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BY E-MAIL

April 18, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Sioux Lookout Hydro Inc. ("SLHI")
2013 Electricity Distribution Rates
Board Staff Interrogatories
Board File No. EB-2012-0165

In accordance with Procedural Order No. 1, please find attached Board Staff interrogatories in the above proceeding. Please forward the following to SLHI and to all other registered parties to this proceeding.

In addition please advise SLHI that responses to interrogatories are due by May 10, 2013.

Yours truly,

Original Signed By

Suresh Advani

Encl.

Sioux Lookout Hydro Inc. ("SLHI")
2013 Electricity Distribution Rates
EB-2012-0165
Board Staff Interrogatories

1. 0Staff1 - Filing Consistent Information

It would appear that certain data have been inconsistently stated in the application such that it is unclear which values SLHI is relying on and what the appropriate resultant rates should be.

If in addressing these interrogatories and those of VECC and Mr. Shields, any inconsistent data is found which affects the rates requested, please file a complete consistent set of models, worksheets, data, etc. covering all key aspects of the application, in a manner that reflects the Board's current policies, guidelines, etc.

2. 0Staff2 - Responses to Letters of Comment

Following publication of the Notice of Application, has SLHI received any letters of comment in respect of this application? If so, please confirm whether a reply was sent by SLHI in response to such comments and if so, please file copies of such responses with the Board. If not, please explain why a response was not sent and advise whether SLHI intends to respond and file a copy of the response if and when such response is given.

3. 0Staff3 - Updated Revenue Requirement Work Form ("RRWF")

Taking into account responses from interrogatories from Board staff and intervenors, please provide an updated RRWF with any necessary corrections or adjustments that SLHI wishes to make to the amounts in the previous version of the RRWF, included in the middle column, without making any changes to the left column ("Initial Application") which reflects the initial application. Please include a reference to the correction or adjustment such as an interrogatory response or an explanatory note.

4. 0Staff4 - Updated Appendix 2-W, Bill Impacts

Ref: Appendix 2-W

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (i.e. 800 kWh for residential, 2,000 kWh for GS<50).

Exhibit 1

5. 1Staff5 - Conditions of Service

Ref: Exhibit 1/Tab 1/Sch. 16/p. 1

a) Please identify any rates and charges that are included in SLHI's conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.

b) If applicable, please provide a schedule outlining the revenues recovered from these rates and charges from SLHI's last rate re-basing year 2008 to 2011 and the revenue forecasted for the 2012 bridge and 2013 test years.

c) If applicable, please explain whether in SLHI's view, these rates and charges should be included on SLHI's tariff sheet.

Exhibit 2

6. 2Staff6 - Capital Expenditures (Approved vs. Actual)

Ref: Exhibit 2/Tab 3/Sch. 1 & 2

SLHI provides details of its capital expenditures in the 2007-2012 period.

Please provide a table that compares the approved capital expenditures (i.e. OEB approved or SLHI's Board of Directors approved) and the subsequent actual capital expenditures for each year in the 2007 to 2012 period and provide an explanation for the differences. The information should be provided on an account basis.

7. 2Staff7 - Capital Expenditures (Backhoe Purchase)

Ref: Exhibit 2/Tab 3/Sch. 2/p. 24

SLHI states that an analysis of the costs and benefits of continuing to contract out tree trimming/line clearing work, compared to those of purchasing a new backhoe with attached brush hog at a cost of $86,000, indicated that the latter option was more cost effective.

a) Please provide details of the costs and benefit analysis for the expected life of the backhoe. Please include all assumptions supporting this analysis.

8. 2Staff8 - Capital Expenditures (Breakdown)

Ref: Exhibit 2/Tab 3/Sch. 1/p. 2, Exhibit 2/Tab 3/Sch. 2/p. 22 and Exhibit 2/Tab 3/Sch. 3/p. 2

With respect to the test year 2013, SLHI states in Tables 2.11 and 2.18 that the total capital expenditure net of contributions is projected at $227,940, and the capital contributions is projected at $92,000, totaling to a total capital expenditure forecast of $319,940.

