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DEFERRAL AND VARIANCE ACCOUNTS OVERVIEW

NBHDL has included in this Cost of Service ("COS") Application, a request for approval for disposition of Group 1 and Group 2 Deferral and Variance Account ("DVAs") balances as at December 31, 2013 and the forecasted interest through April 30, 2015. NBHDL has followed the Board's guidance in the *Accounting Procedures Handbook and FAQ's* ("APH") for recording amounts in the deferral and variance accounts. Such guidance also includes the Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative ("EDDVAR Report").

Table 9-1 contains descriptions of all the outstanding DVAs. NBHDL confirms that it has used the DVAs in the same manner described in the APH, and the account balance in Table 9-1 reconciles with the trial balance reported through the Electricity Reporting and Record-keeping Requirements and NBHDL's Audited Financial Statements, with the exception of five accounts which are explained below and in tab "3. Appendix A" of the Board model "North_Bay_2015_EDDVAR_Continuity_Schedule_CoS_v2_4" ("EDDVAR model").

NBHDL has provided a continuity schedule of the Group 1 and Group 2 DVAs in the EDDVAR model.

The forecasted interest on December 31, 2013 principal balances of the DVAs is calculated using the Board's prescribed rate of 1.47% for the period of January 1, 2014 to April 30, 2015. The interest rates by quarter for each year are provided in Table 9-4 in this Exhibit.

NBHDL will continue or discontinue to use the Group 2 accounts on a go-forward basis as provided in Table 9-6 in this Exhibit.

NBHDL has accepted the allocators as indicated in the EDDVAR Report. Where the EDDVAR Report has not indicated an allocator methodology, NBHDL has applied an allocator that it considers appropriate for the various customer rate classes, if applicable. The detailed information on the proposed method of disposition is provided in this Exhibit.

NBHDL is not requesting any new accounts or sub-accounts in this COS application.

NBHDL has made four immaterial adjustments to DVA balances that were previously approved by the Board on a final basis in COS and Incentive Regulation Mechanism ("IRM") proceedings. These adjustments, totaling $1,297.97, were for residual balances remaining after disposition and are listed in tab '3. Appendix A' of the EDDVAR model and are explained below.

A breakdown of energy sales and cost of power expense balances, as reported in the Audited Financial Statements by NBHDL, is provided in Table 9-1.

NBHDL confirms that the IESO Global Adjustment Charge is pro-rated into the Regulated Price Plan ("RPP") and Non-RPP portions.

ACCOUNT BALANCES

Table 9-1 contains account balances from the 2013 Audited Financial Statements as at December 31, 2013 and agrees to the 2013 year end balances for Reporting and Record Keeping Requirement ("RRR") filing E2.1.7 Trial Balance as filed April 30, 2014 with the OEB, with the exception of the accounts listed in the table and in '3. Appendix A' of the EDDVAR model. These variances are described in the section "Adjustments to Deferral and Variance Accounts" below. Within the EDDVAR model NBHDL also adjusted five accounts for estimated 2014 Bridge Year and 2015 Test Year costs to ensure that the total claim for DVAs were more accurately reflected. These adjustments are also explained in detail in the section "Adjustments to Deferral and Variance Accounts" below.

NBHDL has used the DVAs in the same manner described in the APH.

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Table 9-1 - December 31, 2013 Audited Balances – DVAs

Account Description	USoA #	Principal (Dec.31, 2013)	Interest (Dec.31, 2013)	Total (Principal & Interest)	2.1.7 RRR Balances (Dec.31, 2013)	Variance
Group 1 Accounts:						
LV Variance Account	1550	35,447	664	**36,111**	**36,111**	**0**
Smart Metering Entity Charge Variance Account	1551	18,051	182	**18,233**	**18,233**	**0**
RSVA - Wholesale Market Service Charge	1580	(1,723,258)	(42,459)	**(1,765,717)**	**(1,765,717)**	**0**
RSVA - Retail Transmission Network Charge	1584	559,006	15,246	**574,253**	**574,253**	**(0)**
RSVA - Retail Transmission Connection Charge	1586	375,270	7,981	**383,251**	**383,251**	**(0)**
RSVA - Power (excluding Global Adjustment)	1588	62,616	(4,808)	**57,808**	**57,808**	**0**
RSVA - Global Adjustment	1589	628,217	12,740	**640,957**	**640,957**	**(0)**
Disposition and Recovery/Refund of Regulatory Balances (2010)	1595	(3,668)	(148)	**(3,816)**	**(2,370)**	**(1,445)**
Disposition and Recovery/Refund of Regulatory Balances (2011)	1595	(16,285)	(598)	**(16,883)**	**(16,883)**	**0**
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	(540,396)	968,870	**428,474**	**428,474**	**(0)**
Subtotal - Group 1 Accounts		**(604,998)**	**957,670**	**352,672**	**354,118**	**(1,445)**
Group 2 Accounts:						
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	13,789	1,794	**15,583**	**15,583**	**0**
Other Regulatory Assets - Sub-Account - Other (Hydro One Rate Rider)	1508	994	53	**1,047**	**1,047**	**(0)**
Retail Cost Variance Account - Retail	1518	(389,622)	(16,319)	**(405,941)**	**(405,941)**	**(0)**
Misc. Deferred Debits	1525	34,098	1,513	**35,610**	**37,291**	**(1,681)**
Smart Grid Capital Deferral Account	1534	2,589	119	**2,708**	**2,708**	**0**
Smart Grid OM&A Deferral Account	1535	56,957	735	**57,692**	**57,692**	**0**
Smart Grid Funding Adder Deferral Account	1536	(69,183)	(2,142)	**(71,325)**	**(71,325)**	**0**
Retail Cost Variance Account - STR	1548	34,105	899	**35,004**	**35,003**	**1**
Extra-Ordinary Event Costs	1572	-	-	**-**	**(1,839)**	**1,839**
Subtotal - Group 2 Accounts		**(316,273)**	**(13,349)**	**(329,622)**	**(329,781)**	**159**
Other Accounts:						
LRAM Variance Account	1568	242,430	3,822	**246,251**	**246,251**	**0**
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	2,552,008	157,793	**2,709,802**	**2,626,798**	**83,004**
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	(1,526,857)	(83,007)	**(1,609,864)**	**(1,526,857)**	**(83,007)**
Smart Meter OM&A Variance	1556	1,288,880	31,798	**1,320,678**	**1,320,688**	**(10)**
Accounting Changes Under CGAAP Balance + Return Component	1576	(3,687,222)	-	**(3,687,222)**	**(2,297,538)**	**(1,389,684)**
PILs and Tax Variance for 2006 and Subsequent Years	1592	(197)	(10)	**(207)**	**(207)**	**(0)**
Subtotal - Other Accounts		**(1,130,958)**	**110,395**	**(1,020,563)**	**369,135**	**(1,389,698)**
Total		**(2,052,229)**	**1,054,716**	**(997,513)**	**393,472**	**(1,390,984)**

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ADJUSTMENTS TO DEFERRAL AND VARIANCE ACCOUNTS

Variance to 2.1.7 RRR Balances

Disposition and Recovery Refund of Regulatory Balances (2010) - 1595 - $1,445

In its 2010 Cost of Service Application *EB-2009-0270*, NBHDL received approval to dispose of Group 1 and Group 2 balances over a one year disposition period. In NBHDL's 2012 IRM proceeding, *EB-2011-0187,* NBHDL was granted final disposition of the residual balance remaining from the 2010 disposition in the amount of $32,978.43, however, immaterial adjustments through the billing system related to various customer adjustments and an accrual adjustment in May 2011 resulted in a slightly different balance of $34,423.64 for disposition in May 2012. The residual balance of $1,445.21 was written off in 2014 due to the immaterial amount.

Misc. Deferred Debits - 1525 – ($1,681)

In the 2012 IRM proceeding, *EB-2011-0187,* NBHDL was granted final disposition of the residual balance remaining from Special Purpose Charge Assessment ("SPC") recorded in Uniform System of Account ("USoA") #1521, in the amount of $6,177.58, which represented the principle balance as of April 30, 2011 plus carrying charges to April 30, 2012. Immaterial adjustments through the billing system related to various customer adjustments and an accrual adjustment in May 2011 resulted in a slightly different balance of $7,858.82 for disposition in May 2012. The residual balance of $1681.24 was written off in 2014 due to the immaterial amount. USoA # 1521 is not available in the EDDVAR model and so NBHDL included the amount in 1525.

Extra-Ordinary Event Costs - 1572 – $1,839

In NBHDL's 2008 IRM proceeding, *EB-2007-0794,* NBHDL was granted approval of a Z-Factor claim over a two year period in the amount of $461,119.22. Upon the expiry of the rate rider, NBHDL had a residual balance of ($1,833.09). Various customer adjustments made through the billing system have resulted in a balance of ($1,838.74); this residual balance was written off in 2014 due to the immaterial amount and the time since the rider expired.

Accounting Changes under CGAAP Balance + Return Component – ($1,389,684)

Per the Board's instructions within the EDDVAR model, NBHDL included the total refund owing to customers recorded in 1576 for DVA claim purposes; this total includes the changes related to depreciation for the 2012 through 2014 period plus the associated return. In the 2013 2.1.7 RRR filing, NBHDL had only recorded depreciation changes for 2012 and 2013. The variance is based on 2014

changes under CGAAP of $1,145,593.88, an adjustment to 2013 in the amount of $9,323.07, plus the calculated return of $234,767. A detailed explanation of USoA 1576 is included in the "Account 1576, Accounting Changes under CGAAP" section of this Exhibit.

Smart Meter Accounts - $14.08

Within the EDDVAR model, NBHDL segregated carrying charges associated with the Smart Meter Funding Adder separate from those based on the capital costs – the variance to RRR filing nets to $3.86. $10.22 relates to an amount written off in 2014 related to an immaterial amount that had been recorded in relation to Hydro One's 2008 Regulatory Asset Rate Rider and the estimated smart meter component of this.

2014 Bridge Year & 2015 Test Year Adjustments to Claim Amount

Within the EDDVAR model, the columns "BI" and "BJ" of the tab "2. 2014 Continuity Schedule", NBHDL has included the disposition amounts related to Group 1 accounts that were approved for disposition in NBHDL's 2014 IRM, *EB-2013-0157*, in the amount of ($729,943) as required to ensure that the total amount claimed for disposition in 2015 is properly calculated. Table 9-2 provides a summary of the Group 1 approved disposition amounts by account.

Table 9-2 – Group 1 DVA Balances – 2014 Disposition

Account Description	USoA #	Principal Disposition - 2014	Interest Disposition - 2014	Total Disposition (May 2014)
Group 1 Accounts:				
LV Variance Account	1550	(21,892)	(660)	(22,552)
Smart Metering Entity Charge Variance Account	1551	-	-	-
RSVA - Wholesale Market Service Charge	1580	1,347,546	45,262	1,392,807
RSVA - Retail Transmission Network Charge	1584	(372,064)	(15,974)	(388,037)
RSVA - Retail Transmission Connection Charge	1586	(215,740)	(8,228)	(223,967)
RSVA - Power (excluding Global Adjustment)	1588	195,553	6,469	202,021
RSVA - Global Adjustment	1589	(219,425)	(10,903)	(230,328)
Subtotal - Group 1 Accounts		**713,977**	**15,966**	**729,943**

NBHDL made additional adjustments to the following accounts in the 2014 columns in order to reflect additional adjustments in the 2014 Bridge Year and 2015 Test Year.

Disposition and Recovery Refund of Regulatory Balances (2011) - 1595 - $36,506 & $313

In the preparation of the 2014 Bridge Year forecast, NBHDL determined an oversight had occurred in 2013 with regards to an accounting order in the 2013 IRM proceeding *EB-2012-0152*. In its Decision and Order, the Board ordered NBHDL to record ($36,505.93) in Account 1595 in relation to the Shared Tax Savings amount to be refunded to customers. NBHDL has included this amount in cell "BI34" of tab "2. Continuity Schedule" within the EDDVAR model to account for the amount owing to customers plus carrying charges that would have accrued from May to December 2014 in the amount of ($313.04) in cell "BJ34". NBHDL has included the adjustment in the 1595 (2011) account as this account includes the 2011 STS amount owing to customers for future disposition as ordered by the Board in the 2011 IRM proceeding *EB-2010-0102*. NBHDL is proposing a cost allocation methodology for this account using the same allocator as was used in the STS rate rider calculation for the 2012 IRM proceeding *EB-2011-0187* as explained further below. NBHDL believes this is the most appropriate treatment for disposition purposes.

Disposition and Recovery Refund of Regulatory Balances (2012) - 1595 - $238,684

In the 2012 IRM proceeding, *EB-2011-0187,* NBHDL was granted approval to dispose of Group 1 balances in the amount of $753,759.73, the SPC charge of $6,177.58, and the disposition of Account 1562 in the amount of $795,862.54, over a two year period. Table 9-3 provides a reconciliation of the Board Decision and Order and the amount included in the EDDVAR model in cell "AK35" of the "2. Continuity Schedule" tab.

Table 9-3 – Account 1595 (2012) Reconciliation

Account 1595 (2012) Detail	USoA #	Principal Disposition - 2012	Interest Disposition - 2012	Total Disposition (May 2012)
Decision and Order - EB-2011-0187				
Group 1 Accounts:				
LV Variance Account	1550	30,070	924	30,994
RSVA - Wholesale Market Service Charge	1580	(749,839)	(18,492)	(768,331)
RSVA - Retail Transmission Network Charge	1584	590,978	15,488	606,466
RSVA - Retail Transmission Connection Charge	1586	320,707	8,748	329,455
RSVA - Power (excluding Global Adjustment)	1588	(56,643)	245	(56,398)
RSVA - Global Adjustment	1589	561,975	16,620	578,595
RSVA - Disposition of Regulatory Balances (2010)	1595	(666,077)	699,055	32,978
Subtotal - Group 1 Accounts		**31,171**	**722,588**	**753,760**
Other Accounts:				
Special Purpose Charge	1521	5,139	1,039	6,178
RSVA - Wholesale Market Service Charge	1562	554,291	241,572	795,863
Subtotal - Other Accounts		**559,430**	**242,611**	**802,040**
Total DVA Disposition - 2012 IRM		**590,601**	**965,199**	**1,555,800**
Account 1595 (2012) - Cell "AK35" - EDDVAR model Continuty Schedule				
2012 STS Refund	1595	56,285	-	56,285
2012 Disposition	1595	(590,601)	(965,199)	(1,555,800)
Disposition and Recovery - 1595 (2012)		**(534,316)**	**(965,199)**	**(1,499,515)**

The rate riders for this disposition expired in April 2014. NBHDL has adjusted the EDDVAR model, cell "BI35" of the "2. Continuity Schedule" tab, to account for $238,683.61 received from customers from January to April 2014. This adjustment has been made to ensure that the residual balance being requested for disposition in 2015 reflects all funds collected from customers.

