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February 4, 2011

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

Dear Ms. Walli:

**Rideau St. Lawrence Distribution Inc.
2011 3rd 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 horizontal line.

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

Introduction

Rideau St. Lawrence Distribution Inc. ("RSL") filed an application with the Ontario Energy Board (the "Board"), on November 11, 2010, 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, 2011. The application is based on the 2011 3rd Generation Incentive Regulation Mechanism.

On January 5, 2011, Board Staff filed interrogatories. On January 17, 2011 Rideau St. Lawrence responded to those interrogatories.

On February 2, 2011 Board Staff filed their submissions and this document is being filed in response to those submissions.

Board staff makes detailed submissions on the following matters:

- Smart Meter Rate Rider;
- Tax Change Rate Rider; and
- Review and Disposition of Deferral and Variance Account Balances.

SMART METER RATE RIDER

Background

Rideau St. Lawrence completed the Smart Meter Rate Calculation model as part of its application. Through the interrogatory process the product of the model was clarified and confirmed at \$3.69 per month per metered customer.

Staff Submission

Staff notes that while the \$3.69 adder is relatively high, the costs that make up the adder seem reasonable at this stage of RSL's deployment. RSL deployed most of its smart meters in 2009, and so the larger amount reflects the recovery of three years of revenue requirement.

Board staff submits that one option would be for the Board to approve a smart meter funding adder of \$3.50 per month per metered customer, on a similar basis as the Board's approval for Atikokan Hydro EB-2010-0185. While staff is satisfied with the costs shown in the smart meter model for purposes of calculating a temporary rate adder, staff submits that RSL would not be negatively impacted if the Board were to reduce the adder to \$3.50. The \$3.69 funding adder is based on the recovery of the annual revenue requirement amounts for 2009, 2010 and 2011, net of any recoveries to date. This approach would leave little for disposition from the 1555 and 1556 account balances when RSL makes a subsequent application for disposition and prudence review of costs. Staff notes that RSL is scheduled to file a cost of service application later this year for 2012 rates. At that time, it is expected that the majority of RSL's smart meter costs would be made available for a prudence review since RSL would have its costs audited to the end of 2010.

In its reply submission, RSL may wish to identify any implications arising from a funding adder of less than \$3.50.

Board staff notes that the total bill impact attributable solely to the proposed funding adder of \$3.69 per meter per month (keeping all other proposals in the application model as filed) is an increase of 1.7% for the residential class. The total bill impact for all elements of the application for a typical residential customer including a funding adder of \$3.69 is a decrease of 1.1%.

Response:

RSL submits that it seemed logical to use the resultant rate of the model as part of their application, in this case \$3.69 per month per metered customer. The purpose of applying for the increased rate adder at this time was twofold. First, as implementation funding mechanism and second, to smooth rates for residential customers by mitigating future rate impacts. RSL would submit that a funding adder of \$3.50 instead of the applied for adder of \$3.69 would not materially change RSL's approach as noted above.

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