

**Essex Powerlines Corporation**  
**EB-2014-0072 Price Cap IR Application & EB-2014-0301 Smart Meter Application**  
**Response to Board Staff Submission December 15, 2014**

**Price Cap IR Application**

**Tab 5 – 2014 Continuity Schedules**

Board staff noted that there was a large swing in the credit balance of the 1589 account. Essex also has a large swing in the debit balances for the 1588 account. Together these accounts do not have a large balance but they are settled with different types of customers.

Essex investigated the balances in the 1588 and 1589 accounts and discovered an error in the allocation of the Global Adjustment from the IESO and Hydro One Networks power billings to the RPP and non RPP customers for 2011, 2012 and 2013. The error was not allocating enough to the non RPP class resulting in a large credit building for those customers and an offsetting debit for the RPP customers. Table 1 shows the actual coded split amounts versus the correct coding which results in a credit of \$11,589,011 to the 1588 account and a debit of \$11,589,011 to the 1589 account.

**Table 1** – Shows the calculation of the Global Adjustment:

	Billed Consumption		IESO				HYDRO ONE				Coding Adjustment	
			Actual Coded		Revised Coding		Actual Coded		Revised Coding			
	Total	Revised Non-RPP %	Non-RPP	RPP	Non-RPP	RPP	Non-RPP	RPP	Non-RPP	RPP	Non-RPP	RPP
2011	567,937,761	44.1%	6,911,410	13,513,308	9,150,301	11,274,416	1,360,378	-	682,650	677,727	1,561,164	- 1,561,164
2012	564,198,718	40.9%	3,210,257	19,523,689	9,432,289	13,301,658	4,482,265	-	1,877,820	2,604,445	3,617,586	- 3,617,586
2013	540,268,118	41.2%	1,471,029	25,294,717	11,122,215	15,643,531	5,593,614	-	2,361,690	3,231,924	6,419,261	- 6,419,261

These adjustments do not change the overall balance of the RSVA's but they do change the allocation between RPP and Non-RPP customers. These adjustments also resulted in a reallocation of interest charges between the Cost of Power RSVA and the Global Adjustment RSVA (see Table 2 below)

**Table 2**

	Interest Adjustment	
	Non-RPP	RPP
2011	1,905	- 1,905
2012	4,447	- 4,447
2013	7,881	- 7,881

Essex has made corrections to the continuity schedule to reflect the proper balances. These corrections have been added in the continuity schedule under “adjustments” in 2013 (cells AQ29 & AQ30).

These changes result in a credit to the RPP customers and a debit for the non RPP customers in the model. When these adjustments are flowed through the model, the bill impacts for the non RPP customers are well over the threshold of 10% (see table 3 below):

**TABLE 3 - 2015 NON RPP BILL IMPACTS w 1 YEAR RECOVERY**

Rate Class	kWh	kW	Distribution Bill Impact		Total Bill Impact	
			\$	%	\$	%
Residential	800	0	0.27	1.08%	61.93	66.12%
GS<50	2,000	0	0.89	1.56%	155.70	71.02%
GS 50 - 2,999	1,198,113	2,968	60.66	1.00%	94,446.97	79.35%
UMSL	2,000	0	0.93	1.41%	155.74	68.97%
Sentinel Lights	36	0.1	0.07	1.60%	2.86	39.08%
Street Lights	36	0.1	0.07	1.65%	2.62	36.08%

Essex is recommending to the Board that this impact be mitigated by only disposing of 25% of the overall \$11,589,011 Global Adjustment Entry to the non RPP customers each year for the next 4 years and 50% of the overall change to the RPP accounts. An adjustment of 100% of the RPP account amount will create some cash flow issues for Essex.

These adjustments result in total bill impacts over 10% for most of the non RPP customer classes but a further delay would result in higher adjustments in future years. To achieve a non RPP rate that was an approximate 50% reduction in the current tariff rate, an adjustment of \$ 13,237,909 was required in the model in cell AR30. With these changes, Essex forecasts that the balance in Account 1589 for 2014 will be \$10,304,098 and the forecasted balance for Account 1588 will be a credit of \$6,826,822.

Bill impacts for the 4 years (2015 – 2018), shown in tables 4, 5, 6 & 7, which incorporate this proposal for the years 2015 to 2018, are below for the Board's review.

TABLE 4: 2015 NON RPP BILL IMPACTS w RATE RIDERS PER PROSPOSAL						
Rate Class	kWh	kW	Distribution Bill Impact		Total Bill Impact	
			\$	%	\$	%
Residential	800	0	0.27	1.08%	13.44	14.35%
GS<50	2,000	0	0.89	1.56%	34.47	15.72%
GS 50 - 2,999	1,198,113	2,968	34.03	1.02%	11,223.63	9.94%
UMSL	2,000	0	0.93	1.41%	34.51	15.28%
Sentinel Lights	36	0.1	0.07	1.60%	0.69	9.44%
Street Lights	36	0.1	0.07	1.65%	0.62	8.52%

