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April 14, 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 Rate Rider Over Collection - Board Decision with Reasons (EB-2013-0270)

On July 15, 2013, Hearst Power Distribution Company Limited ("Hearst Power") filed an application with the Ontario Energy Board ("Board") seeking approval for a Billing Adjustment Rate Rider applicable to Regulated Price Plan ("RPP") customers in the Residential, General Service Less than 50 kW and Sentinel Lighting customer classes. In the application (EB-2013-0270), Hearst Power stated that it had inadvertently applied the Rate Rider for Global Adjustment Sub-Account Disposition approved in its 2010 IRM application (EB-2009-0266) to all customers rather than just to non-RPP customers, as ordered by the Board. The error was detected by Hearst Power in its 2012 year-end financial audit. Hearst Power stated that the rate rider was incorrectly applied to RPP customers over a period of thirteen months from April 1, 2011 to May 1, 2012 and resulted in an over collection of \$268,219 from RPP customers in the Residential, General Service Less than 50 kW and Sentinel Lighting rate classes.

In its Decision EB-2013-0270 dated September 12, 2013, the Board noted that the Audit and Performance Assessment group ("Audit") was undertaking an audit of Hearst Power's Group 1 deferral and variance accounts ("DVAs"), as set out in the Board Decision and Order EB-2012-0131 for Hearst Power's 2013 IRM application. The Board also noted that the period of over collection of the Rate Rider for Global Adjustment Sub-Account Disposition from RPP customers overlapped with the time period for disposition of the Group 1 DVA balances approved on an interim basis as per Board Decision and Order EB-2012-0131. Accordingly, the Board denied Hearst Power's application and found that it would not be prudent to approve any remedy on a final basis until such time as Audit has completed its audit.

Audit expanded the scope of its Group 1 DVA audit to include the over collection of the Rate Rider for Global Adjustment Sub-Account Disposition.

Pursuant to the Board's Decision EB-2013-0270, Audit is accordingly informing the Board of the conclusion of the audit and audit findings. In the testing of supporting documents during the audit, Audit found that the over collection details were different than those that Hearst Power disclosed in its application EB-2013-0270. The over collection period for RPP Residential and General Service Less than 50 kW customers extended from May 1, 2011 to April 30, 2013. The over collection period for RPP Sentinel Lighting customers was from May 1, 2011 to April 30, 2012. In addition, over collection occurred for RPP General Service Greater than 50 kW customers for May 1, 2011 to April 30, 2012.. The total over collection was \$206,534 rather than \$268,219.

Audit further notes that the Board's Retail Settlement Code ("RSC") provides guidance for distributors on how to treat billing errors. Specifically, Section 7.7.1 of the RSC states that where a distributor has over billed a customer by an amount that is equal or exceeds the average monthly billing amount, the distributor shall, within 10 days of determination of the error, notify the customer of the over billing and advise that the customer may elect to have the full amount credited to their account or repaid in full by cheque, within 11 days of requesting payment by cheque. Section 7.7.2 of the RSC states that where a distributor has over billed a customer by an amount that is less than the customer's average monthly billing amount, the distributor shall credit the account in the next regularly scheduled bill issued to the customer. Audit acknowledges that Hearst Power informed its customers of its billing errors and refunded the over collected amount of \$206,534 in February 2014.

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.

The audit finding discussed in this letter represents 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 black ink, appearing to read 'D. Babaie', with a stylized flourish at the end.

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