

**Essex Powerlines Corporation
EB-2014-0072 Price Cap IR Application & EB-2014-0301 Smart Meter Application
Board staff Interrogatories**

Price Cap IR Application

Interrogatory #1

Tab 5 – 2014 Continuity Schedule

Board staff notes that Essex Powerlines has not entered the Group 1 Deferral and Variance Account amounts, both principal and interest, approved for disposition in its 2012 IRM proceeding (EB-2011-0166) into the Rate Generator Model. Board staff notes that the amounts should be input into columns AA and IA, respectively.

Board staff also notes that Essex Powerlines has not input projected interest from January 1, 2014 to December 31, 2014 and projected interest from January 1, 2015 to April 30, 2015 (columns BC and BD, respectively) for Account 1551 – Smart Metering Entity Charge Variance.

- (A) If Essex Powerlines agrees, please confirm and provide the correct figures, and Board staff will make the necessary corrections to the model.
- (B) If Essex Powerlines does not agree with one or both points made above, please provide an explanation for the discrepancy.

Interrogatory #2

Tab 5 – 2014 Continuity Schedule

Board staff is unable to reconcile the figures entered in the column “Interest Disposition during 2014 – instructed by Board” (i.e. column AZ).

Board staff notes that the figures entered should be those found in Essex Powerlines’ 2014 IRM Decision and Rate Order, issued March 13, 2014, page 6 (EB-2013-0128).

- (A) Please confirm if Essex Powerlines agrees, and Board staff will make the necessary corrections to the Rate Generator Model.
- (B) If the answer to (A) is no, please provide an explanation for the discrepancy.

Interrogatory #3

Tab 6 – Billing Det. for Def-Var

Rate Class	Unit	Metered kWh	Metered kW
RESIDENTIAL	\$/kWh	251,655,122	
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	65,841,765	
GENERAL SERVICE 50 TO 2,999 KW	\$/kW	170,033,148	445,345
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW		
UNMETERED SCATTERED LOAD	\$/kWh	1,581,327	
SENTINEL LIGHTING	\$/kW	323,368	903
STREET LIGHTING	\$/kW	6,259,173	18,995
microFIT			
Total		495,693,903	465,243

Board staff is unable to reconcile the figures entered above for the General Service Less than 50 kW and General Service 50 to 2,999 kW rate classes to Essex Powerlines' RRR data or previous cost of service Board-approved load forecast (EB-2009-0143).

(A) Please provide an explanation for the figures entered.

(B) If changes are required, please confirm the correct figures and Board staff will make the necessary corrections to the model.

Interrogatory #4

Tab 9 – STS - Billing Det & Rates

Rate Class	Units	Re-based Billed Customers or Connections	Re-based Billed kWh	Re-based Billed kW (if applicable)	2010 Base Monthly Service Charge	2010 Base Distribution Volumetric Rate kWh	2010 Base Distribution Volumetric Rate kW
RESIDENTIAL	\$/kWh	25,902	271,379,498		12.55	0.0158	0.0000
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	1,852	72,012,960		20.59	0.0080	0.0000
GENERAL SERVICE 50 TO 2,999 KW	\$/kW	222	196,386,718	467,092	300.00	0.0000	3.2000
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW				1993.42	0.0000	2.2579
UNMETERED SCATTERED LOAD	\$/kWh	151	1,605,371		8.91	0.0288	0.0000
SENTINEL LIGHTING	\$/kW	168	390,941	1,076	2.05	0.0000	6.1499
STREET LIGHTING	\$/kW	2,643	5,929,910	18,024	1.75	0.0000	5.0224

Board staff notes that the figures entered in columns "2010 Base Distribution Volumetric Rate kWh" and "2010 Base Distribution Volumetric Rate kW" do not reconcile to the rates as found in Essex Powerlines' previous cost of service Rate Order (EB-2009-0143).

(A) Please provide an explanation for the discrepancies.

(B) If changes are required, please provide the correct figures, and Board staff will make the necessary corrections to the model.

Interrogatory #5

Tab 11 – STS - Tax Change

Board staff is unable to reconcile the tax impact amount entered on tab 9 of the model (column L, row 34) to Essex Powerlines' previous Revenue Requirement Work Form. Board staff notes that the figure entered in the 2015 Rate Generator Model is \$387,023. Board staff notes that the figure should be \$382,636.

