Hydro Ottawa Limited
3025 Albion Road North, PO Box 8700
Ottawa, Ontario K1G 3S4
Tel.: (613) 738-6400
Fax: (613) 738-6403
www.hydroottawa.com

Hydro Ottawa limitée
3025, chemin Albion Nord, C.P. 8700
Ottawa (Ontario) K1G 3S4
Tél. : (613) 738-6400
Téléc. : (613) 738-6403
www.hydroottawa.com

September 29, 2010

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

Subject: Hydro Ottawa Limited – EB-2010-0133
Submission on Preliminary Issue

Dear Ms. Walli,

Further to Procedural Order #3, issued by the Ontario Energy Board (the "Board") on September 24, 2010, please find attached Hydro Ottawa Limited's submission pursuant to the preliminary issue. Two copies have been couriered to the Board today.

Should you have any further questions, please contact Jane Scott at (613) 738-5499 extension 7499, directly, or email to janescott@hydroottawa.com.

Best regards,

Original signed by

Jane Scott
A/Director, Regulatory Affairs
Hydro Ottawa

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B);

AND IN THE MATTER OF an application by Hydro Ottawa Limited for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2011.

SUBMISSIONS OF HYDRO OTTAWA LIMITED ON PRELIMINARY ISSUE

Procedural Order No. 3 issued by the Ontario Energy Board (the "Board") in this proceeding on September 24, 2010 refers to a letter sent by the Board to electricity distributors on April 20, 2010. The April 20th letter indicated, in respect of distributors applying for "early rebasing", that the Board may determine, as a preliminary matter whether such an application is justified (the "Preliminary Issue"). Procedural Order No. 3 states that the Board will consider the Preliminary Issue in advance of further procedural steps in this proceeding. Pursuant to the provisions of Procedural Order No. 3, Hydro Ottawa Limited ("Hydro Ottawa") submits this argument in chief on the Preliminary Issue.

The application by Hydro Ottawa for the approval or fixing of just and reasonable rates to be effective January 1, 2011 is made under section 78 of the *Ontario Energy Board Act, 1998* (the "Act"). Section 78 does not specify or restrict the methodology to be applied by the Board in determining just and reasonable rates for Hydro Ottawa effective January 1, 2011. Thus, the governing statute places no restrictions on whether the methodology applied in the setting of rates is a cost of service methodology, or an Incentive Regulation ("IR") model, or such other methodology as may be appropriate in the circumstances.

In July of 2008, the Board issued a Report on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (the "Report"). The Report sets out policies and guidelines for 3rd Generation IR, but, of course, it does not (and cannot) fetter the statutory discretion set out in section 78 of the Act. Notwithstanding the policies and guidelines set out in the Report, it remains the case that the methodology applied in the determination of Hydro Ottawa's rates for 2011 may be a cost of service methodology.

The April 20th letter recognizes that the Report has not fettered the discretion of the Board with respect to the methodology to be applied in the determination of Hydro Ottawa's rates for 2011. This is apparent from the following statement made in the letter:

> A distributor ... that seeks to have its rates rebased in advance of its next regularly scheduled cost of service proceeding must justify, in its cost of service application, why an early rebasing is required notwithstanding that the "off ramp" conditions have not been met.

This statement in the April 20th letter makes clear that the discretion to use a cost of service methodology in the determination of Hydro Ottawa's rates for 2011 has not been fettered. It also makes clear the Board's expectation that a justification will be provided for a 2011 cost of service application by a distributor such as Hydro Ottawa.

As a result of the April 20th letter, Hydro Ottawa included in its pre-filed evidence (at Exhibit A1-2-2) a lengthy and detailed justification for the application of a cost of service methodology in the determination of its rates for 2011. Further explanation of the justification for rebasing was provided in the responses to a number of interrogatories (Energy Probe interrogatories 1 and 2, Vulnerable Energy Consumers Coalition interrogatory 1 and School Energy Coalition interrogatory 2). Hydro Ottawa's detailed justification for use of a cost of service methodology, called "Rationale for Rebasing" is attached as an Appendix to these submissions by Hydro Ottawa.

