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February 24, 2015

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Essex Powerlines Corporation
2015 IRM Distribution Rate Application & Smart Meter Recovery
Board File Nos. EB-2014-0301 & EB-2014-0072
Submissions of VECC**

In accordance with Procedural Order No.2, attached please find VECC's submission in the above combined proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

Cc: Essex Powerlines Corporation

**Essex Powerlines Corporation
Combined Proceeding
2015 IRM Rate Application & Smart Meter Recovery
EB-2014-0072 and EB-2014-0301**

Submissions of Vulnerable Energy Consumers Coalition (VECC)

Essex Powerlines seeks to amend its EB-2014-0072 application to correct an error. The error relates to the allocation of the Independent Electricity System Operator's ("IESO") Global Adjustment and Hydro One Network Inc.'s power billings for the 2011, 2012 and 2013 rate years. The allocation affects Regulated Price Plan ("RPP") and non-RPP customers (i.e. those purchasing electricity from a retailer or making individual arrangements for power procurement). To correct the error, Essex Powerlines proposed an adjustment and re-allocation between RPP and non-RPP customers of approximately \$11.5 million. The proposed accounting adjustments are a credit to Account 1588 and a debit to Account 1589 (variance accounts). As a result of these proposed adjustments RPP customers would receive a credit refund for a two-year period, and non-RPP customers would be left with a debit balance owing, payable over four years.

As stated in Procedural Order No. 2, the Board found that it must re-open the record of this proceeding.

The Board asked the Parties and Board staff to consider and provide written submissions to Board, on the following questions:

Should the Board consider an adjustment to the 2011 and 2012 DVA balances which were disposed of on a final basis as part of Essex Powerlines Corporation's 2014 IRM proceeding (EB-2013-0128)? Would any such adjustment violate the legal requirements concerning retroactive ratemaking?

In Essex Powerlines' prior IRM proceeding (EB-2013-0128), the Board granted Essex Powerlines approval to dispose of its Group 1 DVA balances as of December 31, 2012, on a final basis. These balances included the variances accumulated in Essex Powerlines' Group 1 DVAs for the 2011 and 2012 rate years. The total amount attributable to the 2011 and 2012 rate years is \$5,178,750.

VECC takes the position that correcting the error from 2011 and 2012 and the proposed recovery from non-RPP customers violates the principle of no rate retroactivity. The 2011 and 2012 DVA balances were disposed of through a final rate order in Essex Powerlines' 2014 IRM proceeding. VECC supports the detailed analysis on rate retroactivity provided in Board Staff's submissions.

In VECC's view a separate proceeding should take place to revisit the error and to adjust the billing for RPP customers with a credit in the amount the Board should determine consistent with the objectives of the Ontario Energy Board Act, 1998 (Section 36(2)).

The credit would come from shareholders only in accordance with the decisions cited as to the asymmetric nature of the application of the effect of a billing error. The proceeding could determine how to effect fairness without disabling Essex.

Recovery of Reasonably Incurred Costs

VECC submits that its participation in this proceeding has been focused and responsible.

Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 24th day of February 2015.