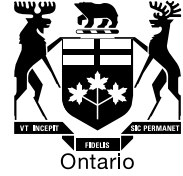


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BY E-MAIL

June 24, 2014

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

Dear Ms. Walli:

**Re: London Hydro Inc.
Application for an Accounting Order
Board File Number: EB-2014-0196**

In accordance with Notice of Application and Hearing and Procedural Order No. 1, please find attached Board Staff Interrogatories in the above proceeding. The attached document has been forwarded to London Hydro Inc. and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Donna Kwan
Project Advisor

Encl.

Board Staff Interrogatories
Application for Accounting Order
London Hydro Inc. (“LH”)
EB-2014-0196

Staff -1**Ref: Manager’s Summary, Page 1**

LH indicated that it has a grandfathered life insurance benefit program that existed until 1998, when it was negotiated out of the collective agreement.

- a) Please provide the HR policy that discusses the discontinuation of the program.
- b) Please clarify how 121 existing retirees and 2 qualified future retirees are still eligible for the grandfathered program as it has been negotiated out of the collective agreement.

Staff – 2**Ref: Manager’s Summary, Pages 2 and 3**

For the four options LH is considering (i.e. voluntary buy-out, purchase paid-up life, self-insure, combination of the options):

- a) Please explain what LH would record in each of the three proposed deferral and variance accounts (“DVAs”) under each of the options.
- b) As a part of LH’s response to part (a) above regarding the proposed variance account for changes in the Accrued Benefit Obligation, please also indicate if LH is proposing to record variances related to the total Accrued Benefit Obligation capitalized in fixed assets and included in OM&A, or only the portion relating to OM&A.
- c) Please provide the dollar allocation of the costs between capital and OM&A.
- d) Please indicate if LH has made any progress in determining which option to select. If yes, please explain.
- e) If LH chooses to pursue only one of the options, would LH still require all three DVAs? If so, please explain why.

Staff – 3**Ref: Manager’s Summary, Page 3**

LH is requesting a variance account to record the annual changes in the Accrued Benefit Obligation. Please confirm that this does not include any impacts arising from the adoption of IFRS.

Staff - 4**Ref: Manager's Summary, Page 1 and 3**

In accordance with the *Filing Requirements for Electricity Distribution Rate Applications*, dated July 17, 2013, Chapter 3, paragraph 3.2.2.1 in the event an applicant seeks an accounting order to establish a new deferral/variance account, the eligibility criteria of causation, materiality and prudence must be met.

- a) Please explain how each of the three proposed DVAs meets the eligibility criteria.
- b) With regards to prudence, the *Filing Requirements for Electricity Distribution Rate Applications* states that "The nature of the costs and forecasted quantum must be reasonably incurred although the final determination of prudence will be made at the time of disposition. In terms of the quantum, this means that the applicant must provide evidence demonstrating as to why the option selected represents a cost-effective option (not necessarily least initial cost) for ratepayers."

LH had control over the management of the retiree life insurance program as evidenced by LH management's ability to negotiate the program out of its collective agreement.

- i. Given this, please also explain how LH considers the costs to be reasonably incurred. For example, why did LH not pursue the options currently proposed at an earlier date, when the proposed options may have been less costly as interest rates were higher?
- ii. Also, has LH considered waiting until interest rates rise before buying the policies? Please explain what options have been discussed with management and Mercer.

Staff - 5**Ref: Manager's Summary, Page 4**

LH is proposing a variance account for changes to the Accrued Benefit Obligation pertaining to retiree life insurance benefits. This is one component of non-pension post-retirement benefits in which LH receives recovery for as per its last cost of service rate application (EB-2012-0146).

- a) If LH over-recovers on the remaining portion of the Accrued Benefit Obligation not pertaining to the retiree life insurance benefits, does LH plan to refund this amount?
- b) Please provide a table comparing the total non-pension post-retirement benefits before capitalization in fixed assets currently included in rates (with a breakdown of the portion relating to retiree life insurance benefits, if possible) to the cash contributions paid for 2010 to 2013 and a forecast for 2014.

Staff 6

Please file the Mercer report from EB-2012-0146, Mercer - Report on Non-Pension Post Retirement Benefit Cost and Disclosure for the Fiscal Year Ending 31 December 2011 Under CICA Section 3461 and Disclosure in Relation to the Transition to IAS 19 at 01 January 2011

Please file all of the actuarial valuations prepared for LH since the valuation filed in EB-2012-0146.

Ref: Manager's Summary, Page 1

LH stated that the largest coverage amount is \$137,200

- a) Please confirm that the average insurance amount of \$37,684 for retired members with post-65 life insurance benefits on page 21 of the Report e as at December 31, 2011 included in LH's last cost of service application only pertains to the grandfathered retiree life insurance benefit program.
- b) Please provide the most updated average coverage amount.

Staff 7**Ref: Manager's Summary, Page 2**

LH indicated that Mercer has estimated the cost of the proposed options.

- a) Please provide the supporting documents or report from Mercer that estimates the cost of the proposed options.
- b) Please indicate the interest rates used in projecting the cost estimates.