# Essex Powerlines Corporation (EB-2014-0301 & EB-2014-0072)

# Compendium

# Tab 1

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# Tab 2

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Approved Amounts for Accounts 1588 and 1589 in 2014 and 2013 EDR Applications

# **TAB 1**

# AIRD & BERLIS LLP

Barristers and Solicitors

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April 7, 2015

VIA COURIER, EMAIL AND RESS

Ms. Kirsten Walli Board Secretary Ontario Energy Board 2300 Yonge Street, 27<sup>th</sup> Floor Toronto, ON M4P 1E4

Dear Ms. Walli.

# Re: Essex Powerlines Corporation Response to Interrogatories Board File No. EB-2014-0072 & EB-2014-0301

We are co-counsel to the Applicant, Essex Powerlines Corporation ("**EPL**"), in the above noted proceeding.

Please find attached EPL's Responses to Interrogatories pursuant to the Partial Decision and Procedural Order No. 3 dated March 25, 2015. Please note, the response to SEC Question #4 has been filed under separate cover pursuant to the Board's Practice Direction on Confidential filings.

If there are any questions, please contact the undersigned.

Yours very truly,

# AIRD & BERLIS LLP

Scott Stoll

SAS/bm

cc: Case Manager, Georgette Vlahos (via email) Board Counsel, Richrad Lanni (via email) All Intervenors (via email) Co-Counsel, George Vegh

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# **Responses to Board Staff Supplemental Questions**

With respect to the deferral and variance account (DVA) continuity schedule:

- 1. Please provide an updated DVA continuity schedule beginning from January 1, 2010 for the requested disposition of 2013 Group 1 DVAs reflecting this Partial Decision:
  - a. With no adjustments to the 2011 and 2012 balances of Accounts 1588 and 1589;

# Response:

Please refer to Rate Generator file (Exhibit 1). As requested, there are no adjustments to the 2011 and 2012 balances of Accounts 1588 and 1589 in the updated Tab 5. 2014 Continuity Schedule.

b. With correcting adjustments to the 2013 balances of Accounts 1588 and 1589 made in the Other Adjustment column;

# Response:

Please refer to the updated Tab 5. 2014 Continuity Schedule (Exhibit 1 - cells AR29 and AR30 respectively) for the correcting adjustments to the 2013 balances of Accounts 1588 and 1589.

c. With the inclusion of the credit balance in Account 1590, to be disposed over a one-year period commencing May 1, 2015; and

# Response:

Please refer to the updated Tab 5. 2014 Continuity Schedule (Exhibit 1 – cell BE31) which indicates the credit balance in Account 1590 to be disposed of over a one-year period commencing May 1, 2015.

d. With the inclusion of any true-up of the residual balance in Account 1595 (2012) (i.e. for the rate riders which have already expired).

# Response:

Please refer to the updated Tab 5. 2014 Continuity Schedule (Exhibit 1 – cells AM36 and AU36) which indicates the true-up of the residual balance in Account 1595 (2012).



2. If there any differences between the 2013 RRR balances and the DVA continuity schedule balances, please explain.

Response:

Yes, there are differences between the 2013 RRR balances and the DVA continuity schedule balances. Essex Powerlines Corporation ("EPLC") has identified three issues that cause these difference and the reasons are identified in Table 1 and explained below:

Account Number	DEC 31/13 RRR 2,1,7	DVA Continuity Schedule	Variance	Explanation
1550	1,338,519	1,359,168	20,649	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to Item i).
1551	46,735	46,737	2	
1580	(4,490,491)	(3,489,832)	1,000,659	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to item i).
1584	187,817	(1,000,422)	(1,188,239)	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to item i).
1586	(2,650,884)	(2,317,001)	333,883	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to item i).
1588	15,548,194	7,488,461	(8,059,733)	The OEB approved 2012 disposition was not moved into 1595 until 2014. Variance also includes a correction for RPP/Non-RPP allocation. Please refer to item i) & ii).
1589	(14,209,341)	(4,479,934)	9,729,407	The OEB approved 2012 disposition was not moved into 1595 until 2014. Variance also includes a correction for RPP/Non-RPP allocation. Please refer to item i) & ii).
1590	o	(1,477,327)	(1,477,327)	Account balances in 1590 were not used in the calculation of rate riders and therefore not refunded to customers. Please refer to item iii).
1595	1,215,169	(231,191)	(1,446,360)	Account balances for 1590 were reported in Account 1595 for RRR 2.1.7 reporting purposes. Also the OEB approved 2012 disposition was not moved to 1595 until 2014. Please refer to items i) & iii).

- i) 1595 Allocation: The 2012 OEB approved disposition amounts that were subsequently moved into the 1595 account and resulted in overstated/understated amounts in accounts 1550, 1580, 1584, 1586, 1588, 1589, 1590 and 1595.
- RPP & Non-RPP Global Adjustment Allocation: As per OEB Appendix A question 1 b), a correcting adjustment of \$6,419,261 was made in cells AR29 and AR30 respectively in order to correct for the RPP and non-RPP allocation differences in Accounts 1588 and 1589.
- iii) 1590 Disposition: A rate rider was not created for the disposition of approved 2012 balances in account 1590. Therefore the approved amount was not refunded to customers. As instructed in OEB Appendix A 1 c), EPLC has brought the 1590 balance forward to be disposed of in one year effective May 1<sup>st</sup>, 2015.

#### Table 1



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3. If there are any differences between the Board approved December 31, 2012 principal and interest balances in EB-2013-0128 and the balances in the DVA continuity schedule, please explain.

# Response:

Yes, there are differences between the Board approved December 31, 2012 principal and interest balances in EB-2013-0128 and the balances in the OEB DVA continuity schedule. These differences relate to the 1595 Allocation (as described in 2 i) above) and are identified and explained in Table 2 below:

#### Table 2

Account Number	EB-2013-0128	DVA Continuity Schedule	Variance	Explanation
1550	714,909	735,558	(20,649)	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to Table 1, item i).
1580	(3,655,463)	(2,657,175)	(998,288)	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to Table 1, item i).
1584	372,455	(815,784)	1,188,239	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to Table 1, item i).
1586	(1,289,358)	(955,474)	(333,884)	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to Table 1, item i).
	1111			The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to Table 1, item i).
1588	9,428,584	7,738,112	1,690,472	Also included in this difference is a subsequently identified \$50k adjustment.
1589	(8,626,407)	(5,316,260)	(3,310,147)	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to Table 1, item i).
1590	(1,452,494)	(1,452,494)	0	The OEB approved 2012 disposition was not moved into 1595 until 2014. Please refer to Table 1, item i).

4. Provide a summary consumption report by customer class supporting the correct allocation between RPP and non-RPP for 2011, 2012 and 2013.

#### **Response:**

Tables 3-5 below provide a summary consumption report by customer class supporting the correct allocation between RPP and non-RPP for 2011, 2012 and 2013.

#### Table 3

2011	<b>Billed Consumption</b>	RPP	Non-RPP	RPP %	Non-RPP %
January	46,067,388.39	25,799,334.33	20,268,054.06	56.00%	44.00%
February	55,202,119.48	32,496,423.51	22,705,695.97	58.87%	41.13%
March	47,978,186.78	28,169,925.21	19,808,261.57	58.71%	41.29%
April	41,428,763.41	22,008,832.84	19,419,930.57	53.12%	46.88%
May	40,499,858.57	22,070,482.07	18,429,376.50	54.50%	45.50%
June	42,204,299.54	22,374,656.91	19,829,642.63	53.02%	46.98%
July	44,231,884.35	24,493,714.93	19,738,169.42	55.38%	44.62%
August	63,856,684.08	38,188,533.03	25,668,151.05	59.80%	40,20%
September	66,522,682.57	42,647,643.89	23,875,038.68	64.11%	35.89%
October	49,684,116.62	24,905,077.06	24,779,039.56	50.13%	49.87%
November	38,264,112.32	17,720,325.89	20,543,786.43	46.31%	53.69%
December	31,997,664.89	16,632,246.20	15,365,418.69	51.98%	48.02%
Total	567,937,761.00	317.507.195.87	250,430,565,13	55.91%	44.09%



### Table 4

2012	<b>Billed Consumption</b>	RPP	Non-RPP	RPP %	Non-RPP %
January	52,750,108.55	32,421,100.47	20,329,008.08	61.46%	38.54%
February	49,619,002.75	30,169,266.19	19,449,736.56	60.80%	39.20%
March	40,108,335.22	22,998,273.51	17,110,061.71	57.34%	42.66%
April	33,441,380.23	17,501,181.79	15,940,198.44	52,33%	47.67%
May	47,101,848.04	29,308,041.95	17,793,806.09	62,22%	37.78%
June	38,470,606.56	20,613,446.19	17,857,160.37	53.58%	46.42%
July	55,076,364.45	34,213,509.50	20,862,854.95	62.12%	37.88%
August	64,274,550.42	41,756,810.19	22,517,740.23	64.97%	35.03%
September	51,624,934.00	30,054,589.94	21,560,344.06	58,24%	41.76%
October	50,336,603.34	29,358,537.46	20,978,065.88	58.32%	41.68%
November	39,774,126.33	21,940,860.57	17,833,265.76	55.16%	44.84%
December	41,620,857.64	23,285,597.58	18,335,260.06	55.95%	44.05%
Total	564,198,717.53	333,631,215.34	230,567,502.19	<b>59.13%</b>	40.87%

# Table 5

2013	<b>Billed Consumption</b>	RPP	Non-RPP	RPP %	Non-RPP %
January	49,529,549.32	32,128,083.96	17,401,465.36	64.87%	35.13%
February	44,335,514.04	26,567,530.02	17,767,984.02	59.92%	40.08%
March	44,911,511.38	26,217,765.35	18,693,746.03	58.38%	41.62%
April	40,432,858.92	22,770,951.89	17,661,907.03	56,32%	43.68%
Мау	39,105,575.49	22,522,833.69	16,582,741.80	57.59%	42.41%
June	38,321,811.88	22,173,268.10	16,148,543.78	57.86%	42.14%
July	47,582,839.11	28,631,787.67	18,951,051.44	60.17%	39.83%
August	56,250,242.72	34,724,124.69	21,526,118.03	61.73%	38.27%
September	52,563,891.53	31,775,075.53	20,788,816.00	60.45%	39.55%
October	49,318,539.68	28,296,623.25	21,021,916.43	57.38%	42.62%
November	40,677,366.34	21,994,596.88	18,682,769.46	54.07%	45.93%
December	37,238,417.11	19,701,657.43	17,536,759.68	52.91%	47.09%
Total	540,268,117.52	317,504,298.46	222,763,819.06	58.77%	41.23%

With respect to Account 1595 (2014), which is not included in the DVA continuity schedule:

5. Please provide the residual balance in Account 1595 (2014) (i.e. the remainder after the 2014 DVA rate riders were stopped in February 2015).

**Response:** 

Please see the residual balance in Account 1595 (2014) outlined in Table 6 below.



#### Table 6

Account	Total Approved	Actual Recovery - May 1	Residual
Number	Disposition	2014 to Jan 31 2015	Amounts
1550	727,886	518,509	209,377
1580	(3,720,954)	(2,650,620)	(1,070,334)
1584	378,816	269,849	108,967
1586	(1,312,577)	(935,014)	(377,563)
1588	9,603,767	6,841,167	2,762,600
1589	(8,786,415)	(6,132,938)	(2,653,477)
Total 1595			
Balances	(3,109,477)	(2,089,045)	(1,020,432)
1590	(1,483,365)		(1,483,365)
<b>Total Approved</b>			
Balances	(4,592,842)	(2,089,045)	(2,503,797)

6. Confirm the credit balance in Account 1590 is excluded from Account 1595 (2014) (i.e.: as it is already included in the DVA continuity schedule referenced above).

# **Response:**

EPLC confirms the credit balance in Account 1590 is excluded from Account 1595 (2014). Please refer to Table 6 above for additional information.

7. Provide the proposed correction of the RPP and non-RPP misallocation to the residual balance in Account 1595 (2014) and explain how the proposed correction was calculated.

### Response:

Please see Tables 7-9 below for the proposed correction (related to the RPP and non-RPP misallocation) to the residual balance in Accounts 1595 (2014). These values were determined by first calculating the difference between the OEB approved 2014 disposition and the amounts actually collected/paid between May 1<sup>st</sup>, 2014 to January 31<sup>st</sup>, 2015. Table 7 outlines this calculation. The amount collected represents approximately 71% (1588) and 70% (1589) of the total approved respectively.

Based on the corrected allocations between RPP and non-RPP outlined in the response to question 4 above, EPLC determined the corrected allocations would have resulted in a reduction in the OEB approved 2014 disposition in the amount of \$5,178,750 in account 1588 and a corresponding increase of \$5,178,750 in account 1589. Applying the same 71% and 70% proportionate share values determined above, EPLC was able to determine the misallocation figures described in Table 8 below. Table 9 subtracts the amounts that were a result of the misallocation (Table 8) from the approved amounts (Table 7) and shows the corrected values that will carry forward to the next rate disposition period.



### Table 6

	Approved Disposition	Actual Recovery - May 1	Residual
Account	incl Principal & Interest	2014 to Jan 31 2015	Amounts
Cost of Power - 1588	9,603,767	6,841,167	2,762,600
Global Adjustment - 1589	(8,786,415)	(6,132,938)	(2,653,477)

#### Table 7

		<b>Misallocation Recovered</b>	Estimated
	Misallocation incl in	in Rates - May 1 2014 to	Remaining
Account	Approved Amt	Jan 31 2015	Misallocation
Cost of Power - 1588	5,178,750	3,689,041	1,489,709
Global Adjustment - 1589	(5,178,750)	(3,614,779)	(1,563,971)

#### Table 9

	Corrected Principal &	Corrected Recovered in Rates - May 1 2014 to	Corrected Residual
Account	Interest	January <b>31 201</b> 5	Amounts
Cost of Power - 1588	4,425,017	3,152,126	1,272,891
Global Adjustment - 1589	(3,607,665)	(2,518,159)	(1,089,506)

With respect to the potential new rate riders and bill impacts:

- 8. Please provide a one-page summary of the calculated rate riders for each of the following:
  - a. Disposition of the 2013 Group 1 DVA balances by customer class, excluding Accounts 1588 and 1589. Please provide rate riders based on a one-year period effective May 1, 2015;

# Response:

Rate riders based on disposition of the 2013 Group 1 DVA balances by customer class, excluding Accounts 1588 and 1589 for a one-year period effective May 1<sup>st</sup>, 2015 are provided in Table 10.

#### Table 10

Please Indicate the Rate Rider Recovery Pe	eriod (in years)	1								
Rate Class	Unit	Billed kWh	Billed kW or kVA	Balance of Accounts Allocated by kWh/kW (RPP) or Distribution Revenue	Variance Account Rate Rider	Allocation of Balance in Account 1589	Billed kWh or Estimated kW for Non-RPP Customers	Global Adjustment Rate Rider	Allocation of Account 1568	Account 1568 Rate Rider
RESIDENTIAL	S/kWh	251,655,122		(1,563,673)	(0.0062)	0	49,171,885	0.0000		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	65,841,765		(420,640)	(0.0064)	0	11,417,536	0.0000		
GENERAL SERVICE 50 TO 2,999 KW	\$/kW	170,033,148	445,345	(1,125,909)	(2,5282)	0	427,102	0.0000		
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW			(111,760)	0.0000	0	0	0.0000		
UNMETERED SCATTERED LOAD	\$/kWh	1,581,327		(9,721)	(0.0061)	0	309,879	0.0000		
SENTINELLIGHTING	\$/kW	323,368	903	(2,249)	(2.4911)	0	128	0.0000		
STREET LIGHTING	\$/kW	6,259,173	18,995	(37,441)	(1.9711)	0	6,792	0.0000		
microFIT				9-00-000-						
Total		495,693,903	465,243	(3,271,393)		0	61,333,323		0	



b. Disposition of the 2013 Account 1588 balance (only) by customer class. Please provide rate riders based on a one to four year disposition period, effective May, 2015;

#### **Response:**

Rate riders based on disposition of the 2013 Account 1588 balance (only) by customer class based on a one to four year period effective May 1<sup>st</sup>, 2015 are provided in Tables 11-14 below.

#### Table 11

Please indicate the Rate Rider Recovery Per	lod (in years) 1	]							
Rate Class	Unit Billed kW	Billed kW h ar kVA	Accounts Allocated by kWh/kW (APP) or Distribution	Deferral/Variance Account Rate Rider	Allocation of Balance in Account 1589	Billed kWh or Estimated kW for Non-RPP Customers	Giobal Adjustment Rate Rider	Allocation of Account 1568	Account 1868 Rate Rider
RESIDENTIAL	\$/kWh 251,655,1	22	(1,092,249)	(0.0043)	0	49,171,885	0.0000		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh 65,841,76	s	(285,770)	(0.0043)	0	11,417,536	0.0000		
GENERAL SERVICE 50 TO 2,999 KW	\$/kW 170,033,1	48 445,345	(737,988)	(1.6571)	0	427,102	0.0000		
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW		0	0.0000	0	0	0.0000		
UNMETERED SCATTERED LOAD	\$/kWh 1,581,32	1	(6,863)	(0.0043)	0	309,879	0.0000		
SENTINEL LIGHTING	\$/kW 323,368	903	(1,404)	(1.5543)	0	128	0.0000		
STREET LIGHTING	\$/kW 6,259,17	18,995	(27,166)	(1,4302)	0	6,792	0.0000		
microFIT			the strends	the second second					
Total	495,693,9	3 465.243	(2.151.441)		0	61 333 323		0	

#### Table 12

Please indicate the Rate Rider Recovery Period	d (in years) 2								
Rate Class	Unit Billed kWh	Billed kW or kVA	Accounts Allocated by kWh/kW (RPP) or Distribution	Deferral/Verlance Account Rate Rider	Allocation of Balance In Account 1589	Billed kWh or Estimated kW for Non-RPP Customers	Giobal Adjustment Rate Rider	Allocation of Account 1568	Account 1588 Rate Rider
RESIDENTIAL	\$/kWh 251,655,122		(1,092,249)	(0.0022)	0	49,171,885	0.0000		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh 65,841,765		(285,770)	(0.0022)	0	11,417,536	0.0000		
GENERAL SERVICE 50 TO 2,999 KW	\$/kW 170,033,148	445,345	(737,988)	(0.8286)	0	427,102	0.0000		
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW		0	0.0000	0	0	0.0000		
UNMETERED SCATTERED LOAD	\$/kWh 1,581,327		(6,863)	(0.0022)	0	309,879	0.0000	4	
SENTINEL LIGHTING	\$/kW 323,368	903	(1,404)	(0.7771)	0	128	0.0000		
STREET LIGHTING	\$/kW 6,259,173	18,995	(27,165)	(0.7151)	0	6,792	0.0000		
microFIT									
Total	495,693,903	465,243	(2,151,441)		0	61,333,323		0	

#### Table 13

Please Indicate the Rate Rider Recovery Period (in years) Г 3

Rate Class	Unit Billed kWh	Billed kW or kVA	Accounts Allocated by kWh/kW (RPP) or Distribution	Deferral/Variance Account Rate Rider	Allocation of Balance In Account 1589	Billed kWh or Esilmaled kW for Non-RPP Customers	Global Adjustment Rate Rider	Allocation of Account 1568	Account 1588 Rate Rider
RESIDENTIAL	\$/kWh 251,655,122		(1,092,249)	(0.0014)	0	49,171,885	0.0000		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh 65,841,765		(285,770)	(0.0014)	0	11,417,536	0.0000		
GENERAL SERVICE 50 TO 2,999 KW	\$/kW 170,033,148	445,345	(737,988)	(0.5524)	0	427,102	0.0000		
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW		0	0.0000	0	0	0.0000		
UNMETERED SCATTERED LOAD	\$/kWh 1,581,327		(6,863)	(0.0014)	0	309,879	0.0000		
SENTINEL LIGHTING	\$/kW 323,368	903	(1,404)	(0.5181)	0	128	0,0000		
STREET LIGHTING	\$/kW 6,259,173	18,995	(27,166)	(0.4767)	0	6,792	0.0000		
microFIT									
Total	495,693,903	465,243	(2,151,441)		0	61,333,323		0	



#### Table 14

Please indicate the Rate Rider Recovery Period (In years) 4

Rate Class	Unit Billed kWh	Billed kW or kVA	Accounts Allocated by kWh/kW (RPP) or Distribution	Deferral/Variance Account Rate Rider	Allocation of Balance in Account 1589	Billed kWh or Estimated kW for Non-RPP Customers	Giobai Adjustment Rate Rider	Allocation of Account 1568	Account 1568 Rate Alder
RESIDENTIAL	\$/kWh 251,655,122		(1,092,249)	(0.0011)	0	49,171,885	0.0000		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh 65,841,765		(285,770)	(0.0011)	0	11,417,536	0.0000		
GENERAL SERVICE 50 TO 2,999 KW	\$/kW 170,033,148	445,345	(737,988)	(0.4143)	0	427,102	0.0000		
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW		0	0.0000	0	0	0.0000		
UNMETERED SCATTERED LOAD	\$/kWh 1,581,327		(6,863)	(0.0011)	0	309,879	0.0000		
SENTINEL LIGHTING	\$/kW 323,368	903	(1,404)	(0.3886)	0	128	0.0000		
STREET LIGHTING	\$/kW 6,259,173	18,995	(27,166)	(0.3575)	0	6,792	0.0000		
mlcroFIT									
Total	495,693,903	465,243	(2,151,441)		0	61,333,323		0	

c. Disposition of the 2013 Account 1589 balance (only) by customer class. Please provide rate riders based on a one to four year disposition period, effective May 1, 2015.

#### **Response:**

Rate riders based on disposition of the 2013 Account 1589 balance (only) by customer class based on a one to four year period effective May 1<sup>st</sup>, 2015 are provided in Tables 15-18 below.

Table 15 Please indicate the Rate Rider Recovery Pe	riod (in years)	1	]							
Rate Class	Unit	Billed kWh	Billed kW or kVA	Accounts Allocated by kWh/kW (RPP) or Distribution	Deferral/Variance Account Rate Rider	Allocation of Balance in Account 1589	Billed kWh or Estimated kW for Non-RPP Customers	Globai Adjustment Rate Rider	Allocation of Account 1568	Account 1668 Rate Rider
RESIDENTIAL	\$/kWh	251.655.122		0	0.0000	952,553	49,171,885	0.0194		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	65,841,765		0	0.0000	221.180	11,417,536	0.0194		
GENERAL SERVICE 50 TO 2,999 KW	\$/kW	170.033.148	445,345	0	0.0000	3.158.941	427.102	7.3962		
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW		1.540.70	0	0.0000	0	0	0.0000		
UNMETERED SCATTERED LOAD	Ś/kWh	1.581.327		0	0.0000	6.003	309.879	0.0194		
SENTINEL LIGHTING	\$/kW	323.368	903	0	0.0000	888	128	6.9372		
STREET LIGHTING	\$/kW	6.259.173	18,995	0	0.0000	43,358	6.792	6 3834		
microFIT						10,000				
Total		495,693,903	465,243	0		4,382,923	61,333,323		0	
Table 16           Please indicate the Rate Rider Recovery Pe	riod (in years) [	2	]							
Rate Class	Unit	Billed kWh	Billed kW or kVA	Accounts Allocated by kWh/kW (RPP) or Distribution Revenue	Deferral/Variance Account Rate Rider	Allocation of Balance in Account 1589	Billed kWh or Estimated kW for Non-RPP Customers	Global Adjustment Rate Rider	Allocation of Account 1568	Account 1568 Rate Rider
RESIDENTIAL	\$/kWh	251,655,122		0	0.0000	952.553	49.171.885	0.0097		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	65,841,765		0	0.0000	221,180	11,417,536	0.0097		
GENERAL SERVICE 50 TO 2,999 KW	\$/kW	170.033.148	445,345	0	0.0000	3.158.941	427,102	3,6981		
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW		and the second	0	0.0000	0	0	0.0000		
UNMETERED SCATTERED LOAD	\$/kWh	1,581,327		0	0.0000	6.003	309.879	0.0097		
SENTINEL LIGHTING	\$/kW	323,368	903	0	0.0000	888	128	3.4686		
STREET LIGHTING	\$/kW	6,259,173	18,995	0	0.0000	43,358	6.792	3.1917		
microFIT							-270			
Total		495,693,903	465,243	O		4,382,923	61,333,323		D	