As set out in the Rationale for Rebasing, Hydro Ottawa informed the Board on January 27, 2010 of its intention to file a cost of service application for 2011 and it was well advanced in the preparation of the application when the April 20th letter was issued by the Board. Like Toronto Hydro Electric System Limited (THESL), which has applied on a cost of service basis in respect of rates for 2008 to 2011, Hydro Ottawa is confronted by challenges in connection with renewal and enhancement of the distribution system, workforce planning and declining loads. Further, Hydro Ottawa faces a number of other operational imperatives going beyond the concerns that it has in common with THESL. A cost of service proceeding is the only regulatory mechanism that will comprehensively address all of the factors that are at play in relation to the determination of just and reasonable rates for Hydro Ottawa.

The operational imperatives that together constitute a key driver for the 2011 cost of service application are explained at length in the Rationale for Rebasing and it would be duplicative to repeat the detailed explanation in these submissions. Suffice it to say that the justification for a 2011 cost of service application includes the following important considerations:

1. As the distributor of electricity to the nation's capital, Hydro Ottawa strives to fulfill an Asset Management Plan that aims to support the timely renewal of aging infrastructure and ongoing investment in new assets. The Incremental Capital Model provided for under IR does not

address Hydro Ottawa's capital spending planned for 2011 to deal with aging infrastructure and other significant emerging capital requirements.

2. Hydro Ottawa has developed a comprehensive strategy to ensure that long-term workforce requirements continue to be met, including an expansion of its apprenticeship program and other key initiatives. Given the need for material expansions of workforce programs, these programs are most appropriately considered as part of a cost of service application.

3. As an early adopter of CDM programs, Hydro Ottawa has achieved significant participation in these programs and is already experiencing the impacts of these programs. Given the mandatory CDM targets that Hydro Ottawa will be required to achieve between 2011 and 2014, it expects that decreasing usage per customer will not only continue, but will accelerate. This cost of service application is an opportunity to incorporate the effects of CDM on load in 2011, to revise the load forecast to reflect current conditions and to reset the baseline upon which future Lost Revenue Adjustment Mechanism ("LRAM") determinations will be made.

4. Given that substantial completion of its Smart Meter program will be achieved by the end of 2010, Hydro Ottawa seeks approval of the prudence of all Smart Meter spending and inclusion of capital additions to the end of 2010 in 2011 rate base, such that all future expenditures will be treated as part of normal business. This can only be done as part of a cost of service application.

5. Hydro Ottawa has filed its initial Green Energy Act Plan as part of this application and it seeks to proceed with initial pilot projects for implementing the smart grid and identified projects to facilitate the connection of renewable generation. Hydro Ottawa therefore seeks approval of the Green Energy Act Plan and guidance regarding the spending that is contemplated by the Plan.

6. In this cost of service application, Hydro Ottawa seeks a January 1st effective date for rates. The effective date for

> rates has been a matter of concern to Hydro Ottawa for a number of years and, when it advised the Board in January of 2010 that it would apply for 2011 rates on a cost of service basis, Hydro Ottawa noted that it would seek a January 1st effective date. In April of 2010, the Board indicated that it would consider proposals for a January 1st effective date, but only in cost of service applications.

The Rationale for Rebasing also elaborates on Hydro Ottawa's position that, in the context of its 2011 cost of service application, the reset and refined Return on Equity resulting from the Report of the Board on the Cost of Capital for Ontario's regulated utilities is another cost that it should be allowed to recover.

In addition to these operational imperatives, Hydro Ottawa has filed an important and comprehensive Facilities Strategy (Exhibit B1-2-5) as part of its 2011 cost of service application. Not only does Hydro Ottawa seek approval of the 2011 financial implications of the Facilities Strategy, it has brought this issue forward as part of a 2011 cost of service application so that the overall Strategy can be given timely consideration by the Board and parties.

Hydro Ottawa therefore submits that it has provided ample justification for its 2011 cost of service rate application. Hydro Ottawa submits further that the Board's decision regarding the appropriate methodology to be applied for the purposes of Hydro Ottawa's 2011 rate application should be based on full consideration of the matters addressed in the Rationale for Rebasing evidence and that the broad and unrestricted discretion provided for in the governing statute should not be fettered by any predeterminations made with respect to IR (or any other methodology).

