

November 13, 2014

RESS, EMAIL AND COURIER

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

Dear Ms. Walli:

**Re: Festival Hydro Inc. – 2105 Rates
Board File No.: EB-2014-0073**

We are counsel to the Applicant, Festival Hydro Inc., in this proceeding.

Attached are the responses to the following undertakings given by the Applicant at the oral hearing today:

Exhibit J1.2	Table of TS CCA classes
Exhibit J1.3	Email exchange, October 27, 2014, re PEG Revisions to Capital Additions, and Attachment 1
Exhibit J1.4	Actual Overtime Costs 2010 – 2013
Exhibit J1.5	Email exchange re Incremental Capital Accounting Treatment

Hardcopies are being couriered to the Board. If there are any questions, please contact the undersigned.

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Yours very truly,

AIRD & BERLIS LLP



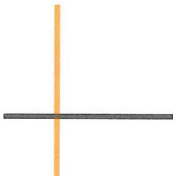
Scott Stoll

SAS/ct

Encls.

cc: Intervenors
cc: Festival Hydro
cc: Board Counsel, L. Djurdjevic
cc: Case Manager, B. Armstrong

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Festival Transformer Station Additions

		Class 1 (6%)	Class 6 (10%)	Class 8 (20%)	Class 14 (based on life of contract)	Class 17 (8%)	Class 47 (8%)	No CCA
Station Building	5,781,414	5,781,414						
Parking lot	129,619					129,619		
Fence	102,323		102,323					
HVAC equip for building	202,951	202,951						
Power transformer	3,137,075						3,137,075	
Station metal clad switchgear	1,748,081						1,748,081	
Station Switch	90,360						90,360	
Solid stat relays	856,272						856,272	
rigid busbars	315,544						315,544	
UG foundations	437,208						437,208	
UG cable	167,507						167,507	
service - UG cable	236,931						236,931	
Fibre connection	12,849						12,849	
Revenue meter	39,069			39,069				
CT&PT	346,820			346,820				
SCADA	160,349			160,349				
Security equipment	77,467			77,467				
Hydro One class B study	120,000						120,000	
Land	913,474							913,474
Training								0
CWIP	-375,885	-162,509	-2,779	-16,937		-3,520	-190,139	
Hydro One CCRA	436,468				436,468			
	14,935,897	5,821,856	99,544	606,768	436,468	126,099	6,931,688	913,474
Per TS schedule	15,311,782							

Diff -375,885 CWIP

From: Ysni Semsedini
Sent: October-27-14 11:13 AM
To: ejiro.winthorpe@ontarioenergyboard.ca
Cc: Debbie Reece (reeced@festivalhydro.com)
Subject: FW: PEG Revisions to Capital Additions Forwarded to OEB Oct272014.xlsx

Ejiro,
here is a copy of spread sheet of FHI capital additions that we are unable to match to PEG.

Please have a look and let me know when you'd have a chance to discuss

Thanks

Ysni

Ysni Semsedini MBA, P.Eng
CEO
Festival Hydro Inc
519-271-4700 ext 259
519-274-2453
semseдини@festivalhydro.com

From: Debbie Reece
Sent: October-27-14 11:06 AM
To: Ysni Semsedini
Subject: PEG Revisions to Capital Additions Forwarded to OEB Oct272014.xlsx

Here is the attached schedule which shows the original filed OEB year book capital additions less adjustment needed for non-utility, smart meter and TS assets, less contributed capital to arrive at revised annual capital additions. At the bottom I have then compared to the additions as reported in PEG.

Please contact me if you have any questions.

Regards,

Debbie

Corrected Annual OEB Yearbook Additions:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total additions as originally reported in OEB year book	2,511,911	3,049,295	3,060,493	2,804,029	3,577,541	5,469,757	3,819,544	4,060,803	3,621,281	14,883,515	4,957,246
Less LCRS (non utility asset)	0	0	(98,897)	(105,646)	(40,576)	-					
Less reclassification of accounts						(968,310)					
Less smart meters										(3,719,748)	
Less Transformer Station (TS) Assets								(879,452)	(312,730)	(7,872,353)	
Less Bypass and CCRA (TS assets)											(1,569,459)
Less Solar (non-utility assets)									(249,738)		
Additions before contributed capital	2,511,911	3,049,295	2,961,596	2,698,383	3,536,965	4,501,447	3,819,544	3,181,351	3,058,813	3,291,414	3,387,787
Less contributed capital	(303,432)	(492,361)	(376,053)	(404,686)	(755,127)	(411,910)	(246,205)	(474,049)	(106,480)	(342,653)	(148,756)
Net REVISED capital additions for Year book	2,208,479	2,556,934	2,585,543	2,293,697	2,781,838	4,089,537	3,573,339	2,707,302	2,952,333	2,948,761	3,239,031

PEG additions	2,740,790	3,322,883	2,981,114	2,997,034	3,598,634	5,536,278	3,847,537	4,142,500	3,090,777	3,708,243	
Difference - Revised OEB Year Book to PEG	(532,311)	(765,949)	(395,571)	(703,337)	(816,796)	(1,446,741)	(274,198)	(1,435,198)	(138,444)	(759,482)	3,239,031