Other Regulatory Assets – Sub-Account – Deferred IFRS Transition Costs - 1508 - $26,960.95

NBHDL has forecasted additional incremental transition costs for IFRS in the 2014 Bridge Year of $23,960.95 and the 2015 Test Year of $3,000 for a total of $26,960 as show in tab "2. Continuity Schedule", cell "BI42" of the EDDVAR model. These are the final implementation costs anticipated by NBHDL and the EDDVAR model has been adjusted accordingly to ensure the final disposition amount proposed for 2015 includes all IFRS transition costs. Further detail regarding the IFRS sub-account can be found in the "One-Time Incremental IFRS Costs" section of this Exhibit.

LRAM Variance Account – 1568 - $20,964.60

The information to support the request for the disposition of the LRAMVA balance is included in Exhibit 4 – Operating Expenses per the filing requirements; however, NBHDL has included this amount in the EDDVAR model as it is specifically listed within the model. The balance submitted for RRR filing and audited financial statements in 2013 included the OPA verified totals for Lost Revenue for 2011 and 2012 OPA programs and a proxy for the 2013 results based on 2012. In the preparation of the 2015 COS, NBHDL adjusted the Lost Revenue for 2013 to reflect final verified results from the OPA. The adjustments in cells "BI71" and "BJ72" of the tab "2. Continuity Schedule" of the EDDVAR model account for the adjustments required to true up the LRAM balance to the final 2013 OPA reports. NBHDL is requesting disposition for Lost Revenue for 2011 through 2013 programs.

Smart Meter Capital and OM&A Variance Accounts – 1555 & 1556 - $2,420,619

In the 2014 IRM proceeding, *EB-2014-0157,* NBHDL received approval to disposition and recover costs related to the smart meter implementation for capital and OM&A costs up to April 2014. NBHDL has included costs recorded in both 1555 and 1556 up to December 31, 2013, however, depreciation costs and carrying charges were recorded in 2014 and as such NBHDL has adjusted the disposition amounts recorded in cells "BI76" through "BI79" and "BJ76" through "BJ79" of the tab "2. Continuity Schedule" of the EDDVAR model to account for these amounts. NBHDL is not including a claim in this application for Smart Meter Capital or OM&A costs; however, a request for the disposition of Stranded Meter costs is included in Exhibit 2 – Rate Base.

INTEREST RATES APPLIED

Table 9-4 provides the interest rates that have been used to calculate actual and forecasted carrying charges on the accounts in accordance with the methodology approved by the Board in *EB-2006-0117* on November 28, 2006.

Table 9-4 - Interest Rates Applied to Deferral and Variance Accounts

Period	Interest Rate
Q1 2009	2.45%
Q2 2009	1.00%
Q3 2009	0.55%
Q4 2009	0.55%
Q1 2010	0.55%
Q2 2010	0.55%
Q3 2010	0.89%
Q4 2010	1.20%
Q1 2011	1.47%
Q2 2011	1.47%
Q3 2011	1.47%
Q4 2011	1.47%
Q1 2012	1.47%
Q2 2012	1.47%
Q3 2012	1.47%
Q4 2012	1.47%
Q1 2013	1.47%
Q2 2013	1.47%
Q3 2013	1.47%
Q4 2013	1.47%
Q1 2014	1.47%
Q2 2014	1.47%
Q3 2014	1.47%
Q4 2014	1.47%
Q1 2015 (Forecast)	1.47%
Q2 2015 (Forecast)	1.47%
Q3 2015 (Forecast)	1.47%
Q4 2015 (Forecast)	1.47%

ENERGY SALES AND COST OF POWER

The sale of energy is a flow through revenue and the cost of power is a flow through expense. Energy sales and the cost of power expense by component are presented in Table 9-5 as reported in the Audited Financial Statements and the USoA within the RRR filing 2.1.7. NBHDL has no profit or loss resulting from the flow through of energy revenues and expenses. Any temporary variances are included in the RSVA balances.

Table 9-5 – Energy Revenue and Cost of Power Expenses

Account Description	USoA #	2010 Actual	2011 Actual	2012 Actual	2013 Actual
ENERGY REVENUE:					
Residential Energy Sales	4006	(12,146,848)	(13,603,490)	(15,207,228)	(17,121,489)
Commercial Energy Sales	4010	(5,389,377)	(5,869,841)	(6,664,689)	(7,362,112)
Street Lighting Energy Sales	4025	(173,765)	(209,051)	(189,532)	(189,203)
Sentinel Energy Sales	4030	(35,084)	(31,880)	(36,961)	(35,935)
General Energy Sales	4035	(14,266,328)	(17,205,777)	(17,667,709)	(20,081,542)
Energy Sales for Resale	4055	(3,823,220)	(2,541,751)	(1,648,123)	(1,779,929)
Wholesale Market Service Charges	4062	(3,199,425)	(3,205,999)	(2,912,107)	(2,947,252)
Network	4066	(2,767,456)	(3,065,312)	(3,386,346)	(3,634,818)
Connection	4068	(2,448,443)	(2,549,731)	(2,681,551)	(2,702,303)
Low Voltage	4075	(17,612)	(20,254)	(18,370)	(20,325)
Smart Meter Entity Charge	4076	-	-	-	(148,752)
TOTAL ENERGY REVENUE		**(44,267,559)**	**(48,303,086)**	**(50,412,615)**	**(56,023,658)**
COST OF POWER EXPENSES:					
Power Purchased	4705	35,834,623	39,461,790	41,414,241	46,570,209
Wholesale Market Service	4708	2,454,781	2,472,482	2,249,530	2,282,359
Network	4714	2,767,456	3,149,258	3,386,346	3,634,818
Connection	4716	2,448,443	2,465,785	2,681,551	2,702,303
Rural Rate Assistance Expense	4730	744,645	733,516	662,578	664,893
LV Charges	4750	17,612	20,254	18,370	20,325
Smart Meter Entity Charge Total	4751	-	-	-	148,752
TOTAL COST OF POWER EXPENSES		**44,267,559**	**48,303,086**	**50,412,615**	**56,023,658**
NET INCOME		**(0)**	**(0)**	**0**	**0**

GROUP 2 ACCOUNT – TO BE CONTINUED AND DISCONTINUED ON A GO-FORWARD BASIS

Table 9-6 below lists all Group 2 accounts which NBHDL will continue and discontinue on a going-forward basis. NBHDL has only included those Group 2 accounts that have balances as of the 2014 Bridge Year.

Explanations for those accounts that will be discontinued are provided in Table 9-6.

Table 9-6 - Group 2 Accounts - Continue & Discontinue

Account Description	USoA #	Continue / Discontinue	Explanation
Group 2 Accounts - Continue:			
Retail Cost Variance Account - Retail	1518	Continue	On-going use
Misc. Deferred Debits	1525	Continue	
Retail Cost Variance Account - STR	1548	Continue	On-going use
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	Continue	NBHDL is seeking recovery from May'15~Apr'16 at which time it will discontinue use
LRAM Variance Account	1568	Continue	NBHDL will seek recovery of 2014 programs at a future date
Accounting Changes under CGAAP Balance + Return Component	1576	Continue	NBHDL is seeking recovery from May'15~Apr'16 at which time it will discontinue use
Group 2 Accounts - Discontinue:			
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	Discontinue	Completion of IFRS transition in 2015
Other Regulatory Assets - Sub-Account - Other	1508	Discontinue	Immaterial amount from HON, no longer required
Smart Grid Capital Deferral Account	1534	Discontinue	NBHDL has completed it's Real Time Pilot Project
Smart Grid OM&A Deferral Account	1535	Discontinue	NBHDL has completed it's Real Time Pilot Project
Smart Grid Funding Adder Deferral Account	1536	Discontinue	NBHDL has completed it's Real Time Pilot Project
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	Discontinue	Account 1555 disposed in 2014 IRM - *EB-2013-0157*
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	Discontinue	Account 1555 disposed in 2014 IRM - *EB-2013-0157*
Smart Meter OM&A Variance	1556	Discontinue	Account 1555 disposed in 2014 IRM - *EB-2013-0157*
Deferred Payments in Lieu of Taxes	1562	Discontinue	Account 1562 disposed in 2012 IRM - *EB-2011-0187*
Extra-Ordinary Event Costs	1572	Discontinue	Final residual balance to be disposed in 2015
PILs and Tax Variance for 2006 and Subsequent Years	1592	Discontinue	Immaterial amount from HON, no longer required

PILS AND TAX VARIANCES FOR 2006 AND SUBSEQUENT YEARS – ACCOUNT 1592

NBHDL is only seeking to recover an immaterial amount from USoA 1592 of ($211); this amount is in relation to amounts billed by Hydro One to NBHDL from January 2009 through April 2011 in relation to the 1592 component of HON's 2008 Regulatory Asset Recovery rate rider. As such, Board Appendix 2-TA, is not applicable.

HARMONIZED SALES TAX DEFERRAL ACCOUNT

Effective in the 2010 rate year, several of the Board's Decisions and Orders approved a new sub-account of Account 1592, PILs and Tax Variances for 2006 and Subsequent Years to record the Input Tax Credit ("ITC") savings arising from the elimination of the Provincial Sales Tax ("PST") and the implementation of the HST on July 1, 2010. NBHDL was not directed to record the ITC savings in the new sub-account of Account 1592 as the parties to NBHDL's 2010 COS settlement agreement had agreed to a reduction in capital and OM&A expenses to reflect the impact of the HST. The parties agreed that in regards to the PST reductions for both capital expenditures and OM&A expenditures, there was no need for a variance account to track the difference between the estimated reductions and the tax savings in 2010. Board Appendix 2-TB is not applicable to NBHDL.

ONE-TIME INCREMENTAL IFRS COSTS

The OEB approved a deferral account for distributors to record one-time incremental IFRS transition costs. The account is 1508 – Other Regulatory Assets – Sub-account Deferred IFRS Transition Costs. As part of NBHDL's 2010 COS, *EB-2009-0270*, $100,000 was approved for such expenditures, spread over the four years of the rate rebasing period. As directed, NBHDL has credited $100,000 as of December 31, 2013 to offset the IFRS costs that it has incurred. NBHDL has substantially completed its conversion to IFRS as the changes it has made under CGAAP are consistent with the movement to IFRS; however, NBHDL has projected $23,961 in costs in the 2014 Bridge Year and $3,000 in the 2015 Test Year to complete final incremental work. NBHDL has spent a total of $140,747 in incremental costs relating to the transition to IFRS and has recorded these costs in 1508. Once carrying charges and revenue offsets of $100,000 are applied, NBHDL is requesting recovery of $43,057 as at April 30, 2015 over a one year period. The use of this account will not be continued following its disposal as the balance will be cleared and the issue that gave rise to the establishment of the sub-account has been concluded. Table 9-7 provides a summary of incremental costs and is consistent with Board Appendix 2-U.

Table 9-7 – One-Time Incremental IFRS Transition Costs

Appendix 2-U
One-Time Incremental IFRS Transition Costs

The following table should be completed based on the information requested below. An explanation should be provided for any blank entries. The entries should include one-time incremental IFRS transition costs that are currently included in Account 1508, Other Regulatory Assets, sub-account Deferred IFRS Transition Costs Account, or Account 1508, Other Regulatory Assets, sub-account IFRS Transition Costs Variance Account.

Nature of One-Time Incremental IFRS Transition Costs [1]	Audited Costs 2009	Audited Costs 2010	Audited Costs 2011	Audited Costs 2012	Audited Costs 2013	Audited Interest - to Dec 31, 2013	Forecasted Costs 2014	Forecasted Costs 2015	Total Costs Excluding Carrying Charges	Interest - Jan 1, 2014 to Apr 30, 2015	Total Costs and Interest - 2015 Disposition Claim	Reasons why the costs recorded meet the criteria of one-time IFRS administrative incremental costs
professional & accounting fees	$ 14,205	$ 28,621	$ 24,676	$ 10,000			$ 17,750	$ 3,000	$ 98,252		$ 98,252	BDO IFRS consulting work related to conversion, actuarial reports
salaries, wages and benefits of staff added to support the transition to IFRS		$ 14,182	$ 1,110	$ 10,939			$ 6,211		$ 32,442		$ 32,442	Overtime and temporary employees to implement IFRS changes
associated staff training and development costs	$ 2,473								$ 2,473		$ 2,473	IFRS training
costs related to system upgrades, or replacements or changes where IFRS was the major reason for conversion		$ 7,580							$ 7,580		$ 7,580	Consulting work related to IFRS
Amounts, if any, included in previous Board approved rates *(amounts should be negative)* [3]			-$ 50,000	-$ 25,000	-$ 25,000				-$ 100,000		-$ 100,000	
Carrying Charges						$ 1,794				$ 513	$ 2,307	
Total	**$16,678**	**$50,383**	**($24,214)**	**($4,061)**	**($25,000)**	**$1,794**	**$23,961**	**$3,000**	**$40,747**	**$513**	**$43,054**	

Note:

1 The Deferred IFRS Transition Costs Account and the IFRS Transition Costs Variance Account are exclusively for necessary, incremental transition costs and shall not include ongoing IFRS compliance costs or impacts arising from adopting accounting policy changes that reflect changes in the timing of the recognition of income. The incremental costs in these accounts shall not include costs related to system upgrades, or replacements or changes where IFRS was not the major reason for conversion. In addition, incremental IFRS costs shall not include capital assets or expenditures.

2 If there were any amounts approved in previous Board approved rates, please state the EB #: EB-2009-0270

Professional & Accounting Fees

In 2009, NBHDL retained the services of BDO's Risk Advisory Services to conduct an IFRS impact assessment and outline action plans and next steps in preparation of the anticipated transition to IFRS. In 2010, BDO assisted with determining the level of Property, Plant And Equipment ("PP&E") componentization required under IFRS, establishing updated useful lives based on the Kinectrics report and examining whether any changes to overhead capitalization were required as part of the planned conversion to MIFRS. A significant amount of analysis was done with regards to asset componentization and the related impacts on depreciation. Due to subsequent extensions in the conversion to IFRS, BDO was retained in 2011, 2012 and 2013 to update the analyses for componentization and has also been retained in the 2014 Bridge Year to provide final updates to the analysis, including the preparation of disposal estimates for the retirement of assets. NBHDL incurred third party costs related to actuarial valuations of Employee Future Benefits in preparation of the transition, including costs in the 2014 Bridge Year for anticipated 2015 Test Year accounting changes. $3,000 has been forecasted in the 2015 Test Year in relation to the final work to be completed on NBHDL's financial statement note disclosures.