While ample justification has been provided in response to the Board's April 20th letter, Hydro Ottawa submits in any event that it should not be required to meet a preliminary threshold that is not uniformly applied to electricity utilities. As discussed in the evidence (Exhibit A1-2-2, pages 1-2), the rates of certain electricity utilities are determined on a cost of service basis, even though those utilities have never been required to address the Preliminary Issue. Hydro Ottawa urges the Board to avoid creating a two-tier system of regulation in which cost of service applications by one group of utilities will not be considered by the Board unless a preliminary requirement is satisfied, although that requirement has not previously been applied to cost of service rate applications by certain other utilities.

At this point, it seems clear that rate applications to the Board by electricity distributors will be reasonably well balanced as between 2011 and 2012 and that full consideration of Hydro Ottawa's 2011 cost of service rate application will not cause any undue disruption to the regulatory workload. Since it is now apparent that a two-tier system of regulation cannot be justified on the grounds of managing 2011-2012 regulatory workload, Hydro Ottawa submits that it would be arbitrary and unfair for the Board to impose on it a requirement to meet a preliminary threshold that is not applied to all electricity utilities.

All of which is respectfully submitted on September 29, 2010.

Fred D. Cass
Aird & Berlis LLP
181 Bay Street, Suite 1800
Toronto, Ontario.
M5J 2T9
fcass@airdberlis.com

Counsel for Hydro Ottawa Limited

RATIONALE FOR REBASING

1.0 BACKGROUND

For a number of reasons discussed below, Hydro Ottawa Limited ("Hydro Ottawa") has determined that it is important that its rates be rebased[1] for 2011. In January of 2010, Hydro Ottawa began working on a cost of service application for rates effective January 1, 2011 and sent a letter to the Ontario Energy Board (the "Board") on January 27th stating its intention to file this application. On April 20, 2010, the Board sent a letter to all licensed electricity distributors and other interested parties about rebasing in 2011. By this time, Hydro Ottawa was well advanced in the preparation of its 2011 application.

The Board's letter of April 20th provided a list of the 18 distributors that the Board expected would have their rates rebased in 2011. The Board indicated that it had received letters from four additional distributors planning to rebase in 2011.[2] This would result in a total of 22 distributors rebasing in 2011. The letter from the Board indicated that a distributor which was not on the list of 18: "must justify, in its cost of service application, why an early rebasing is required notwithstanding that the "off ramp" conditions have not been met". Following is Hydro Ottawa's discussion on this issue.

2.0 THE BOARD'S APPROACH TO REBASING

It should be noted that included within the Board's list of 18 distributors scheduled for rebasing in 2011 is Toronto Hydro Electric System Limited ("THESL"). Like Hydro Ottawa, THESL rebased its rates in 2008. THESL had filed a two-year electricity distribution rate ("EDR") application and rates were established using cost of service for both 2008 and 2009. The Report of the Board on 3rd Generation Incentive Regulation for Electricity Distributors ("3GIRM Report") contemplated that all distributors would migrate

[1] The term "rebased" or "rebasing" refers to the method of setting rates through a cost of service rate application in which rates are set using a forecast of a distributor's costs and sales volumes.
[2] The four letters received by the Board included Hydro Ottawa's letter of January 27, 2010.

to 3GIRM after their initial rebasing. Rather than adopting 3GIRM in 2010, Toronto Hydro filed a cost of service rate application (proceeding EB-2009-0139) which was heard and concluded by the Board. In this application THESL indicated that it planned an annual rebasing for its rates, citing three reasons:

"a) Material increases in ratebase and corresponding capital-related costs as THESL continues to renew and enhance its distribution system;

b) Costs related to workforce renewal and other operations; and

c) Material decreases in load."

Hydro Ottawa has reviewed the record from this proceeding and can find no indication that the question of THESL rebasing instead of adopting 3GIRM was an issue that was considered by the Board in rendering its Decision. This matter is not identified on the Issues List, is not discussed in the Settlement Agreement and is not part of the Board's Decision. Yet THESL, which rebased at the same time as Hydro Ottawa in 2008, is included on the Board's list of distributors scheduled to rebase in 2011. On the basis of the Board's letter, THESL was not required to justify rebasing, whereas the Board has made this a requirement for other distributors, including Hydro Ottawa.

