

## **Exhibit 9 – Deferral and Variance Accounts**

### **9-Staff-34**

**Ref: EDDVAR Continuity Schedule Model Tab 4. Billing Determinants**

**Ref: EDDVAR Continuity Schedule Model Tab 6. Rate Rider Calculations**

Rideau St. Lawrence Distribution provided billing determinants for the General Service 50 to 4,999kW rate class in the EDDVAR model on Tab 4 that are counter intuitive. On Tab 4 of the model the billed kWh and kW for Non-RPP customers are greater than the total metered kWh and kW.

- a) Please explain how this is possible?

Response:

- a) The EDDVAR model for the 2016 rate application has a formula that increases the billed kW by the LDC's loss factor. This is the reason why the billed kW is higher than the metered kW. This formula has been corrected in the 2017 model.

As per Chapter 2 Filing Requirements "effective in 2017, the billing determinant and all the rate riders for the GA will be calculated on an energy basis (kWhs) regardless of the billing determinant used for distribution rates for the particular class."

- b) Please update the Global Adjustment rate riders to be on a per kWh basis.

Response:

The revised EDDVAR model calculates the Global Adjustment rate rider based on kWh.

### **9-Staff-35**

**Updated Continuity Schedule**

**Ref: EDDVAR Continuity Schedule**

Section 2.9 of Chapter 2 of the Filing Requirements For Electricity Distribution Rate Applications - 2016 Edition for 2017 Rate Applications – requires that each applicant submit a continuity schedule for the period from the last disposition to the present, showing separate itemization of opening balances, annual adjustments, transactions, interest and closing balances. OEB staff notes that certain group 1 account balances were not disposed of in the utility’s last cost of service. The version EDDVAR continuity that was submitted by Rideau St. Lawrence Distribution within its current application does not provide a full continuity of Group 1 account balances from the utility’s last cost of service and also excludes certain Group 2 account balances.

- a) Please provide a complete continuity schedule for the period from the Rideau St. Lawrence Distribution’s last cost of service application.

Response:

RSL is including an updated EDDVAR model using the 2016 Edition for 2017 Rate Applications.

**9-Staff-36**

**2015 Deferral and Variance Account Balance**

**Ref: EDDVAR Continuity Schedule**

The audited December 31, 2015 deferral and variance account balances are available.

- a) Please update EDDVAR continuity schedule to include balances up to December 31, 2015 to be brought forward for disposition in Rideau St. Lawrence Distribution’s current cost of service application. In doing so, please use the template titled Deferral and Variance Account (Continuity Schedule) Work-form version 2.7 released by the OEB on **July 21, 2016**.

Response:

RSL has updated the EDDVAR continuity schedule, using workform version 2.7.

- b) Please also provide a reconciliation between the December 31, 2015 closing balances and the balances presented in Note 13 of Rideau St. Lawrence Distribution’s December 31, 2015 audited financial statements.

Response:

The following is a reconciliation of the overall balances in Note 13 of the financial statement and the updated 2017 EDDVAR continuity schedule.

Reconciliation between			
Financial Statement Note 13			
And Exhibit 9 Continuity Schedule			
	Account	Amount	Notes
Balance per Continuity Schedule		- 247,409.00	
Account not requested for disposal	1595-2015	459,037.00	Rate rider ends in 2017 - not claimed
MDM/R Costs	1555	41,897.00	In Smart Meter model
1592 Contra account	1592	23,511.00	In GL balance, but not used in Cont. Sch.
LRAMVA	1568	7,168.00	Separate calculation
Balances in accounts not in Cont. Sch.	1521	- 398.00	Residual balance
	1555	- 247.00	Residual balance
	1582	39.00	Residual balance
Balance per GL/Note 13		<u>283,598.00</u>	

**9-Staff-37**

**Account 1575 Rate Rider calculation**

**Ref: EDDVAR Continuity Schedule**

The December 31, 2014 closing balance in account 1575 has been included in the rate rider calculation in tab 6 of EDDVAR continuity (Rate Rider Calculation). The balance in

1575 was approved for disposition in the applicant's last cost of service application. Disposition of the balance was to occur over a 4-year period starting in 2012, to be amortized on a straight line basis as a reduction to depreciation expense. The remaining balance of account 1575 at the end of 2014 represents the last year of amortization that will occur in 2015 and therefore this balance should be excluded from the current rate rider calculation.