#### Table 17

Please indicate the Rate Rider Recovery Period (In years) 3

Rate Class	Unit	Billed kWh	Billed kW or kVA	Accounts Allocated by kWh/kW (RPP) or Distribution	Deferral/Variance Account Rate Rider	Allocation of Balance in Account 1589	Billed kWh or Eslimated kW for Non-RPP Customers	Global Adjustment Rate Rider	Allocation of Account 1568	Account 1568 Rate Rider
RESIDENTIAL	\$/kWh	251,655,122		0	0.0000	952,553	49,171,885	0.0065		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	65,841,765		0	0.0000	221,180	11,417,536	0.0065		
GENERAL SERVICE SO TO 2,999 KW	\$/kW	170,033,148	445,345	0	0.0000	3,158,941	427,102	2.4654		
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW			0	0.0000	0	0	0.0000		
UNMETERED SCATTERED LOAD	\$/kWh	1,581,327		0	0.0000	6,003	309,879	0.0065		
SENTINEL LIGHTING	\$/kW	323,368	903	0	0,0000	888	128	2.3124		
STREET LIGHTING	\$/kW	6,259,173	18,995	0	0.0000	43,358	6,792	2,1278		
microFIT			_							
Totaj		495,693,903	465,243	0		4,382,923	61,333,323		0	

#### Table 18

Please Indicate the Rate Rider Recovery Period (in years) 4

Rale Cisss	Unit	Billed kWh	Bilied kW	Accounts Allocated by kWh/kW (RPP) or	Deferral/Variance Account Rate Rider	Allocation of Balance In Account 1589	Estimated kW for Non-RPP Customers	Giobal Adjustment Rate Rider	Allocation of Account 1568	1568 Rate Rider
RESIDENTIAL	\$/kWh	251,655,122		0	0.0000	952,553	49,171,885	0.0048		
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	65,841,765	_	0	0.0000	221,180	11,417,536	0.0048		
GENERAL SERVICE 50 TO 2,999 KW	\$/kW	170,033,148	445,345	0	0.0000	3,158,941	427,102	1.8491		
GENERAL SERVICE 3,000 TO 4,999 KW	\$/kW			0	0.0000	0	0	0.0000		
UNMETERED SCATTERED LOAD	\$/kWh	1,581,327		0	0,0000	6,003	309,879	0.0048		
SENTINEL LIGHTING	\$/kW	323,368	903	0	0.0000	888	128	1.7343		
STREET LIGHTING	\$/kW	6,259,173	18,995	0	0,0000	43,358	6,792	1.595B		
microFIT										
Total		495,693,903	465,243	0		4,382,923	61,333,323		0	

9. Please provide a summary of the overall bill impacts by customer class for the rate riders with the two and four year disposition periods proposed by Essex Powerlines for Accounts 1588 and 1589 respectively. The bill impacts must take into account the proposed price cap adjustment and the approximate SMDR and SMIRR based on what Essex Powerlines filed in its reply submission. The bill impacts should show the dollar and percentage change from rates as of January 31, 2015 to May 1, 2015 and the change from rates as of April 30, 2015 (after the rate riders were stayed) to May 1, 2015. Essex Powerlines should not make any annual adjustments to the models or DVA continuity schedule as proposed in its reply submission of January 19, 2015.

#### **Response:**

Please see Tables 19 & 20 below that show the RPP and non-RPP bill impacts for the rate riders with the two and four year disposition periods for Accounts 1588 and 1589 as compared to 2014 Approved Rates. It is important to note that these impacts will not be directly experienced by customers as a one-time time impact, since customer bills have already changed to reflect the removal of the 2014 rate riders effective February 1<sup>st</sup>, 2015.



Table 19

# 2015 RPP BILL IMPACTS compared to 2014 Approved Rates

			Distribution Bill Impact		Total Bill In	npact
Rate Class	kWh	kW	\$	%	\$	%
Residential	800	0	(13.34)	-34.59%	(15.21)	-11.85%
GS<50	2,000	0	(25.25)	-27.94%	(29.13)	-9.35%
GS 50 - 2,999	1,198,113	2,968	(22,561.86)	-85.98%	(28,319.94)	-15.86%
UMSL	2,000	0	(35.47)	-36.31%	(43.91)	-12.39%
Sentinel Lights	36	0.1	(0.62)	-12.92%	(0.76)	-7.45%
Street Lights	36	0.1	(0.53)	-11.88%	(0.66)	-6.60%

#### Table 20

# 2015 Non-RPP BILL IMPACTS compared to 2014 Approved Rates

			Distribution Bill Impact		Total Bill In	npact
Rate Class	kWh	kW	\$	%	\$	%
Residential	800	0	18.42	175.81%	17.10	16.85%
GS<50	2,000	0	54.54	401.23%	52.02	21.81%
GS 50 - 2,999	1,198,113	2,968	26,693.29	124.37%	27,338.38	21.36%
UMSL	2,000	0	44.33	211.87%	46.26	16.93%
Sentinel Lights	36	0.1	0.83	24.36%	0.87	10.22%
Street Lights	36	0.1	0.79	23.83%	0.83	9.80%

Please see Tables 21 & 22 below that show the RPP and non-RPP bill impacts for the rate riders with the two and four year disposition periods for Accounts 1588 and 1589 as compared to 2015 Stayed Rates. Please note that these rate impacts more accurately reflect the actual impacts that customers will experience in rates effective May 1<sup>st</sup>, 2015 since the Board approved the removal of rate riders effective February 1<sup>st</sup>, 2015. As compared to Stayed Rates, it is also important to note that almost all customers will experience a net decrease in rates effective May 1<sup>st</sup>, 2015.

#### Table 21

#### 2015 RPP BILL IMPACTS compared to 2015 Stayed Rates

			Distribution Bill Impact		Total Bill In	npact
Rate Class	kWh	kW	\$	%	\$	%
Residential	800	0	(5.42)	-17.68%	(7.15)	-5.95%
GS<50	2,000	0	(5.45)	-7.72%	(8.99)	-3.09%
GS 50 - 2,999	1,198,113	2,968	(10,195.39)	-73.49%	(14,345.83)	-8.72%
UMSL	2,000	0	(15.67)	-20.12%	(21.54)	-6.49%
Sentinel Lights	36	0.1	(0.26)	-5.85%	(0.36)	-3.61%
Street Lights	36	0.1	(0.20)	-5.60%	(0.29)	-3.02%



Table 22

Loto North Pille Init Acto compared to 2013 Stayed Pates							
			Distribution Bill Impact		Total Bill In	npact	
Rate Class	kWh	kW	\$	%	\$	%	
Residential	800	0	(1.74)	-5.68%	(3.41)	-2.79%	
GS<50	2,000	0	4.14	6.47%	0.76	0.26%	
GS 50 - 2,999	1,198,113	2,968	(4,707.26)	-47.37%	(8,144.24)	-4.98%	
UMSL	2,000	0	(6.07)	-8.51%	(10.69)	-3.24%	
Sentinel Lights	36	0.1	(0.09)	-1.99%	(0.16)	-1.66%	
Street Lights	36	0.1	(0.04)	-1.03%	(0.11)	-1.17%	

# 2015 Non-RPP BILL IMPACTS compared to 2015 Stayed Rates



# **Responses to VECC Supplemental Questions**

1. Please provide a detailed description of how the error was detected internally.

# Response:

In early December 2014, during the IRM process the VP Regulatory Affairs continued to review the application and was concerned with the magnitude of the 1588 and 1589 accounts. There was a review of the rate generator model and the entire process relating to the 1588 and 1589 accounts at which time the error was detected. During the course of this review, EPL received an interrogatory from Board Staff with respect to the 1589 Account. EPL then informally contacted Board Staff and advised that there was an issue with both 1588 and 1589 Accounts and that EPL was conducting further review. On January 19<sup>th</sup>, 2015, EPL formally filed this information with the OEB and described how the accounting error occurred and proposed how the error could be mitigated.

2. Please explain in detail how Essex monitors the task of clearing its Deferral and Variance accounts to ensure accuracy and discuss how long this process has been in place.

