount for the LRAMVA and the corresponding CDM adjustment for the 2013 test year load forecast. What refinements to this approach should be considered? As one consideration, 2011 actuals would be impacted by the 2011 CDM programs, but the impact would not be the total annualized amount as the 2011 CDM programs were not in place for the full year. Would it be appropriate to consider that, for the load forecast adjustment, the 2011 CDM should be a manual adjust of using a half-year rule, on the basis that half of the annualized amount is already reflected in the actual data on which the base forecast from the regression model is derived.

4.0-Staff-88s

Ref: 4.0-Staff-42 – Procurement and Inventory Officer

Please compare the additional operational expenditure for an additional procurement and inventory officer with the savings achieved by the redundancy of the student assistance. Please state how the cost savings resulting from the elimination of the student role is reflected in this application.

4.0-Staff-89s

Ref: 4.0-Staff-45 – Regulatory Costs

Please update the total regulatory costs to include any consultant fees incurred at the settlement process.

4.0-Staff-90s

Ref: 4.0-Staff-49 – Maintenance of Poles, Towers and Fixtures

Given that the Board approved OM&A for account 5120 in the amount of \$44,680 in the IHDSL's 2009 cost of service application, please explain IHDSL lower level of spending in this category in the 2010, 2011 and 2012 rate years. Please explain why IHDSL only undertook pole replacement on an emergency basis only.

4.0-Staff-91s

Ref: 4.0 Energy Probe #22

In response to part a) IHDSL provided a year-to-date update as of November 2012. Part b) of the interrogatory response seems to be missing.

- a) Please explain why IHDSL spending in the Maintenance category is \$246,271 below the budgeted amount as of November 30, 2012. Please provide IHDSL spending as of December 31, 2012.
- b) Please file the answer to part b) of the interrogatory.

4.0-Staff-92s

Ref: 4-SEC-11 – IFRS/Financial Analyst

Please state why additional expertise of an IFRS/Financial Analyst is required since IHDSL submitted that the current Finance Department has received IFRS training to develop the required knowledge and skill set. Please explain why this FTE is required at this point, given the late stage of IHDSL's IFRS transition.

4.0-Staff-93s

Ref: 4.0-Staff-43 – Maintenance for Office building

Please state which, if any, OM&A cost were included in tables 4.6 to 4.10 for the new Headquarters on 2147 Innisfil Beach Rd. Please remove any expenses and update the relevant tables, if necessary.

4.0-Staff-94s

Ref: 4.0 Energy Probe #29 c)

In response to part c) IHDSL submitted that no other tax credits other than Apprenticeship Training Tax credits and Co-Operative Education Tax credits have been claimed by IHDSL. In E3/T3/S3 p. 1, table 3.3.9 IHDSL used account 4406 – SRED Revenue as a revenue offset.

- a) Please explain the nature of this other revenue and state why the SRED has not been applied as a tax credit.

5.0-Staff-95s

Ref: 5.0 Energy Probe #31 and E5/T1/S2, p. 5

In E5/T1/S2, p. 5 IHDSL shows a demand loan of \$13,843,930. In response to Energy Probe #31 g) IHDSL submitted that this demand loan was based on the completion of capital projects at the end of 2013 at which point it would be converted to long-term debt in 2014.

- a) Please confirm the issuance date of the demand loan as January 1, 2013 and confirm the rate of 5.00%.
- b) Please comment on IHDSL response to Energy Probe #31 g) given the delay in completion of the capital projects until August 2014.
- c) Please provide further explanation why IHDSL is not seeking a long term debt instrument for this expenditure given the nature of this capital project, and state why the Board's deemed long-term debt rate should not apply to this loan.