Board staff notes that in Table 2.30, SLHI states that the total capital expenditure forecast is $317,941.

a) Please reconcile the total capital expenditure forecast provided in Tables 2.11 and 2.18 with Table 2.30.

9. 2Staff9 - Cost of Power

Ref: Exhibit 2/Tab 4/Sch. 1/p. 2-5

Board staff notes that on March 21, 2013, the Board issued a Decision with Reasons and Rate Order (EB-2013-0067) establishing that effective May 1, 2013, the:

- Rural or Remote Electricity Rate Protection ("RRRP") used by rate regulated distributors to bill their customers shall be $0.0012 per kilowatt hour; and

- Wholesale Market Service rate ("WMS rate") used by rate regulated distributors to bill their customers shall be $0.0044 per kilowatt hour.

Board staff further notes that on March 28, 2013, the Board issued a Decision and Order (EB-2012-0100/EB-2012-0211-0067) establishing a Smart Metering Entity ("SME") charge of $0.79 per month for Residential and General Service < 50kW customers for those distributors identified in the Board's annual Yearbook of Electricity Distributors. This charge will be in effect from May 1, 2013 to October 31, 2018.

a) Please update the Cost of Power, Working Capital Allowance and Rate Base using the updated values of RRRP and WMS.

b) Does SLHI believe that this new charge should be included in the Cost of Power calculation for the purpose of determining the Working Capital Allowance?

10. 2Staff10 - Reliability Indicators

Ref: Exhibit 2/Tab 3/Sch. 5/p. 1 and Exhibit 2/Appendix 2-D

Board staff notes that SLHI's reliability indicators SAIDI, SAIFI and CAIDI (excluding loss of supply) as shown in the table below have steadily increased year-over-year during the period 2009 to 2011.

	Reliability Indicators (excluding loss of supply)		
Year	SAIDI	SAIFI	CAIDI
2009	0.32	0.33	0.99
2010	0.90	0.56	1.60
2011	1.71	0.77	2.23

a) Please provide an explanation for the decrease in reliability as demonstrated by the steady increase in the reliability indicators.

b) Please explain what corrective actions, if any, SLHI plans to undertake to reverse this trend.

