May 25, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, Suite 2700
2300 Yonge Street
26th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**Re: Electricity Distributors' Deferral and Variance Account Review**
**Board File No. EB-2008-0046**

AMPCO is pleased to provide comments on the Board staff discussion paper of April 1, 2009.

The Board Staff paper provides a commendable report on the Variance and Deferral Accounts and the suggestions and requests for comments that have been put forward. AMPCO supports the Board Staff objective of establishing a systematic approach to improve regulatory efficiency, predictability and transparency.

While AMPCO members typically fall into the Large User or General Service LDC customer classes, major power consumers understand, however, that their viability and competitiveness depends on protecting the interests of all customers, those who supply industry, those who consume the products and services produced by industry and those residential customers who are employed by industry.

Our detailed comments follow.

Sincerely yours,

Adam White
Association of Major Power Consumers in Ontario

**Association of Major Power Consumers in Ontario**
www.ampco.org

372 Bay Street, Suite 1702
Toronto, Ontario M5H 2W9

P. 416-260-0280
F. 416-260-0442

## 3. Scope

AMPCO agrees with Board staff that the scope of this initiative should be extended to deferral and variance accounts that are similar in nature to Account 1588. By including these accounts, the Board is working towards more efficiency in the application and review process.

## 4. Annual Review and Disposition of Account Balances

AMPCO would agree that the annual review and disposition process should be differentiated between the IR framework and the Cost of Service application.

## 5. Annual Review Process and Disposition of Account Balances during the IR Plan Term

### 5.1 Accounts Classification Criteria

AMPCO agrees with the criteria that the Board has used to classify the Accounts into groupings for the annual review and disposition of Account balances.

#### 5.1.1. Is a Prudence Review Required?

We would agree that the grouping of the proposed accounts should be in Group 1. These accounts are used for the pass through of charges and collections, and would not typically require a prudence review.

#### 5.1.2. Can a Threshold Mechanism be Used for Disposition?

AMPCO would agree with the Board Staff's selection of Group 2 Accounts. These accounts lend themselves to a disposition threshold mechanism and also require a prudence review. We recognize that the triggering of the disposition would be reasonable as the accounts already would have been reviewed for accuracy.

We also agree on the accounts that have been classified as Group 3. These accounts are all special and need to be dealt with on an individual basis.

AMPCO's concern with the Group 3 accounts is the possibility of the delay in clearing these accounts. As we move to the 2010 rate year, some of the balances in these accounts may date from market opening. We would encourage the Board to make sure that the balances in all accounts are disposed or cleared in a reasonable time frame.

### 5.2 Considerations for Disposition Thresholds for Groups 1 and 2

AMPCO would agree to the use of a preset disposition threshold during the IR plan term for Groups 1 and 2.

#### 5.2.1. Customer Rate Impact

We would agree to the use of a $/kWh threshold for the triggering of the disposition. The suggested $0.01/kWh is too high for this type of disposition. To ensure that the accounts would be cleared out without the potential rate impact and taking into consideration this being considered during a rate application process, it would not allow for any type of other increase. We would suggest that the Board revisit this threshold and consider the impact to a rate application as a whole.

#### 5.2.2. Data

The data that the Board collects through the RRR (2.1.7 Trial Balance) is supported by the audited financial statements of the distributor.

### 5.3 Unitization of Groups 1 and 2

AMPCO would agree that the unitization of Groups 1 and 2 is the best way to manage the Account balances for disposition. Using the balances divided by the total billed kWh for the corresponding calendar year makes sense and is relatively easy for the distributor to monitor and to implement.

### 5.4 Review Process and Preset Disposition Threshold for Group 1 Accounts during the IR Plan Term

#### 5.4.1. Preset Disposition Threshold for Group 1 Accounts

We would agree that the proposed annual disposition threshold of $0.002/kWh is reasonable and will provide for the timely clearance of the Group 1 Accounts. It will also minimize the inter-generational inequities.

#### 5.4.2. Determination that a Disposition is Triggered for Group 1 Accounts

Each distributor will be able to self identify as they complete their RRRs.

#### 5.4.3 Review Process if Disposition is Triggered for Group 1 Accounts

The Board Staff have noted that this review process is similar to the QRAM for natural gas utilities. We would agree that the process outlined is reasonable. Our only concern here would be the number of distributors that may need to file applications. While there may be many in the first year(s), the Board must take into consideration its resources to be able to handle this many applications.

The discussion paper notes that the distributor must give notice to all participants in their most recent cost of service filing. We would suggest that the distributor should give notice to all participants in their last rate application process.

It would also benefit other market participants if the Board's website could identify the distributors that file for disposition of their Group 1 accounts.