# Response:

Energy sales by class and the energy purchases are manually entered into an Excel file from the general ledger. The energy sales are broken down by TOU bands by customer class, global adjustment sales, retailer sales, wholesale market services, network, connection and low voltage. The energy purchases include cost of power purchases from the IESO and Hydro One. Also included on the sheet are the costs for wholesale market services, network, connection and low voltage charges. These amounts are taken from the general ledger and are inputted by the Business Process Analyst.

The journal entries completed by the Business Process Analyst to move the energy sales and purchases to the variance accounts are verified, authorized and approved by the Operations and Regulatory Accounting Analyst. This verification, authorization and approval process undertaken by the Operations and Regulatory Accounting Analyst includes, but is not limited to, month to month and year to year variance account comparisons and compliance with the OEB accounting handbook.

During the IRM rate setting process, the general ledger balances are entered into the continuity schedule (Tab 5) by the Operations and Regulatory Accounting Analyst. The continuity total variance account balances are populated in the rate generator model Tab 6, Billing Determinants for Deferred Variances, cells C31 to 33, where a calculation is automatically performed to determine if the grand total of **all** variance accounts exceed the predetermined OEB threshold test. If this threshold test is exceeded, then all of the variance accounts are required by the OEB to be disposed and settled with customers.



The input to the model is completed by the Operations and Regulatory Accounting Analyst and the completed model is reviewed by the VP Regulatory Affairs. This process has been in place as long as the OEB has had the authority to approve the disposition of variance accounts and was completed in the context of actively fluctuating Global Adjustment (GA) over the subject matter period.

This review by the VP of Regulatory affairs includes, but is not limited to, month to month and year to year variance account comparisons of the balance sheet statements, comparison to annual LDC levels from the OEB statistical reports and compliance with the OEB accounting handbook. The aforementioned processes undertaken by various levels of management are also audited annually by an external third party. This has been the process since the variance accounts were a requirement.

3. What oversight and checks and balances are in place? What is the process to audit this function?

Response:

All Business Process Analyst variance account work is verified, authorized and approved by the Operations and Regulatory Accounting Analyst. The VP Regulatory Affairs reviews and confirms the Operations and Regulatory Accounting Analyst's work at the financial statement level. The external auditors review the general ledger accounts on an annual basis. The external auditors report to the corporate audit committee. In addition, the OEB periodically audits deferral and variances accounts.

4. Please provide any internal documents that detail Essex's internal monitoring processes.

# Response:

The Operations and Regulatory Accounting Analyst utilizes a monthly checklist in order to ensure that all month-end tasks, including variance accounts, are completed.

Both the Business Process and Operations and Regulatory Accounting Analyst utilize the OEB Accounting Handbook when completing work on variance accounts. Furthermore, the VP Regulatory Affairs frequently communicates to the Business Process and Operations and Regulatory Accounting Analyst responses to frequently asked questions from the OEB in relation to, amongst other things, variance accounts.

Financial Statements for comparison purposes are also used by the VP Regulatory Affairs when reviewing variance accounts.

5. Please provide the amount 100 basis points of Return on Equity is worth for the years 2011 to 2014 and forecast for 2015.



Response:

Year	ROE 100 basis point impact
2011	\$ (168,838)
2012	\$ (179,729)
2013	\$ (184,969)
2014	\$ (194,452)
Projected 2015	\$ (214,663)

# Return on Equity 100 basis points impact

6. Please provide Essex's weather normalized rate of return for the years 2011 to 2014 and forecast for 2015.

Response:

Essex Powerlines is unable to weather normalize the rate of return. The normal rate of return for the years 2011 to 2014 and projected for 2015 are in the table below.

# Rate of Return

Year	Regulated Return on Deemed Equity
2011	10.4%
2012	8.3%
2013	11.2%
2014	8.8%
Projected 2015	9.3%



# Responses to School Energy Coalition Supplemental Questions

- 1. Please provide a detailed step-by-step explanation of how Essex Powerlines records information in Accounts 1588 and 1589. The answer should include, but in no way be limited by, responses to the following specific questions:
  - a. How often do the entries take place?
  - b. What accounting system is used?
  - c. Which member of Essex Powerlines staff makes the entry?
  - d. What type of relevant of qualification and training does that person have?
  - e. What type of verification process is conducted, if any?
  - f. Are there any materials that Essex Powerlines uses for training and/or on-going guidance on how to records amounts in deferral or variance accounts? If so, please provide copies.

#### Response:

Account 1588 and 1589 entries are made monthly using Microsoft Dynamics GP (Great Plains) by the Business Process Analyst. The Business Process Analyst has a CPA, CMA accounting designation with nine (9) years of experience in the industry. The Operations and Regulatory Accounting Analyst attended a Sept. 20, 2009 OEB session regarding Regulatory Accounting as part of her on-going training. The EPL verification process is detailed in VECC IR #2. Ongoing guidance comes from the OEB frequently asked questions and the Accounting Procedure Handbook –e.g. Article 490 and any other information made available by the Board such as webinars and bulletins. In addition Essex Powerlines frequently seeks direct guidance from the OEB by e-mailing questions to IndustryRelations@ontarioenergyboard.ca.

2. [Reference: Response to Procedural Order #2 February 6, 2015, Submission of New Evidence, Response No. 2]:

"The source of the error occurred in the use of forms to arrive at the RPP and non RPP split. The data input error was not detected initially as the nature of the 1588 and 1589 as well as all the other variance accounts in total were being monitored and overall they were not changing drastically. The continued increases in the global adjustment amounts appeared to be the reason for the accumulating amounts in the 1588 and 1589 accounts."

a. Please provide copies of the forms Essex Powerlines uses to arrive at the RPP and non-RPP split.

Response:

See Summary Forms - Appendix A



b. Essex Powerlines says that the variance accounts "were being monitored" Please explain in detail the process of monitoring these accounts.

Response:

The Business Process Analyst position is monitored by the Operations and Regulatory Accounting Analyst and this position is monitored by the VP Regulatory. The VP Regulatory monitors the overall balances of the variance accounts on the EPL internal monthly financial statements. The VP Regulatory would also compare the overall variance account balances with other LDC's through the OEB statistical reports annually. See VECC IR #2 for more detailed response.

3. As part of Essex Powerlines annual external financial audit process, are the balance of deferral and variance accounts audited? If so, why were the errors not detected during that process?

# Response:

Yes. The balances of the deferral and variance accounts are audited annually by a third party. EPL is not in a position to advise why the errors were not detected during the aforementioned process.

4. When was the last time the Ontario Energy Board Staff audited Essex Powerlines deferral and variance accounts? Please provide copies of any relevant audit reports.

# **Response:**

The Ontario Energy Board staff audited selected deferral and variance accounts during the period of January 2013 to March 2013. A confidential version of the audit report has been filed separately.

5. Please explain Essex Powerlines process for prepared IRM applications, specifically the disposition of deferral and variance accounts. Does Essex Powerlines do any verification at that stage regarding the balances in those accounts?

**Response:** 

# See VECC IR #2.

6. Please provide Essex Powerlines actual regulatory return on equity (both as a percentage and in dollars) including all supporting calculations for 2013 and 2014. Please provide the same information on a forecast basis for 2015.