- (A) Please confirm if Essex Powerlines agrees with Board staff, and staff will make the necessary corrections to the model.
- (B) If the answer to (A) is no, please provide an explanation for the discrepancy.

Interrogatory #6

Tab 15 – RTSR – UTRs & Sub-Tx

Board staff notes that the Hydro One Sub-Transmission Rate Rider 9A expires on December 31, 2014 and therefore the rates should be removed. Board staff will make the necessary corrections to the model on Essex Powerlines' behalf.

Please confirm that Essex Powerlines agrees to this change.

Interrogatory #7

Tab 16 – RTSR – Historical Wholesale

Hydro One	Network			Line Connection			Transformation Connection			Total Line
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount
January	83,107	\$3.18	\$ 264,280	83,107	\$1.63	\$ 135,464	41,445	\$0.70	\$ 29,012	\$ 164,476
February	74,498	\$3.18	\$ 236,904	75,598	\$1.63	\$ 123,225	36,508	\$0.70	\$ 25,556	\$ 148,780
March	69,219	\$3.18	\$ 220,116	71,965	\$1.63	\$ 117,303	34,516	\$0.70	\$ 24,161	\$ 141,464
April	64,548	\$3.18	\$ 205,263	71,791	\$1.63	\$ 117,019	31,283	\$0.70	\$ 21,898	\$ 138,917
May	95,102	\$3.18	\$ 302,424	95,101	\$1.63	\$ 155,015	44,945	\$0.70	\$ 31,461	\$ 186,476
June	111,472	\$3.18	\$ 354,482	113,175	\$1.63	\$ 184,476	53,200	\$0.70	\$ 37,240	\$ 221,716
July	99,526	\$3.18	\$ 316,493	100,107	\$1.63	\$ 163,174	32,061	\$0.70	\$ 22,443	\$ 185,617
August	103,566	\$3.18	\$ 329,340	104,824	\$1.63	\$ 170,863	32,191	\$0.70	\$ 22,533	\$ 193,396
September	126,843	\$3.18	\$ 403,360	127,323	\$1.63	\$ 207,537	58,896	\$0.70	\$ 41,227	\$ 248,765
October	78,028	\$3.18	\$ 248,129	79,580	\$1.63	\$ 129,715	35,176	\$0.70	\$ 24,623	\$ 154,338
November	83,399	\$3.18	\$ 265,209	83,478	\$1.63	\$ 136,070	43,807	\$0.70	\$ 30,665	\$ 166,735
December	91,399	\$3.18	\$ 291,077	91,877	\$1.63	\$ 149,673	47,951	\$0.70	\$ 33,342	\$ 183,015
Total	1,080,707	\$ 3.18	\$ 3,437,076	1,097,926	\$ 1.63	\$ 1,789,534	491,979	\$ 0.70	\$ 344,162	\$ 2,133,696

Board staff notes that Essex Powerlines has reversed the Hydro One Sub-Transmission rates applicable for line connection and transformation connection. The applicable line connection rate is \$0.70 and the transformation connection rate is \$1.63.

Please confirm that Essex Powerlines agrees, and Board staff will make the necessary corrections to the model.

Interrogatory #8

Chapter 3 of the Filing Requirements note that distributors must establish separate rate riders to recover the balances in the RSVAs from Wholesale Market Participants (“WMPs”) who must not be allocated the RSVA account balances related to charges for which the WMPs settle directly with the IESO (e.g. wholesale energy, wholesale market services).

Chapter 3 of the Filing Requirements also note that “distributors who serve Class A customers per O.Reg 429/04 (i.e. customers greater than 5 MW) must propose an appropriate allocation for the recovery of the global adjustment variance balance based on their settlement process with the IESO.

- (A) Please confirm that Essex Powerlines does not serve any WMPs or Class A customers.
- (B) If Essex Powerlines serves class A customers, please provide the allocation of GA costs for class A and class B customers and a calculation the associated rate riders to dispose of balances in account 1589.
- (C) If Essex Powerlines serves WMPs, please provide a calculation of Deferral and Variance account rate riders that will not allocate balances in the RSVAs to WMPs.