Support Costs

A significant amount of incremental work has been required in order to retrieve historical data and perform the required analysis to address the changes to the componentization of assets. In addition, NBHDL determined that there was a module within its main software platform that would allow for the componentization of assets at the capital project level through a feature that enabled Engineering Technicians to create project estimates that linked all significant asset components to a fixed asset sub-ledger. As opposed to spending significant costs in software NBHDL has utilized the existing module to handle the new componentization requirements; however, this conversion has required a significant change to the way the Engineering and Finance departments handle capital work. Through the course of the project, the additional demands for the componentization analysis and the significant process changes have necessitated overtime costs for the Engineering department, additional consulting costs for the analysis of historical componentization and a temporary employee being brought in to perform some of the duties of the Regulatory Manager. Minor costs were associated with incremental training in relation to IFRS.

No capital costs, ongoing IFRS compliance costs, or impacts arising from adopting non-IFRS related accounting policy changes are recorded in 1508 Other Regulatory Assets – Sub-account IFRS Transition Costs.

ACCOUNT 1575, IFRS-CGAAP TRANSITION PP&E AMOUNTS

NBHDL has submitted its 2015 COS in MIFRS for the 2014 Bridge Year and the 2015 Test Year and has recorded transitional adjustments to the PP&E component of its rate base for the 2014 Bridge Year. The applicable adjustments to the 2014 Bridge Year relate to the retirement of distribution assets. Table 9-8 provides a summary, by USoA #, of the 2014 disposals related to the retirement of assets as a result of new construction rebuilds. Table 9-9 below, which is consistent with Board Appendix 2-EA, shows the impact of the retirement of assets to the Net Book Value ("NBV") of PP&E. Specifically, NBHDL has recorded the retirement of distribution assets in relation to new 2014 capital projects as summarized in Table 9-8. NBHDL has not recorded an amount in Account 1575 as the amount has been deemed immaterial and as such NBHDL is not seeking recovery from customers.

For comparative purposes, Table 9-10 provides NBHDL's 2014 Fixed Asset Continuity Schedule under Revised CGAAP without the IFRS transition adjustments. Table 9-11 shows the 2014 Fixed Asset Continuity Schedule under MIFRS. The resulting net loss from the retirement of distribution assets of $65,870 has been reallocated in the 2014 Bridge Year to depreciation.

Table 9-12 and Table 9-13 are also provided, consistent with Board Appendix 2-BA, in order to establish the proper opening balances for rate setting purposes on January 1, 2015. For rate base purposes, Work-in-Progress ("WIP") is excluded from these tables.

Table 9-8 – Summary of Asset Disposals

PP&E Disposals	USoA #	Asset Cost	Accumulated Amortization	Net Book Value (Loss on Retirement of Assets)
Accounts:				
Poles, Towers and Fixtures	1830	(215,692)	177,276	(38,417)
Overhead Conductors and Devices	1835	(91,894)	81,039	(10,856)
Line Transformers	1850	(86,852)	70,255	(16,598)
Total Disposals		**(394,439)**	**328,569**	**(65,870)**

Table 9-9 – Account 1575

Appendix 2-EA
Account 1575 - IFRS-CGAAP Transitional PP&E Amounts
2015 Adopters of IFRS for Financial Reporting Purposes

For applicants that will adopt IFRS on January 1, 2015 for financial reporting purposes

Reporting Basis	2010 Rebasing Year CGAAP Forecast	2011 IRM Actual	2012 IRM Actual	2013 IRM Actual	2014 IRM Forecast	2015 Rebasing Year MIFRS Forecast
					$	$
PP&E Values under CGAAP						
Opening net PP&E - Note 1					47,568,985	
Net Additions - Note 4					6,803,396	
Net Depreciation (amounts should be negative) - Note 4					-969,172	
Closing net PP&E (1)					53,403,209	
PP&E Values under MIFRS (Starts from 2014, the transition year)						
Opening net PP&E - Note 1					47,568,985	
Net Additions - Note 4					6,408,957	
Net Depreciation (amounts should be negative) - Note 4					-640,603	
Closing net PP&E (2)					53,337,339	
Difference in Closing net PP&E, CGAAP vs. MIFRS					65,870	

Effect on Deferral and Variance Account Rate Riders			
Closing balance in deferral account	65,870	**WACC**	6.80%
Return on Rate Base Associated with deferred PP&E balance at WACC - Note 2	4,479	**# of years of rate rider disposition period**	1
Amount included in Deferral and Variance Account Rate Rider Calculation	70,349		

1

Table 9-10 – 2014 Fixed Asset Continuity Schedule – Revised CGAAP

Fixed Asset Continuity Schedule (Distribution & Operations)
As at December 31, 2014

2

			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	446,565	-	-	446,565	-	-	-	-	446,565
CEC	1806	Land Rights	-	-	-	-	-	-	-	-	-
8	1808	Buildings and Fixtures	1,830,506	-	-	1,830,506	356,852	34,598	-	391,450	1,439,056
13	1810	Leasehold Improvements	-	-	-	-	-	-	-	-	-
47	1815	Transformer Station Equipment - Normally Prima	-	-	-	-	-	-	-	-	-
47	1820	Distribution Station Equipment - Normally Prima	13,013,503	640,888	25,000	13,629,391	4,423,215	306,674	25,000	4,704,889	8,924,502
47	1825	Storage Battery Equipment	-	-	-	-	-	-	-	-	-
47	1830	Poles, Towers and Fixtures	21,394,561	2,168,186	-	23,562,747	11,472,696	339,385	-	11,812,081	11,750,666
47	1835	Overhead Conductors and Devices	16,392,963	734,144	-	17,127,106	8,739,600	222,720	-	8,962,320	8,164,786
47	1840	Underground Conduit	1,097,375	140,105	-	1,237,480	167,739	22,341	-	190,081	1,047,399
47	1845	Underground Conductors and Devices	7,308,072	179,671	-	7,487,743	4,609,132	100,992	-	4,710,124	2,777,619
47	1850	Line Transformers	16,518,295	667,436	-	17,185,731	9,432,355	253,450	-	9,685,805	7,499,926
47	1855	Services	18,018,316	816,567	-	18,834,882	6,925,188	412,199	-	7,337,387	11,497,495
47	1860	Meters	4,192,008	3,490,231	2,283,802	5,398,437	2,868,880	1,179,636	2,005,716	2,042,800	3,355,637
N/A	1865	Other Installations on Customer's Premises	-	-	-	-	-	-	-	-	-
N/A	1905	Land	86,551	-	-	86,551	-	-	-	-	86,551
CEC	1906	Land Rights	-	-	-	-	-	-	-	-	-
1	1908	Buildings and Fixtures	2,514,322	508,280	-	3,022,602	1,343,003	93,847	-	1,436,850	1,585,751
13	1910	Leasehold Improvements	-	-	-	-	-	-	-	-	-
8	1915	Office Furniture and Equipment	376,560	57,280	-	433,840	309,761	13,588	-	323,349	110,491
50	1920	Computer Equipment - Hardware	824,733	96,303	-	921,036	687,364	62,554	-	749,917	171,119
50	1925	Computer Software	1,317,567	248,336	-	1,565,903	1,073,458	153,933	-	1,227,391	338,512
10	1930	Transportation Equipment	2,682,228	72,163	331,838	2,422,552	1,854,506	239,603	331,838	1,762,271	660,282
8	1935	Stores Equipment	75,196	-	-	75,196	75,196	-	-	75,196	-
8	1940	Tools, Shop and Garage Equipment	1,328,596	47,000	-	1,375,596	1,069,039	47,263	-	1,116,302	259,293
8	1945	Measurement and Testing Equipment	-	-	-	-	-	-	-	-	-
8	1950	Power Operated Equipment	-	-	-	-	-	-	-	-	-
8	1955	Communication Equipment	169,111	-	-	169,111	96,405	9,264	-	105,668	63,443
8	1960	Miscellaneous Equipment	20,050	-	-	20,050	14,464	2,414	-	16,879	3,171
47	1970	Load Management Controls - Customer Premise	403,931	-	-	403,931	403,931	-	-	403,931	-
47	1975	Load Management Controls - Utility Premises	165,151	-	-	165,151	165,151	-	-	165,151	-
47	1980	System Supervisory Equipment	1,383,765	426,183	-	1,809,948	1,116,040	59,135	-	1,175,174	634,773
47	1985	Sentinel Lighting Rentals	-	-	-	-	-	-	-	-	-
47	1990	Other Tangible Property	53,060	-	-	53,060	24,894	1,630	-	26,523	26,537
47	1995	Contributions and Grants	(9,298,809)	(1,128,077)	-	(10,426,886)	(1,957,562)	(223,499)	-	(2,181,061)	(8,245,825)
	2005	Property under Capital Lease	-	-	-	-	-	-	-	-	-
		Total before Work in Process	**102,314,173**	**9,164,695**	**2,640,640**	**108,838,228**	**55,271,308**	**3,331,727**	**2,362,555**	**56,240,480**	**52,597,748**
	2070	Other utility plant	-	-	-	-		-	-		-
WIP	2055	Work in Process	526,120	805,422	526,080	805,462	-	-	-	-	805,462
		Total after Work in Process	**102,840,294**	**9,970,116**	**3,166,720**	**109,643,690**	**55,271,308**	**3,331,727**	**2,362,555**	**56,240,480**	**53,403,209**

1

Table 9-11 – 2014 Fixed Asset Continuity Schedule – MIFRS

2

Fixed Asset Continuity Schedule (Distribution & Operations)
As at December 31, 2014

3

			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	446,565	-	-	446,565	-	-	-	-	446,565
CEC	1806	Land Rights	-	-	-	-	-	-	-	-	-
8	1808	Buildings and Fixtures	1,830,506	-	-	1,830,506	356,852	34,598	-	391,450	1,439,056
13	1810	Leasehold Improvements	-	-	-	-	-	-	-	-	-
47	1815	Transformer Station Equipment - Normally Prima	-	-	-	-	-	-	-	-	-
47	1820	Distribution Station Equipment - Normally Prima	13,013,503	640,888	25,000	13,629,391	4,423,215	306,674	25,000	4,704,889	8,924,502
47	1825	Storage Battery Equipment	-	-	-	-	-	-	-	-	-
47	1830	Poles, Towers and Fixtures	21,394,561	2,168,186	215,692	23,347,054	11,472,696	339,385	177,276	11,634,805	11,712,249
47	1835	Overhead Conductors and Devices	16,392,963	734,144	91,894	17,035,212	8,739,600	222,720	81,039	8,881,282	8,153,930
47	1840	Underground Conduit	1,097,375	140,105	-	1,237,480	167,739	22,341	-	190,081	1,047,399
47	1845	Underground Conductors and Devices	7,308,072	179,671	-	7,487,743	4,609,132	100,992	-	4,710,124	2,777,619
47	1850	Line Transformers	16,518,295	667,436	86,852	17,098,879	9,432,355	253,450	70,255	9,615,550	7,483,329
47	1855	Services	18,018,316	816,567	-	18,834,882	6,925,188	412,199	-	7,337,387	11,497,495
47	1860	Meters	4,192,008	3,490,231	2,283,802	5,398,437	2,868,880	1,179,636	2,005,716	2,042,800	3,355,637
N/A	1865	Other Installations on Customer's Premises	-	-	-	-	-	-	-	-	-
N/A	1905	Land	86,551	-	-	86,551	-	-	-	-	86,551
CEC	1906	Land Rights	-	-	-	-	-	-	-	-	-
1	1908	Buildings and Fixtures	2,514,322	508,280	-	3,022,602	1,343,003	93,847	-	1,436,850	1,585,751
13	1910	Leasehold Improvements	-	-	-	-	-	-	-	-	-
8	1915	Office Furniture and Equipment	376,560	57,280	-	433,840	309,761	13,588	-	323,349	110,491
50	1920	Computer Equipment - Hardware	824,733	96,303	-	921,036	687,364	62,554	-	749,917	171,119
50	1925	Computer Software	1,317,567	248,336	-	1,565,903	1,073,458	153,933	-	1,227,391	338,512
10	1930	Transportation Equipment	2,682,228	72,163	331,838	2,422,552	1,854,506	239,603	331,838	1,762,271	660,282
8	1935	Stores Equipment	75,196	-	-	75,196	75,196	-	-	75,196	-
8	1940	Tools, Shop and Garage Equipment	1,328,596	47,000	-	1,375,596	1,069,039	47,263	-	1,116,302	259,293
8	1945	Measurement and Testing Equipment	-	-	-	-	-	-	-	-	-
8	1950	Power Operated Equipment	-	-	-	-	-	-	-	-	-
8	1955	Communication Equipment	169,111	-	-	169,111	96,405	9,264	-	105,668	63,443
8	1960	Miscellaneous Equipment	20,050	-	-	20,050	14,464	2,414	-	16,879	3,171
47	1970	Load Management Controls - Customer Premise	403,931	-	-	403,931	403,931	-	-	403,931	-
47	1975	Load Management Controls - Utility Premises	165,151	-	-	165,151	165,151	-	-	165,151	-
47	1980	System Supervisory Equipment	1,383,765	426,183	-	1,809,948	1,116,040	59,135	-	1,175,174	634,773
47	1985	Sentinel Lighting Rentals	-	-	-	-	-	-	-	-	-
47	1990	Other Tangible Property	53,060	-	-	53,060	24,894	1,630	-	26,523	26,537
47	1995	Contributions and Grants	(9,298,809)	(1,128,077)	-	(10,426,886)	(1,957,562)	(223,499)	-	(2,181,061)	(8,245,825)
	2005	Property under Capital Lease	-	-	-	-	-	-	-	-	-
		Total before Work in Process	**102,314,173**	**9,164,695**	**3,035,079**	**108,443,789**	**55,271,308**	**3,331,727**	**2,691,124**	**55,911,911**	**52,531,878**
	2070	Other utility plant	-	-	-	-		-	-		-
WIP	2055	Work in Process	526,120	805,422	526,080	805,462	-	-	-	-	805,462
		Total after Work in Process	**102,840,294**	**9,970,116**	**3,561,159**	**109,249,250**	**55,271,308**	**3,331,727**	**2,691,124**	**55,911,911**	**53,337,339**

Table 9-12 – 2014 Fixed Asset Continuity Schedule – Revised CGAAP – Appendix 2-BA

Appendix 2-BA
Fixed Asset Continuity Schedule

Accounting Standard CGAAP Accounting Policy Changes in Effect - for comparative purposes only
Year 2014

