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BY E-MAIL

April 17, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Ste. 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Essex Powerlines Corporation (“Essex”)
2012 IRM3 Distribution Rate Application
Comments on Draft Rate Order
Board File No. EB-2011-0166**

Please find attached Board Staff’s comments on draft Rate Order filed by Essex Powerlines Corporation on April 11, 2012. Please forward the comments to Essex Powerlines Corporation and to all other registered parties to this proceeding.

Sincerely,

Original signed by

Sunny Swatch
Analyst – Applications & Regulatory Audit

Encl.

**Essex Powerlines Corporation (“Essex”)
2012 IRM Application (EB-2011-0166)**

Board Staff Comments on Draft Rate Order

In accordance with the Board's Decision and Order (the “Decision”) in the above noted proceeding, Board staff has reviewed Essex's draft Rate Order dated April 11, 2012, including the models and draft Tariff of Rates and Charges. Board staff has several concerns with the material filed.

The first of Board staff's concerns is in relation to the rate riders for the lost revenue adjustment mechanism (“LRAM”). In its Decision, the Board approved an LRAM claim of \$297,952.72 representing lost revenues from 2006 to 2009 CDM programs, including persistence, to be recovered from ratepayers over a one year period. This claim corresponded to the evidence submitted by Essex in its Reply Submission.¹ Essex's LRAM rate riders as submitted in its draft Rate Order deviate from the rate riders submitted in its Reply Submission. Please see Table 1 below for further details. Board staff submits that the LRAM rate riders as calculated in Essex's Reply Submission are reflective of the Board's Decision. Accordingly, Board staff submits that the Rate Generator Model and draft Tariff of Rates and Charges should be corrected using these rate riders.

Table 1

Customer Class	2010 RRR	Units	LRAM	Proposed Rate Rider as per Essex's Reply Submission	Proposed Rate Rider as per Essex's Draft Rate Order
Residential	280,065,614	kWh	\$263,423.15	\$0.0009	\$0.0008
GS Less Than 50 kW	72,544,120	kWh	\$17,700.13	\$0.0002	\$0.0007
GS 50 to 2,999 kW	481,982	kW	<u>\$16,829.44</u>	\$0.0349	\$0.0321
			\$297,952.72		

Board staff's second concern relates to Essex's ED Disposition 1562 Balance Excel Worksheet which is used to determine the balance of PILs account 1562. The Board's Decision directed Essex to use the 2006 EDR volumetric billing determinants for the GS>50 kW classes in order to calculate the PILs recoveries from customers for 2003, 2004, 2005 and the four months of 2006. The Board's findings did not direct Essex to make the various changes to the PILs 1562 worksheets for PILs rate slivers and volumetric billing determinants that Essex actually made in its Reply Submission. In Board staff's view the starting point in implementing the Board's Decision with respect to

¹ EB-2011-0166, Final Reply Submission, p.7

account 1562 should be to use the ED Disposition 1562 Balance Worksheet as originally filed by Essex on November 4, 2011.

Further, Board staff submits that Essex should make the following corrections to the ED Disposition 1562 Balance Worksheet as originally filed by Essex on November 4, 2011.

1. Change the 2001 true-up amount in this model in tab *E1.1 Disp of 1562 Balance* to -\$41,669 which Essex filed in reply to interrogatories.²
2. Adjust the volumes for all GS>50 kW classes and change the formulas for the GS>50 kW classes so that the formulas are rate slivers multiplied by volumes equals dollars. No other volumetric billing determinants or rate slivers should be changed.
3. The 2003 billing determinants for the GS>50 kW Intermediate class should be 31,683 kW.³ Essex used 22,414 kW.
4. The 2004 billing determinants for the GS>50 kW Intermediate class should be 18,760 kW.⁴ Essex used 17,220 kW.
5. Essex has not dealt with the unbilled revenue accrual as at April 30, 2006 in its revised evidence for the GS>50 kW classes. Essex should have calculated the billing determinants for the period January through April 30, 2006 by multiplying 4/12^{ths} times the 2005 volumes for GS>50 kW class as follows.
 - a. GS>50 kW - 50 to 2,999 kW class : $496,316 \text{ kW} \times 4/12 = 165,439 \text{ kW}$.
Essex used 164,029 kW.

Essex did not pro-rate the volumes for the GS>50 kW Intermediate class. Board staff has shown what this calculation would be.