- a) Please update the rate rider calculation to reflect this.

Response:

Account 1575 was amortized between 2012 and 2015. The remaining balance at the end of 2014 was not included in the rate rider calculation.

### **9-Staff-38**

#### **Global Adjustment Rate Rider calculation**

**Ref: EDDVAR Continuity Schedule**

Chapter 2 Filing Requirements Section 2.9.5.1 states, "Effective in 2017, the billing determinant and all the rate riders for the GA will be calculated on an energy basis (kWhs) regardless of the billing determinant used for distribution rates for the particular class." Currently Rideau St. Lawrence Distribution's calculation per tab 6 of the EDDVAR continuity uses a combination of kW and kWh.

- a) Please update the rate riders to be calculated on a kWh basis.

Response:

RSL has updated the rate riders on a kWh basis.

### **9-Staff-39**

#### **Global Adjustment True-up**

**Ref: Exhibit 9/Tab 1/ Sch. 5**

At the above reference Rideau St. Lawrence Distribution also indicated that an annual true-up is completed for Global Adjustments.

- a) Please confirm that the December 31, 2014 GA balance (1589) and RSVA Power (1588) includes the true-up(s) related to the 2014 RPP Settlements with the IESO.

Response:

RSL confirms that the EDDVAR model as originally submitted did not include the final RPP true-up for 2014, as the amount was not known until after the audited financial statements had been completed. The amount of the true-up is in the 2015 audited numbers.

- b) If the true-up has not been included, please include it within the EDDVAR continuity in the column titled "Principle Adjustments during 2014".

Response:

The true-up was recorded in our 2015 results. For the EDDVAR model, we are adding a principal adjustment of \$20,092 in 2014, which represents the amount of the final RPP true-up, and reversing the amount in the 2015 principal adjustment field.

- c) If the December 31, 2015 deferral and variance account balances will be brought forward for disposition as part of this cost of service rate application, then please perform the above to the December 31, 2015 balances for accounts 1588 and 1589.

Response:

2015 balances are being brought forward for disposition in this application. The 2015 balances include the 2015 RPP true-up.

#### **9-Staff-40**

#### **IFRS Transition Costs**

**Ref: Exhibit 9/Tab 1/ Sch. 7**

At the above reference, Rideau St. Lawrence Distribution has requested the disposition of account 1508, sub-account Deferred IFRS Transition Costs. Rideau St. Lawrence Distribution has adopted IFRS for financial reporting purposes for its fiscal year January 1, 2015 and has submitted audited costs for recovery up to December 31, 2014. OEB staff notes that section 2.9.1 of the Chapter 2 of Filing Requirements for Electricity Distribution Rate Applications states:

“The balance requested for disposition may include actual audited incremental transition costs to date, the unaudited actuals for the bridge year and a forecast of any remaining costs to be incurred for the test year, if any.”

Rideau St. Lawrence Distribution has indicated that there are additional IFRS consulting fees incurred during 2015 that have not been brought forward for disposition as part of this application, OEB staff proposes that these additional amounts be included in the account balance brought forward for disposition.

- a) Please update the EDDVAR continuity to include them in the column “Principle Adjustments during 2014” (Note that if the 2015 deferral and variance account balances are brought forward for disposition as part of this cost of service application, then the above can be disregarded since the 2015 balance will include the remaining consulting fees).

Response:

The 2015 deferral and variance account balances have been brought forward for disposition in this application.

- b) Rideau St. Lawrence Distribution should then request to discontinue the use of account 1508, sub-account Deferred IFRS Transition Costs as the transition to IFRS is complete and all related one-time costs have been brought forward for disposition.