Furthermore, as part of the EB-2009-0096 proceeding, the Board heard and concluded an application for rebasing rates for Hydro One Networks Inc. ("Hydro One") in both 2010 and 2011. Hydro Ottawa has reviewed the record for this proceeding and can find no specific discussion of the rationale for rebasing instead of using 3GIRM. As with THESL, this does not appear to have been an issue for this proceeding. The evidence does not appear to address this issue directly, it is not part of the Board-approved Issues List and it is not included in the Board's various Decisions for this proceeding.

This is not to say that both THESL and Hydro One did not have important and valid reasons for filing a cost of service application, and both filed detailed evidence in support of their proposed costs. However, on the basis of these two applications it would appear that the issue of a distributor rebasing on a different schedule than indicated in the

3GIRM Report is not a matter of principle that the Board felt it needed to address. Instead, the Board appropriately assessed these applications for the prudence of the costs and appropriateness of load forecasts, cost allocation and rate design to render its Decisions on just and reasonable rates. It was reasonable for Hydro Ottawa to assume that the same consideration would be applied when it indicated to the Board in January 2010 that it would file a cost of service application for rates effective January 1, 2011. Hydro Ottawa is concerned that the Board's letter of April 20th has introduced a new and unwarranted standard for rebasing applications by certain distributors. Nevertheless, Hydro Ottawa believes that its specific reasons for seeking a rebasing of rates in 2011 meet the standard set out in the letter.

Hydro Ottawa has the same issues that were expressed by THESL in its 2010 EDR, namely:

- renewal and enhancement of the distribution system,
- workforce planning; and,
- declining loads.

In addition to the common concerns shared by Hydro Ottawa and THESL, there are a number of other reasons why Hydro Ottawa has elected to file a cost of service application for 2011 rates. A cost of service proceeding is the only regulatory mechanism that will comprehensively address all of these factors. All of these issues are discussed in greater detail in the following sections.

3.0 RATIONALE FOR REBASING

A cost of service application is a major undertaking for both the utility and the Board, and careful consideration has been given to the need to rebase at this time. Hydro Ottawa is facing numerous operational imperatives that must be addressed in a timely manner and that require significant investment by the company.

The last cost of service application by Hydro Ottawa was prepared in 2007. Given the pace at which the electricity industry has been evolving since 2007, and the cumulative effect of all of the factors discussed below, four years is too long a period of time between rebasing applications for Hydro Ottawa. Hydro Ottawa will be planning for the filing of more frequent cost of service applications in the future.

In the case of Hydro Ottawa, this is not an issue about being able to: "adequately manage its resources and financial needs during the remainder of its IRM plan period" as indicated in the Board's April 20 letter. Among other things, this cost of service application is about being able to align revenues with costs, to proceed with important strategic initiatives with some assurance that these are supported by the Board, to address declining loads and the impact of conservation, and to have important infrastructure spending from 2009 to 2011 approved in rate base.

3.1 Asset Management Plan/Aging Infrastructure

As the nation's capital, Hydro Ottawa's service area is home to many important and significant organizations. As a result, the company strives to maintain solid reliability of the distribution system by ensuring that a robust Asset Management Plan ("AMP") is maintained to support the timely renewal of aging infrastructure and ongoing investment in new assets to meet the needs of a growing City.

Exhibit B1-2-2, with Attachment O, provides Hydro Ottawa's *2010 Asset Management Plan* ("2010 AMP"). This plan highlights the issues of managing an aging infrastructure and the need for substantial investments in 2011 and beyond. Hydro Ottawa developed its first AMP in 2005 and used it as the basis for the capital expenditures proposed in its 2006 EDR application and, with updated data, for its 2008 EDR application as well. As a result of the AMP, Hydro Ottawa makes important investments each year in its Sustainment capital. Usually assets being replaced are beyond their useful life from an accounting perspective such that the net book value of the asset being replaced is zero. Investments in today's dollars therefore result in an asset base that has been growing by more than 6% per year on average for Hydro Ottawa, far beyond any adjustment provided for under 3GIRM.

A distributor can only include these new assets in its rate base as part of a cost of service application. There are two important aspects to getting the assets in rate base. The first is to earn a return on the assets and to recover the annual depreciation expense. The second factor is that it is only at the time that the Board approves a new rate base that a distributor gets assurance that the Board has considered the costs prudent. This is a critical factor to Hydro Ottawa. To wait four years to find out if spending has been considered prudent is a significant concern, particularly within an electricity industry that has been constantly changing and a regulatory framework that continues to develop.