			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance Jan.1/14	Additions	Disposals	Closing Balance	Opening Balance Jan.1/14	Additions	Disposals	Closing Balance	Net Book Value
12	1611	Computer Software (Formally Acct 1925)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
50	1611	Computer Software (Formally Acct 1925)	$ 1,317,567	$ 248,336	$ -	$ 1,565,903	-$ 1,073,458	-$ 153,933	$ -	-$ 1,227,391	$ 338,512
CEC	1612	Land Rights (Formally Acct 1906)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
N/A	1805	Land	$ 446,565	$ -	$ -	$ 446,565	$ -	$ -	$ -	$ -	$ 446,565
47	1808	Buildings	$ 1,830,506	$ -	$ -	$ 1,830,506	-$ 356,852	-$ 34,598	$ -	-$ 391,450	$ 1,439,056
13	1810	Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1815	Transformer Station Equipment >50 kV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1820	Distribution Station Equipment <50 kV	$ 13,013,503	$ 640,888	-$ 25,000	$ 13,629,391	-$ 4,423,215	-$ 306,674	$ 25,000	-$ 4,704,889	$ 8,924,502
47	1825	Storage Battery Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1830	Poles, Towers & Fixtures	$ 21,394,561	$ 2,168,186	$ -	$ 23,562,747	-$ 11,472,696	-$ 339,385	$ -	-$ 11,812,081	$ 11,750,666
47	1835	Overhead Conductors & Devices	$ 16,392,963	$ 734,144	$ -	$ 17,127,106	-$ 8,739,600	-$ 222,720	$ -	-$ 8,962,320	$ 8,164,786
47	1840	Underground Conduit	$ 1,097,375	$ 140,105	$ -	$ 1,237,480	-$ 167,739	-$ 22,341	$ -	-$ 190,081	$ 1,047,399
47	1845	Underground Conductors & Devices	$ 7,308,072	$ 179,671	$ -	$ 7,487,743	-$ 4,609,132	-$ 100,992	$ -	-$ 4,710,124	$ 2,777,619
47	1850	Line Transformers	$ 16,518,295	$ 667,436	$ -	$ 17,185,731	-$ 9,432,355	-$ 253,450	$ -	-$ 9,685,805	$ 7,499,926
47	1855	Services (Overhead & Underground)	$ 18,018,316	$ 816,567	$ -	$ 18,834,882	-$ 6,925,188	-$ 412,199	$ -	-$ 7,337,387	$ 11,497,495
47	1860	Meters	$ 3,873,364	$ 14,296	-$ 2,283,802	$ 1,603,858	-$ 2,822,149	-$ 101,551	$ 2,005,716	-$ 917,984	$ 685,874
47	1860	Meters (Smart Meters)	$ 318,644	$ 3,475,935	$ -	$ 3,794,579	-$ 46,731	-$ 1,078,085	$ -	-$ 1,124,816	$ 2,669,764
N/A	1905	Land	$ 86,551	$ -	$ -	$ 86,551	$ -	$ -	$ -	$ -	$ 86,551
47	1908	Buildings & Fixtures	$ 2,514,322	$ 508,280	$ -	$ 3,022,602	-$ 1,343,003	-$ 93,847	$ -	-$ 1,436,850	$ 1,585,751
13	1910	Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1915	Office Furniture & Equipment (10 years)	$ 376,560	$ 57,280	$ -	$ 433,840	-$ 309,761	-$ 13,588	$ -	-$ 323,349	$ 110,491
8	1915	Office Furniture & Equipment (5 years)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	1920	Computer Equipment - Hardware	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
50	1920	Computer Equipment - Hardware	$ 824,733	$ 96,303	$ -	$ 921,036	-$ 687,364	-$ 62,554	$ -	-$ 749,917	$ 171,119
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	1930	Transportation Equipment	$ 2,682,228	$ 72,163	-$ 331,838	$ 2,422,552	-$ 1,854,506	-$ 239,603	$ 331,838	-$ 1,762,271	$ 660,282
8	1935	Stores Equipment	$ 75,196	$ -	$ -	$ 75,196	-$ 75,196	$ -	$ -	-$ 75,196	$ -
8	1940	Tools, Shop & Garage Equipment	$ 1,328,596	$ 47,000	$ -	$ 1,375,596	-$ 1,069,039	-$ 47,263	$ -	-$ 1,116,302	$ 259,293
8	1945	Measurement & Testing Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1950	Power Operated Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1955	Communications Equipment	$ 169,111	$ -	$ -	$ 169,111	-$ 96,405	-$ 9,264	$ -	-$ 105,668	$ 63,443
8	1955	Communication Equipment (Smart Meters)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1960	Miscellaneous Equipment	$ 20,050	$ -	$ -	$ 20,050	-$ 14,464	-$ 2,414	$ -	-$ 16,879	$ 3,171
47	1970	Load Management Controls Customer Premises	$ 403,931	$ -	$ -	$ 403,931	-$ 403,931	$ -	$ -	-$ 403,931	$ -
47	1975	Load Management Controls Utility Premises	$ 165,151	$ -	$ -	$ 165,151	-$ 165,151	$ -	$ -	-$ 165,151	$ -
47	1980	System Supervisor Equipment	$ 1,383,765	$ 426,183	$ -	$ 1,809,948	-$ 1,116,040	-$ 59,135	$ -	-$ 1,175,174	$ 634,773
47	1985	Miscellaneous Fixed Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1990	Other Tangible Property	$ 53,060	$ -	$ -	$ 53,060	-$ 24,894	-$ 1,630	$ -	-$ 26,523	$ 26,537
47	1995	Contributions & Grants	-$ 9,298,809	-$ 1,128,077	$ -	-$ 10,426,886	$ 1,957,562	$ 223,499	$ -	$ 2,181,061	-$ 8,245,825
47	2440	Deferred Revenue[5]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
						$ -				$ -	$ -
		Sub-Total	**$ 102,314,173**	**$ 9,164,695**	**-$ 2,640,640**	**$ 108,838,228**	**-$ 55,271,308**	**-$ 3,331,727**	**$ 2,362,555**	**-$ 56,240,480**	**$ 52,597,748**
		Less Socialized Renewable Energy Generation Investments (input as negative)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Total PP&E	**$ 102,314,173**	**$ 9,164,695**	**-$ 2,640,640**	**$ 108,838,228**	**-$ 55,271,308**	**-$ 3,331,727**	**$ 2,362,555**	**-$ 56,240,480**	**$ 52,597,748**
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable[6]						$ -			
		Total						**-$ 3,331,727**			

10		Transportation
8		Stores Equipment

Less: *Fully Allocated Depreciation*

Transportation	-$ 127,313
Stores Equipment	$ -
Net Depreciation	-$ 3,204,414

Table 9-13 – 2014 Fixed Asset Continuity Schedule – MIFRS – Appendix 2-BA

Appendix 2-BA
Fixed Asset Continuity Schedule

Accounting Standard MIFRS
Year **2014** Transition Year

			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
			Jan.1/14				Jan.1/14				
12	1611	Computer Software (Formally Acct 1925)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
50	1611	Computer Software (Formally Acct 1925)	$ 1,317,567	$ 248,336	$ -	$ 1,565,903	$ 1,073,458	$ 153,933	$ -	$ 1,227,391	$ 338,512
CEC	1612	Land Rights (Formally Acct 1906)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
N/A	1805	Land	$ 446,565	$ -	$ -	$ 446,565	$ -	$ -	$ -	$ -	$ 446,565
47	1808	Buildings	$ 1,830,506	$ -	$ -	$ 1,830,506	$ 356,852	$ 34,598	$ -	$ 391,450	$ 1,439,056
13	1810	Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1815	Transformer Station Equipment >50 kV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1820	Distribution Station Equipment <50 kV	$ 13,013,503	$ 640,888	-$ 25,000	$ 13,629,391	$ 4,423,215	$ 306,674	$ 25,000	$ 4,704,889	$ 8,924,502
47	1825	Storage Battery Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1830	Poles, Towers & Fixtures	$ 21,394,561	$ 2,168,186	-$ 215,692	$ 23,347,054	$ 11,472,696	$ 339,385	$ 177,276	$ 11,634,805	$ 11,712,249
47	1835	Overhead Conductors & Devices	$ 16,392,963	$ 734,144	-$ 91,894	$ 17,035,212	$ 8,739,600	$ 222,720	$ 81,039	$ 8,881,282	$ 8,153,930
47	1840	Underground Conduit	$ 1,097,375	$ 140,105	$ -	$ 1,237,480	$ 167,739	$ 22,341	$ -	$ 190,081	$ 1,047,399
47	1845	Underground Conductors & Devices	$ 7,308,072	$ 179,671	$ -	$ 7,487,743	$ 4,609,132	$ 100,992	$ -	$ 4,710,124	$ 2,777,619
47	1850	Line Transformers	$ 16,518,295	$ 667,436	-$ 86,852	$ 17,098,879	$ 9,432,355	$ 253,450	$ 70,255	$ 9,615,550	$ 7,483,329
47	1855	Services (Overhead & Underground)	$ 18,018,316	$ 816,567	$ -	$ 18,834,882	$ 6,925,188	$ 412,199	$ -	$ 7,337,387	$ 11,497,495
47	1860	Meters	$ 3,873,364	$ 14,296	-$ 2,283,802	$ 1,603,858	$ 2,822,149	$ 101,551	$ 2,005,716	$ 917,984	$ 685,874
47	1860	Meters (Smart Meters)	$ 318,644	$ 3,475,935	$ -	$ 3,794,579	$ 46,731	$ 1,078,085	$ -	$ 1,124,816	$ 2,669,764
N/A	1905	Land	$ 86,551	$ -	$ -	$ 86,551	$ -	$ -	$ -	$ -	$ 86,551
47	1908	Buildings & Fixtures	$ 2,514,322	$ 508,280	$ -	$ 3,022,602	$ 1,343,003	$ 93,847	$ -	$ 1,436,850	$ 1,585,751
13	1910	Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1915	Office Furniture & Equipment (10 years)	$ 376,560	$ 57,280	$ -	$ 433,840	$ 309,761	$ 13,588	$ -	$ 323,349	$ 110,491
8	1915	Office Furniture & Equipment (5 years)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	1920	Computer Equipment - Hardware	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
50	1920	Computer Equipment - Hardware	$ 824,733	$ 96,303	$ -	$ 921,036	$ 687,364	$ 62,554	$ -	$ 749,917	$ 171,119
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	1930	Transportation Equipment	$ 2,682,228	$ 72,163	-$ 331,838	$ 2,422,552	$ 1,854,506	$ 239,603	$ 331,838	$ 1,762,271	$ 660,282
8	1935	Stores Equipment	$ 75,196	$ -	$ -	$ 75,196	$ 75,196	$ -	$ -	$ 75,196	$ -
8	1940	Tools, Shop & Garage Equipment	$ 1,328,596	$ 47,000	$ -	$ 1,375,596	$ 1,069,039	$ 47,263	$ -	$ 1,116,302	$ 259,293
8	1945	Measurement & Testing Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1950	Power Operated Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1955	Communications Equipment	$ 169,111	$ -	$ -	$ 169,111	$ 96,405	$ 9,264	$ -	$ 105,668	$ 63,443
8	1955	Communication Equipment (Smart Meters)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1960	Miscellaneous Equipment	$ 20,050	$ -	$ -	$ 20,050	$ 14,464	$ 2,414	$ -	$ 16,879	$ 3,171
47	1970	Load Management Controls Customer Premises	$ 403,931	$ -	$ -	$ 403,931	$ 403,931	$ -	$ -	$ 403,931	$ -
47	1975	Load Management Controls Utility Premises	$ 165,151	$ -	$ -	$ 165,151	-$ 165,151	$ -	$ -	-$ 165,151	$ -
47	1980	System Supervisor Equipment	$ 1,383,765	$ 426,183	$ -	$ 1,809,948	$ 1,116,040	$ 59,135	$ -	$ 1,175,174	$ 634,773
47	1985	Miscellaneous Fixed Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1990	Other Tangible Property	$ 53,060	$ -	$ -	$ 53,060	$ 24,894	$ 1,630	$ -	$ 26,523	$ 26,537
47	1995	Contributions & Grants	-$ 9,298,809	-$ 1,128,077	$ -	-$ 10,426,886	$ 1,957,562	$ 223,499	$ -	$ 2,181,061	$ 8,245,825
47	2440	Deferred Revenue[5]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
						$ -				$ -	$ -
		Sub-Total	**$ 102,314,173**	**$ 9,164,695**	**-$ 3,035,079**	**$ 108,443,789**	**-$ 55,271,308**	**-$ 3,331,727**	**$ 2,691,124**	**$ 55,911,911**	**$ 52,531,878**
		Less Socialized Renewable Energy Generation Investments (input as negative)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Total PP&E	**$ 102,314,173**	**$ 9,164,695**	**-$ 3,035,079**	**$ 108,443,789**	**-$ 55,271,308**	**-$ 3,331,727**	**$ 2,691,124**	**$ 55,911,911**	**$ 52,531,878**
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable [6]						-$ 65,870			
		Total						**-$ 3,397,597**			

		$ -	$ -	
			Less: *Fully Allocated Depreciation*	
10		Transportation	Transportation	-$ 127,313
8		Stores Equipment	Stores Equipment	$ -
			Net Depreciation	-$ 3,270,284

ACCOUNT 1576, ACCOUNTING CHANGES UNDER CGAAP

In Exhibit 2 of this Application, NBHDL identified a change to the value of its PP&E, as a result of the accounting changes to depreciation expense and capitalization policies. On July 17, 2012 the Board issued a statement that changes to depreciation rates and capitalization policies that would have been implemented under IFRS could be made in 2012 under CGAAP (i.e. effective January 1, 2012), and must be made no later than 2013 (i.e. effective January 1, 2013), regardless of whether the Canadian Accounting Standards Board ("AcSB") permitted further deferrals beyond 2012 for the changeover to IFRS (Board Letter, July 17, 2012 *"Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013"*). NBHDL implemented the change effective January 1st, 2012. NBHDL incorporated the impact of these changes for 2012, 2013 and 2014. In accordance with direction by the Board, NBHDL has used Account 1576, Accounting Changes under CGAAP, to record the financial differences arising from these accounting changes.

In 2010, BDO's Risk Advisory Services assisted with determining the level of PP&E componentization required under IFRS, establishing updated useful lives based on the Kinectrics report and examining whether any changes to overhead capitalization were required as part of the planned conversion to MIFRS. BDO deemed NBHDL's overhead policy to be compliant with IFRS standards and as such there are no impacts to NBHDL's capitalization as a result of overhead policy changes recorded in Account 1576. A description of NBHDL's capitalization policy, including the overhead policy, can be found in Exhibit 2 of this Application. A significant amount of analysis was done with regards to asset componentization and the related impacts on depreciation, including reassessing the remaining useful service lives of all distribution system assets. As a result of the changes to depreciation, NBHDL has recorded a significantly lower depreciation expense for the 2012 through 2014; the difference between the depreciation calculated with the prior service lives and the amount recognized in the income statement for the fiscal periods 2012, 2013, and 2014 has been recorded in Account 1576.

NBHDL's PP&E including WIP is expected to decrease by $3,452,455 as of December 31, 2014 as a result of these changes as indicated in Table 9-14 below.