Exhibit 3

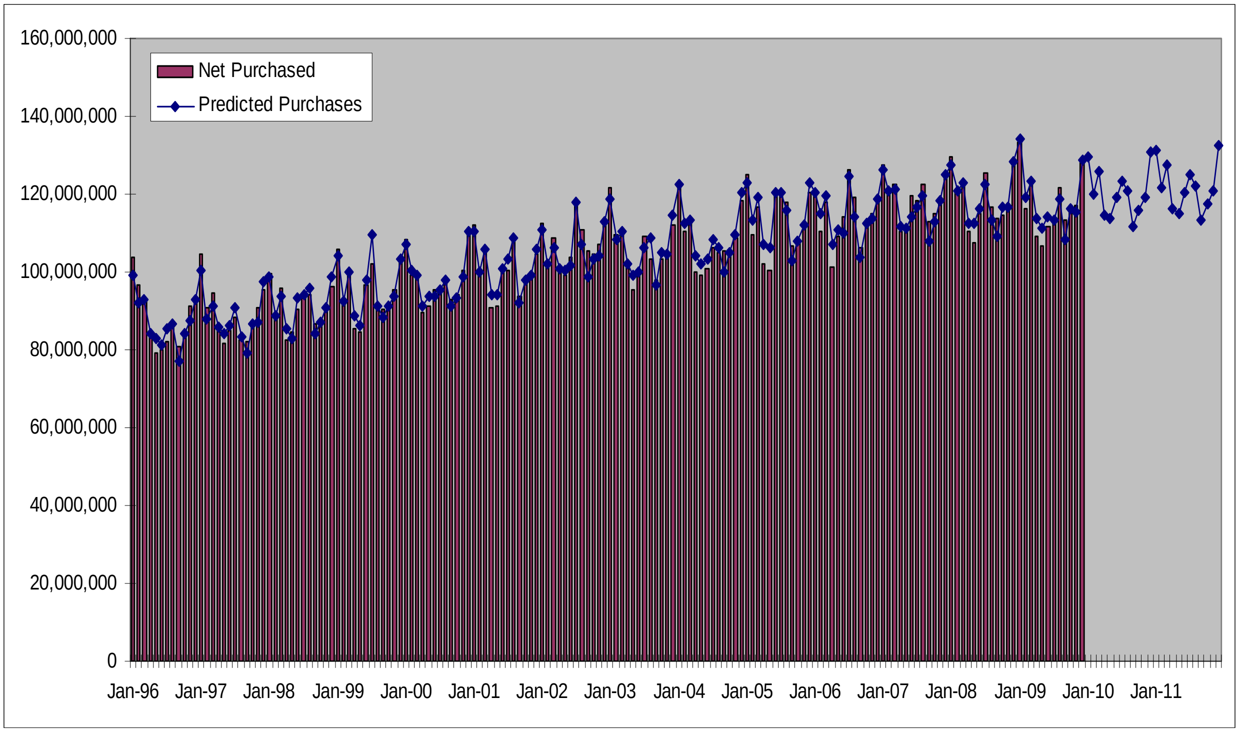
11. 3Staff11 - Load Forecast

Ref: Exhibit 3/Tab 2/Sch. 1

a) Table 3.5 provides summary statistics for the purchased power regression model. The table shows that the intercept, with an estimated value of 38,179, has a t-statistic of 0, and thus is statistically insignificant. Please explain why the intercept was retained given its statistical insignificance.

b) Was a variable to account for CDM tried? If so, please provide a general description of the variable and the results, and explain why the variable was not retained. If no CDM variable was tried, please provide an explanation.

c) Please provide a version of the chart showing the actual and predicted values, comparable to that shown on Exhibit 3/Tab 2/Sch. 1/p. 9, but showing monthly data in a format similar to the following. Include 2012 actuals in the chart if available.



d) Please provide the Mean Absolute Percentage Error from the chart in c) based on the monthly residuals.

12. 3Staff12 - Unmetered Scattered Load ("USL") Connections

Ref: Exhibit 3/Tab 2/ Sch. 1/p. 11-12

Tables 3-7 and 3-9 show the number of USL connections declining from 13 in 2009 to 9 in 2010, 3 in 2011 and then 2 in each of 2012 and 2013.

a) Please explain the decline in USL connections.

13. 3Staff13 - Load Forecasting and CDM Adjustment

Ref: Exhibit 3/Tab 2/ Sch. 1, Exhibit 4/Appendix 4-D

SLHI has proposed to use a CDM target incorporating actual results for 2011 CDM programs as reported by the OPA as the starting point for the CDM adjustment for the 2013 load forecast amount to take into account the persistence of 2011 and 2012 CDM programs, and the impact of 2013 CDM programs on 2013 demand (consumption, measured in kWh). This is documented in Table 3-15.

SLHI's approach is to take into account the 2011 results and their persistence, as per the OPA report filed in Exhibit 4/Appendix 4-D, and then to assume an equal increment for each of 2012, 2013, and 2014 so as to achieve SLHI's CDM target of 3,320,000 kWh. Board staff views that this approach is preferable. It provides results on what the utility has achieved to date, and sets out what more will be needed to achieve the cumulative four-year target. In using the measured and reported results from the 2011 programs, including the persistence into 2013, Board staff views that an improved estimate of the CDM impact of 2011-2013 programs on the LRAMVA threshold for 2013 (and 2014) would result, along with the corresponding adjustment to the 2013 test year load forecast.

