

4. Deferral and Variance Accounts (Exhibit E)

4.1 Is the proposed clearance of various deferral and variance account balances appropriate?

- **Complete Settlement:** The other parties have agreed that Hydro Ottawa's proposed clearance of the various deferral and variance account balances is appropriate in the context of the Settlement Package for the following reasons:
 - (a) The audited balances for these accounts as at December 31, 2006 was (\$1.0M) but by October 31, 2007 this credit had accumulated to (\$7.1M). An additional \$6.1M would be paid back to customers in a timely manner by clearing the balances as at October 31, 2007.
 - (b) Interest accrues when there are delays in clearing account balances.
 - (c) If any adjustments were required as part of Hydro Ottawa's year-end audit in 2007, these adjustments would be recorded in the variance and deferral accounts for December 2007. Accumulated amounts in these accounts, including any adjustments, would be part of the next application to clear these accounts.
 - (d) The amounts accumulated to October 31, 2007 are actual balances although unaudited. The Board has approved recovery of forecast amounts, which are even less certain, for the same accounts as part of the 2006 rate process (e.g., EB-2005-0378 in which HONI received approval to recover forecast balances to April 30, 2006).
 - (e) The clearance of the commodity portion of Account 1588 (RSVA power) is consistent with the Board's Decision with Reasons dated December 9, 2004 in the following proceedings: RP-2004-0064, RP-2004-0069, RP-2004-0100, RP-2004-0117, and RP-2004-0118 (the "Regulatory Assets Decision").

Hydro Ottawa and the other parties have also agreed that the accounting methodology for the amounts cleared to customers should be the same as for the recovery of regulatory assets in accordance with the Regulatory Assets Decision. Specifically, both the amount approved by the Board and the actual amount cleared to customers will be recorded in Account 1590. At the end of the 12-month period, "as there will be a residual (positive or negative) balance in the Regulatory Asset Recovery Account (1590), the balance shall be disposed of to rate classes in proportion to the recovery shares that were established when rate riders were implemented" (para. 9.0.19 at p. 88).

- **Evidence:** The evidence on this issue includes the following: