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September 28, 2005

To all electricity local distribution companies (“LDCs”) and interested parties

Re: Guidelines for Reviewing Variance and Deferral Accounts

The Ontario Energy Board has approved Guidelines for reviewing deferral and variance account balances of all electricity LDCs. These Guidelines establish a review process pursuant to Bill 23, the *Ontario Energy Board Consumer Protection and Governance Act*, 2003. The process consists of quarterly reviews for commodity accounts and annual reviews for non-commodity accounts.

A draft version of the Guidelines was issued for stakeholder consultation on August 8, 2005. Responses were received from Hydro One Networks Inc., the Coalition of Large Distributors, Oshawa PUC Networks Inc., Whitby Hydro Energy Services Corporation, the Electricity Distributors Association, Energy Cost Management Inc., School Energy Coalition, and Aegent Energy Advisors Inc.

The Guidelines were subsequently revised in accordance with stakeholder suggestions. These revisions are summarized in Appendix A.

Many stakeholder comments addressed matters that the Board believes can be clarified as the Board provides additional information and instructions to LDCs in the future (e.g. customer rate impact analysis, instructions and questionnaires, etc.). The Board therefore considers it premature to define a formulaic approach at this time.

The Board plans to follow the timelines outlined in Appendix C of the Guidelines for the quarterly reviews of commodity account balances. The first reviews will cover the first two quarters ending June 30, 2005.

The Guidelines are available on the web (www.oeb.gov.on.ca). The Board expects that the information provided for these reviews will be made available on the Board’s web site or through other means to interested parties.

Any questions regarding the Guidelines should be directed to Ben Baksh at 416-440-8128. The Board’s toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Attachment: Guidelines for Reviewing Electricity LDCs Variance and Deferral Accounts

APPENDIX A

Summary of Guidelines Revisions

No.	Stakeholder Comment	Guidelines Revision (Changes Italicized)
1.	The Board should schedule annual review and disposition concurrent with the annual rate adjustment process.	<p>Page 4 (3rd paragraph)</p> <p><i>The Board will determine whether and how the annual reviews of accounts will be integrated with other annual rate processes.</i></p>
2.	The Guidelines should provide that intervenor costs will be ordered in the normal course to those parties who are eligible and in compliance with the Board's normal rules on costs.	<p>Page 6 (Intervenor and Submissions)</p> <p>Intervenor will not <i>generally</i> be funded...</p> <p><i>The Board is willing to review an intervenor's eligibility for funding where a proceeding may involve an oral hearing, upon receiving a request.</i></p>
3.	The Board should reaffirm in the Guidelines that it will only make decisions under section 78 with respect to deferral and variance accounts on the basis of information that is available to the public.	<p>Page 6 (last section)</p> <p><u><i>Publication of Evidence</i></u></p> <p><i>The Board expects information provided for this process will be made available on the Board's web site or communicated through other means to interested parties.</i></p>
4.	The Guidelines should provide that the default allocation and recovery to customers are not conclusive, and that parties may propose alternate allocations or recovery mechanisms as part of the hearing process.	<p>Page 7 (Rate Class Allocation...)</p> <p><i>Accordingly, where there is a departure from the general allocation to all customers of an LDC, evidence will be required in support of this change.</i></p>
5.	An issue exists regarding whether commodity (1588 account) and wholesale market (1580 account) based rate riders should be included in the "Delivery" charge line, since these are not related to delivery services.	<p>Page 8 (Implementation of Rate Change)</p> <p><i>Rate riders will be included in customers' bills in the "Delivery" or other charge lines that are consistent with the requirements of the legislation and/or regulations.</i></p>