TABLE 5: 2016 NON RPP BILL IMPACTS w RATE RIDERS PER PROSPOSAL						
Rate Class	kWh	kW	Distribution Bill Impact		Total Bill Impact	
			\$	%	\$	%
Residential	800	0	0.27	1.08%	14.74	13.59%
GS<50	2,000	0	0.89	1.56%	37.73	14.72%
GS 50 - 2,999	1,198,113	2,968	60.66	1.00%	21,161.27	14.61%
UMSL	2,000	0	0.93	1.41%	37.77	14.37%
Sentinel Lights	36	0.1	0.07	1.60%	0.73	9.16%
Street Lights	36	0.1	0.07	1.65%	0.68	8.60%

TABLE 6: 2017 NON RPP BILL IMPACTS w RATE RIDERS PER PROSPOSAL						
Rate Class	kWh	kW	Distribution Bill Impact		Total Bill Impact	
			\$	%	\$	%
Residential	800	0	0.27	1.08%	14.74	11.83%
GS<50	2,000	0	0.89	1.56%	37.73	12.72%
GS 50 - 2,999	1,198,113	2,968	60.66	1.00%	21,161.27	12.56%
UMSL	2,000	0	0.93	1.41%	37.77	12.46%
Sentinel Lights	36	0.1	0.07	1.60%	0.73	8.41%
Street Lights	36	0.1	0.07	1.65%	0.68	7.93%

TABLE 7: 2018 NON RPP BILL IMPACTS w RATE RIDERS PER PROSPOSAL						
Rate Class	kWh	kW	Distribution Bill Impact		Total Bill Impact	
			\$	%	\$	%
Residential	800	0	0.27	1.08%	14.66	10.42%
GS<50	2,000	0	0.89	1.56%	37.52	11.14%
GS 50 - 2,999	1,198,113	2,968	60.66	1.00%	21,164.70	11.02%
UMSL	2,000	0	0.93	1.41%	37.57	10.94%
Sentinel Lights	36	0.1	0.07	1.60%	0.73	7.76%
Street Lights	36	0.1	0.07	1.65%	0.68	7.36%

Essex also realized during its review of all the variance accounts that the Board Approved disposition amounts for 2012 had not been moved to their respective 1595 accounts. The time period for the 2010 and 2012 disposition amounts has concluded and therefore they have been added to the model in their applicable 1595 accounts to ensure the correct amount is used for disposition in 2015, which explains the variance in the RRR vs 2013 balance column. The following table shows the reconciliation of the variances between the continuity schedule and the 2013 2.1.7 RRR filing:

**Table 8 – Variance Analysis**

<b>Account Number</b>	<b>Variance RRR vs. 2013 Balance (Principal + Interest)</b>	<b>Board-Approved Disposition during 2012</b>	<b>Global Adjustment Variance Entry</b>	<b>Adjustment for Rate Mitigation</b>	<b>RRR Balances all filed as 1595</b>	<b>Revised Variance</b>
1550	-\$ 20,649	-\$ 20,649				-\$ 0
	\$ 0					\$ 0
1580	-\$ 1,000,659	-\$ 998,288				-\$ 2,371
1584	\$ 1,188,239	\$ 1,188,240				-\$ 1
1586	-\$ 333,883	-\$ 333,885				\$ 2
1588	\$ 7,443,978	\$ 1,640,471	\$ 11,598,011	-\$ 5,794,506		\$ 2
1589	-\$ 1,670,249	-\$ 3,310,147	-\$ 11,598,011	\$ 13,237,909		\$ 0
1590	-\$ 140,888	-\$ 1,618,215			\$ 1,477,327	-\$ 0
	\$ -					\$ -
	\$ -					\$ -
1595	\$ 238,457				\$ 238,457	\$ -
	\$ -					\$ -
1595	-\$ 1,715,784				-\$ 1,715,784	-\$ 0
	-\$ 3,454,842	-\$ 3,452,473	\$ -	\$ -	\$ -	-\$ 2,369

Essex noticed that the Bill Impact tab in the model was combining the RPP and Non-RPP rates and since Essex cannot modify the model, has included separate Bill Impact Sheets for RPP and Non-RPP customers.

Essex realizes this is an error that has a substantial impact to the affected customer classes and as part of our in depth review, process and responsibility changes have been made to include additional peer reviews to ensure the variance accounts are accurate and these types of errors do not re-occur.

### **Smart Meter Application**

#### **Smart Meter Model Errors:**

The Board staff pointed out that there were some errors in the latest smart meter model submitted by Essex. The model has been corrected for the date error and the percentage split error for Residential and GS <50 on the SMDR and SMIRR sheets 10A and 10B.

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

	<b>SMDR</b>	<b>SMIRR</b>
<b>Recovery Period</b>	May 1, 2015 to April 30, 2016	May 1, 2015 to April 30, 2016.
<b>Residential</b>	(\$0.04)	\$1.07
<b>GS &lt; 50 kW</b>	\$8.20	\$3.46

The change of the weighted capital cost error from 80% Residential and 22% GS<50 to 80% Residential and 20% GS< 50 for a total of 100% resulted in a change to the GS<50 class from the Board staff corrected amount of the SMDR of \$9.32 to \$8.20 and the SMIRR from \$3.80 to \$3.46.

These amounts along with the updated IRM tariffs including the applicable rate riders result in total bill impacts that are well below the 10% threshold. The Bill Impacts are as follows:

[illegible]

[illegible]



Essex Powerlines Corporation

EB-2014-0072

EB-2014-0301

Board staff Interrogatories