Hydro Ottawa recognizes that under IRM the Board has included, as a separate module, an Incremental Capital Module; however, this module does not address the capital spending planned by Hydro Ottawa in 2011. The Supplemental 3GIRM Report issued by the Board September 17, 2008 stated on page 31 that:

> "The intent is not to have an IR regime under which distributors would habitually have their CAPEX reviewed to determine whether their rates are adequate to support the required funding. Rather, the capital module is intended to be reserved for unusual circumstances that are not captured as a Z-factor and where the distributor has no other options for meeting its capital requirements within the context of its financial capacities underpinned by existing rates."

This view was reiterated by the Board in its Decision for Hydro One's 2009 distribution rates (proceeding EB-2008-0187) on pages 7-8 as follows:

> "The Board's objective in establishing the incremental capital module was to enhance the regulatory efficiency of the incentive rate mechanism, which is intended to be formulaic and simplistic in its application, by adding a method to

accommodate extraordinary capital spending requirements should they arise during the term of the incentive rate mechanism. The ability to address extraordinary capital spending requirements within the IRM framework increases the efficiency opportunities without requiring a full cost of service rebasing review."

Hydro Ottawa submits that its requirement for capital expenditures in excess of depreciation for 2011 is not "extraordinary" or "unusual" and certainly not unplanned, because much of the capital spending is a direct result of Hydro Ottawa's AMP. Rather, these expenditures address an ongoing need to replace aging infrastructure, as Hydro Ottawa has highlighted in its previous two cost of service applications (2006 EDR and 2008 EDR). The capital spending for 2011 is also planned to address other significant emerging capital requirements, such as the Green Energy Act Plan (Exhibit B1-2-3).

3.2 Workforce Planning Strategy

Like THESL, and other utilities in the sector, Hydro Ottawa also faces the challenges of an aging workforce and a scarcity of available resources. Hydro Ottawa recognized this issue in 2005 when it first launched a new apprenticeship program. A comprehensive strategy has been developed to ensure that long-term workforce requirements continue to be met.

In Exhibit D1-5-1, Hydro Ottawa has provided details of its workforce planning strategy, including an expansion of Hydro Ottawa's apprenticeship program and other key initiatives. This Exhibit illustrates the number of retirements expected in the next few years and the approach planned for addressing this situation. Maintaining a qualified workforce is critical to Hydro Ottawa's future success. Apprenticeship programs are a long-term investment in the human resources for the company and are appropriately considered as part of a cost of service application when material expansions of the program are required.

3.3 Declining Usage per Customer and Impact of Conservation

As an early adopter, Hydro Ottawa developed, and has been promoting, conservation and demand management ("CDM") programs to its customers since 2005. Hydro Ottawa has achieved significant participation in these programs over the years and is already experiencing the impacts of these successful CDM programs with a steady decline in the average consumption per customer; as illustrated in Exhibit C1-1-2. This experience is in advance of the mandatory CDM targets that Hydro Ottawa will be required to achieve between 2011 and 2014. Hydro Ottawa therefore anticipates that this decreasing usage per customer will not only continue, but it will accelerate. This cost of service application is an opportunity to revise the load forecast to reflect current conditions and to incorporate the affects of CDM on the load in 2011. This revised load forecast will also reset the baseline on which future lost revenue adjustment mechanisms ("LRAM") will be determined. The use of an LRAM is an important method to reduce a significant disincentive for distributors in maximizing CDM initiatives.

3.4 Conclusion of Smart Meter Program

As discussed in Exhibit I2-1-1, Hydro Ottawa's Smart Meter program will be substantially complete by the end of 2010; in particular all major capital expenditures will have been completed. To the best of Hydro Ottawa's knowledge, there are few other distributors in the Province that are as far advanced as Hydro Ottawa in the completion of their Smart Meter programs. Given that substantial completion will be achieved by the end of 2010, Hydro Ottawa now seeks approval of the prudence of all Smart Meter spending, and inclusion of the capital additions to the end of 2010 in its 2011 rate base, with all future expenditures to be treated as part of normal business. This can only be done as part of a cost of service rate application.