Based on the final 2011 OPA results provided in Exhibit 4/Appendix 4-D, Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

Load Forecast CDM Adjustment Work Form (2013)

Sioux Lookout Hydro Inc. ***EB-2012-0165***

4 Year (2011-2014) kWh Target:					
3,320,000					
	2011	2012	2013	2014	Total
%					
2011 CDM Programs	1.85%	1.85%	1.85%	1.84%	7.40%
2012 CDM Programs		15.43%	15.43%	15.43%	46.30%
2013 CDM Programs			15.43%	15.43%	30.87%
2014 CDM Programs				15.43%	15.43%
Total in Year	**1.85%**	**17.29%**	**32.72%**	**48.14%**	**100.00%**
kWh					
2011 CDM Programs	61,496	61,496	61,496	61,229	245,717
2012 CDM Programs		512,380	512,380	512,380	1,537,141

2013 CDM Programs			512,380	512,380	1,024,761
2014 CDM Programs				512,380	512,380
Total in Year	**61,496**	**573,877**	**1,086,257**	**1,598,370**	**3,320,000**
				Check	3,320,000

	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	61,496	512,380	512,380		1,086,257
Manual Adjustment for 2013 Load Forecast	61,496	512,380	256,190		830,067
Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g)			*Only 50% of 2013 CDM impact is used based on a half year rule*		

The methodology for this is as follows:

For the top table:

- The 2011-2014 CDM target is input into cell B6;
- Measured results for 2011 CDM programs for each of the years 2011 and persistence into 2012, 2013 and 2014 are input into cells C15 to F15; and

- 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.

Board staff believes that this corresponds with Table 3-15.

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 D26 and E26, 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 D26 and E26.

b) Please verify the inputs and results of the model.

c) Please provide SLHI's views 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, if any, refinements to this approach should be considered?

Exhibit 4

14. 4Staff14 - Depreciation Expense

Ref: Exhibit 4/Tab 2/Sch. 7/p. 8/Table 4.74
Ref: Revenue Requirement Work Form
Ref: Chapter 2 Appendices

The depreciation expense for the 2013 test year of $229,267 in the Chapter 2 Appendices, App.2-CH_MCGAAP_DepExp_2013, does not reconcile to the amount shown on the RRWF of $180,404.

a) Please reconcile and update the appropriate evidence in the Chapter 2 Appendices, RRWF and Table 4.74.

15. 4Staff15 - Assumptions for Increases to OM&A

Ref: Exhibit 4/Tab 1/Sch. 1/p. 8

SLHI has stated that a 2.2% inflation increase has been applied to the expected expenditures except in cases where it is a known amount. Please identify the source document for the inflation assumption.

16. 4Staff16 - OM&A Expense

Ref: Exhibit 4/Tab 1/Sch. 1/p. 3
Ref: Exhibit 8/Sch. 1/p. 1
Ref: Cost Allocation Model/Tab O1/Cell C57
Ref: Revenue Requirement Work Form/Tab 3/Cell E36

Board staff notes that the value for OM&A Expenses has been variously stated as $1,554,393, $1,554,419 and $1,549,433 in the application. Please confirm and identify the correct value.

17. 4Staff17 - OM&A Per Customer

Ref: Exhibit 4/Tab 1/Sch. 1/p. 4

Table 4.10 shows the OM&A cost per customer as $423.99, $579.43 and $563.80 respectively for the years 2011 (historical), 2012 (bridge) and 2013 (test).

a) Please explain the circumstances driving the increase in OM&A cost per customer from 2011 to 2012.

18. 4Staff18 - Capitalization Policy – OM&A Expenses

Ref: Exhibit 4/Tab 1/Sch. 1/p. 1

a) Please identify the increases (decreases) in OM&A expense for the test year, arising from a source other than a decrease (increase) in capitalized overhead.

19. 4Staff19 - Employee Costs

Ref: Exhibit 4/Tab 2/Sch. 4/p. 3

Table 4.40 shows the number of employees as 8, 8.37 and 9 respectively for the years 2011 (historical), 2012 (bridge) and 2013 (test). Total salary and wages for the same years is shown as $612,696, $703,255 and $641,205 respectively.

a) From 2011 to 2012, please explain the circumstances driving the 14.8% increase in total salary and wages given that the increase in the number of FTEs is only 4.6% for the same period.
b) From 2012 to 2013, please explain the circumstances driving the 8.8% decrease in total salary and wages given that the number of FTEs increases by 7.5% for the same period.

