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February 4, 2011

Ontario Energy Board  
Attention: Kirsten Walli, Board Secretary  
2300 Yonge Street  
27<sup>th</sup> Floor  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Rideau St. Lawrence Distribution Inc.  
2011 3<sup>rd</sup> Generation  
Incentive Rate Mechanism Adjustment Application  
Ontario Energy Board File Number EB-2010-0113  
Reply Submission**

Please find accompanying this letter two (2) copies of RSL's reply to the submission made by Board staff February 2, 2011 in respect to the above- captioned matter.

We have enclosed a CD containing this electronic media. A PDF version of these responses will, coincidentally with this written submission, be filed on the Board's RESS Filing System.

Yours very truly,

A handwritten signature in black ink, appearing to read 'John Walsh', is written over a large, stylized 'J' that extends from the left margin.

John Walsh, President/CEO  
Rideau St. Lawrence Distribution Inc.  
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**Rideau St. Lawrence Distribution Inc.**

REPLY SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

EB-2010-0113

Submitted February 4, 2011

## **TAX CHANGE RATE RIDER**

In their submission Board staff have agreed with the approach by RSL .

### **Response:**

RSL makes no further submission on this issue.

## **REVIEW AND DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNT BALANCES**

### **Background:**

In the Application RSL proposed to clear the Group 1 variance accounts. RSL performed the threshold test on the aggregated balance of the Group One accounts and the \$0.001/KWh threshold was not exceeded. Through the IR process RSL provided evidence that two of the accounts individually exceeded the preset disposition threshold. RSL further offered that one of the issues and reason for the request to adjust the rate rider for the deferral and variance accounts was to clear the RSVA - Power (Global Adjustment Sub-account), which was one of the individual accounts that exceeded the threshold when calculated singularly. RSL was concerned that the failure of not disposing of a material balance would result in a larger than needed balance going forward. We believe that the variances should be dealt with as close to the time that the variance occurred, especially in the case of the RSVA Power Global Adjustment Sub-account.

### *Board Staff Submission*

*Board staff notes that the methodology proposed by RSL is not consistent with the EDDVAR Report. In the EDDVAR Report, the Board established a preset disposition threshold of \$0.001 per kWh during the IRM plan term for all Group 1 accounts combined. On that basis, the preset disposition threshold was not exceeded for RSL. Board staff notes that this disposition threshold level is intended to enhance the distributor's ability to manage its cash flow. When this threshold is exceeded, the distributor will file a proposal for the disposition of all Group 1 Account balances (including carrying charges). On this basis, Board staff submits that disposition is not warranted at this time.*

*Board staff further notes that the Board has previously considered a case where the preset disposition threshold was narrowly missed (Enersource Hydro Mississauga Inc.'s*

*2010 IRM application EB-2009-0405). In that Decision, the Board Panel opined that while recognizing the value of the EDDVAR Report in guiding decisions with respect to the disposition of deferral and variance accounts, the Panel found that the public interest required it to deviate from the EDDVAR Report under certain circumstances. The Board noted that since the account balances were in a credit position, the amounts should be disposed as requested by the applicant.*

*In this case, unlike with the Enersource situation, the disposition threshold calculation does not result in a number close to the threshold and the total balance is in a debit position. Board staff submits that since the RSVA Power Global Adjustment Sub-account is cleared to a small subset of customers, and the balance in this account exceeds the threshold, the Board could decide that clearing this account is in the public interest because of intergenerational equity.*

*Staff notes that this option would leave a credit balance of \$374,170 to be carried over to a future rate proceeding. Staff submits that if the Board decides to dispose of RSL's RSVA Power Global Adjustment Sub-account at this time, then it may wish to consider clearing the remaining Group 1 accounts as well in order to maintain symmetry.*

**Response:**

RSL has proposed this clearing of the Group One accounts primarily due to the account balance in the RSVA- Power (Global Adjustment Sub-account) as the amount becomes material due to the unique way in which the Board has deemed that account is cleared. We have included a calculation for the RSVA- Power (Global Adjustment Sub-account) below, as a threshold test but have used the same denominator as prescribed for rate rider calculation purposes, which shows that this amount is material to those customers.

Threshold Calculation Only for

RSVA - Power (Global Adjustment Sub-account)

Rate Class	Billed kWh for Non-RPP Customers
Residential	6,645,396
General Service Less Than 50 kW	2,837,519
General Service 50 to 4,999 kW	35,177,874
Unmetered Scattered Load	1,318
Sentinel Lighting	12,797
Street Lighting	0
	44,674,904
Total Claim	(409,069 )
Total Claim per kWh	-0.009156573

We submit that by clearing the accounts in a timely fashion intergenerational inequity could be avoided.

RSL agrees with Board staff's submission that that if the Board decides to allow clearing of this account– then the Board may wish to consider clearing all accounts in Group one at the same time.

ALL OF WHICH IS RESPECTFULLY SUBMITTED