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VIA E-MAIL AND WEB POSTING

July 25, 2014

To: Licensed Electricity Distributors
All Registered Intervenors in Electricity Distribution Rate Applications

**Re: Update to the Electricity Distributors' Deferral and Variance Account
Review ("EDDVAR Report"), released July, 2009 (EB-2008-0046)**

The Board's policies regarding electricity distributors' deferral and variance accounts are established in the Report of the Board on Electricity Distributors' Deferral and Variance Account Review (the "EDDVAR Report"), released in July, 2009.

In it, the Board determined that at the time of rebasing all of an electricity distributor's account balances should be reviewed and disposed unless otherwise justified by the distributor or as required by a specific Board decision or guideline.

For distributors whose rates are being set through an incentive rate-setting ("IR") mechanism application proceeding, the EDDVAR Report stated that an applicant's Group 1 audited account balances will be reviewed, and disposed if the pre-set disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed. The EDDVAR report also stated that: *"If the disposition threshold was not exceeded, the balances will not be cleared."*

For distributors applying under the Price Cap IR or Annual IR Index for rates effective in 2015, the Board has determined that it will introduce more flexibility in the disposition of Group 1 account balances. The Board recognizes that distributors are already filing all Group 1 balances in their Price Cap IR or Annual IR Index applications, and that the balances are being assessed to determine correctness and whether the threshold has been exceeded. Given that balances are being assessed and the process has proven

to be very systematic, the Board is now of the view that, for greater efficiency, distributors may seek to dispose Group 1 balances that do not exceed the threshold.

Accordingly, the Board has made adjustments to reflect this change to the IRM filing modules and Chapter 3 of the Board's Filing Requirements For Electricity Distribution Rate Applications, to be released today.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Encl.