Table 9-14 - Impact of Accounting Changes to PP&E

Description	CGAAP	Revised CGAAP	Variance - 1576
PP&E, as of December 31, 2014:			
Gross Fixed Assets, before WIP	108,838,228	108,838,228	-
Accumulated Depreciation	(59,692,935)	(56,240,480)	(3,452,455)
Total PP&E before WIP, as per 2-BA	49,145,293	52,597,748	(3,452,455)
WIP	805,462	805,462	-
Total PP&E, including WIP	**49,950,754**	**53,403,209**	**(3,452,455)**

The application of the accounting policies change began in 2012, the year in which the accounting change occurred. This is evident in the continuity schedules provided in Table 9-15 and 9-16 below as the Fixed Asset Continuity Schedules for CGAAP and Revised CGAAP for 2012 confirm that opening values for cost and accumulated depreciation are the same. These tables are consistent with Board Appendix 2-BA, but do not include WIP.

Table 9-15 - Fixed Asset Continuity Schedules – 2012 CGAAP

1

Appendix 2-BA
Fixed Asset Continuity Schedule

2

Accounting Standard CGAAP **'Old' CGAAP - for comparative purposes only**
Year **2012**

			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
12	1611	Computer Software (Formally Acct 1925)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
50	1611	Computer Software (Formally Acct 1925)	$ 1,098,395	$ 125,138	$ -	$ 1,223,533	-$ 939,499	$ 61,213	$ -	$ 1,000,712	$ 222,822
CEC	1612	Land Rights (Formally Acct 1906)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
N/A	1805	Land	$ 446,493	$ 72	$ -	$ 446,565	$ -	$ -	$ -	$ -	$ 446,565
47	1808	Buildings	$ 769,641	$ 980,568	-$ 22,202	$ 1,728,007	-$ 306,963	-$ 49,221	$ 22,202	$ 333,981	$ 1,394,026
13	1810	Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1815	Transformer Station Equipment >50 kV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1820	Distribution Station Equipment <50 kV	$ 11,844,406	-$ 560,784	-$ 267,186	$ 11,016,436	-$ 4,156,526	-$ 324,075	$ 197,195	$ 4,283,406	$ 6,733,030
47	1825	Storage Battery Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1830	Poles, Towers & Fixtures	$ 18,921,361	$ 1,133,582	$ -	$ 20,054,943	-$ 10,904,838	-$ 599,647	$ -	$ 11,504,486	$ 8,550,457
47	1835	Overhead Conductors & Devices	$ 14,818,361	$ 820,774	$ -	$ 15,639,134	-$ 8,332,106	-$ 478,941	$ -	$ 8,811,047	$ 6,828,087
47	1840	Underground Conduit	$ 766,998	$ 24,324	$ -	$ 791,323	-$ 135,284	-$ 31,165	$ -	$ 166,450	$ 624,873
47	1845	Underground Conductors & Devices	$ 6,755,235	$ 162,990	$ -	$ 6,918,226	-$ 4,428,296	-$ 208,871	$ -	$ 4,637,167	$ 2,281,059
47	1850	Line Transformers	$ 15,372,657	$ 630,127	$ -	$ 16,002,784	-$ 8,975,516	-$ 454,426	$ -	$ 9,429,941	$ 6,572,843
47	1855	Services (Overhead & Underground)	$ 16,921,975	$ 604,431	$ -	$ 17,526,406	-$ 6,143,320	-$ 615,185	$ -	$ 6,758,505	$ 10,767,900
47	1860	Meters	$ 3,798,109	$ 24,901	$ -	$ 3,823,010	-$ 2,610,660	-$ 104,798	$ -	$ 2,715,458	$ 1,107,552
47	1860	Meters (Smart Meters)	$ 212,368	$ 43,972	$ -	$ 256,341	-$ 8,704	-$ 9,374	$ -	$ 18,078	$ 238,262
N/A	1905	Land	$ 86,551	$ -	$ -	$ 86,551	$ -	$ -	$ -	$ -	$ 86,551
47	1908	Buildings & Fixtures	$ 2,182,429	$ 231,827	$ -	$ 2,414,256	-$ 1,186,394	-$ 75,045	$ -	$ 1,261,439	$ 1,152,817
13	1910	Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1915	Office Furniture & Equipment (10 years)	$ 339,217	$ 31,051	$ -	$ 370,268	-$ 288,404	-$ 9,915	$ -	$ 298,319	$ 71,949
8	1915	Office Furniture & Equipment (5 years)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	1920	Computer Equipment - Hardware	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
50	1920	Computer Equipment - Hardware	$ 748,652	$ 68,005	$ -	$ 816,657	-$ 587,979	-$ 51,665	$ -	$ 639,644	$ 177,013
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	1930	Transportation Equipment	$ 2,395,854	$ 254,425	-$ 26,967	$ 2,623,313	-$ 1,371,589	-$ 271,935	$ 26,967	$ 1,616,558	$ 1,006,755
8	1935	Stores Equipment	$ 75,196	$ -	$ -	$ 75,196	-$ 75,196	$ -	$ -	$ 75,196	$ -
8	1940	Tools, Shop & Garage Equipment	$ 1,205,954	$ 21,013	$ -	$ 1,226,966	-$ 991,317	-$ 37,136	$ -	$ 1,028,453	$ 198,513
8	1945	Measurement & Testing Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1950	Power Operated Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1955	Communications Equipment	$ 101,871	$ 46,452	$ -	$ 148,322	-$ 82,188	-$ 8,569	$ -	$ 90,756	$ 57,566
8	1955	Communication Equipment (Smart Meters)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1960	Miscellaneous Equipment	$ 18,079	$ 1,970	$ -	$ 20,050	-$ 8,025	-$ 1,907	$ -	$ 9,931	$ 10,118
47	1970	Load Management Controls Customer Premises	$ 403,931	$ -	$ -	$ 403,931	-$ 403,931	$ -	$ -	$ 403,931	$ -
47	1975	Load Management Controls Utility Premises	$ 165,151	$ -	$ -	$ 165,151	-$ 165,151	$ -	$ -	$ 165,151	$ -
47	1980	System Supervisor Equipment	$ 1,294,866	$ 47,535	$ -	$ 1,342,401	-$ 1,011,760	-$ 35,373	$ -	$ 1,047,133	$ 295,268
47	1985	Miscellaneous Fixed Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1990	Other Tangible Property	$ 53,060	$ -	$ -	$ 53,060	-$ 21,635	-$ 1,630	$ -	$ 23,264	$ 29,796
47	1995	Contributions & Grants	-$ 7,560,942	-$ 675,928	$ -	-$ 8,236,870	$ 1,579,018	$ 313,647	$ -	$ 1,892,665	-$ 6,344,205
47	2440	Deferred Revenue[5]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
						$ -				$ -	$ -
		Sub-Total	**$ 93,235,866**	**$ 4,016,447**	**-$ 316,355**	**$ 96,935,958**	**-$ 51,556,264**	**-$ 3,116,441**	**$ 246,364**	**$ 54,426,341**	**$ 42,509,617**
		Less Socialized Renewable Energy Generation Investments (input as negative)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Total PP&E	**$ 93,235,866**	**$ 4,016,447**	**-$ 316,355**	**$ 96,935,958**	**-$ 51,556,264**	**-$ 3,116,441**	**$ 246,364**	**$ 54,426,341**	**$ 42,509,617**
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable [6]						$ -			
		Total						**-$ 3,116,441**			
			$ -			$ -	$ -				

10		Transportation
8		Stores Equipment

Less: *Fully Allocated Depreciation*

Transportation	-$ 162,597
Stores Equipment	$ -
Net Depreciation	-$ 2,953,844

Table 9-16 - Fixed Asset Continuity Schedules – 2012 Revised CGAAP

1

Appendix 2-BA

Fixed Asset Continuity Schedule

2

Accounting Standard CGAAP **Revised - Accounting Policy Changes in Effect**
Year **2012**

			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
12	1611	Computer Software (Formally Acct 1925)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
50	1611	Computer Software (Formally Acct 1925)	$ 1,098,395	$ 125,138	$ -	$ 1,223,533	-$ 939,499	-$ 53,994	$ -	-$ 993,493	$ 230,041
CEC	1612	Land Rights (Formally Acct 1906)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
N/A	1805	Land	$ 446,493	$ 72	$ -	$ 446,565	$ -	$ -	$ -	$ -	$ 446,565
47	1808	Buildings	$ 769,641	$ 980,568	-$ 22,202	$ 1,728,007	-$ 306,963	-$ 48,554	$ 22,202	-$ 333,314	$ 1,394,693
13	1810	Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1815	Transformer Station Equipment >50 kV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1820	Distribution Station Equipment <50 kV	$ 11,844,406	$ 560,784	-$ 267,186	$ 11,016,436	-$ 4,156,526	-$ 256,136	$ 197,195	-$ 4,215,467	$ 6,800,969
47	1825	Storage Battery Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1830	Poles, Towers & Fixtures	$ 18,921,361	$ 1,133,582	$ -	$ 20,054,943	-$ 10,904,838	-$ 272,101	$ -	-$ 11,176,939	$ 8,878,003
47	1835	Overhead Conductors & Devices	$ 14,818,361	$ 820,774	$ -	$ 15,639,134	-$ 8,332,106	-$ 197,186	$ -	-$ 8,529,292	$ 7,109,842
47	1840	Underground Conduit	$ 766,998	$ 24,324	$ -	$ 791,323	-$ 135,284	-$ 14,576	$ -	-$ 149,860	$ 641,463
47	1845	Underground Conductors & Devices	$ 6,755,235	$ 162,990	$ -	$ 6,918,226	-$ 4,428,296	-$ 86,963	$ -	-$ 4,515,259	$ 2,402,967
47	1850	Line Transformers	$ 15,372,657	$ 630,127	$ -	$ 16,002,784	-$ 8,975,516	-$ 219,873	$ -	-$ 9,195,389	$ 6,807,395
47	1855	Services (Overhead & Underground)	$ 16,921,975	$ 604,431	$ -	$ 17,526,406	-$ 6,143,320	-$ 384,879	$ -	-$ 6,528,199	$ 10,998,207
47	1860	Meters	$ 3,798,109	$ 24,901	$ -	$ 3,823,010	-$ 2,610,660	-$ 106,317	$ -	-$ 2,716,977	$ 1,106,033
47	1860	Meters (Smart Meters)	$ 212,368	$ 43,972	$ -	$ 256,341	-$ 8,704	-$ 16,356	$ -	-$ 25,061	$ 231,280
N/A	1905	Land	$ 86,551	$ -	$ -	$ 86,551	$ -	$ -	$ -	$ -	$ 86,551
47	1908	Buildings & Fixtures	$ 2,182,429	$ 231,827	$ -	$ 2,414,256	-$ 1,186,394	-$ 75,946	$ -	-$ 1,262,341	$ 1,151,915
13	1910	Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1915	Office Furniture & Equipment (10 years)	$ 339,217	$ 31,051	$ -	$ 370,268	-$ 288,404	-$ 9,867	$ -	-$ 298,271	$ 71,997
8	1915	Office Furniture & Equipment (5 years)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	1920	Computer Equipment - Hardware	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
50	1920	Computer Equipment - Hardware	$ 748,652	$ 68,005	$ -	$ 816,657	-$ 587,979	-$ 45,149	$ -	-$ 633,128	$ 183,529
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	1930	Transportation Equipment	$ 2,395,854	$ 254,425	-$ 26,967	$ 2,623,313	-$ 1,371,589	-$ 271,935	$ 26,967	-$ 1,616,558	$ 1,006,755
8	1935	Stores Equipment	$ 75,196	$ -	$ -	$ 75,196	-$ 75,196	$ -	$ -	-$ 75,196	$ -
8	1940	Tools, Shop & Garage Equipment	$ 1,205,954	$ 21,013	$ -	$ 1,226,966	-$ 991,317	-$ 36,913	$ -	-$ 1,028,231	$ 198,735
8	1945	Measurement & Testing Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1950	Power Operated Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1955	Communications Equipment	$ 101,871	$ 46,452	$ -	$ 148,322	-$ 82,188	-$ 6,633	$ -	-$ 88,821	$ 59,501
8	1955	Communication Equipment (Smart Meters)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	1960	Miscellaneous Equipment	$ 18,079	$ 1,970	$ -	$ 20,050	-$ 8,025	-$ 4,025	$ -	-$ 12,050	$ 7,999
47	1970	Load Management Controls Customer Premises	$ 403,931	$ -	$ -	$ 403,931	-$ 403,931	$ -	$ -	-$ 403,931	$ -
47	1975	Load Management Controls Utility Premises	$ 165,151	$ -	$ -	$ 165,151	-$ 165,151	$ -	$ -	-$ 165,151	$ -
47	1980	System Supervisor Equipment	$ 1,294,866	$ 47,535	$ -	$ 1,342,401	-$ 1,011,760	-$ 53,114	$ -	-$ 1,064,873	$ 277,528
47	1985	Miscellaneous Fixed Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
47	1990	Other Tangible Property	$ 53,060	$ -	$ -	$ 53,060	-$ 21,635	-$ 1,630	$ -	-$ 23,264	$ 29,796
47	1995	Contributions & Grants	-$ 7,560,942	$ 675,928	$ -	-$ 8,236,870	$ 1,579,018	$ 179,128	$ -	$ 1,758,146	-$ 6,478,724
47	2440	Deferred Revenue[5]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
						$ -				$ -	$ -
		Sub-Total	**$ 93,235,866**	**$ 4,016,447**	**-$ 316,355**	**$ 96,935,958**	**-$ 51,556,264**	**-$ 1,983,021**	**$ 246,364**	**-$ 53,292,920**	**$ 43,643,038**
		Less Socialized Renewable Energy Generation Investments (input as negative)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Total PP&E	**$ 93,235,866**	**$ 4,016,447**	**-$ 316,355**	**$ 96,935,958**	**-$ 51,556,264**	**-$ 1,983,021**	**$ 246,364**	**-$ 53,292,920**	**$ 43,643,038**
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable [6]						$ -			
		Total						**-$ 1,983,021**			

	$ -	
10		Transportation
8		Stores Equipment

$ -

Less: *Fully Allocated Depreciation*

Transportation	-$ 162,597
Stores Equipment	$ -
Net Depreciation	-$ 1,820,424

The supporting analysis of the amounts in account 1576 is provided in Table 9-17 below, consistent with Board Appendix 2-EB. The amount of ($3,452,455) represents a decrease in NBV related to changes in depreciation policies.