Response:

RSL agrees that the sub-account will no longer be needed.

#### **9-Staff-41**

#### **New CGAAP Transition**

**Ref: Exhibit 9/Tab 1/ Sch. 8**

At the above reference Rideau St. Lawrence Distribution discusses the usage of accounts 1575 and 1576. OEB staff notes that the balance currently presented in account 1575 represents the impact of adopting the OEB’s capitalization and depreciation policies from Rideau St. Lawrence Distribution’s last cost of service application and therefore should be presented in account 1576, not 1575.

- a) Please adjust the EDDVAR continuity schedule accordingly.

Response:

RSL has moved the amount to 1576. The account has been completely amortized.

- b) Since Rideau St. Lawrence Distribution transitioned to IFRS in 2015, was there an impact to PP&E as a result of this transition (in addition to what has already been included in account 1575 from the previous cost of service application)?

Response:

There was not impact to net PP&E. Accumulated depreciation and contributed capital balances were combined with the asset account balances.

- c) If so, has the impact been accumulated in account 1575 during 2015.

Response:

Not applicable.

- d) Please provide a completed Appendix 2-EA in the Chapter 2 Appendices for 2017 Cost of Service Applications, released by the OEB on **July 21, 2016** to support the balance in account 1575.

Response:

**Appendix 2-EA**  
**Account 1575 - IFRS-CGAAP Transitional PP&E Amounts**  
**2015 Adopters of IFRS for Financial Reporting Purposes**

For applicants that adopted IFRS on **January 1, 2015** for financial reporting purposes

Reporting Basis	2013			2016 Bridge	2017 Rebasing
	Rebasing	2014	2015	Year	Year
	Year	CGAAP	CGAAP	MIFRS	MIFRS
	Forecast	Actual	Actual	Forecast	Forecast
			\$	\$	
<b>PP&amp;E Values under CGAAP</b>					
Opening net PP&E - Note 1		5,291,734	5,358,358	5,623,023	
Net Additions - Note 4		423,390	623,211	365,497	
Net Depreciation (amounts should be negative) - Note 4		-356,766	-358,546	-358,766	
<b>Closing net PP&amp;E (1)</b>		<b>5,358,358</b>	<b>5,623,023</b>	<b>5,629,754</b>	
<b>PP&amp;E Values under MIFRS (Starts from 2014, the transition year)</b>					
Opening net PP&E - Note 1		5,291,734	5,358,358	5,623,023	
Net Additions - Note 4		423,390	623,211	365,497	
Net Depreciation (amounts should be negative) - Note 4		-356,766	-358,546	-358,766	
<b>Closing net PP&amp;E (2)</b>		<b>5,358,358</b>	<b>5,623,023</b>	<b>5,629,754</b>	
<b>Difference in Closing net PP&amp;E, former CGAAP vs. revised CGAAP</b>		<b>0</b>	<b>0</b>	<b>0</b>	

**Effect on Deferral and Variance Account Rate Riders**

Closing balance in Account 1576	-
Return on Rate Base Associated with Account 1576 balance at WACC - Note 2	-
<b>Amount included in Deferral and Variance Account Rate Rider Calculation</b>	<b>-</b>

WACC	
# of years of rate rider disposition period	

**9-Staff-42**

**Smart Meter**

**Ref: Exhibit 9/Tab 1/ Sch. 10**

At the above reference, Rideau St. Lawrence Distribution has requested disposition of Account 1555 which includes a balance for MDMR costs incurred by Rideau St. Lawrence Distribution related to its Smart Meter implementation. Rideau St. Lawrence Distribution has indicated that both the OEB guideline titled "Smart Meter Funding and Cost Recovery – Final Disposition (G-2011-0001) and the December 2010 APH FAQ support the recovery of these types of costs. Rideau St. Lawrence Distribution had disposed of account 1555 during its last cost of service application. OEB staff notes that the aforementioned guideline and FAQ were each available at that time.