7.0-Staff-96s – Weighting Factor – Billing and Collection

Ref: 7.0-Staff-57s

IHDSL noted that it “undertook the calculation to determine the billing and collecting weighting factors based on customer specific data as referenced on the Table on Exhibit 7, Schedule 1, Page 3.” However, the weighting factors provided by IHDSL together with the number of bills issued result in the Residential class being allocated 99.34% of Accounts 5315,1520, 5330 and 5340 as compared to 92.03% of all bills issued, and 0% of those accounts being allocated to Streetlighting and USL customers. Board staff questions whether the weighting factor inputs are appropriate.”

- a) Please confirm that the weighting factors provided by IHDSL reflect the size of IHDSL's customer classes, rather than the relative costs of preparing and collecting on each individual bill that is issued by IHDSL.
- b) Please provide a table with the rationale that compares the costs of preparing and issuing a single bill for all customer rate classes.
- c) For comparison, please provide a version of the Cost Allocation model in which all Billing and Collecting Weighting Factors in worksheet I 5.2 are equal to 1.0.
- d) Please comment on whether IHDSL's original model or the version from part (d) is more appropriate, or alternatively whether another version with other weighting factors provided by IHDSL might be more appropriate than either. If the latter, please provide this version of the Cost Allocation model.

8.0-Staff-97s

Ref: 31.0-VECC

In response to VECC #31, IHDSL notes that it has enclosed the revised Table 8.3. Exhibit 8 Appendices states that there are no appendices in this section. Please file the revised Table 8.3.

8.0-Staff-98s

Ref: 33.0-VECC

Please file an updated RTSR model in Excel format reflecting the January 1, 2013 UTRs.

9.0-Staff-99s – PILs

Ref: 4.0-Energy Probe - 27 d
9.0 OEB - Staff 64a – PILS
Updated Fixed Asset Continuity Schedules Table 1.1 to 1.3

In response to Energy Probe IR #27d, IHDSL revised CCA schedules for 2012 and 2013.

- a) The revised CCA schedules have not been updated to reflect the changes in fixed assets as per IRR pages 3-5. Please update the CCA schedules and the associated PILS model. Please update the Revenue Requirement Workform as necessary.
- b) The PILS also have not been updated to remove the additions and deductions of \$81,910 of regulatory assets and regulatory liabilities to 2013 taxable income as requested in Board Staff IR #64a. Please update the PILS model and the Revenue Requirement Workform as necessary.

9.0-Staff-100s - DVAs

Ref: 9.0-Staff-59
6.0 VECC (page 26 of IRR)
Exhibit 9, Tab 2, Schedule 1, Page 6, Table 9.3

IHDSL is seeking disposition of a debit balance of Account 1508 for \$308,464 as at December 31, 2011. IHDSL's current rate application is its first MIFRS rate application.

- a) Has IHDSL been working with other distributors regarding the IFRS project and sharing the costs? If so, please list those distributors and explain the nature of the work that was jointly undertaken.
- b) Per Table 9.3, please confirm that IHDSL spent a total of \$356,133 (\$103,354+\$2,874+\$249,905) in IFRS costs as at December 31, 2011.

- i. Please confirm that the costs are one-time incremental, does not include labour cost which were included in the IHDSL's 2009 revenue requirement, and not already claimed by IHDSL in other parts of IHDSL's current application.
- c) Please confirm all the costs shown in Table 9.3 are only incurred by IHDSL and were not shared with any other distributors that IHDSL may have list in part (a) above.
- d) With regards to the \$249,905 of initial set up costs incurred to develop and implement an identifiable asset process with GIS and financial reporting system for disposition referencing:
 - i. Please provide additional details on the nature of the system upgrade and the cost incurred. Please show how the work done was directly related to the IFRS project.
 - ii. Please provide a breakdown of this costs in terms of how much was incurred for consultant costs, system up-grade, GIS, financial reporting etc and explain how these cost were directly related to the IFRS implementation.
 - iii. Please provide a copy of the report or study conducted by the vendor or consultant for IHDSL's system up-grade and provide an explanation on how the system up-grade is directly related to IHDSL's IFRS project.
 - iv. On page 27 of IRR to 6.0 VECC, capital project costs for hardware and software was \$88,448, \$64,210 and \$86,927 for 2009 to 2011, respectively. Please indicate if any of the system upgrade costs included in Account 1508 has been included in the capital project costs on page 27 of IRR or has been capitalized.
- e) As at December 31, 2011, please indicate the percentage of completion of IHDSL's IFRS project.
- f) Please indicate the remaining costs IHDSL is expecting to incur in 2012 and beyond to complete the IFRS project.
- g) Given the deferral of the adoption of IFRS until at least 2014 as stated by IHDSL, please confirm that IHDSL is still requesting the disposition of the transitional costs incurred to 2011
 - i. With regards to 1508, Other Regulatory Assets, "Sub-account IFRS Transition Costs Variance, APH FAQ October 2009 #2 states:

In the distributor's next cost of service rate application immediately after the IFRS transition period, the balance in this sub-account should be included for review and disposition.

Please provide IHDSL justification for the disposition of the transitional costs in this rate application and not the rate application immediately after the IFRS transition period.

- ii. If disposition is still requested, please indicate if IHDSL plans to continue accumulating costs in Account 1508 from 2012 onwards.
- iii. If disposition is not requested, please update the relevant evidence in the application.

9.0-Staff-101s

Ref: 9.0-Staff-60
Exhibit 2, Tab 2, Schedule 1, Page 6

In response to 9.0-Staff-60, IHDSL provided the PST savings on capital purchases in Table 1. The asset purchase is indicated to be \$708,411 annually from 2010 to 2013. Asset additions per 2009 fixed asset continuity schedule (Appendix 2-B) are \$4,312,275. Please reconcile the proxy asset purchase of \$708,411 used in the calculation of the amount recorded in Account 1592 to the 2009 additions of \$4,312,275 per the fixed asset continuity schedule. Please update the evidence as necessary.

9.0-Staff-102s

Ref: 9.0-Staff-61

9.0-Staff-61 b) requested that IHDSL provide a schedule identifying all revenues and expense figures, listed by Uniform System of Account ("USoA") that were used to calculate the variances recorded in Account 1548. In response to this IR, IHDSL listed the USoA used. Please provide the revenue and expense figures and the calculation of the variance recorded in Account 1548 and reconcile these amounts to the amount recorded in Account 1548.

9.0-Staff-103s

Ref: 9.0-Staff-63

In response to 9.0-Staff-63, IHDSL indicated that the RARA #1 from Hydro One for the period of May 2010 to December 2011 has been recorded in Account 2425 Other Deferred Credits. Please indicate the journal entries used to record the RARA #1 from Hydro One in Account 2425. Please also indicate the journal entry used to move the RARA#1 from Hydro One out of Account 2405 to Account 2425.

9.0-Staff-104s – Stranded Meters

Ref: 9.0-Staff-65 and 9.0-Staff-66

- a) Please explain why the NBV of stranded meters for 2013 is estimated at \$359,195 when the documented NBV of stranded meters as of December 31, 2012 is \$334,628.
- b) In the response to part b) of 9.0-Staff-66, IHDSL filed a copy of sheet I7.1 from its 2009 Cost Allocation study. That sheet shows a relative weighted meter cost of 1 for Residential and 5.26 for the GS < 50 kW class. Was that information taken into account in determining the proposed stranded meter rate riders (“SMRRs”)? If so, please describe in detail, and provide the calculations. In the alternative, please explain.
- c) Please recalculate the stranded meter rate riders, on a class-specific basis for applicable customer classes, based on a December 31, 2012 NBV of \$334,627.68. Please show the derivation, and file the calculations in an Excel spreadsheet if available.

9.0-Staff-108s Stranded Meters

Ref: 35.0-VECC

No response is provided for 35-VECC. Please provide the response in full.