

January 9, 2014
Ontario Energy Board
PO Box 2319 27th Floor
2300 Yonge Street
Toronto Ontario M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary
Regarding: EB-2013-0139-2014 Cost of Service Application
Response to a Board letter seeking clarification on ICM projects.

Dear Ms. Walli,

On January 7, 2014 Hawkesbury Hydro Inc. ("HHI") received a letter from the Board seeking clarification regarding the actual in-service date of previously approved ICM projects.

As requested, please find attached a clarification regarding the actual in-service dates for the 44kV and 110 kV along with an explanation with respect to the discrepancies in these dates as filed.

110kV

At the time of the application, and as indicated at page 10 of HHI's asset management plan, HHI had anticipated that the 110KV would be in service by the end of 2013. As explained in HHI's response to IRs and the reply submission, the project encountered unexpected delays. The in-service date is still scheduled for March 2014.

44kV

With respect to the 44kV substation, HHI stated in its ICM application that delivery of the 10 MVA transformer was expected for January 2012. The transformer was received in February 2012, installed in March of 2012 and tested during months of March and April of 2012. The load was transferred to it in early May 2012 and therefore was officially "in-service" in May of 2012.

Discrepancy in the dates presented in the application on May 30, 2013

In the *2013 Capital Project Description* of the application, HHI indicated that the work related to the 44 KV Station, at an estimated cost of \$800,000, was to be “in-service” during 2013. HHI wrote in its explanation that \$20,000 would be required in 2013 for ongoing maintenance and to perform a comprehensive study to evaluate the new 10MVA transformer before the warrantee expires in April 2013. HHI should have clarified that the \$20,000 was scheduled to be spent in 2013 but that the rest of the balance which was related to the 44 kV was in fact spent in 2012. In other words, the 44 kV was in-service in May of 2012 but recorded for financial purposes in 2013.

In its application dated May 30, 2013, HHI transferred both balances into 2013. The reason for transferring the costs related to the 44kV to 2013 was that the 2012 audited financial statements had already been completed at the time of the application and that HHI was trying to maintain some consistency between its application and its audited financial statements.

2013 Continuity Schedule

OEB	Description	Open Bal	Additions	Closing Bal
1815	Transformer Station Equipment >50 kV	482,802	1,547,900	2,030,702
1820	Distribution Station Equipment <50 kV	256,183	800,000	1,056,183

Please note that in accordance with section 3.3.1.7 ICM Accounting Treatment of Chapter 3 *Filing requirements for 4th Generation Incentive Rate-setting and annual Incentive Rate-setting Index*, HHI has recorded eligible ICM amounts in Account 1508 Other Regulatory Asset, sub-account Incremental Capital Expenditures.

Yours truly,



Michel Poulin, General Manager
Hydro Hawkesbury Inc.
850 Tupper Street
Hawkesbury, ON
K6A 3S7