PEG additions	2,740,790	3,322,883	2,981,114	2,997,034	3,598,634	5,536,278	3,847,537	4,142,500	3,090,777	3,708,243	
Peg Net Additions	2,470,158	3,039,900	2,682,932	2,685,437	3,273,610	5,194,886	3,480,170	3,757,733	2,687,221	3,291,251	
Difference ?	270,632	282,983	298,182	311,597	325,024	341,392	367,367	384,767	403,556	416,992	

Actual Overtime Costs

2010	\$ 126,864.49
2011	\$ 208,411.99
2012	\$ 161,293.36
2013	\$ 247,559.44

** Total amounts per year include overtime worked on Festival capital, OM&A, billable work orders (including storm restoration for neighbouring utilities).

From: Ben Baksh [<mailto:Ben.Baksh@ontarioenergyboard.ca>]
Sent: July-02-13 5:31 PM
To: Debbie Reece
Cc: Kelly McCann
Subject: RE: Incremental Capital Accounting Treatment

Hi Debbie,

For ease of reference, I have provided my comments under each of your questions appended to this email below. These comments are shown in bullets.

It is my understand that the 2014 filing requirements for distribution cost of service applications to be issued this summer may provide further clarifications and filing requirements on the ICM issue. I suggest that you review of the ICM requirements in the document.

Regards,

Ben

Ben Baksh | Senior Advisor, Audit and Accounting | Applications and Regulatory Audit | Ontario Energy Board
2300 Yonge Street, 27th Floor | Toronto, Ontario | M4P 1E4 | T: 416.440.8128 | E: ben.baksh@ontarioenergyboard.ca

Please note that the comments provided in my response to your inquiry are my views as Board staff that may not necessarily represent the views of the Board on these matters and may not reflect official Board-approved accounting guidance. Please do not use my response as evidence in any application to or proceeding with the Ontario Energy Board.

From: Debbie Reece [mailto:reeced@festivalhydro.com]

EB-2014-0073

Sent: June 20, 2013 12:19 PM

Exhibit J1.5

To: Ben Baksh

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Cc: Kelly McCann

Subject: Incremental Capital Accounting Treatment

Hi Ben,

Festival Hydro is completing the construction of a new transformer station in the City of Stratford. The TS will be energized and operating sometime in July 2013. The total spend will be approximately \$14.5 million.

As part of our 2013 IRM application Festival applied for and was approved ICM rate riders to commence May 1, 2013 (to be in effect until our next COS filing scheduled for Jan 1 2015). Noted below is the accounting treatment (2.2.7) taken from the June 28, 2012 Filing Requirements. I just want to clarify a few questions regarding accounting treatment as I want to make sure it is done correct. I believe it is very similar accounting as done for smart metering.

1. The CWIP is currently being recorded in USOA # 2055. Below it states the eligible ICM amounts is to be moved "subject to the asset being used and useful". Since the asset will not be energized and operating until sometime July 2013, I understanding it won't be until July 2013 that I move the total CWIP cost to #1508?
 - Yes. The used and useful concept is similar to the CICA Handbook requirements for capitalizing assets to PP&E in the financial statements.
2. Regarding the O & M costs of the TS, once it is energized and operating, do the O & M costs go to Acct # 1508 (like was done for smart meters) or does it go to our current year O & M?
 - For regulatory accounting purposes, the O&M would also be recorded in a sub-account Account 1508.
3. Festival started collecting the ICM rate riders effective May 1, 2013, which are being recorded in # 1508. Interest will be imputed on the balance according to 2.2.7. Amortization will be followed accordingly to 2.2.7.
 - The depreciation of capital assets for the relevant accounting period should be recorded in separate depreciation expense and accumulated depreciation sub-accounts of Account 1508. The revenues from the rate rider should be recorded in a sub-account of Account 1508.
 - Interest carrying charges should also be recorded in the "expenditure" and "recovery" sub-accounts.

Thanks you for your assistance.

Regards

Debbie Reece
Festival Hydro Inc

2.2.7 ICM Accounting Treatment

The distributor will record eligible ICM amounts in Account 1508, Other Regulatory Asset, sub-account Incremental Capital Expenditures, subject to the assets being used and useful. For incremental capital assets under construction, the normal accounting treatment will continue in the construction work in progress ("CWIP") prior to these assets going into service and hence eligible for recording in the 1508 sub-account. The amortization of capital assets for the relevant accounting period will be recorded in a separate amortization account of the sub-account, Incremental Capital Expenditures. In addition, the revenues collected from the rate rider will be recorded in Account 1508, Other Regulatory Asset, sub-account, Incremental Capital Expenditures rate rider.

The distributor shall also record monthly carrying charges in sub-accounts Incremental Capital Expenditures and Incremental Capital Expenditures rate rider. Carrying charges amounts are calculated using simple interest applied to the monthly opening balances in the account and recorded in a separate sub-account of account 1508

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