

Board Staff Supplemental Interrogatories
2010 IRM3 Electricity Distribution Rates
Erie Thames Powerlines Corporation ("Erie Thames")
EB-2009-0222

1. 2010 IRM Deferral Variance Account Recovery

Erie Thames filed an application on March 15, 2010 requesting that the Board review and approve the disposition of the December 31, 2008 balances of Group 1 Deferral and Variance accounts as defined by the EDDVAR Report. The total balance of the Group 1 accounts was originally reported as a credit of \$1,147,010 as shown below.

Account Description	Account Number	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
LV Variance Account	1550	225,700	22,176	247,876
RSVA - Wholesale Market Service Charge	1580	(905,374)	83,941	(821,433)
RSVA - Retail Transmission Network Charge	1584	(252,127)	22,061	(230,066)
RSVA - Retail Transmission Connection Charge	1586	(688,990)	(30,406)	(719,396)
RSVA - Power (Excluding Global Adjustment)	1588	483,813	622,421	1,106,234
RSVA - Power (Global Adjustment Sub-account)	1588	374,998	(10,728)	364,270
Recovery of Regulatory Asset Balances	1590	(2,424,924)	1,330,428	(1,094,496)
		<u>(3,186,903)</u>	<u>2,039,893</u>	<u>(1,147,010)</u>

On April 26, 2010 Erie Thames noted that the proposed balances for disposition did not reconcile to Erie Thames' RRR Filings. This was identified by Erie Thames in response to Board staff interrogatory #2b which is reproduced below.

	RRR Filing	2010 IRM Applied for	Difference	
1550	\$ 615,680.36	\$ 247,876.00	\$ 367,804.36	2008 LV Disposition Approval Moved
1580	\$ (655,515.16)	\$ (821,433.00)	\$ 165,917.84	Unbilled Adjustment
1584	\$ 89,621.29	\$ (230,066.00)	\$ 319,687.29	Unbilled Adjustment
1586	\$ (1,648,895.70)	\$ (719,396.00)	\$ (929,499.70)	\$1,089,907 Adj for Error & Unbilled
1588	\$ 2,951,883.94	\$ 1,106,234.00	\$ 1,845,649.94	Unbilled Adjustment
1588 GA	\$ 359,351.92	\$ 364,270.00	\$ (4,918.08)	Unbilled Adjustment
1590	\$ (209,865.88)	\$ (1,094,496.00)	\$ 884,630.12	\$884,360 ADJ for error
	\$ 1,502,260.77	\$ (1,147,011.00)	\$ 2,649,271.77	

On May 3, 2010 Board staff submitted that the final proposed balances for disposition no longer reconcile with previously audited balances nor with Erie Thames' RRR filings.

Further Board staff proposed that the Board might consider declaring the rate riders interim until the revised balances can be brought forward in a future application and supported by a third party audit.

On May 7, 2010 Erie Thames identified in its reply submission that a subsequent review of the Group 1 Deferral and Variance accounts had been completed and a revised continuity schedule was submitted for approval for disposition. The revised total balance of the Group 1 accounts was reported as a debit of \$1,954,190 as shown below.

Account Description	Account Number	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
LV Variance Account	1550	225,700	22,176	247,876
RSVA - Wholesale Market Service Charge	1580	(674,162)	86,974	(587,188)
RSVA - Retail Transmission Network Charge	1584	(25,868)	25,028	(839)
RSVA - Retail Transmission Connection Charge	1586	(491,069)	(27,810)	(518,879)
RSVA - Power (Excluding Global Adjustment)	1588	2,441,628	648,098	3,089,725
RSVA - Power (Global Adjustment Sub-account)	1588	374,998	(10,728)	364,270
Recovery of Regulatory Asset Balances	1590	(1,977,078)	1,336,302	(640,776)
		<u>(125,849)</u>	<u>2,080,039</u>	<u>1,954,190</u>

Erie Thames identified that the findings of its review of the variance between the audited 2008 amounts and the amount filed in the March 15, 2010 filed Deferral and Variance Account Recovery Workform determined that an unbilled amount was not taken into consideration and therefore should have been reversed resulting in an overstatement of the account balances. This is identified below.

UNBILLED REVENUE SUMMARY

For Quarterly end date December 31, 2004

	TOTAL
DISTRIBUTION (fixed & variable) \$	474,676.09
PILS \$	74,410.49
RSVA \$	89,167.12
DRC \$	227,327.27
RRA \$	35,321.98
WMC \$	195,889.85
TRANSMISSION CONNECTION \$	197,920.68
TRANSMISSION NETWORK \$	226,258.56
SSS \$	4,780.53
COST OF POWER \$	1,579,228.29
	<u>\$ 3,104,980.86</u>

Erie Thames also identified that in account 1550, that it had failed to transfer to account 1595 the Board approved amount for disposition of \$370,764 (\$342,769 of principal and \$27,995 of interest) that resulted from its 2008 Cost of Service application.

Erie Thames also identified a discrepancy in the balances related to account 1590. Erie Thames explains that sheet "5. 2nd interim Reg. Asset Rec." of the 2006 Regulatory Asset Recovery model that Erie Thames in effect double counted the \$447,846 of recovery dollars for January 1st, 2006 to April 30th, 2006.

- a) Please confirm that the final debit balance of Group 1 account of \$1,954,190 as presented in the May 7, 2010 reply submission is complete and accurate and a true representation of the final balance being applied for. If Erie Thames cannot confirm the final balance as \$1,954,190 please provide an updated balance with a revised supporting Deferral and Variance Account Recovery Workform. If applicable, please provide a detailed reconciliation between the confirmed final balance and the \$1,954,190 explaining all changes.
- b) Please provide a reconciliation between Erie Thames' 2008 audited Financial Statements and the balances shown "Total Closing Amounts as of Dec-31-08" (Cells AD25 through AD35) as found on sheet "C1.4 Reg Assets - Cont Sch 2008" of the May 7, 2010 or if necessary the replacement model from a) above.
- c) Please provide a continuity schedule that confirms Erie Thames' unbilled revenue entries made at the end of each year from 2005 to 2008, and reversal in the following year.
- d) Please explain in detail where the \$447,846 identified in the May 7, 2010 reply submission as January to April 2006 Interim recoveries as a double entry recording is derived from. Please include a confirmation that this amount is properly included in the final balance for disposition in a) above.
- e) Please confirm that Erie Thames has read and complied with the 2006 Regulatory Assets Transactions document issued September 4, 2009 (included in the Updated IRM Deferral and Variance Account Work Form zip file). If Erie Thames has not complied with these requirements please explain why not?