Interrogatory #9

Manager’s Summary, Exhibit 1, Tab 2

Essex Powerlines notes that “due to the loss of one of the two customers in EPLCs intermediate rate class in 2014, EPLC analyzed the current usage compared to the latest Board approved volumetric forecast. While all other classes have not changed significantly, the intermediate class has decreased by 100%...Due to these facts EPLC has changed the volumetric data used for the intermediate class to ensure the allocation of the tax sharing, deferral and variance and RTSR rate riders are more accurately applied.”

Board staff notes that section 3.4 of Chapter 3 of the *Filing Requirements for Electricity Distribution Rate Applications* lists loss of customer load as a specific exclusion from the IRM rate application process.

- (A) Please explain the nature of the adjustment to Essex Powerlines’ load forecast.
- (B) Please confirm if Essex Powerlines has reallocated the amounts to other rate classes that were accrued by its Intermediate rate class with respect to deferral and variance accounts, tax-savings, RTSR etc. If yes, please explain why Essex Powerlines believes this is appropriate.

Smart Meter Application

Interrogatory #10

Application, pages 1, 5, 11 – Smart Meters

On page 1, under its Overview, Essex Powerlines states, for para. 2:

Essex Powerlines is filing this Application for cost recovery of costs incurred by it as part of the Smart Meter Initiative. The cost recovery is based on actual audited costs incurred to December 31, 2011 and forecasted OM&A costs to December 31, 2011.

- (A) Why are the actual costs stated as being “audited” to December 31, 2011 while reference is made to “forecasted OM&A costs to December 31, 2011”? Why wouldn’t all such costs be audited actuals by now?
- (B) In Tables 2, 3 and 4 of the Application, shown on page 5, Essex Powerlines also shows that it is not seeking recovery of smart meter costs for the period 2012-2014 inclusive. Further, in para. 33 on page 11, Essex Powerlines states that it has not included capital and OM&A costs post-2011 related to growth. Why is Essex Powerlines not seeking recovery of smart meter costs from January 1, 2012 to December 31, 2014 in this Application?
- (C) How is Essex Powerlines proposing that 2012-2014 smart meter costs be treated in its application for 2016 rates, particularly for OM&A costs that will be “out of period” for the 2016 test year?
- (D) How does Essex Powerlines propose that costs for the 2015 rate year related to capital-related and OM&A cost recovery will be recovered in rates through its bifurcated proposal?
- (E) If Essex Powerlines is proposing that the smart meter recovery in the Application is not “final”, as expected by the Board in *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition*, issued December 15, 2011, please explain Essex Powerlines’ rationale for its proposal in this Application.

Interrogatory #11

Application, page 5 – Stranded Meters

In para. 9, Essex Powerlines states that it is not seeking recovery of the residual NBV of conventional analog meters stranded by smart meter deployment in the Application, but will seek recovery in its 2016 Cost of Service Application expected to be filed early in 2015. Essex Powerlines states that it maintains these stranded meters in its rate base until it rebases its rates for 2016.

- (A) Please confirm that Essex Powerlines continues to depreciate its stranded conventional meters, as these remain in rate base and Essex Powerlines’ approved rates continue to

recover the return of capital (i.e., depreciation expense) and return on capital. In the alternative, please explain Essex Powerlines' treatment.

- (B) Please provide Essex Powerlines' estimate of the remaining net book value of stranded meters as of December 31, 2015, assuming that it will rebase its rates for 2016.

Interrogatory #12

Application, page 7 – Stranded Meters

In para. 7, Essex Powerlines states that it contracted its existing recycling contractor for disposal of the stranded conventional meters.

Please indicate whether there are any net salvage costs and, if so, how these are being accounted for in the net book value of stranded conventional meters.

Interrogatory #13

Application, pages 11-12 – Smart Meter Costs for Customer-Provided Equipment

Please provide a brief explanation of the nature of the OM&A and capital costs incurred related to repair or replace customer-provided equipment as documented in para. 36 and the table following that paragraph.

Interrogatory #14

Application, pages 10-11 – Beyond Minimum Functionality Costs

In para. 31 a., Essex Powerlines states that \$30,441 of capital costs beyond minimum functionality were reclassified as OM&A expenses beyond minimum functionality. These included costs for web presentment, MDM/R integration, TOU billing.

Para. 35 states that those costs were for "meter set up and consultation costs for integration with the MDMR".

Please provide further explanation of why these costs were reclassified and expensed rather than capitalized as originally reported in Essex Powerlines' RRR filings.

