

**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.

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.

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.

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.

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.
- ***Erie Thames has found one necessary adjustment to the Group One account balances adjusting it to a debit balance of \$1,877,242. The adjustment relates to the 2006 revenue recovery dollars referenced in interrogatory response D in this document.***
 - ***Erie Thames in its May 7th, 2010 reply submission indicated that \$447,846 in revenue had already been recovered. In its review of this amount it was determined that a cell had been referenced incorrectly and that this amount***

was in fact \$371,895. The difference of \$75,951 is directly attributable to cell H61 of Tab 5. 2nd interim Reg. Asset Rec. in the 2006 Reg. Asset decision model, which is the sum of GS<50 kW April to December 2005 recovery revenues that was inadvertently included as 2006 revenue.

- Erie Thames has adjusted its Deferral and Variance Account Recovery Workform and included it in this submission.**

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.

	Total Closing Accounts as of Dec-31-08			2008 Audit	Difference	
	Total	Interest 2008	Grand Total			
1550 LV Variance Account	225,701.00	19,216.00	244,917.00	615,680.00	370,763.00	Transfer of Board Approved Amounts to 1595
1580 WMS Charge	(674,162.54)	95,815.00	(578,347.54)	(653,490.00)	(75,142.46)	Differences resulting from 2006 Reg Asset Approval with Hydro One amounts
1584 Network Charge	(25,868.67)	25,368.00	(500.67)	(75,330.00)	(74,829.33)	Differences resulting from 2006 Reg Asset Approval with Hydro One amounts
1586 Connection Charge	(491,069.56)	(21,369.00)	(512,438.56)	(558,988.00)	(46,549.44)	Differences resulting from 2006 Reg Asset Approval with Hydro One amounts
1588 Power Account	2,441,628.26	616,076.00	3,057,704.26	2,951,884.00	(105,820.26)	Differences resulting from 2006 Reg Asset Approval with Hydro One amounts
1588 Global Adj Account	374,999.00	(15,647.00)	359,352.00	359,352.00	-	
1590 Recovery	(2,053,029.86)	1,362,231.00	(690,798.86)	(741,103.00)	(50,304.14)	Differences resulting from 2006 Reg Asset Approval with Hydro One amounts
	(201,802.37)	2,081,690.00	1,879,887.63	1,898,005.00	18,117.37	

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.

	2010 IRM DefVar Filing Amounts No Unbilled ADJ				
	2005	2006	2007	2008	Total
1550 LV Variance Account	-	342,769.00	155,399.00	(230,697.48)	267,470.52
1580 WMS Charge	398,912.63	(500,849.00)	(488,624.00)	(108,523.04)	(699,083.41)
1584 Network Charge	55,527.77	(91,841.00)	75,966.00	(141,517.72)	(101,864.95)
1586 Connection Charge	18,119.76	(143,857.00)	(236,456.00)	(164,956.92)	(527,150.16)
1588 Power Account	1,255,620.97	(346,034.00)	548,389.00	1,087,112.03	2,545,088.00
1588 Global Adj Account	(567,222.00)	752,671.00	(45,015.00)	304,715.85	445,149.85
1590 Recovery	-	(541,464.82)	(1,115,845.00)	(1,085,188.00)	(2,742,497.82)
	1,160,959.13	(528,605.82)	(1,106,186.00)	(339,055.28)	(812,887.97)

Unbilled					
	2004	2005	2006	2007	2008
1550 LV Variance Account			-	30,783.21	41,769.52
1580 WMS Charge	231,211.83	229,878.57	294,714.23	197,639.53	206,290.96
1584 Network Charge	226,258.56	180,516.37	248,643.82	146,592.07	150,262.28
1586 Connection Charge	197,920.68	157,739.74	220,442.46	140,690.59	161,840.08
1588 Power Account	1,579,228.29	2,168,985.76	2,377,076.52	1,461,053.14	1,682,688.03
1588 Global Adj Account	-		169,381.81	84,527.00	70,150.85
1590 Recovery	89,167.12	88,180.82	124,569.45	129,111.32	-
	2,323,786.48	2,825,301.26	3,434,828.30	2,190,396.86	2,313,001.72
	501,514.78	609,527.04	(1,244,431.44)	122,604.86	Change in Unbilled
Principal Amounts Analysis with Unbilled Adjustments					
	2005	2006	2007	2008	Total
1550 LV Variance Account	-	342,769.00	124,615.79	(241,683.79)	225,701.00
1580 WMS Charge	400,245.89	(565,684.66)	(391,549.30)	(117,174.47)	(674,162.54)
1584 Network Charge	101,269.96	(159,968.45)	178,017.75	(145,187.93)	(25,868.67)
1586 Connection Charge	58,300.70	(206,559.72)	(156,704.13)	(186,106.41)	(491,069.56)
1588 Power Account	665,863.50	(554,124.76)	1,464,412.38	865,477.14	2,441,628.26
1588 Global Adj Account	(567,222.00)	583,289.19	39,839.81	319,092.00	374,999.00
1590 Recovery	986.30	(577,853.46)	(1,120,386.87)	(956,076.68)	(2,653,330.70)
	659,444.35	(1,138,132.87)	138,245.44	(461,660.14)	(802,103.21)

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.

- The \$447,846 identified in the May 7th, 2010 reply submission as January to April 2006 interim recoveries is derived from the fact that in ETPL's initial filing of its DefVar Model an amount of \$913,359 was included as revenue for 2006 in the calculation of its 1590 account. This amount includes revenue for January to April 2006, however an amount was already included as revenue for this account in the 2006 Reg Asset model. In Tab 5. 2nd interim Reg. Asset Rec. revenue amounts were recorded for this time period and this amount was offset against the approved amount thereby recognizing the revenue at that time. By including all of its 2006 revenues in the DefVar model Erie Thames had overstated its recovery amounts by including revenues that had already been offset against approved amounts.*

- ***In the DefVar model Erie Thames input its total recoveries from the 2006 Reg Asset Model in cell U46 of Tab B1.1 in the amount of \$2,390,665 which includes the first four months of revenues from 2006. The revenue for these four months was also included in Tab C1.2 cell J34 as well in ETPL's original DefVar model.***
 - ***The \$447,846 was calculated by summing the amounts in tab 5 detailed as revenue for the first four months of 2006 by rate class. As referenced in response to interrogatory A this amount has been adjusted to correct a cell reference error and is now \$371,895.***
- 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?
- ***ETPL has read and complied with the 2006 Regulatory Assets Transactions document issued September 4th, 2009.***