**Essex Powerlines Corporation**

**EB-2014-0072 Price Cap IR Application & EB-2014-0301 Smart Meter Application**

**Response to Procedural Order #2 February 6, 2015, Submission of New Evidence**

**Price Cap IR Application**

Pursuant to Procedural Order #2 issued on February 6, 2015, Essex Powerlines Corporation is submitting the following additional evidence as requested and in order as follows:

1. Any relevant material from prior Board proceedings

RESPONSE: There is no relevant material from prior Board proceedings as the error was just recently determined.

1. Details regarding the source of the error:

RESPONSE: The source of the RPP and non RPP split occurred due to the use of an incorrect split percentage which was obtained from the data submitted with the Form 1598 to the IESO. The spreadsheet used for the 1598 was changed in late 2011, resulting in an incorrect calculation of the percentage used for non RPP kwh’s. Also, at the same time new global adjustment charges from Hydro One was being charged 100% to the global adjustment account and was not split between RPP and nonRPP.

1. The process followed to determine the correcting accounting entries:

RESPONSE: The 1598 forms were reviewed and the correct amounts for non RPP and RPP were included in a spreadsheet and the Hydro One global adjustment amounts were reallocated and included. This process was performed by one person and reviewed by a supervisor to ensure the revised numbers were correct. This spreadsheet is submitted as outlined in 4).

1. Calculations supporting the correcting accounting entries for each year separately (2011,2012,and 2013):

RESPONSE: see files submitted: Essex\_GA Analysis Error Correction 2011-2013

1. Any required changes to the Rate Generator Model

RESPONSE: The revised Rate Generator Models are included as:

Essex\_IRM\_Rate\_Gen\_2011-2013 GA adj over 1 year

Essex\_IRM\_Rate\_Gen\_2011-2013 GA adj over 4 years

Essex\_IRM\_Rate\_Gen\_2013 GA adj only over 1 year

Essex\_IRM\_Rate\_Gen\_2013 GA adj only over 4 years

Essex\_IRM\_Rate\_Gen\_with no GA adjustment

Essex\_IRM\_GA adjustment only

1. The proposed bill impacts and rate mitigation strategy if the errors from all 3 years are corrected collectively (2011-2013)

RESPONSE: The bill impacts were submitted in our reply dated January 20, 2015. They are included again as well as: Essex\_Bill Impact w 2011-2013 GA adj over 1 year

Essex\_Bill Impact w 2011-2013 GA adj over 4 years

Essex\_Bill Impact w GA adj as a separate rate rider over 4 years

1. The proposed bill impacts and rate mitigation strategy if only the errors from 2013 were corrected.

RESPONSE: The bill impacts showing the error correction for 2013 only are included as well as a rate mitigation strategy to spread this over 4 years. This still results in bill impacts that are over 10% as seen in the bill impacts provided: Essex\_Bill Impact w 2013 GA adj only over 1 year

Essex\_Bill Impact w 2013 GA adj only over 4 years

The Board also asked EPL to provide a written submission on the following question:

*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?*

RESPONSE: EPL has proposed a prospective correction of these errors. EPL did not request that past rates be adjusted and retro bills be sent to customers. EPL has suggested that the error be corrected in the 2015 IRM model and rates going forward be adjusted to correct the error. We therefore do not see this as violating the legal requirements concerning retroactive ratemaking. If the error is not corrected, the balances in the current accounts would be settled in the future when there may a greater adjustment required in future rates if the global adjustment continues to increase.