Interrogatory #15

Ref: Smart Meter Model, Version 4.0 – OM&A Costs related to Minimum Functionality

Please provide further explanation of the Program Management Costs totalling \$84,615 for 2009 and 2010 (Row 90 of Sheet 2 – 1.5.5 Program Management).

Interrogatory #16

Ref: Application, page 13 and Smart Meter Model, Version 4.0 – Tax/PILs Rates

In para. 40, Essex Powerlines states:

The WACC and the tax rates used in the smart meter model match those approved by the Board for Essex Powerlines. The tax rates used are based on the best information available at the time of this filing.

Board staff has prepared the following table documenting the aggregate Federal and Provincial tax/PILs rates from sheet 3 of the Smart Meter Model and those from Essex Powerlines' recent IRM applications. The tax rates in prior year rate applications have been taken from Essex Powerlines' final Revenue Requirement Work Form for its 2010 Cost of Service application EB-2009-0143, and from the final tax sharing spreadsheets in other years when rates were adjusted through the price cap formula.

Year	2008	2009	2010	2011	2012	2013	2014
Smart Meter Model – Sheet 3, Row 40							
	33.50%	33.00%	31.00%	28.25%	26.25%	26.50%	26.50%
IRM/COS Application	EB-2007-0878 (IRM)	EB-2008-0174 (IRM)	EB-2009-0143 (COS)	EB-2010-0082 (IRM)	EB-2011-0166 (IRM)	EB-2012-0123 (IRM)	EB-2013-0128 (IRM)
	33.50%	33.00%	31.00%	25.34%	23.55%	23.70%	23.70%

- (A) Please confirm or correct the numbers shown in the table above.
- (B) Please explain any discrepancies between the tax/PILs rates input into the Smart Meter model and those approved in Essex Powerlines' previous Cost of Service and IRM rates applications.
- (C) If necessary, and in conjunction with the following Board staff interrogatory, please update the Smart Meter Model with corrected aggregate tax/PILs rates.

Interrogatory #17

Ref: Smart Meter Model, Version 4.00

Essex Powerlines' proposed SMDRs and SMIRRs are reproduced in the following table:

	SMDR	SMIRR
Recovery Period	12 months (January 1 to December 31, 2015)	January 1, 2015 until the effective/implemented dates for Essex Powerlines' next cost of service based rates.
Residential	(\$1.15)	\$1.11
GS < 50 kW	\$10.49	\$3.81

Board staff observes that Essex Powerlines has used the Board-issued Smart Meter Model Version 4.0, applicable to 2014 filers, in this Application. This model calculates the deferred revenue requirement, SMDRs and SMIRRs based on a 2014 test year.

The Board made Smart Meter Model Version 5.0 available on its website as part of the Filing Requirement for 2015 rate applications, and these were made available no later than July 18, 2014. The Version 5.0 model adds one extra year and thus would calculate the deferred revenue requirement, 2015 incremental revenue requirement and SMDRs and SMIRRs to recover these amounts based on a 2015 test year.

- (A) Please explain why Essex Powerlines has not used Smart Meter Model Version 5.0 in preparing this Application.
- (B) As necessary, and taking into account the interrogatories asked by Board staff and other parties, and Essex Powerlines' responses to these interrogatories, please provide a populated version of Smart Meter Model Version 5.0 in working Microsoft Excel format showing the resulting SMDRs and SMIRRs based on a 2015 test year.

Interrogatory #18

Effective Dates and Recovery Periods for Smart Meter Rate Riders

Essex Powerlines is requesting SMDRs and SMIRRs to be effective January 1, 2015 and recoverable over a period of 12 months, as Essex Powerlines is expected to file a cost of service application in April of 2015 for rates effective January 1, 2016.

Essex Powerlines also currently has a Price Cap IR application before the Board for rates effective May 1, 2015.

Staff notes that Essex Powerlines filed its Smart Meter Application on September 28, 2014 for rates effective January 1, 2015. Staff notes that the standard time to process an application of this nature is 185 days.

Please provide the calculation of and proposed recovery periods for the SMDRs and SMIRRs if these were to be implemented along with adjusted distribution rates proposed to be effective May 1, 2015 as proposed elsewhere in the 2015 Price Cap IR portion of this Application.