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April 8, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Audit of Group 1 Deferral and Variance Accounts - Board Decision and Order (EB-2012-0131)

The Ontario Energy Board (the "Board") authorized an audit of Hearst Power Distribution Company Limited's ("Hearst Power") Group 1 deferral and variance accounts¹ ("DVA"). In its Decision and Order EB-2012-0131, dated April 4, 2013, the Board approved the disposition of Hearst Power's Group 1 DVA balance as at December 31, 2011 including interest as at April, 30, 2013, on an interim basis subject to an audit. These balances were to be disposed on an interim basis over a one year period from May 1, 2013 to April 30, 2014.

This audit was conducted by the Board's Audit and Performance Assessment group ("Audit"). Audit issued an engagement letter on July 3, 2013 regarding an audit of Hearst Power's Group 1 DVA as at December 31, 2011. The objective of this audit was to examine Hearst Power's DVA balances for material accuracy and determine whether accounting policies and procedures for these accounts were properly and consistently applied and reported to the Board in accordance with Accounting Procedures Handbook, Reporting and Record-Keeping Requirements, and related guidelines. Audit examined entries in the Group 1 DVA account balances since the last time these account balances were disposed.

Audit has completed its audit. Hearst Power has made the necessary adjustments to the regulatory balances in its Group 1 DVAs as at December 31, 2011 as a result of the audit findings. The revised Group 1 DVA balances that were approved for disposition on an interim

¹ Please refer to the July 31, 2009 *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)* [EB-2008-0046] for classification and descriptions of Group 1 and Group 2 accounts.

basis are as follows:

Group 1 DVAs for Disposition	Account	Approved Interim Balance	Revised Audited Balance
LV Variance Account	1550	-\$34,263	-\$31,607
RSVA - Wholesale Market Service Charge	1580	-\$13,762	-\$77,030
RSVA - Retail Transmission Network Charge*	1584	-\$33,069	\$36,340
RSVA - Retail Transmission Connection Charge*	1586	-\$10,549	-\$3,497
RSVA - Power (excluding Global Adjustment)	1588	-\$73,765	-\$102,622
RSVA - Global Adjustment Sub-Account	1588	\$72,567	\$69,058
Recovery of Regulatory Asset Balances	1590	\$3,037	-\$993
Disposition of Regulatory Balances (2008)	1595	\$0	\$0
Disposition of Regulatory Account Balances (2009)	1595	\$0	\$0
Total Group 1 Excluding Global Adjustment Sub-Account		-\$162,371	-\$179,409
Total Group 1		-\$89,804	-\$110,351

Audit notes that the revised Group 1 DVA balances for disposition as at December 31, 2011 is a credit balance of \$110,351 after a net credit adjustment of \$20,547. Audit notes that the Group 1 DVA balances may be adjusted as the Board had not declared the disposition of these accounts on a final basis in its Decision and Order EB-2012-0131.

During this audit process, when Audit used the information provided by Hearst Power's management, Audit relied on Hearst Power's management representation, where appropriate, as audit evidence in performing the audit and arriving at its conclusions and findings.

Pursuant to the Board's Decision and Order EB-2012-0131, Audit is accordingly informing the Board of the conclusion of the audit and audit findings.

The audit findings discussed in this letter represent the views of Audit and are not binding on the Board.

We thank the staff of Hearst Power for the assistance and support provided to us during this audit.

Yours truly,

A handwritten signature in blue ink, reading "D. Babaie". The signature is fluid and cursive, with the first name "D." and the last name "Babaie" clearly distinguishable.

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cc : Jean – Baptiste Bond, Chair of the Board, Hearst Power
Nicole Leduc, Acting General Manager, Hearst Power