

Rideau St. Lawrence Distribution Inc.

REPLY SUBMISSION

2010 ELECTRICITY DISTRIBUTION RATES

EB-2009-0248

Submitted February 23, 2010

Introduction

Rideau St. Lawrence Distribution Inc. (“Rideau St. Lawrence”) filed an application with the Ontario Energy Board (the “Board”), on October 21, 2009, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Rideau St. Lawrence charges for electricity distribution, to be effective May 1, 2010. The application is based on the 2010 3rd Generation Incentive Regulation Mechanism.

On December 14, 2009, Board Staff filed interrogatories. On January 8, 2010 Rideau St. Lawrence responded to those interrogatories.

On February 5, 2010 Board Staff filed their submissions and this document is being filed in response to those submissions.

Board Staff made their submissions on the following matters:

- Disposition of Deferral and Variance Accounts as per the Electricity Distributors’ Deferral and Variance Account Review Report (the “EDDVAR Report”);
- Adjustments to the Retail Transmission Service Rates; and
- Accounting for the implementation of the Harmonized Sales Tax (“HST”).

Additionally, Rideau is including a request to adjust the smart meter rate adder as part of this application and has attached the required information to support this request.

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS AS PER THE EDDVAR REPORT

Rideau St. Lawrence Distribution Inc. (RSL) previously confirmed that it had reviewed, revised, and complied with the Regulatory Audit & Accounting Bulletin 200901. RSL completed version 4 of the Deferral Variance Account Workform, and submitted revised RRR filings to incorporate corrections to our records.

Upon further review of our Regulatory Assets, specifically account 1588 and the Global Adjustment sub account, further adjustments were necessary. An updated DVAD V4, reflecting these changes, forms part of this submission. We have submitted changes to our RRR filing concurrent with this submission incorporating these adjustments in the fourth quarter 2008.

Board Staff have submitted , *that as a matter of principle, the global adjustment sub-account balance should be recovered by means of a separate rate rider that would apply prospectively to non-RPP customers, and would exclude the MUSH sector and other designated customers that were on RPP. This approach would be more reflective of cost causality since it was that group of customers that were undercharged by the distributor in the first place.*

Board staff has requested comments in this submission as to whether the approach for disposition of the Global Adjustment contained in the Board's Decision in EB-2009-0405 could be readily implemented by Rideau St. Lawrence.

Alternately, Board staff refers to Rideau's original submission *that the Board may wish to consider, as proposed by Rideau St. Lawrence, the recovery of the allocated global adjustment sub-account balance from all customers in each class. This approach would recognize the customer migration that occurs both away from the non-RPP customer group and into the non-RPP customer group.*

Response:

Rideau would expand on its original response and agree that conceptually the approach submitted by Board staff may be fairer theoretically but the relation of the balances in the global adjustment sub-account which are derived through a process of estimation affects all customers whether they are or have been RPP customers. It may be more appropriate at this time to dispose of this balance from all customers. Traditionally DVAD balances have been approved for recovery from all customers in a respective rate class and not from a sub-class created within a rate class.

Rideau has held discussions with our software supplier subsequent to the Decision in EB-2009-0405 and based on their understanding it appears that what was proposed in that Decision could be implemented in our billing system.

Rideau would agree with Board Staff's submission that the Board approves the revised proposed deferral and variance account balances on a final basis over a one year period.

ADJUSTMENTS TO THE RETAIL TRANSMISSION SERVICE RATES

Board Staff Submission is as follows:

Board staff notes that very few distributors, including Rideau St. Lawrence, included in their 2009 rates the July 1, 2009 level of UTRs since for most of them, distribution rates were implemented on May 1, 2009. Therefore, in accordance with the July 22, 2009 RTSR Guideline, Board staff submits that the revisions to the RTSRs ought to reflect the changes from the current level to the January 1, 2010 level, that is an increase of about 15.6% to the RTSR Network Service rate, and an increase of about 5.2% to the RTSR Line and Transformation Connection Service Rate.

Board staff has reviewed the evidence provided by the applicant and submits that the proposal by Rideau St. Lawrence may no longer be reasonable, based on the January 1, 2010 level of the UTRs. Board staff submits that the applicant's proposed rates be revised to reflect the January 1, 2010 values.

Response:

Rideau submits that it is in agreement with suggested increases of 15.6% to the RTSR Network Service rate and an increase of 5.2% to the RTRS Line and Transformation Connection Service Rate as suggested by Board staff.

ACCOUNTING FOR THE IMPLEMENTATION OF THE HARMONIZED SALES TAX

Board staff Submission supports the establishment of a deferral account to record amounts after July 1, 2010 and until Rideau St. Lawrence's next cost-of-service rebasing application, that were formerly incorporated as the 8% PST on capital expenditures and expenses incurred, but which will now be eligible for an HST Input Tax Credit ("ITC"). The intention of this account would be to track the incremental change due to the introduction of the HST that incorporates an ITC from the 5% to the 13% level.

Response:

Rideau will comply with the Boards direction as it relates to HST.

Smart Meter Funding Adder

Introduction

Rideau understands that it is late in the rate application process to propose a revision to this application but due to the smart meter implementation plan, and progress to date, Rideau views it as prudent to include a request, as part of this application, to increase the Smart Meter Funding Adder from the current \$1.00 per metered customer per month to \$2.00 per metered customer per month.