20. 4Staff20 - Ontario Municipal Employees Retirement System ("OMERS") Pension Costs

Ref: Exhibit 4/Tab 2/Sch. 4/p. 6-7

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013. SLHI states that this increase in OMERS pension costs has been included in the cost of current benefits in this application.

a) Please provide the forecasted increase in OMERS pension costs by years and the documentation to support the increases.

21. 4Staff21 - Post-Retirement Benefits

Ref: Exhibit 4/Tab 2/Sch. 4/p.8

SLHI has provided post-retirement benefit costs separately from current benefit costs.

a) Please provide the most recent actuary report(s).

22. 4Staff22 - PILs Provision

Ref: Exhibit 4/Tab 3/Sch. 2
Ref: Income Tax / PILs Workform

Table 4.3-5 – 2012 CCA / UCC Continuity Schedule (CGAAP) in Exhibit 4, Tab 3, Schedule 2 does not match the 2012 Bridge Year Schedule 8 in the Income Tax / PILs Workform.

a) Please update Table 4.3-5 in SLHI's evidence to match the 2012 Bridge Year Schedule 8 in the Workform.

Exhibit 5

23.5 Staff23 - Cost of Capital

Ref: Exhibit 5/T1/Sch. 1/p. 1-2

With respect to the return on equity, SLHI states:

> "*SLHI is requesting a return on equity ("ROE") for the 2013 Test year of 9.12% in accordance with the Cost of Capital Parameter Updates for 2012 Cost of Service Applications issued by the OEB on March 2, 2012. SLHI understands that the OEB will be finalizing the ROE for 2013 rates based on January 2013 market interest rate information. SLHI's use of an ROE of 9.12% is without prejudice to any revised ROE that may be adopted by the OEB in early 2013*."

A similar statement is made with respect to the deemed short-term debt rate.

On February 14, 2013, the Board issued a letter[1] to all distributors documenting the updated Cost of Capital parameters for 2013 Cost of Service applications with rates effective May 1, 2013.

The updated Cost of Capital parameters are summarized in the following table:

Parameter	Updated values for Cost of Service rates effective May 1, 2013
Return on Equity	8.98%
Deemed Long-term debt rate	4.12%
Deemed Short-term debt rate	2.07%

[1] http://www.ontarioenergyboard.ca/OEB/_Documents/2013EDR/OEB_Ltr_May1_2013_Cost-of-Capital_update_20130214.pdf

a) Please update the necessary tables in Exhibit 5, including Appendix 2-OA, for the 2013 test year, reflecting the updated Cost of Capital parameters as documented above and as applicable to SLHI's application.

Exhibit 7

24. 7Staff24 - Revenue-to-Cost Ratios

Ref: Exhibit 7/Tab 2/p. 3

Board staff notes that SLHI is proposing to make adjustments to the revenue-to-cost ratios derived from the 2013 updated cost allocation study as indicated in the table below.

	Revenue-to-Cost Ratios	
Class	2013 Updated Cost Allocation study	2013 Proposed Rates
Residential	90.31%	96.36%
GS < 50	115.16%	109.87%
GS 50 to 4,999	138.60%	119.85%
Street Lighting	83.00%	74.91%
USL	81.01%	80.93%

If the ratios for the Street Lighting and USL classes were to remain unadjusted at respectively 83% and 81.01%, please provide:

a) The bill impact for these two classes;

b) The ratio for the Residential class, while keeping the ratios for the GS<50 and GS 50 to 4,999 as proposed, i.e. 109.87% and 119.85%, respectively; and

c) The ratio for the GS 50 to 4,999 class, while keeping the ratios for the Residential and GS<50 classes as proposed, i.e. 96.36% and 109.87% respectively.