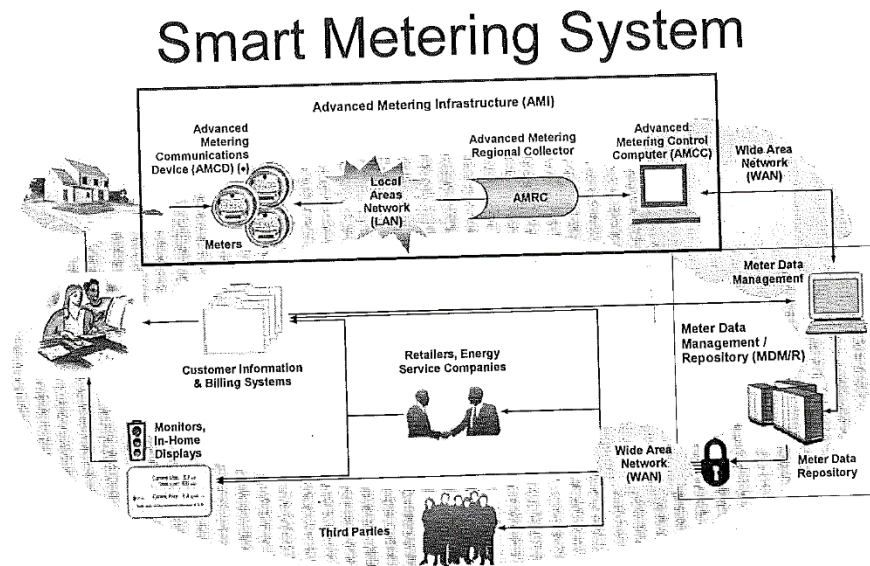
- a) Given that the MDMR related costs had already been incurred (or a reasonable forecast could have been made), why were they not included as part of the disposition of account 1555 at that time?

Response:

RSL applied for the disposition of smart meter costs in the 2012 Cost of Service application. It was understood by RSL that costs related to the MDM/R could not be



claimed at that time, as the billing of smart meter data, and the use of the connections with the MDM/R had not begun. We understood that these costs would be disposed of during the next cost of service.



In Guideline G-2011-001, Smart Meter Funding and Cost Recovery – Final Disposition, Section 3.4 – Costs Beyond Minimum Functionality, Section C, there are statements that RSL believes is applicable to this situation. “Costs for other matters such as CIS changes or TOU bill presentment may be recoverable, but the distributor will have to support these costs and will have to demonstrate how they are required for the smart meter deployment program and that they are incremental to the distributor’s normal operating costs.”

RSL incurred the costs required to connect to the MDM/R. These were one-time incremental costs that the company had no choice but to incur. The alternative would have been no connection to the MDM/R, and no software to process the MDM/R transactions. The investment for RSL was significant.

RSL may have misinterpreted another paragraph of the same section in the Guideline: “Cost recovery for ongoing costs of the Smart Metering Entity should not be included in any smart meter cost recovery application, until such time as the Board establishes a cost recovery mechanism”. RSL interpreted these words to mean that the implementation costs, not the future costs related to the MDM/R. Otherwise, RSL would have included these costs in its 2012 Cost of Service application.

**9-VECC-42**

**Reference: E9/T1/S2**

a) Please update Table 9.1 to show balances (and interest) as of the end of 2016.

Response:

The updated table follows. The 2016 balance for account 1568, LRAMVA, is not yet available.

Account Descriptions	USoA #	Closing Principal Balance as of Dec-31-14	Closing Interest Amounts as of Dec-31-14	2.1.7 RRR as of Dec 31-14	Variance RRR vs. 2014 Balance (Principal + Interest)	Closing Principal Balance as of Dec-31-16	Closing Interest Amounts as of Dec-31-16	2016 Interest
<b>Group 1 Accounts</b>								
LV Variance Account	1550	146,175	(51)	146,123	(1)	273,549	1,095	1,926
Smart Metering Entity Charge Variance Account	1551	4,159	92	4,251	-	(543)	6	(3)
RSVA - Wholesale Market Service Charge	1580	(66,583)	(1,625)	(68,209)	(0)	(305,863)	(3,369)	(2,778)
RSVA - Retail Transmission Network Charge	1584	93,492	3,885	97,376	(1)	(385,467)	(6,067)	(3,326)
RSVA - Retail Transmission Connection Charge	1586	(2,070)	(734)	(2,804)	(0)	(11,906)	752	289
RSVA - Power (excluding Global Adjustment)	1588	(61,995)	4,523	(57,472)	(0)	(281,605)	(5,573)	(2,393)
RSVA - Global Adjustment	1589	199,019	1,712	200,732	1	287,615	2,320	2,411
Disposition and Recovery/Refund of Regulatory Balances (2008)	1595				-			
Disposition and Recovery/Refund of Regulatory Balances (2009)	1595				-			
Disposition and Recovery/Refund of Regulatory Balances (2010)	1595	(0)	(2,900)	(2,900)	0		(42)	-
Disposition and Recovery/Refund of Regulatory Balances (2011)	1595	2,872	(1,357)	1,516	(0)		(590)	-
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	(543)	(2,311)	(2,854)	(0)	(1,234)	12	(14)
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	1,269	2,773	4,042	0		4,041	-
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	(49,933)	(68,506)	(118,439)	-		1,912	-
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595					137,960	16,442	3,327
<b>Group 2 Accounts</b>								
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	19,925	1,434	21,357	(2)	34,425	1,981	312
Other Regulatory Assets - Sub-Account - Other	1508				-	9,763	59	53
Retail Cost Variance Account - Retail	1518	(8,575)	(357)	(8,930)	1	(9,087)	(560)	(100)
RSVA - One-time	1582				-		39	-
PIIs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT	1592	(22,039)	(648)	(22,687)	0	(24,216)	(1,165)	(255)
<b>LRAM Variance Account</b>								
	1568	24,124	202	(15,939)	(40,265)	Not yet available		
Retail Cost Variance Account - STR	1548	12,734	1,040	13,775	1	13,334	1,339	145
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	39,469	1,956	41,426	1	39,470	2,861	434
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	449	(1,617)	(1,168)	(0)	449	(1,607)	5
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	915	-	915	-	915	-	-
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component6	1575	(22,072)	-	(22,072)	-	-	-	-

b) Please provide for each Group 1 and Group 2 account, the interest costs for only 2016

Response:

Please see the table above for 9-VECC-42.

**9-VECC-43**

**Reference: E9/T1/S7/Table 9.5**

- a) If RSL transitioned to MIFRS in 2012 why were auditor fees of \$14,500 “due to MIFRS restatement” incurred in 2016?

Response:

This may be a question of definitions. In 2012, RSL adopted MIFRS in that we adopted the new useful lives for PP&E. Asset balances were restated, with the offsetting depreciation put in account 1575. Account 1575 was amortized between 2012 and 2015.

RSL adopted IFRS as of January 1, 2015. In accordance with the requirements under IFRS, 2014 financial statements were restated for comparative purposes. The amount of effort required by our auditors for the first IFRS statement was significant, and is the reason why the additional cost was put in the deferral and variance account.

#### **9-VECC-44**

**Reference: E9/T1/S10**

- a) As of December 31 (close) 2016 what is the accumulated depreciation with respect to the \$39,470 in Smart Meter MDM/R costs?

As of December 31, 2016, the accumulated depreciation is \$39,470.

#### **9-VECC-45**

**Reference: E9/T1/S11/ Request for New Variance Accounts**

- a) Is RSL seeking to establish an account or accounts to recover the difference between the current rates and the proposed rates for 2016?

RSL is not seeking to establish an account or accounts to recover the difference between the rates. RSL in this application has asked for rates effective January 1, 2017.