### 5.5 Review Process and Preset Disposition Threshold for Group 2 Accounts during the IR Plan Term

While we understand the Board Staff's reluctance to dispose the balances during the IR term and feels that it would be better addressed during the time of rebasing, we are concerned that the delay in clearing these accounts will jeopardize future rate basing. These accounts all have to have a prudence review before disposition, so there is really no need to delay the collection or payment of these balances.

#### 5.5.1 Preset Disposition Threshold for Group 2 Accounts

We would suggest that the threshold be lowered to $0.005/kWh.

#### 5.5.2 Determination that a Disposition is Triggered for Group 2 Accounts

We would agree that if the threshold is exceeded during the IR term plan, the distributor should self-identify.

### 5.5.3 Review Process if Disposition is Triggered for Group 2 Accounts
We would agree that the proposed process is reasonable.

### 5.6 Review Process and Preset Disposition Threshold for Group 3 Accounts during the IR Plan Term
For the Group 3 Accounts, we would agree that the annual case-by-case review should continue, and that no preset threshold be established.

## 6. Annual Review Process and Disposition of Account Balances in a Rebasing Year

AMPCO would agree with the Board Staff's proposal that all distributors be required to include in their cost of service application the disposition of all Account balances with the exception of Group 3 Accounts.

## 7. Quarterly Review of Account 1588

### 7.1 Present Disposition Threshold for Account 1588
We would agree that the quarterly balance of Account 1588 should be cleared only if it reaches the threshold of $0.01/kWh, (for two consecutive quarters) if, as noted in the discussion paper, this level would apply only to exceptional cases. Our concern would be the fluctuation that does happen within this account throughout the year. Timing issues, accounting methods can all have an impact on the activity within the account.

Given that this account would be cleared annually during the IR plan term and automatically disposed of at the time of rebasing, we would also suggest that this may be too cumbersome to implement.

### 7.2 Determination that a Disposition is Triggered
We would agree that the Distributor self identify.

### 7.3 Review Process if Disposition is Triggered

While we agree that the process is reasonable our concerns remain the same as responded in 5.4.3

## 8. Disposition of Account Balances

### 8.1 Cost Allocation Methodology
We would agree that a generic or default cost allocation methodology be used, as it would facilitate the disposition process and would continue to promote transparency and consistency.

### 8.2 Allocation of Group 1 Account Balances
We would agree that the allocation factors be maintained for Group 1 Accounts.

### 8.3 Allocation of Group 2 Account Balances
AMPCO agrees with the allocation factors in the Group 2 Accounts except for the following:

Account 1508 – Other Regulatory Assets

AMPCO strongly suggests that Board Staff revisit their proposal for the allocation of these costs from Distribution Revenue to kWh/kW's. During the Cost of Service applications, it has been recognized that there are inequities across many LDCs on the contribution by customer classes to distribution revenues. The Board has also allowed upper and lower levels of ranges for revenues and therefore allocating costs by distribution revenues would be unfair and unreasonable. By using kWh/kW 's the allocation remains unbiased, and can transition from IR to Cost of Service.

Account 1525 - Miscellaneous Deferred Debits

AMPCO would support the case by case approach. In any rebate formula/issuance, a review of how the rebate came to be would be the deciding factor on allocation.

Account 1574 and 2425 – Deferred Rate Impact Amounts, and other Deferred Credits

AMPCO supports the Board Staff's proposal that these balances be allocated on a case-by-case basis on cost causality

**8.4 Allocation of Group 3 Account Balances**

We would agree with Board Staff's proposal that Group 3 Account Balances be allocated on a case-by-case basis, with the exception of accounts 1590 and 1595 which currently are allocated by rate classes in proportion to the recovery share as established when rate riders were implemented.

**8.5 Rate Rider Derivation**

AMPCO would agree with Board Staff that a volumetric rate rider be maintained for clearing account balances where applicable. We also agree that by continuing to use this format continues to maintain transparency and lessen the regulatory burden associated with the other alternatives discussed.

We also agree with the one-year default disposition period. If appropriate, distributors could propose a different disposition period.

## 9. Timelines

**9.1 Proposed Timelines during the IR Plan Term**

AMPCO agrees with the proposed timelines.

**9.2 Proposed Timelines in a Rebasing Year**

Cost of Service applications require distributors to dispose of all Account balances, therefore the timelines would be effective May 1, and the quarterly review of Account 1588 would follow the proposed timelines.

## 10. Filing Requirements

**10.1 General Filing Requirements**
**10.2 Account Specific Filing Requirements**
**10.3 Rebasing Year**

AMPCO agrees with Board Staff's requirements for all applications.