# Response:

UTILITY NAME: Essex Powerlines Corporation YEAR END DATE: Decomber 31, 2013

Regulatory Net Icourse Calculation:		
Regulated net income, as per RRR 2.1.13 reconciliation Remove:	n	\$2,795,766
Futura/deferred laxes		\$0
Non rate regulated items		\$ 319,641
Adjustment to interest expense - for deemed debt		\$ 401,575
Adjusted regulated not income		\$2,074,551
Dearment Experty Calculation:		
Rate Base:		
Cost of power		\$ 51,542,202
Operating expenses		\$ 6,047,571
Folal		\$ 57,589,773
Woorg captal allowance to		\$ 0 C20 ACC
Fixed Assets		# 0,030,400
Opening balance - regulated fixed assets (NBV)	\$ 37,269,585	
Ciosing balance - regulated fixed assets (NBV)	\$ 38,170,914	
Average regulated fixed assets	\$ 37,720,250	\$ 37,720,250
Total rate base		\$ 46,358,715
Reculated deemed short-term debt	4 00%	\$ 1 854 349
Regulated deamed load-term debt	66.00%	\$ 25,960,691
Reculated deemed equity	40.00%	\$ 18,543,486
		\$46,358,715
Regulated Rate of Raturn on Deamed Equity		
		1185
ROE% from most recent cost of service application	lasi approved EDR	9.85%
Difference - maximum deadband 3%		1.34%
interest adjustment on dearned debt.		
Regulated deemed short-term debt - as above	\$ 1,854,349	6.67%
Regulated deemed long-term debt - as above	\$ 25,960,881	93.33%
	\$27,815,229	100.00%
Short-term debt rate	2.07%	0.14%
Long-term debt rate	5.40%	5.04%
Average debt rate		5.16%
Regulated deemed debt - as above	\$ 27,815,229	
Weighted average interest rate	5.18%	
Deemed interest	\$ 1,440,829	
Interest expense as per the OEB (rial balance	\$ 896,321	
Difference	\$ 544,508	
Utany tax raie	26.25%	
rax exect on menest expense	\$ (142,953)	
maran naingruput ou geaued gebit	\$ 401,57b	

UTILITY NAME: Easex PowerEnes Corporation YEAR END DATE: December 31, 2014

#### - material and

Regulated net income, as per RRR 2.1.13 reconciliati	on	\$ 1,936,260
Remove:		
Future/deferred taxes		\$0
Non rate regulated items		\$ 25,730
Adjustment to interest expense - for deemed debt		\$ 197,519
Adjusted regulated net income		\$1,713,011
Deemed Equity Calculation:		
Flate Base:		
Cost of power		\$ 50,646,398
Operating expenses		\$ 6,783,694
Total		\$ 57,429,992
Working capital allowance %		15%
Total working capital allowance		\$ 8.614.499
Fixed Assets		**!***
Opening balance - regulated fixed assets (NBV)	\$ 38,171,214	
Closing balance - regulated fixed assets (NBV)	\$ 41,825,651	
Average regulated fixed assets	\$ 39,998,433	\$ 39,998,433
Total rate base		\$ 48,612,831
Regulated deemed short-term debt	4.00%	\$ 1,944,617
Regulated deemed long-term debt	66.00%	\$27,223,242
Regulated deemed equity	40.00%	\$ 19,445,173
		\$48,612,931
Tergenates Rais of Raturn on Deemed Equity		
		101
ROE% from most recent cost of service application	Last approved EDR	9.85%
Difference - movinum de adheard 3%		-1 0.494
		-1,0176
internet a grantitie on deemed dabt:		
Regulated deemed short-term debt - as above	\$ 1,944,517	6.67%
Regulated deemed long-term debt - as above	\$27,223,242	93.33%
	\$ 29,167,759	100.00%
Short-term debt rate	2.07%	0.14%
Long-term debt rate	5.40%	5.04%
Average debt rate		5.16%

Average debt rate Regulated deemed debt - as above Weighted average interest rate \$ 29,167,759 \$ 29,167,759 5.18% \$ 1,510,890 \$ 1,243,067 \$ 267,823 26,25% \$ (70,304) \$ 197,519 Deemed interest Interest expense as per the OEB trial balance Difference Utility tax rate Tax effect on interest expense rest adjustment on deemed debt:

UTLITY NAME: Essax Powerlines Corporation YEAR END DATE: December 31, 2015 Projected

#### Regulatory Het Income Calculation:

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Bemake:	4
Helitore.	
Future/deferred laxes	\$0
Non rate regulated items	\$ 108,811
Adjustment to interest expense - for deemed debt	\$ 225,238
Adjusted regulated net incomo	\$ 1,997,559
Deemed Equity Calculation:	
Rate Base:	
Cost of power	\$ 50,648,398
Operating expenses	\$ 6,676,777
Total	\$ 57,323,175
Working capital allowance %	15%
Total working capital allowance	\$8,598,476
Fixed Assets	
Opening balance - regulated fixed assets (NBV) \$41,825,6	51
Closing balance - regulated fixed assets (NBV) \$48,308,7	36
Average regulated fixed assets \$45,067,1	94 \$45,067,194
Total rate base	\$ 53,665,670
Berutated deemed short-form debt d 0	\$2,146,627
Regulated deemed loop-tarm debt 56 0	\$ \$30,052,775
Regulated deemed equity 40.0	\$21,466,268
······································	\$ 53,665,670
and the second second second	
Regulated Rate of Rolum on Desceed Equily	1.3%
Regulated Role of Rolum on Oscand Equity	L.M.
Regulared Role of Rolern on Descend Equity ROE% from most recent cost of service applicatio	<b>4</b> 0.85%
Regulated Role of Rolum on Decend Equity ROE% from most recent cost of service applicatio BR Difference - maximum deadband 3%	e 0.85%
Regulated Ross of Rolum on Descend Equity ROE% from most recent cost of service applicatio BR Difference - maximum deadband 3% Interest a dipartment on deemad stabl:	0 0.85% -0.64%
Regulated Rais of Relum on Decend Equity ROE% from most recent cost of earvice applicatio BR Ofference - maximum deadband 3% Interest adjustment on decemad debt: Regulated decemed shori-term debt - as above \$2,146,6	d 9.85% -0.54%
Regulared Res of Return on Descend Equity ROE% from most recent cost of service applicatio EPA Difference - maximum deadband 3% Interest a signaturant on deemad slob: Regulated deemad short-term debt - as above \$2,146; Regulated deemad short-term debt - as above \$2,146; Source 1 a signaturant on the service source	1.3% d 0.85% -0.54% 27 6.67% 75 93.33%
Regulated Return on Descend Equity ROE% from most recent cost of service applicatio EPA Difference - maximum deadband 3% Internit a diputchent on deemad debt: Regulated deemad short-term debt - as above \$2,146,6 Regulated deemad long-term debt - as above \$2,146,7 \$30,092,7 \$32,189,6	277 6.67% 100.00%
Regulated Return on Descend Equity ROE% from most recent cost of service applicatio EX Ofference - maximum deadband 3% Interest a signaturant on deemad debt: Regulated deemad knor-lerm debt - as above \$2,146,6 Regulated deemad knor-lerm debt - as above \$2,146,6 Short-lerm debt reis 2.0	27 6 75 9 9 333% 100.00% 100.00%
Anguland Rom of Bolum on Descend Equity ROE% from most recent cost of service applicatio BR Difference - maximum deadband 3% where a significant on deemed debit Regulated deemed knot-term debit - as above Regulated deemed knot-term debit - as above Regulated deemed knot-term debit - as above Short-term debit main Long-term debit main 2.0	27 4 4 4 4 4 4 4 4 4 4 4 4 4
Anguland Rom of Bolum on Descend Equity ROE% from most recent cost of service applicatio BR Difference - maximum deadband 3% Universit effective of one mediate to Regulated deemed short-term debt - as above Regulated deemed king-term debt - as above \$ 30,082 \$ 30,082	27 93.33% 100.05% 100.05% 100.05% 5.04% 5.18%
Rogerand Res         of Relum on Operand Equity           ROE% from most recent cost of service applicatio         Exit approve           Difference - maximum deadband 3%         Exit apple           Rogerand efficient on deemed debit         Regulated deemed short-term debit - as above         \$ 20,962, \$ 30,962, \$ 32,169,4           Short-term debit relia         2.0         2.0           Long-term debit relia         5.4           Regulated deemed kind         5.4           Regulated debit relia         5.4           Regulated deemed kind         - 3.2           Short-term debit relia         5.4           Regulated deemed kind - as above         \$ 32,189,4	27 4 8.85% -0.54% 27 5 93.33% 100.05% 100.05% 5.18% 02
Regulared Res         of Return on Descend Equity           ROE% from most recent cost of service applicatio         Lesi spowe ER           Difference - maximum deadband 3%         ER           Interest efficient on deemed short- Regulated deemed short-lerm debt - as above Regulated deemed long-lerm debt - as above Stort-term debt rele         \$ 22,166,6 \$ 32,169,6 \$ 32,189,6           Short-term debt rele         2.0 6.4 Average debt rele         6.4 Average debt rele           Regulated deemed dobt - as above Weighted average interest rele         \$ 32,189,6 5.1	277 6.67% 277 6.67% 273 2033% 100.00% 100
Rogulated Res     of Relum on Oscand Equity       ROE% from most recent cost of service applicatio     EX       Difference - maximum deadband 3%     EX       Internal adjustment on deemad stabt:     Regulated deemad short-term debt - as above     \$2,146,6       Regulated deemad short-term debt - as above     \$2,146,7       Short-term debt rele     2.0       Long-term debt rele     5.4       Average debt rate     5.4       Regulated deemed knot-term     5.4       Short-term debt rele     5.4       Average debt rate     \$32,199,4       Short-term debt rele     5.4       Average debt rate     5.4       Deemed interest     \$32,198,4	277 287 277 29333% 202 100.00% 10
ROE% from most recent cost of service applicatio     Isal approve       BPR     Isal approve     Isal approve       ROE% from most recent cost of service applicatio     Isal approve       Difference - maximum deadband 3%     Isal approve       Regulated deemed short-term debt - as above     \$ 2,146, \$ 30,052, \$ 32,189,       Short-term debt relio     2.0       Long-term debt relio     5.4       Regulated deemed debt - as above     \$ 32,189,       Short-term debt relio     5.4       Average debt relio     5.4       Regulated deemed debt - as above     \$ 32,189,       Weighted average interest rulo     Deemed interest \$ 1.80,       Nersege debt relio     2.0       Station approve approve approve approve     \$ 32,189,       Station approve     \$ 32,189,       Weighted average interest rulo     \$ 1.80,       Deemed interest	27 27 52 27 52 50 50 50 50 50 50 50 50 50 50
Ropuland Rule of Relum on Desceed Equity       Isst spraw         ROE% from most recent cost of service applicatio       Isst spraw         Bitterence - maximum deadband 3%       Isst spraw         Difference - maximum deadband 3%       \$2,146,6         Regulated deemed short-term debt - as above       \$2,146,6         Regulated deemed short-term debt - as above       \$2,146,6         Regulated deemed long-term debt - as above       \$2,146,6         Short-term debt mite       2.0         Long-term debt mite       5.44         Average debt mite       5.44         Regulated deemed loopt- as above       \$3,2196,6         Weighted average historest mite       5.43         Deemed interest       \$1,877,6         Interest expense as per the OEB frid balance       \$3,367,9         Difference       \$336,4	27 4 9 8 9 100.00% 100.0
Roputand Rule of Relum on Oceand Equity       Isal approve         ROE%, from most recent cost of service applicatio       Isal approve         DMference - maximum deadband 3%       Isal approve         Internal a figure and on deemad stort.       Regulated deemad short-term debt - as above       \$2,146,6         Regulated deemad isori-term debt - as above       \$2,146,6       \$2,146,6         Short-form debt rels       200       \$30,082,7         Long-term debt rels       5.4       6.4         Average debt rate       6.4       \$32,189,4         Neglished aremge latered rule       5.4       5.1         Ubly lack rate       Difference       \$32,199,4         Short-form debt rels       5.4       5.1         Jong-term debt rels       5.4       5.1         Ubly lack rate       Difference       \$32,199,4	d         0.85%           27         0.64%           775         0.933%           702         100.00%           7%         0.14%           5.18%         0.14%           72         0.933%           700.00%         0.14%           5.18%         0.14%           78         0.14%           79         0.14%           70         0.1
Angulated Resile of Relum on Operand Equity ROE% from most recent cost of service applicatio BR Difference - maximum deadband 3% Internal effortement on deemed debt: Regulated deemed king-term debt - as above Regulated deemed king-term debt - as above Stort-term debt rele Long-term debt rele Cang-term debt rele Cang-term debt rele Regulated deemed kebt - as above Stort-term debt rele Cang-term debt rele Regulated deemed kebt - as above Stort-term debt rele Cang-term debt rele Regulated deemed kebt - as above Stort-term debt rele Regulated deemed kebt - as above Stort-term debt rele Cang-term debt rele Cang-term debt rele Cang-term debt rele Cang-term debt rele Cang-term debt rele Stort-term debt rele Cang-term debt rele Stort-term debt re	27 6.67% -0.54% 27 6.67% 75 03.33% 100.00% 100.00% 5.18% 02 21 08 7% 01 101 101 101 101 101 101 101