Table 9-17 – Account 1576 – Accounting Changes under CGAAP

Appendix 2-EB
Account 1576 - Accounting Changes under CGAAP
2012 Changes in Accounting Policies under CGAAP

For applicants that made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012

Reporting Basis	2010 Rebasing Year	2011	2012	2013	2014	2015 Rebasing Year
	CGAAP	IRM	IRM	IRM	IRM	MIFRS
	Forecast	Actual	Actual	Actual	Forecast	Forecast
			$		$	$
PP&E Values under former CGAAP						
Opening net PP&E - Note 1			41,679,603	43,134,898	45,262,124	
Net Additions - Note 4			4,325,372	5,279,055	6,803,396	
Net Depreciation (amounts should be negative) - Note 4			-2,870,077	-3,151,829	-2,114,766	
Closing net PP&E (1)			43,134,898	45,262,124	49,950,754	
PP&E Values under revised CGAAP (Starts from 2012)						
Opening net PP&E - Note 1			41,679,603	44,268,319	47,568,985	
Net Additions - Note 4			4,325,372	5,279,055	6,803,396	
Net Depreciation (amounts should be negative) - Note 4			-1,736,656	-1,978,388	-969,172	
Closing net PP&E (2)			44,268,319	47,568,985	53,403,209	
Difference in Closing net PP&E, former CGAAP vs. revised CGAAP			-1,133,421	-2,306,861	-3,452,455	

Effect on Deferral and Variance Account Rate Riders				
Closing balance in Account 1576	-	3,452,455	**WACC**	6.80%
Return on Rate Base Associated with Account 1576 balance at WACC - Note 2	-	234,767	**# of years of rate rider disposition period**	1
Amount included in Deferral and Variance Account Rate Rider Calculation	-	3,687,222		

Table 9-18 provides a reconciliation of the continuity schedules provided above in Table 9-15 and 9-16 to the NBV in Table 9-17 for the 2012 fiscal period.

Table 9-18 – 2012 NBV Reconciliation

Description	CGAAP	Revised CGAAP	Variance - 1576
PP&E, as of December 31, 2012:			
Gross Fixed Assets, before WIP	96,935,958	96,935,958	-
Accumulated Depreciation	(54,426,341)	(53,292,920)	(1,133,421)
Total PP&E before WIP, as per 2-BA	42,509,617	43,643,038	(1,133,421)
WIP	625,281	625,281	-
Total PP&E, including WIP	**43,134,898**	**44,268,319**	**(1,133,421)**

NBHDL is seeking disposition of its balance in Account 1576 as a refund to customers in the amount of ($3,687,222). This is the amount that is included in the EDDVAR model and NBHDL confirms that no carrying charges are applied to the balance in the account. As mandated by the Board in its letter of June 25, 2013, this balance includes a rate of return component. In this Application, NBHDL has used NBHDL's current Board-Approved Weighted Average Cost of Capital ("WACC") of 6.8%, for the purposes of determining the disposition amount proposed for Account 1576. NBHDL acknowledges that the Board issued cost of capital parameters on November 20, 2014 for rates with effective dates in 2015, however because the Application was largely complete at this time NBHDL did not proceed to update the cost of capital parameters in the Application. NBHDL will update the WACC value used in the calculation of 1576 to reflect the cost of capital parameter issued by the Board on November 20, 2014 prior to the issuance of the Board's decision for its Application.

In considering the disposition period of this rate rider, NBHDL weighed the financial impact of such a significant refund on the business as well as bill impact considerations for customers and is proposing a disposition period of one year. The cumulative balance owing to customers in Account 1576 has been building over a three year period and NBHDL believes the refund should be returned to customers in a timely manner without further increasing the money owed and the rate of return assessed over the proposed disposition period is significant. The refund will provide customers some measure of financial relief in a year that will see a proposed increase to distribution rates, the disposition of DVAs, including the LRAMVA, and the anticipated end of the Ontario Clean Energy Benefit (OCEB) credit.

Table 9-19 below summarizes the proposed rate rider by class that results from the clearance of account 1576, Accounting Changes under CGAAP. NBHDL has used one year disposition period in the proposed rate rider calculation. Since this balance is related to capital costs, NBHDL believes it is appropriate that

customers receive credit based on their proportion of system utilization and submits that kWh is an appropriate allocator for Account 1576.

Table 9-19 - Proposed Account 1576 Rate Rider Calculation

Rate Class	kW	kWh	% Allocator (kWH)	Allocated Cost by Class	Unit	Rate Rider for Account 1576
Residential		213,486,948	41.3%	($1,523,625)	$/kWh	-0.0071
General Service less than kW		86,032,032	16.7%	($613,998)	$/kWh	-0.0071
General Service 50 to 2,999 kW	490,350	198,111,405	38.3%	($1,413,892)	$/kW	-2.8834
General Service 3,000 to 4,999 kW	31,718	16,534,810	3.2%	($118,007)	$/kW	-3.7205
Unmetered Scattered Load		52,860	0.0%	($377)	$/kWh	-0.0071
Sentinel Lighting	1,234	408,488	0.1%	($2,915)	$/kW	-2.3634
Street Lighting	5,641	2,018,762	0.4%	($14,408)	$/kW	-2.5541
Account 1576, per EDDVAR Model	**528,942**	**516,645,305**	**100.0%**	**($3,687,222)**		

SUMMARY OF OTHER GROUP 2 ACCOUNT DISPOSITIONS

NBHDL is also seeking disposition of the following Group 2 accounts which net to a total disposition request of $26,231.

Other Regulatory Assets – Sub-Account – Other – 1508 - $1,067

The amounts in this account are comprised of two different items. Costs totaling $378.61 relate to OEB Cost Assessments from January 2009 through April 2011 of $352.48 plus carrying charges of $26.12. NBHDL also recorded costs from May 2009 through April 2010 of $641.71, plus carrying charges of $46.22, related to amounts invoiced by Hydro One in relation to their Incremental Capital rate rider.

Misc. Deferred Debits – 1525 - $36,278

In 2010, NBHDL incurred $34,097.50 in costs related to the initial work related to the new 2011 - 2014 CDM framework. These costs related to the development of NBHDL's CDM strategy, including the anticipated implementation of Board Approved programs that did not materialize as OPA approved programs became the tool used for achieved the CDM targets.

Smart Grid Capital, OM&A, and Funding Adder Deferral Accounts – 1534 - 1536 – ($11,114)

In NBHDL's 2010 COS, *EB-2009-0270*, a settlement agreement was reached in relation to a proposed real time pilot project. The pilot would include twenty Residential and GS<50 kW customers and two GS>50 and Intermediate customers in the 2010 Test Year with the program rolling out to additional customers through the IRM period. A rate adder of $0.08 per metered customer per month was approved. The intent of the project was to provide customers with devices that would provide real time visibility to demand, consumption and power quality indicators in order to allow customers to participate fully in energy conservation. NBHDL has collected $69,182.52 from customers and the rate rider ceased in April 2013. The anticipated spending in relation to the pilot program did not occur as originally planned, but evolved into a program focused on larger businesses for a total cost of $59,546.04. A report providing the results of the program is provided in Appendix 9-A. A discussion of the proposed allocators and disposition is included below in the "Disposition of Deferral and Variance Accounts" section.

RETAIL SERVICE CHARGES

This application includes a request to dispose the balance at December 31, 2013 plus interest to April 30, 2015 for Account 1518 and Account 1548 in the net amount of ($377,905.12). Table 9-20 provides the account balances of account 1518 Retail Cost Variance Account ("RCVA") Retail and account 1548 RCVA STR.

Table 9-20 - Account Balances – Account 1518 and Account 1548

Description	USoA #	Principal, December 31, 2013	Interest, December 31, 2013	Total Principal & Interest	2.1.7 RRR Balances as at December 31, 2013	Variance to 2.1.7 RRR	Interest, January 1, 2014 - April 30, 2015	Total Claim
Retail Cost Variances, Retail	1518	(389,622)	(16,319)	(405,941)	(405,941)	(0)	(7,637)	**(413,578)**
Retail Cost Variances, STR	1548	34,105	899	35,004	35,003	1	668	**35,673**
Total Retail Cost Variance Accounts		**(355,518)**	**(15,419)**	**(370,937)**	**(370,938)**		**(6,968)**	**(377,905)**

NBHDL's materiality level for the 2015 Test Year is $65,000 and the detailed calculation of NBHDL's materiality level is provided in Exhibit 1, under the heading "Materiality Thresholds". As the balance in Account 1518 exceeds NBHDL's materiality threshold, NBHDL has provided the drivers for the balances in Account 1518 and Account 1548 in a schedule of revenues and expenses that are incorporated into the variances for 2009 to 2013 in Table 9-21 below. NBHDL disposed of the 2008 balances in these accounts in its 2010 COS application, *EB-2009-0270*, and the 2015 request for disposition is for activity in the accounts from January 2009 through to December 2013, plus carrying charges. As the value in Account 1518 exceeds NBHDL's materiality threshold, NBHDL has included the 2014 Bridge Year and 2015 Test Year forecasted revenue and expenses in Table 9-22 as per the filing requirements, however, NBHDL is not seeking disposition of these forecasted amounts in this rate application. The costs incorporated into the variances are the costs NBHDL considers incremental to providing retail services and follow Article 490 of the APH.

Table 9-21 – Schedule of Revenues & Expenses – 2009 – 2013

Description	2009	2010	2011	2012	2013	Total Principal-2015 Claim
RCVA, Retail - Acct 1518						
Revenues - USoA 4082 - Retail Services Revenue:						
Establishing Service Agreements - Fixed Charge	(8,220)	(3,860)	(3,260)	(3,580)	(3,920)	**(22,840)**
Establishing Service Agreements - One-Time Set-Up	(400)	-	(200)	(100)	(100)	**(800)**
Establishing Service Agreements - Variable Charge	(102,992)	(48,235)	(46,910)	(36,672)	(31,477)	**(266,286)**
Distributor Consolidated Billing	(61,723)	(14,937)	(10,272)	(8,030)	(6,893)	**(101,855)**
Total Revenues	**(173,335)**	**(67,032)**	**(60,642)**	**(48,383)**	**(42,390)**	**(391,782)**
Expenses - USoA 5315 - Customer Billing:						
Legal Fees - Retailer Complaints	-	2,159	-	-	-	**2,159**
Total Expenses	**-**	**2,159**	**-**	**-**	**-**	**2,159**
Total RCVA, Retail	**(173,335)**	**(64,873)**	**(60,642)**	**(48,383)**	**(42,390)**	**(389,622)**
RCVA, STR - Acct 1548						
Revenues - USoA 4084 - Service Transaction Requests (STR):						
Request Fee	(3,162)	(628)	(378)	(319)	(307)	**(4,793)**
Processing Fee	(4,830)	(1,131)	(635)	(594)	(488)	**(7,677)**
Total Revenues	**(7,992)**	**(1,758)**	**(1,012)**	**(912)**	**(795)**	**(12,470)**
Expenses - USoA 5315 - Customer Billing:						
EBT Hub & Settlement Costs	9,557	9,321	9,232	9,232	9,232	**46,574**
Total Expenses	**9,557**	**9,321**	**9,232**	**9,232**	**9,232**	**46,574**
Total RCVA, Retail	**1,565**	**7,563**	**8,220**	**8,320**	**8,437**	**34,105**
NET TOTAL	**(171,770)**	**(57,310)**	**(52,423)**	**(40,063)**	**(33,953)**	**(355,518)**

Table 9-22 – Schedule of Revenues & Expenses – 2014 & 2015

Description	2014	2015
RCVA, Retail - Acct 1518		
Revenues - USoA 4082 - Retail Services Revenue:		
Establishing Service Agreements - Fixed Charge	(3,840)	(3,840)
Establishing Service Agreements - One-Time Set-Up	(100)	(100)
Establishing Service Agreements - Variable Charge	(29,511)	(31,560)
Distributor Consolidated Billing	(6,500)	(6,500)
Total Revenues	**(39,950)**	**(42,000)**
Expenses - USoA 5315 - Customer Billing:		
Legal Fees - Retailer Complaints	-	-
Total Expenses	**-**	**-**
Total RCVA, Retail	**(39,950)**	**(42,000)**
RCVA, STR - Acct 1548		
Revenues - USoA 4084 - Service Transaction Requests (STR)		
Request Fee	(300)	(300)
Processing Fee	(400)	(480)
Total Revenues	**(700)**	**(780)**
Expenses - USoA 5315 - Customer Billing:		
EBT Hub & Settlement Costs	9,226	9,226
Total Expenses	**9,226**	**9,226**
Total RCVA, Retail	**8,527**	**8,446**
NET TOTAL	**(31,424)**	**(33,554)**

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

ACCOUNTS SUBMITTED FOR DISPOSITION

NBHDL is requesting disposition of the variance accounts noted below according to the Report of the Board, *EB-2009-0046*, which states that "at the time of rebasing, all Account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline".

NBHDL has followed the guidelines in the Report of the Board and requests disposition over a one-year period. NBHDL has provided a continuity schedule of the accounts listed in this Exhibit.

NBHDL is requesting the disposition of the following Group 1 Accounts, Group 2 Accounts and Other Accounts as shown in Table 9-23. These amounts are comprised of the audited balances as of December 31, 2013, adjustments as referenced in the section "2014 Bridge Year & 2015 Test Year Adjustments to Claim Amount", and the forecasted interest through April 30, 2015.

NBHDL confirms that the account balances, listed in Table 9-23, proposed for disposition before the projected interest are consistent with the last Audited Financial Statements and reconcile with the trial balance reported through the Electricity Reporting and Record-keeping Requirements, with the exception of the variances explained in the "Variance to 2.1.7 RRR Balances" section. NBHDL submits that the variances between the amounts NBHDL is claiming for disposition and the amounts reported in the RRR filing are immaterial in nature and are less than 5%, even on a cumulative basis. Account 1576 is the exception to this statement; however, the variance is the 2014 impact of CGAAP changes on depreciation plus the return component as explained earlier in this Exhibit. Details on the disposition claim for Account 1568, LRAM Variance Account, of $229,637 can be found in Exhibit 4 – Operating Costs.