3.5 Green Energy Act Plan

As part of this application, Hydro Ottawa has filed its initial Green Energy Act Plan, as discussed in Exhibit B1-2-3. Hydro Ottawa acknowledges that the Board has provided for other funding mechanisms for spending related to Green Energy Act Plans. This includes deferral accounts and rate adders, neither of which includes an assessment of the prudence of the proposed spending until after the spending has been completed, and a distributor seeks to clear associated deferral and/or variance accounts. Hydro Ottawa wants to proceed with its initial pilot projects for implementing the smart grid and for the identified expansion and enhancement projects to facilitate the connection of renewable generation. In doing so, Hydro Ottawa wants the assurance that the Board has approved the proposed plan and has permitted the spending to be included in Hydro Ottawa's cost of service. This will give Hydro Ottawa guidance that it is acting in accordance with the Board's expectations before proceeding further.

3.6 Cost of Capital

In June 2009, the Board announced that it would hold a proceeding to review its policies regarding cost of capital (proceeding EB-2009-0084). On December 11, 2009, the Board released its Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (the "Report"). As a result of the Report, the Board refined its policies by resetting and refining the return on equity ("ROE") formula, refining long-term debt guidelines and refining the approach to determining the deemed short-term debt rate. An important determination within the Report was that, from a regulatory perspective, ROE is a cost to utilities, not a profit.[1] The result of the revised formula for 2010 is an ROE of 9.85%. Hydro Ottawa has proposed to use the new formula for this application, with the 9.85% used as a placeholder. Now that the Board has established the Fair

[1] The Report, Page 20 states: "Further, the Board reiterates that an allowed ROE is a cost and is not the same concept as a profit, which is an accounting term for what is left from earnings after all expenses have been provided for. The Board notes that while cost of capital and profit are often used interchangeably from a managerial or operational perspective, the concepts are not interchangeable from a regulatory perspective."

Return Standard[1], rates for utilities should be based on this new ROE formula. The Board has not permitted an adjustment to this important cost element under 3GIRM. Hydro Ottawa can appreciate that there are issues related to amending one cost without reviewing all of the others, and therefore Hydro Ottawa has filed this cost of service application.

Amendments to the long-term debt guidelines have limited impact on Hydro Ottawa because it has only made modest use of the deemed debt rate. Short-term debt is only deemed at 4% of the capital structure so the amendments to the calculation of short-term debt, while important, do not result in a significant change to Hydro Ottawa's cost of capital.

3.7 January 1 Effective Date for Rates

As discussed in Exhibit A1-2-3, Hydro Ottawa is seeking a January 1 effective date for rates. As part of a cost of service rate application, a utility establishes its rates based on its projected costs. In the past, the rates for electricity distributors in Ontario were implemented over a different period than when the costs were to be incurred. This has created issues and complexities for distributors. Hydro Ottawa has been on record for several years that this issue should be addressed.[2] The Board has now agreed[3] that this is a matter that it will hear, on a case-by-case basis, but only as part of a cost of service rate application. This is also a reason that Hydro Ottawa is filing a cost of service application at this time. Hydro Ottawa's letter to the Board on January 27, 2010, advising of its intention to file a 2011 cost of service EDR, noted that it would be seeking a January 1 effective date for rates.

[1] As discussed in Section 3.1 of the Report.
[2] Hydro Ottawa highlighted the issue in its 2008 EDR application
[3] Board letter dated April 15, 2010.

3.8 Clearing of Deferral and Variance Accounts

The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative only permits the clearing of deferral and variance account through a cost of service rate application unless a pre-defined threshold has been met. The net balance in Hydro Ottawa's deferral accounts did not meet this threshold for 2008 audited balances that were reviewed for Hydro Ottawa's 2010 EDR application and this threshold would also not be met for 2009 audited balances. For the 2011 EDR, Hydro Ottawa would be unable to clear balances under 3GIRM for at least another year, and these balances are already nearly three years old. Furthermore, Hydro Ottawa notes that while the net balance of the deferral and variance accounts does not meet the threshold, the balances in many of the individual accounts far exceeds the threshold. Given that these accounts have different allocators to customer classes, even though the net balance does not meet the threshold the rate riders for different customer groups can be material.