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- 7. Please provide details on the impact to Essex Powerlines if it was required to refund to RPP customers:
  - a. The full amount that was over-collected.
  - b. 50% of the amount that was over-collected.
  - c. 10% of the amount that was over-collected.

# Response:

All of the requested refund amounts are over EPLC's materiality limit of \$60,000 and will impact the regulated return.

a. The full amount that was over-collected.

Response:

The impact to refund the full amount that was over-collected of \$3.8 million would mean the loss of approximately 200% of annual regulated return and over 63x materiality. The rate of return projected for 2015 would be -3.8%. The loss of the \$3.8 million of cash would result in additional loans with an estimated interest rate of 4% would create an additional interest expense of \$399,000 over the next 5 years. The debt service coverage ratio currently in place with our lenders would be exceeded resulting in a default of the loan covenants.

The additional borrowing to replace the cash would increase our debt to equity ratio by 5% and with the anticipated loan requirements for the new Learnington Transformer Station; this will jeopardize our ability to borrow funds for that project.

b. 50% of the amount that was over-collected.

# Response:

The impact to refund 50% of the amount that was over-collected which would be \$1.9 million would mean the loss of approximately 100% of annual regulated return and over 31x materiality. The rate of return projected for 2015 would be 2.8% well below the approved level of 9.85%. The loss of the \$1.9 million of cash would require additional loans with an estimated interest rate of 4% that will create an additional interest expense of \$199,000 over the next five years. The debt service coverage ratio currently in place with our lenders would be exceeded resulting in a default of the loan covenants.

The additional borrowing to replace the cash would increase our debt to equity ratio by 2.5% and with the anticipated loan requirements for the new Leamington Transformer Station; this could jeopardize our ability to borrow funds for that project and the loan interest rate would be higher due to the higher debt to equity ratio.



c. 10% of the amount that was over-collected.

Response:

The impact to refund 10% of the amount that was over-collected which would be \$380,000 would mean the loss of approximately 20% of annual regulated return and over 6x materiality. The rate of return projected for 2015 would be 8% compared to the approved rate of return of 9.85%.

#1

#### Interval Metered Designated Loads

	Designated	Utilismart kWh's	Utilismart kWh's	0	0	
	Units	First Block	Second Block	First Block	Second Block	Cost @ Spot
	82			\$0.00	\$0.00	
	1			\$0.00	\$0.00	
Sub Totals		0.00	0.00	\$0.00	\$0.00	\$0.00
		0.	00	\$0.	.00	

%

	Global Adj.		per kwh
WAP Fixed Rate	WAP Spot	First Block WAP	Second Block WAP
		\$0.00	\$0.00
		\$0.00	\$0.00
		\$0.00	\$0.00

Load		kWh's (With Losses)	Cost @ First Block	Cost @ Second Black	Total @ Fixed Rate	Cost @ Spot w GA	Variance		WAP	Statutory Price		
Intervals @ First Block		0	\$0.00		\$0.00	\$0.00	\$0.00				Block 1 Block 2	
Intervals @ Second Block		0.00		\$0.00		\$0.00	\$0.00					
Retail Total (From Download)								Block 1	\$	S ISSO (Box 1	) To EPLU (Box 2) \$	(Box 3)
Street Light (From Download)	_						\$0.00	and the second second	KVVh	-	-	343
Less Street Lights on Spot Price or With Ret	ailer	0						Pleak 2	ş	\$ -	\$ -	
Street Light on fixed price		0						DIOCK 2	kWh	*		
SL @ First Block	_	0	\$0.00		\$0.00	\$0.00	\$0.00					
SL @ Second Block	-	0		\$0,00		\$0.00	\$0.00			To IESO (Box 17	<ul> <li>To EPLC (Box 18)</li> </ul>	Regulated Customers
								Retailers	\$	\$	\$ -	(Box 19)
NSL (From Download)				\$0.00			\$0.00	using DOB	kWh	•	A COMPANY OF LOW	(
Adjustment to NSL (RCB Customers)		0										
Adjustment to NSL (Non Designated Loads)												
Adjustment to NSL (Contract Designated)												
NSL Adjusted for (RCB & Non Designated)	%	0			\$0.00	\$0.00						
NSL (First Block)		0	\$0.00			\$0.00	\$0.00					
NSL ( Second Block )		0		\$0.00		\$0.00	\$0.00					
Totals		0	\$0.00		\$0,00	\$0.00	\$0.00					
		0		\$0.00		\$0.00	\$0.00					
Wholesale Total (From Download)				n=								
(Theread is the provided of the point of the		0										