Table 9-23 – Accounts Submitted for 2015 Disposition

Account Description	USoA #	Principal (Dec.31, 2013)	Interest (Dec.31, 2013)	Principal Disposition - 2014	Principal Adjustment - 2014	Interest Disposition - 2014	Interest Adjustment - 2014	Projected Interest (Jan.1, 2014 - Apr.30, 2015)	Total Claim - 2015 Disposition
Group 1 Accounts:									
LV Variance Account	1550	35,447	664	(21,892)	-	(660)	-	373	**13,932**
Smart Metering Entity Charge Variance Account	1551	18,051	182	-	-	-	-	354	**18,587**
RSVA - Wholesale Market Service Charge	1580	(1,723,258)	(42,459)	1,347,546	-	45,262	-	(13,967)	**(386,876)**
RSVA - Retail Transmission Network Charge	1584	559,006	15,246	(372,064)	-	(15,974)	-	5,487	**191,703**
RSVA - Retail Transmission Connection Charge	1586	375,270	7,981	(215,740)	-	(8,228)	-	4,184	**163,468**
RSVA - Power (excluding Global Adjustment)	1588	62,616	(4,808)	195,553	-	6,469	-	4,102	**263,931**
RSVA - Global Adjustment	1589	628,217	12,740	(219,425)	-	(10,903)	-	9,088	**419,716**
Disposition and Recovery/Refund of Regulatory Balances (2010)	1595	(3,668)	(148)	-	-	-	-	(72)	**(3,887)**
Disposition and Recovery/Refund of Regulatory Balances (2011)	1595	(16,285)	(598)	-	(36,506)	-	(313)	(1,035)	**(54,737)**
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	(540,396)	968,870	-	(238,684)	-	-	(277)	**189,513**
Subtotal - Group 1 Accounts		**(604,998)**	**957,670**	**713,977**	**(275,190)**	**15,966**	**(313)**	**8,236**	**815,349**
Group 2 Accounts:									
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	13,789	1,794	-	26,961	-	-	513	**43,057**
Other Regulatory Assets - Sub-Account - Other (Hydro One Rate Rider)	1508	994	53	-	-	-	-	19	**1,067**
Retail Cost Variance Account - Retail	1518	(389,622)	(16,319)	-	-	-	-	(7,637)	**(413,578)**
Misc. Deferred Debits	1525	34,098	1,513	-	-	-	-	668	**36,278**
Smart Grid Capital Deferral Account	1534	2,589	119	-	-	-	-	51	**2,758**
Smart Grid OM&A Deferral Account	1535	56,957	735	-	-	-	-	1,116	**58,808**
Smart Grid Funding Adder Deferral Account	1536	(69,183)	(2,142)	-	-	-	-	(1,356)	**(72,681)**
Retail Cost Variance Account - STR	1548	34,105	899	-	-	-	-	668	**35,673**
Subtotal - Group 2 Accounts		**(316,273)**	**(13,349)**	**0**	**26,961**	**0**	**0**	**(5,956)**	**(308,618)**
Other Accounts:									
LRAM Variance Account	1568	242,430	3,822	-	(20,506)	-	(459)	4,350	**229,637**
Accounting Changes Under CGAAP Balance + Return Component	1576	(3,687,222)	-	-	-	-	-	0	**(3,687,222)**
PILs and Tax Variance for 2006 and Subsequent Years	1592	(197)	(10)	-	-	-	-	(4)	**(211)**
Subtotal - Other Accounts		**(3,444,989)**	**3,812**	**0**	**(20,506)**	**0**	**(459)**	**4,346**	**(3,457,796)**
Total		**(4,366,260)**	**948,133**	**713,977**	**(268,734)**	**15,966**	**(772)**	**6,626**	**(2,951,065)**

METHOD OF DISPOSITION

The following methods are proposed for disposition of the DVA balances, for those accounts that have been selected for disposition.

Group One Accounts, Excluding 1595

Method of disposition: allocation to rate classes on basis of the 2015 forecasted kWh energy consumption by customer class and disposition through variable component rate rider based on kWh or kW.

Allocation of costs to customer classes is based upon kWh energy consumption by customer class in accordance with the default cost allocation methodology established by the Board for Group 1 deferral and variance accounts in the Electricity Distributor's Deferral and Variance Account Review Initiative (EDDVAR Report), dated July 31, 2009.

For the purposes of allocating the costs of Account 1589 – Global Adjustment, NBHDL utilized Non-RPP kWh as the allocator. For the Residential, GS <50kW and Sentinel Light classes 2013 billed Non-RPP kWh was used**.** For the GS >50kW class, NBHDL used the ratio of Non-RPP vs. RPP kWh billed in 2013 and applied the percentage to the 2015 forecasted kWh. The 2015 forecasted kWh was used for the Intermediate and Street Light classes.

Group One Accounts – 1595:

Method of disposition: allocation to rate classes is based on the recovery share proportion as explained below and disposition through variable component rate rider based on kWh or kW as established in the 2015 forecasted kWh energy or kW demand by class.

The amount in 1595 (2010) is immaterial in nature and has been allocated to rate classes on the basis of the 2015 forecasted kWh energy consumption by customer class.

The amount in 1595 (2011) is related to the STS refund amounts from the 2011 *(EB-2010-0102)* and 2013 *(EB-2012-0187)* IRM proceedings. Both of these amounts were deemed immaterial and the Board ordered NBHDL to record the costs in Account 1595 for future disposition. In order to allocate this cost to the rate classes, NBHDL used the allocator % that was utilized to determine the STS rate riders in NBHDL's 2012 IRM *(EB-2011-0187)*.

The recovery share proportion used to allocate the residual amounts in 1595 (2012) to customer classes is based on weighted ratios that account for the amounts disposed and subsequently collected for both the 2012 RSVA rate rider and the Global Adjustment rate rider separately. The recovery share properly allocates the residual amount to the appropriate class in total.

Group Two Accounts:

Method of disposition: allocation to rate classes on basis of the 2015 forecasted kWh energy consumption by customer class and disposition through variable component rate rider based on kWh or kW for Group two accounts except for 1518 RCVA–Retail, 1548 RCVA-STR accounts, 1534 Smart Grid Capital Deferral Account, 1535 Smart Grid OM&A Deferral Account, and 1536 Smart Grid Funding Adder Deferral Account.

Allocation of costs to customer classes of account 1518 RCVA-Retail and 1548 RCVA–STR account balances is based on the number of customers in accordance with the default cost allocation methodology established by the Board in the EDDVAR Report, dated July 31, 2009.

Account 1536 Smart Grid Funding Adder Deferral Account tracked the revenue collected from metered customers throughout the term of the Smart Grid rate rider. Revenue was collected from the Residential, GS<50, GS>50 and Intermediate classes based on a fixed charge. Based on the options available in the EDDVAR model, NBHDL has allocated the costs based on the # of customers as this most closely reflects the amounts collected, however, this allocates costs to all rate classes and specifically assigns the Street Light class funds that were not collected. Costs related to the pilot program tracked in account 1534 Smart Grid Capital Deferral Account and 1535 Smart Grid OM&A Deferral Account were for initiatives undertaken for the GS>50 and Intermediate classes. Based on the options available in the EDDVAR model, NBHDL has allocated costs based on kW to assign the costs to the demand classes, however, this allocation still results in costs (though minimal) being allocated to the Sentinel and Street Light classes for which no costs were spent. The net amount proposed to be refunded to customers is immaterial and NBHDL proposes the cost allocation by class as submitted, however, NBHDL would support a more refined cost allocation methodology and work with the Board staff to adjust the EDDVAR model accordingly. Specifically, NBHDL would recommend allocating Account 1536 based on the proportion collected by the four impacted classes and would propose allocating the costs to the GS>50 and Intermediate classes based on the # of customers within the classes.

LRAMVA:

Method of disposition: allocation to rate classes on basis of the lost revenue allocate by class based upon the OPA's Final Reports for 2011, 2012 and 2013 and disposition through variable component rate rider based on 2015 forecasted kWh energy consumption and kW demand by customer class.

Account 1576:

Method of disposition: allocation to rate classes on basis of the 2015 forecasted kWh energy consumption by customer class and disposition through variable component rate rider based on kWh or kW.

The balance in NBHDL's Account 1576 reflects decreased depreciation expense for 2012, 2013 and 2014, due to changes in estimates for PP&E useful lives. Since this balance is related to capital costs, it is appropriate that customers receive credit based on their proportion of system utilization. NBHDL submits that kWh is an appropriate allocator for Account 1576.

The continuity schedule for all DVA's submitted for disposition, the cost allocation and rate rider calculation are included in the EDDVAR model.

PROPOSED RATE RIDERS

Table 9-24, Table 9-25, Table 9-26 and Table 9-27 below summarizes the proposed rates that result from the disposal of the DVA balance. NBHDL has used a one-year recovery period in the proposed rate rider calculations. All the relevant calculations, including the rationale for the allocation of each account and the proposed billing determinants can be found in the EDDVAR model.

Table 9-24 - Proposed DVA Rate Rider by Class (Excluding 1589 Global Adjustment)

Rate Class	2015 Predicted kW	2015 Predicted kWh	Allocated Balance (Exclude 1589)	Recovery Period (Years)	Unit	Rate Rider
Residential		213,486,948	(176,796)	1	$/kWh	-0.0008
General Service less than kW		86,032,032	19,750	1	$/kWh	0.0002
General Service 50 to 2,999 kW	490,350		294,561	1	$/kW	0.6007
General Service 3,000 to 4,999 kW	31,718		36,130	1	$/kW	1.1391
Unmetered Scattered Load		52,860	(99)	1	$/kWh	-0.0019
Sentinel Lighting	1,234		(5,590)	1	$/kW	-4.5313
Street Lighting	5,641		(81,152)	1	$/kW	-14.3860
Totals	**528,942**	**299,571,840**	**86,804**			

Table 9-25 - Proposed Rate Rider for 1589 RSVA - Power - Sub-account - Global Adjustment

Rate Class	Non-RPP kW	Non-RPP kWh	Allocated Balance (1589)	Recovery Period (Years)	Unit	Rate Rider
Residential		15,203,484	27,150	1	$/kWh	0.0018
General Service less than kW		12,745,380	22,761	1	$/kWh	0.0018
General Service 50 to 2,999 kW	466,558		336,620	1	$/kW	0.7215
General Service 3,000 to 4,999 kW	31,718		29,528	1	$/kW	0.9310
Sentinel Lighting	88		52	1	$/kW	0.5914
Street Lighting	5,641		3,605	1	$/kW	0.6391
Totals	**504,005**	**27,948,864**	**419,716**			

Table 9-26 - Proposed Rate Rider for Account 1576

Rate Class	2015 Predicted kW	2015 Predicted kWh	Allocated Balance (Exclude 1589)	Recovery Period (Years)	Unit	Rate Rider
Residential		213,486,948	(1,523,625)	1	$/kWh	-0.0071
General Service less than kW		86,032,032	(613,998)	1	$/kWh	-0.0071
General Service 50 to 2,999 kW	490,350	198,111,405	(1,413,892)	1	$/kW	-2.8834
General Service 3,000 to 4,999 kW	31,718	16,534,810	(118,007)	1	$/kW	-3.7205
Unmetered Scattered Load		52,860	(377)	1	$/kWh	-0.0071
Sentinel Lighting	1,234	408,488	(2,915)	1	$/kW	-2.3634
Street Lighting	5,641	2,018,762	(14,408)	1	$/kW	-2.5541
Totals	**528,942**	**516,645,305**	**(3,687,222)**			

Table 9-27 - Proposed Rate Rider for Account 1568

Rate Class	2015 Predicted kW	2015 Predicted kWh	Allocated Balance (Exclude 1589)	Recovery Period (Years)	Unit	Rate Rider
Residential		213,486,948	42,101	1	$/kWh	0.0002
General Service less than kW		86,032,032	76,442	1	$/kWh	0.0009
General Service 50 to 2,999 kW	490,350	198,111,405	37,575	1	$/kW	0.0766
Street Lighting	5,641	2,018,762	73,519	1	$/kW	13.0327
Totals	**495,991**	**499,649,147**	**229,637**			

APPENDIX 9-A INDUSPEC REAL TIME ELECTRICITY MONITORING RESULTS

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Real Time Electricity Monitoring Results

North Bay Hydro Distribution Ltd.

September 2014

Prepared for: North Bay Hydro Distribution Limited
Attention: Umar Waqas, Conservation Officer

Prepared by: Induspec
Thorsten Brost, P. Eng., President

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Introduction

In 2012, North Bay Hydro Distribution Ltd. (NBHDL) embarked on a trial of providing real time monitoring solution to a group of select customers in order to provide them with a tool to manage their usage and to support the provinces' conservation and smart grid initiatives. The real time monitoring system has been installed and implemented to various degrees with 10 customers in the General Service > 50 kW category and the Intermediate category.

The remote monitoring solution gathers data from the utility meter through a physical connection and sends information to a consumer portal. The portal is designed to allow users to analyze information and make informed decisions about their energy use. It also allows customers to take better advantage of Hourly Ontario Electricity Price (HOEP) and avoid unnecessary peak demand charges. The system is designed to be dynamic and modular so additional monitoring capabilities such as sub-metering points or other utilities like natural gas and water can be incorporated. The vision for this tool is to provide the customer with an all-encompassing energy management, facility automation, and cost control solution.

Background

The Ontario Energy Board approved expenditure for NBHDL as per the Decision and Order - EB-2009-0270 to implement a pilot remote monitoring solution for Residential, General Service < 50 kW, and General Services > 50 kW rate classes. NBHDL was keen to provide its customers with the ability to participate in the market based on real-time information as the benefits are twofold. First, customers can respond to the market and adjust their energy usage based on consumption information. Second, customer behavior can improve and operating procedures can be adjusted to maximize cost benefits through real-time price signals. The utility benefit for NBHDL is that it advances its smart grid initiatives by leveraging the capabilities of electronic smart meters and data end points. The solution investigated in this report is capable of measuring 5min / 15min / hourly data which has a great deal of benefits for the end consumer.

NBHDL did not provide this program to its General Services < 50 kW and Residential rate classes. The primary reason for this is that the Ontario Power Authority introduced a similar initiative through the saveONenergy conservation programs. The saveONenergy *PeaksaverPlus* program was first introduced in 2012 with advanced functionality and features; many of which were investigated, discussed, and matured by the end of 2013. The new initiative provides near-real time information to homeowners and small businesses and incorporates demand curtailment measures through the demand response program. Providing monitoring capabilities through the *PeaksaverPlus* program was beneficial for NBHDL as conservation reporting was streamlined and program benefits were directly tied to the provincial grid through the demand response program. This is why NBHDL

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decided to focus on its General Services > 50 kW and Intermediate rate classes as no other programs by the Ontario Power Authority were in place to support these rate classes.

Project Scope and System Functionality

NBHDL's scope involved installing real time monitoring systems with 10 commercial and industrial clients in the > 50 kW and Intermediate category. Customers with a fully functioning system would have the ability to view their electricity use along with their peak demand, power factor, and apparent power usage. The data will be stored so historical electricity consumption is always available. The customers will also have the ability to add additional electrical parameters such as sag, swell, transient, waveform, magnitude, and power quality for better operation and management of assets.