- b. GS>50 kW - 3,000 to 4,999 kW class: $30,586 \text{ kW} \times 4/12 = 10,195 \text{ kW}$.
Essex used 3,090 kW
6. Essex made the following statement in its reply submission:

“Essex’s evidence included the actual PILs amounts collected from customers as recorded in its general ledger account 1562. The billing data for 2003 to 2004 was not accessible due to a hardware failure that supported the prior billing system that was used up to March 31, 2005. This data is not available to verify the accuracy of the 2006 rate filing numbers either.”

² 2001 SIMPIL model filed on 01/25/2012.

³ 2006 EDR application model, tab 6-2 DEMAND, RATES (Input).

⁴ 2006 EDR application model, tab 6-2 DEMAND, RATES (Input).

Board staff submits that given Essex' comment above, Essex' general ledger data is not reliable for the purposes of determining the recoveries from customers. The purpose of the statistical exercise suggested by Board staff of multiplying the Board approved PILs rate slivers times the billing determinants is to determine an appropriate proxy for the calculation of the recoveries from customers, in the absence of reliable actual data.

7. In the draft Rate Order material, Essex provided evidence that it collected \$1,401,748,649 from customers. It is Board staff's view this figure must reflect a substantial error given the order of magnitude. Below is an excerpt of tab D1.1 "Total PILs Recovered (2)" of the ED Disposition 1562 Balance Worksheet as submitted by Essex on April 11, 2012.

Table 2

Tab D1.1 Total PILs Recovered (2)	
Rate Class	PILs Recovered Total
Residential	\$1,096,308,950
General Service Less Than 50 kW	\$293,228,051
General Service 50 to 2,999 kW	\$2,032,983
General Service 3,000 to 4,999 kW	\$91,633
Unmetered Scattered Load	\$9,993,543
Sentinel Lighting	\$5,888
Street Lighting	\$87,600
	<u>\$1,401,748,649</u>

It is unclear to Board staff how Essex is proposing to use the \$1.4 billion figure. Board staff requests that Essex explain how recoveries totaling \$1.4 billion should be used by the Board to determine its draft Rate Order. Board staff submits that this is another example of how Essex's argument to use general ledger dollar amounts is not supported by the various pieces of evidence that it has filed in this proceeding.

8. On April 11, 2011 Essex filed additional untested statistical evidence in its draft Rate Order. Essex proposed to use this data rather than to prepare its draft Rate Order by following the direction given by the Board in its Decision. Essex stated the following:

"The Board directed Essex to use the 2006 EDR volumetric billing determinants for the GS>50 kW Class in order to calculate the PILs collections for 2003, 2004, 2005 and the four months of 2006. Essex has completed these changes in its model but would like to clarify the amounts used for the four months of 2006.

Board Staff proposed to Essex to use the first 3 months of 2005 as a proxy for the first four months of 2006. Essex proposed to use 4/12ths of the total 2004

kW consumption of 2004 as a better indicator of the usage in this time period. This provided billing determinant values of 165,439 kW for GS>50 and 6,253 kW for GS>3,000 to 4,999.

Upon further investigation, Essex was able to determine the monthly billing data that matched the 2004 billing data submitted for the 2006 rate filing for these rate classes except this information does not include unbilled revenue for the period ending April 2004. The unbilled adjustment for this period was estimated to be 10% of the April billing data. This is provided in a chart below. Essex has used this data to determine the first four months estimated amount to use which is 164,029 kW for GS>50 and 3,090 kW for GS>3,000 to 4,999.”

In its 2010 application EB-2009-0143, Essex provided a load forecast that showed its actual 2006 load in the GS>50 - 3,000 to 4,999 kW class to be 20,558 kW.⁵ Essex had the opportunity earlier in the current proceeding to provide the Board with reliable evidence to support its case. Essex has not explained how the new statistic of 3,090 kW for the four months of 2006 January 1st to April 30th can be relied on when compared to 20,558 kW for the whole year.

Board staff submits that Essex has submitted untested evidence in its draft Rate Order and that the Board should rely on tested evidence filed by Essex earlier in the current proceeding to make its final Order. Based on a preliminary run by Board staff using the continuity schedule filed by Essex on November 4, 2011, adjusting to reflect the Board's findings, and adjusting for the corrections noted by Board staff above in items 1 to 5, Board staff has calculated a revised credit balance of \$122,770 including carrying charges to April 30, 2012. Essex should confirm this calculation in its final reply.

Other than the corrections to LRAM rate riders and the calculations of PILs recovered from customers, Board staff has no further concerns with Essex's draft Rate Order.

- All of which is respectfully submitted -

5 EB-2009-0143/ JC.Ratemaker.2010EDR.23Sep09.4yrPhase.xls/ Tab C1.LoadForecast.