Background

Rideau is proposing to increase the Smart Meter Funding Adder to \$2.00 fixed amount per metered customer per month. Rideau is one of the approved LDCs installing the smart metering infrastructure pursuant to the London Hydro RFP process. In 2009, Rideau completed the negotiation process and has completed or anticipates completing contracts with the various vendors by March 2010 as follows:

Meter Installation:	Olameter Inc
AMI System:	Elster
WAN :	National Wireless/Bell Mobility

Rideau had forecast to install approximately 5775 meters for the SMI project in total. As of December 31, 2009, 5200 of those meters had been installed representing approximately 90% of the project total. The balance of meters, approximately 575 are scheduled to be installed by the end of June 2010.

Rideau does not intend to replicate any of the functionality of the provincial MDMR and plans to begin the integration process with the MDMR following the completion of the meter installation. Following that, Rideau expects to integrate TOU processes with our CIS system in late 2010/early 2011.

Rideau had previously applied and was approved for the standard smart meter funding adder of \$1.00 per metered customer per month in EB-2008-0210, effective for rates implemented May 1, 2009.

In October 2008, The Board issued *Guideline G-2008-02 Smart Meter Funding and Cost Recovery*. The *Guideline* – Section 1.4 provides direction for those distributors requesting a Utility-Specific Smart Meter Funding Adder.

Below are Rideau’s budget estimates to the end of 2010.

Rate Filing OEB 2010 Rates:	Category	2008	2009	2010	TOTAL	Per Meter
1.1 Advanced Metering Communication Device (AMCD)						
1.1.1 Smart Meter	1.1.1	\$0	\$677,015	\$37,605	\$714,620	\$123.74
1.1.2 Installation Costs	1.1.2	\$0	\$88,692	\$20,000	\$108,692	\$18.82
1.1.3a Workforce Automation Hardware	1.1.3a	\$0	\$0	\$5,939	\$5,939	\$1.03
1.2 Advanced Metering Regional Collector (AMRC) (includes LAN)						
1.2.1 Collectors	1.2.1	\$0	\$95,494	\$0	\$95,494	\$16.54
1.2.2 Repeaters	1.2.2	\$0	\$0	\$0	\$0	
1.2.3 Installation	1.2.3	\$0	\$45,995	\$0	\$45,995	\$7.96
1.3 Advanced Metering Control Computer (AMCC)						
1.3.1 Computer Hardware	1.3.1	\$0	\$0	\$0	\$0	
1.3.2 Computer Software	1.3.2	\$0	\$0	\$82,673	\$82,673	\$14.32
1.3.3 Computer Software License & Installation (hardware & software)	1.3.3	\$0	\$0	\$0	\$0	
1.5 Other AMI Capital Costs Related to Minimum Functionality						
1.5.1 Customer Equipment (include repairs)	1.5.1	\$0	\$0	\$0	\$0	
1.5.2 AMI Interface to CIS	1.5.2	\$0	\$0	\$11,146	\$11,146	\$1.93
1.5.3 Professional Fees	1.5.3	\$21,000	\$50,000	\$50,380	\$121,380	\$21.02
1.5.4 Integration	1.5.4	\$0	\$0	\$29,070	\$29,070	\$5.03
1.5.5 Program Management	1.5.5	\$0	\$0	\$64,638	\$64,638	\$11.19
1.5.6 Other AMI Capital	1.5.6	\$2,211	\$0	\$4,844	\$7,055	\$1.22
2.3 Advanced Metering Control Computer (AMCC)						
2.3.1 Hardware Maintenance	2.3.1	\$0	\$0	\$0	\$0	
2.3.2 Software Maintenance	2.3.2	\$0	\$15,250	\$15,250	\$30,500	\$5.28
2.4 Wide Area Network (WAN)						
2.4.1 Wide Area Network (WAN)	2.4.1	\$0	\$1,871	\$5,613	\$7,484	\$1.30
2.5 Other AMI OM&A Costs Related to Minimum Functionality						
2.5.1 Business Process Redesign	2.5.1	\$0	\$0	\$0	\$0	
2.5.2 Customer Communication	2.5.2	\$0	\$13,052	\$13,052	\$26,105	\$4.52
2.5.3 Program Management	2.5.3	\$0	\$0	\$0	\$0	\$0.00
2.5.4 Change Management	2.5.4	\$0	\$0	\$15,462	\$15,462	\$2.68
2.5.5 Administration Cost	2.5.5	\$0	\$12,986	\$12,986	\$25,972	\$4.50
2.5.6 Other AMI Expenses	2.5.6	\$0	\$0	\$22,680	\$22,680	\$3.93
Costs with the Initiative Not Identified In the OEB Smart Meter Rate Adder Model						
Utility Safety & Maintenance Capital Budget	2	\$0	\$0	\$29,368	\$29,368	\$5.09
TOU Billing Budget (MDM/R Integration)	3	\$0	\$0	\$153,431	\$153,431	\$26.57
Total Smart Meter Rate Adder Costs		\$23,211	\$1,000,356	\$574,139	\$1,597,707	\$276.66

The estimated capital costs and operating costs of the Smart Meter project are incremental to the rate base and revenue requirements of Rideau. The costs incurred and revenues received have been recorded in the approved deferral accounts 1555 and 1556. The amounts recorded in those accounts will be subject to a review of prudence by the Board at a future date.

Currently, Rideau has obtained financing from a third party commercial lender to fund this project. The financing costs associated with the Smart Metering Initiative project are also being recorded in the approved deferral account.

Rideau would submit that the proposed increase in the Utility Specific Smart Meter Funding adder will help in reducing future rate shock to our customers when the AMI and associated functions become fully functional. Rideau would also submit that the increase in this rate adder does not materially change the information that was contained in the *Notice Of Application And Hearing* that Rideau published early in this proceeding.

All of which is respectfully submitted.