Exhibit 8

25. 8Staff25 - Loss Factors

Ref: Exhibit 8/Sch. 1/p. 12
Ref: Exhibit 8/Appendix 8-A/p. 8
Ref: 2008 Cost-of-Service Application/EB-2007-0785, Exhibit 4/Tab 2/ Sch. 9/p. 1

SLHI has stated "The steps taken in the past five years have resulted in an average decrease of 1.03% in line losses from the previous Cost of Service application".

Board staff notes that SLHI's proposed Total Loss Factor ("TLF") of 1.0897 (8.97%) includes a Distribution Loss Factor ("DLF") of 1.0539 (5.39%). Board staff further notes that in SLHI's 2008 cost-of-service rate application, SLHI's approved TLF of 1.0642 (6.42%) included a DLF of 1.0594 (5.94%).

a) Given that SLHI's proposed loss factor reflects distribution losses of 5.39% within SLHI's distribution system compared to distribution losses amounting to 5.94% as reflected in the previous approved loss factor, please explain the derivation of the 1.03% decrease in line losses.

26. 8Staff26 - Tariff of Rates and Charges

Ref: Exhibit 8/Appendix 8-A

With respect to SLHI's current Tariff of Rates and Charges, the 3rd paragraph in the "Application" section of the tariff sheet for each rate class reads as follows:

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

Based on recent Tariff of Rates and Charges approved by the Board in 2013 rate applications, the above paragraph should be amended as follows:

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

a) Please confirm whether SLHI has any concerns with the noted change to be applied to those classes for which the regulatory component applies, and if so, why.

Exhibit 9

27.9Staff27 - Stranded Meters

Ref: Exhibit 9/Tab 3/Sch. 1

In Guideline[2] G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition ("Guideline G-2011-0001"), issued December 15, 2011, the Board states its expectation that proposals for the SMRR would reflect an allocation of the stranded meter costs reflecting the net book value of the conventional meters stranded by replacement by smart meters. In Section 3.7, page 23 of Guideline G-2011-0001, the Board states:

> *"The distributor should determine and support its proposed allocation, based on the principles of cost causality and practicality. The stranded meter NBV should be recovered through rate riders for applicable customer classes. A distributor must outline the manner in which it intends to allocate the stranded meter costs to the applicable customer rate classes and the rationale for the selected approach. 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 kW and any other classes approved by the Board for smart meter deployment). If the NBV is not known on a class-specific basis, a distributor should propose an allocation between the affected metered customer classes and support its proposal."*

SLHI is proposing separate rate riders to recover the NBV of stranded meters from Residential and GS < 50 kW customers:

[2] http://www.ontarioenergyboard.ca/OEB/_Documents/Regulatory/OEB_Guideline_G-2011-0001_SmartMeters.pdf

- Residential: $2.83/month for a period of two years; and
- GS < 50 kW: $2.63/month for a period of two years.

SLHI states that the allocation is based on the actual number of installed smart meters.

Board staff observes that this is equivalent to an unweighted allocation, whereby no differences in the capital costs of meters installed in each class is taken into account. In particular, the higher prices of polyphase meters, which are more prevalent for GS customer classes, are not taken into account.

a) Please explain the rationale for SLHI's proposed allocation.

b) Please provide a copy of Sheet I7.1 from SLHI's Cost Allocation study from its previous 2009 Cost of Service application.

c) Please confirm that the actual NBV of stranded meters as of December 31, 2012 is $181,592, reflecting accumulated depreciation up to that date.

d) Based on the information provided in b) and c), please provide class-specific SMRRs for the Residential and GS < 50 kW. Please adequately document the methodology for allocating the costs between the classes. Where available, spreadsheets for documenting the data and calculations should be provided in working Microsoft Excel format.