The system was evaluated based on the following guiding principles:

Parameters	Requirements
Communication	Ability to communicate with 3 element digital smart meters
	Ability to communicate with non-smart meters
Website access	Webpage integration with customer's systems
System access	Single sign on with built in security features / firewall
Data	5-10-15 min interval data management
Smart Features	Built in features that show electricity rates, historical energy use for benchmarking, power factor, alarms, etc.
Data Points	N – data points incorporated to show granular information
Product support	Technical support and access
Cost	Cost of installation and maintenance of services
Product roadmap	Future of monitoring solution
Modularity	Ability to integrate gas and water data
Security	Encryption and built-in security features
Ease of configuration	Ease of use and configuration of system
System controls	Ability to incorporate controls
User friendliness	Graphical User Interface

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Solution/Tools

The solution has been embraced by customers as real-time information allows adjustment to operating practices yielding significant savings in electrical consumption. The objectives outlined by NBHDL at the outset of the project included that NBHDL was striving to implement a tool with very specific technical capabilities in order to allow customers to evaluate and execute savings opportunities based on the current rate structures. In conjunction with the stated opportunity for participating customers, NBHDL desired to examine the most cost effective means to implement “real time” monitoring as well as to determine, based on customer feedback, the impact of the project.

Anecdotally an assessment of the provided solution is that it is excellent and has met the objectives outlined above. One of the most important aspects of the provided solution is that it has a very user-friendly interface which is easy to understand and simple in its presentation, yet powerful in its functionality. The solution provides live data for system voltage, current draw, power consumption and power factor via analogue style dial gauges which are intuitive and easy to read and understand. The solution allows the user to easily select specific times or amplitudes of interest and zoom to the limit of the data gathering frequency following an approach common on most industrial data historians. To assist with managing consumption to targets, the tool also provides a clever energy targets management tool which allows for the selection of various baselines and performs analysis based on those selections. Finally, the tool provides graphing and data export capabilities for all data including monthly consumption numbers.

Figure 1: Granular Real Time Energy Management Tool

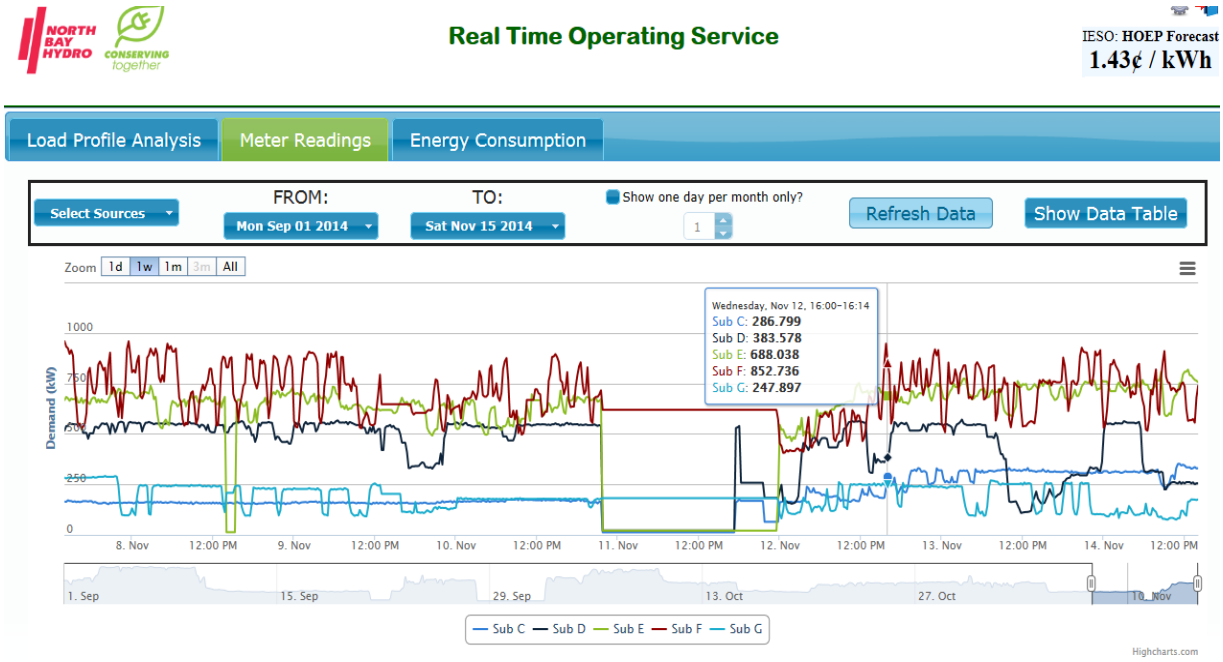

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Figure 2: Monthly Benchmarking Capabilities

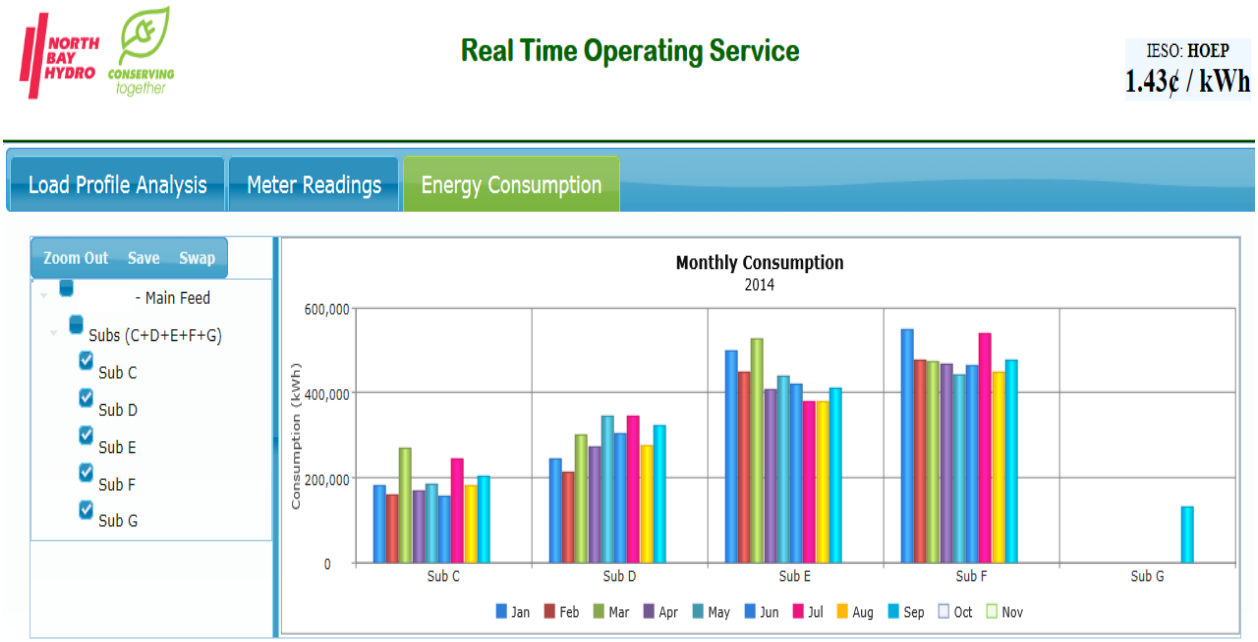

Figure 3: Load Profile Analysis and Comparison

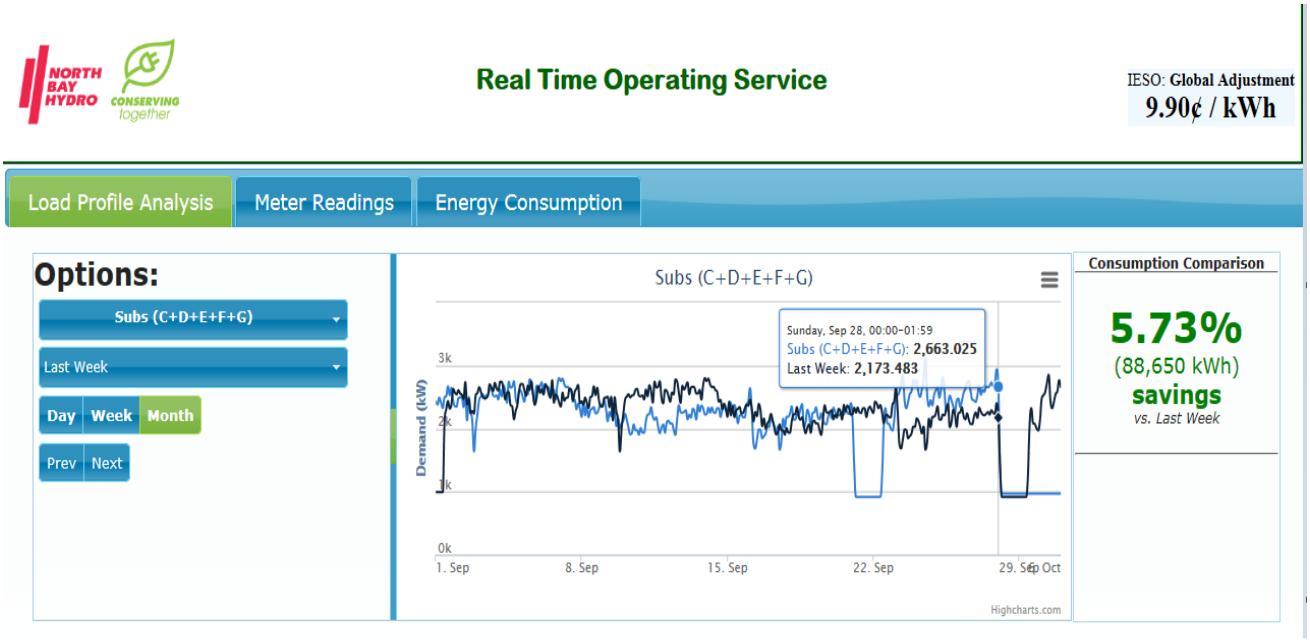

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Figure 4: Modification to customer owned equipment

Replacement of customer owned analog meters with digital meters was required to provide sub-metering capabilities

Expenditure

NBHDL Employee Labor	$1,378
Third Party Fee(s) for Monitoring Solution and Training for 10 sites	$58,545
Total	$59,546

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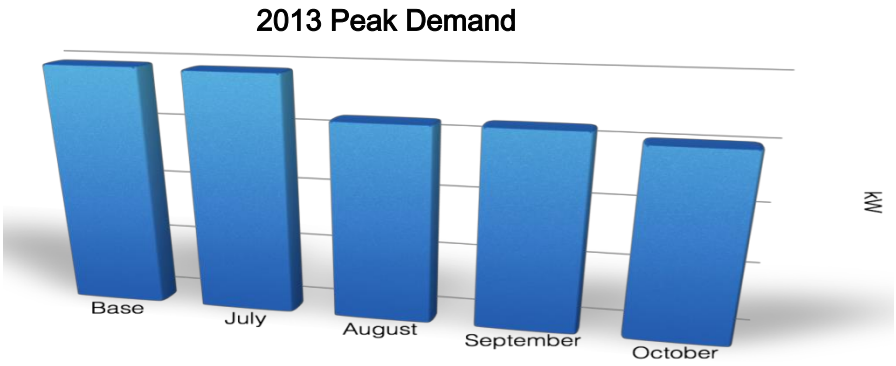
Results / Proof of Concept

To date, 10 clients have signed up for the NBHDL Real Time Monitoring program and all of these clients have received the tool along with access information and familiarization training. The customers involved in this pilot program represent a broad range of classes, ranging from large heavy industrial clients to recreational facilities.

One interesting aspect of the Real Time Monitoring program amongst industrial clients is that these customers are excited to obtain the tool. Unlike the experience which was broadly learned in the commercial building branch, industrial customers do not see energy usage as a pass-through cost and are thus keenly interested in managing this real component of cost. Although it is difficult to provide benefits details for each of the customers individually, it is possible to provide a representative overview based on the more direct experience of one of our large clients.

One client is a large industrial producer of industrial resins and chemicals. This industrial client typically consumes approximately 1,300,000 kWh / month running at a nominal demand around 2 MW. Immediately upon installation of the tool, the subject client noticed that they are incurring significant demand charges due to a long-standing process of starting up equipment too quickly and starting one plant while a parallel plant was still in operation. Thus, by simply implementing changes to the start-up procedures, this client reduced their demand peak by some 700 kW and reduced their consumption by over 9,000 kWh / annum.



For the client of discussion, the next great oversight that the tool provided was the ability to real time monitor various sub-stations independently. It was noticed that one sub-station drew significant loads even when the operating equipment was shut down. Armed with this knowledge, the tool was used to systematically eliminate phantom loads by opening switches for equipment that was powered up but not running. In total, the phantom power initiative reduced demand by 37 kW. Continuing on with success, the power factor reading easily allowed the client to identify that they have a poor power factor (0.75) and that

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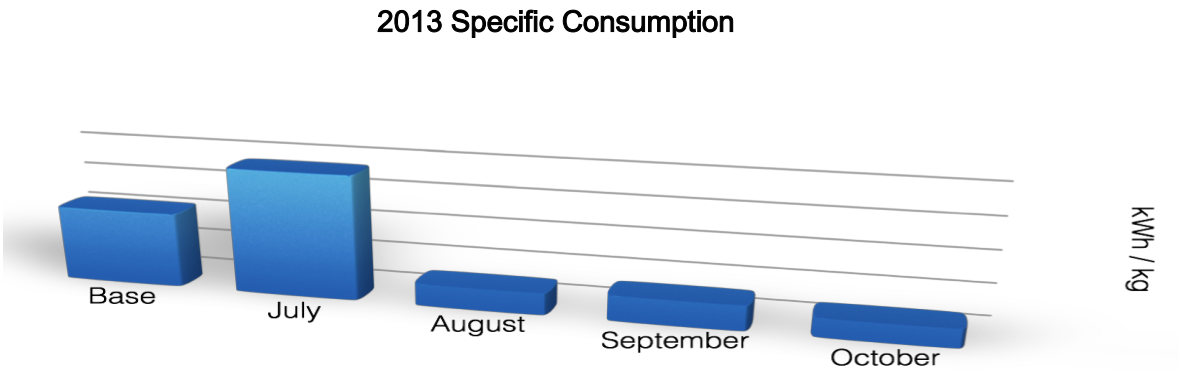
work needs to be done to correct this. Finally, having the Real Time Monitoring in place, the client was able to work with NBHDL to identify a significant demand response opportunity. This customer has been on a 700 kW demand response contract for approximately one year and an additional opportunity of 100 kW to 200 kW has been identified.



A second such client who has seen significant benefit is the local water treatment facility. This facility is responsible for the intake, treatment and distribution of fresh water for the City of North Bay. It was found that, due to a long-standing operating practice, this client incurred a significant demand charge on a monthly basis due to large peaks. By having the real time monitoring tool available, the peak was identified and researched to find a practical solution to the issue. Resolving the peak issue would not have been possible without the real time data; direct savings from resolving the issue are approximately $ 4,500 per month.

Conclusion

Overall, 10 customers received an enhanced real-time monitoring solution and have been thankful to NBHDL for providing such an offering. The program allowed the utility to build better relationships with its customer base as seen in customer testimonials throughout North Bay. Customers have realized cost savings and are in general more aware of how to manage their energy costs. NBHDL should be encouraged to continue offering similar solutions for all General Services > 50kW customers through the new conservation framework.