28.9 Staff28 - Retail Service Charges

Ref: Exhibit 9/Tab 2/Sch. 1/p. 5

a) Please confirm whether or not SLHI has followed Article 490, Retail Services and Settlement Variances of the Accounting Procedures Handbook for Account 1518 and Account 1548. In other words, please confirm that the higher of, the relevant revenues (i.e. account 4082, Retail Services Revenue and/or account 4084, STR Revenue) and the incremental expenses in the associated expense accounts (i.e. account 5315, Customer Billing, and possibly 5305, Supervision and 5340, Miscellaneous Customer Accounts Expenses) is reduced (i.e. revenues debited or expenses credited) at the end of each period, with an offsetting entry to the variance account.

b) Please explain if SLHI has not followed Article 490, and if so, please quantify the variance.

c) Please confirm that all costs incorporated into the variances reported in Account 1518 and Account 1548 are incremental costs of providing retail services.

29. 9Staff29 - Deferral and Variance Accounts (Allocators)

Ref: Exhibit 9/Tab 2/Sch. 4/p. 2

With respect to the Deferral/Variance Account Workform provided in Table 9-29:

a) Please explain which allocators were used for Group 2 accounts.

b) Please explain how the “Amounts from Sheet 2” in Table 9-29 were allocated across the rate classes.

30. 9Staff30 - Deferral and Variance Accounts (Account 1508 Other Regulatory Assets – Sub-account Deferred IFRS Transition Costs)

Ref: Exhibit 9/Tab 2/Sch. 1/p.5

SLHI is requesting disposition of the December 31, 2011 audited balance plus the forecasted interest through April 30, 2013 in the amount of $17,843, and to keep the sub-account open and request disposition of additional balances at its next Cost of Service Application.

a) Please provide a breakdown of the costs recorded in Account 1508 Other Regulatory Assets, Sub-account Deferred IFRS Transition Costs. Please complete Appendix 2-U. Please provide an explanation for each category of costs recorded in Account 1508 Other Regulatory

Assets, sub-account Deferred IFRS Transition Costs. SLHI must explain how the costs recorded meet the criteria of one-time IFRS administrative incremental costs.

b) With regards to 1508, Other Regulatory Assets, "Sub-account Deferred IFRS Transition Costs", October 2009 Accounting Procedures Handbook[3] ("APH") FAQ #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*."

i. Please state SLHI's justification for the disposition of the IFRS transition costs in this rate application and not the rate application immediately after the IFRS transition period.
ii. If disposition is still being requested by SLHI, please indicate if SLHI 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.

31.9 Staff31 - Deferral and Variance Accounts (IFRS Implementation)

Ref: Exhibit 9/Tab 2/Sch.1/p.5

a) As at December 31, 2011, please indicate the percentage of completion of SLHI's IFRS project.

b) Please indicate the remaining costs SLHI incurred in 2012 and expected to incur in 2013 and beyond to complete the IFRS project.

3 http://www.ontarioenergyboard.ca/OEB/Industry/Rules+and+Requirements/Rules+Codes+Guidelines+and+Forms#accounting

32. 9Staff32 - Deferral and Variance Accounts (Account 1592 PILs and Tax Variance for 2006 and Subsequent Years – Sub- account HST/OVAT Input Tax Credits (ITC's)

Ref: Exhibit 9/Tab 2/Sch. 1/p. 7

FAQ#4 of the December 2010 APH-FAQs, states:

> "*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*."

a) Please provide detailed schedules, similar to Table 1 and Table 2 of FAQ#4 of the December 2010 APH-FAQs, to indicate the period HST savings on OM&A costs and capital expenditures for the following periods: (Note: 2010 and 2011 are already provided)

   i. January 1, 2012 to December 31, 2012 (Actual); and

   ii. January 1, 2013 to April 30, 2013 (Forecast)

b) Please update the balance in Account 1592 to be cleared and associated rate design with a principal balance to April 30, 2013 plus carrying charges.

c) SLHI has already incurred actual amounts for the year 2012 and the first three months of 2013. SLHI only requires a forecasted principal balance of one month to April 30, 2013. Please provide reasons as to why the Sub-account of Account 1592 cannot be cleared on a final basis with a principal amount as at April 30, 2013 and associated carrying charges to April 30, 2013.