RPP Portion

# 1598 SUMMARY





Actual Cost of 1 One

**RPP CUSTOMER COUNT:** 

		SSS CUSTOMERS O	NTOU						
	Dellara	0		F	OSTED GA				
ON PEAK	Dollars	Cons	Spot in dollars	\$	0.00000	Difference	\$		\$
OFF PEAK				\$	-	-	\$		\$
MID PEAK				\$	-		\$	3	\$
SUM BLOCKS									
Actual Cost of Power									
OU CUSTOMER COUNT:									
	FIN	AL VARIANCE SETT	LEMENT						
UM RPPV STATS							\$	2	\$
USTOMER COUNT									
3A Split	%	RPP portion							



# Tab 2

Board staff Calculation: Proposed Correction of the RPP and non-RPP Misallocation in Account 1595 (2014)

<b>Table 1: Calculate ti</b>	he Residual Ba	lance of the App	roved Disposition	
Acct.	Approved Dispn.	Recovery May 1, 2014 to Jan. 31, 2015	Residual Balance	Recovery as a percent of total approved
1588	9,603,767	6,841,167	2,762,600	71.23%
1589 Net Recovery	-8,786,415 <b>817,352</b>	-6,132,938 <b>708,229</b>	-2,653,477 <b>109,123</b>	69.80%

#### Table 2: Calculate the amount of Misallocation remaining in Accounts

	Misallocatio n	Misallocation recovered already	Misallocation remaining		
1588	5,178,750	3,689,041	1,489,709		
1589	-5,178,750	-3,614,779	-1,563,971		

# Table 3: Adjust the Residual Balance by the same \$ amount

	Residual Balance	Adjustment	Adjusted Remaining
1588	2,762,600	1,563,971	1,198,629
1589	-2,653,477	-1,563,971	-1,089,506
Net			
Recovery	109,123	0	109,123

We are using the exact  $for \$  number because the misallocation was for. If we use the adjustment as per Essex's proposal, the LDC ends up recovering more than the net recovery remaining.

#### Table 4: Calculation of Corrected Residual Amounts per Essex's Table 9 in response to the supplemental questions

	Corrected P&I	Corrected Recovered in Rates (to Jan. 31, 2015)	Corrected Residual Amounts
1588	4,425,017	3,152,126	1,272,891
1589	-3,607,665	-2,518,159	-1,089,506
Net			
Recovery	817,352	633,967	183,385

Not using \$ for \$ adjustment results in Essex collecting \$183,385 while the net balance remaining is \$109,123

# **TAB 3**

# Tab 3

Account 1590: Previous Amounts Approved for Disposition

Application	Amount (\$)
2010 Cost of Service Application (EB-2009-0143)	-\$331,340
2012 IRM Application (EB-2011-0166)	-\$1,618,215
2014 IRM Application (EB-2013-0128)	-\$1,483,365

# **TAB 4**

# Tab 4

2011	<b>Billed Consumption</b>	RPP	Non-RPP	RPP %	Non-RPP %	
January	46,067,388.39	25,799,334.33	20,268,054.06	56.00%	44.00%	
February	55,202,119.48	32,496,423.51	22,705,695.97	58.87%	41.13%	
March	47,978,186.78	28,169,925.21	19,808,261.57	58.71%	41.29%	
April	41,428,763.41	22,008,832.84	19,419,930.57	53.12%	46.88%	
May	40,499,858.57	22,070,482.07	18,429,376.50	54.50%	45.50%	
June	42,204,299.54	22,374,656.91	19,829,642.63	53.02%	46.98%	
July	44,231,884.35	24,493,714.93	19,738,169.42	55.38%	44.62%	
August	63,856,684.08	38,188,533.03	25,668,151.05	59.80%	40.20%	
September	66,522,682.57	42,647,643.89	23,875,038.68	64.11%	35.89%	
October	49,684,116.62	24,905,077.06	24,779,039.56	50.13%	49.87%	
November	38,264,112.32	17,720,325.89	20,543,786.43	46.31%	53.69%	
December	31,997,664.89	16,632,246.20	15,365,418.69	51.98%	48.02%	2011 Yearbook Data - Billed
Total	567,937,761.00	317,507,195.87	250,430,565.13	55.91%	44.09%	<b>Consumption:</b> 555,211,433
2012	<b>Billed Consumption</b>	RPP	Non-RPP	RPP %	Non-RPP %	
January	52,750,108.55	32,421,100.47	20,329,008.08	61.46%	38.54%	
February	49,619,002.75	30,169,266.19	19,449,736.56	60.80%	39.20%	
March	40,108,335.22	22,998,273.51	17,110,061.71	57.34%	42.66%	
April	33,441,380.23	17,501,181.79	15,940,198.44	52.33%	47.67%	
May	47,101,848.04	29,308,041.95	17,793,806.09	62,22%	37.78%	
June	38,470,606.56	20,613,446.19	17,857,160.37	53.58%	46.42%	
July	55,076,364.45	34,213,509.50	20,862,854.95	62.12%	37.88%	
August	64,274,550.42	41,756,810.19	22,517,740.23	64.97%	35.03%	
September	51,624,934.00	30,064,589.94	21,560,344.06	58.24%	41.76%	
October	50,336,603.34	29,358,537.46	20,978,065.88	58.32%	41.68%	2012 Yearbook Data - Billed
November	39,774,126.33	21,940,860.57	17,833,265.76	55.16%	44.84%	Consumption
December	41,620,857.64	23,285,597.58	18,335,260.06	55.95%	44.05%	
Total	564,198,717.53	333,631,215.34	230,567,502.19	59.13%	40.87%	535,233,837
2013	Billed Consumption	RPP	Non-RPP	RPP %	Non-RPP %	
January	49,529,549.32	32,128,083.96	17,401,465.36	64.87%	35.13%	
February	44,335,514.04	26,567,530.02	17,767,984.02	59.92%	40.08%	
March	44,911,511.38	26,217,765.35	18,693,746.03	58.38%	41.62%	
April	40,432,858.92	22,770,951.89	17,661,907.03	56.32%	43.68%	
Мау	39,105,575.49	22,522,833.69	16,582,741.80	57.59%	42.41%	
June	38,321,811.88	22,173,268.10	16,148,543.78	57.86%	42.14%	
July	47,582,839.11	28,631,787.67	18,951,051.44	60.17%	39.83%	
August	56,250,242.72	34,724,124.69	21,526,118.03	61.73%	38.27%	
September	52,563,891.53	31,775,075.53	20,788,816.00	60.45%	39.55%	
October	49,318,539.68	28,296,623.25	21,021,916.43	57.38%	42.62%	2013 Yearbook Data –
November	40,677,366.34	21,994,596.88	18,682,769.46	54.07%	45.93%	Billed Consumption
December	37,238,417.11	19,701,657.43	17,536,759.68	52.91%	47.09%	
Total	540,268,117.52	317,504,298.46	222,763,819.06	58.77%	41.23%	536,939,314

# Consumption Variances for 2011, 2012 and 2013



# Tab 5

Amounts for Accounts 1588 and 1589 in 2014 and 2013 EDR Applications

# 2014 IRM Application (EB-2013-0128) – Group 1 Amounts Approved for Disposition

Account Name	Account Number	Principal Balance A	interest Balance B	Total Claim C = A + B
LV Variance Account	1550	\$708,191	\$19,695	\$727,886
RSVA - Wholesale Market Service Charge	1580	-\$3,573,954	-\$147,000	-\$3,720,954
RSVA - Retail Transmission Network Charge	1584	<mark>\$3</mark> 47,134	\$31,682	\$378,816
RSVA - Retall Transmission Connection Charge	1586	-\$1,267,076	-\$45,501	-\$1,312,577
RSVA - Power	1588	<mark>\$9,554,493</mark>	<mark>\$49,174</mark>	\$9,603,667
RSVA - Global Adjustment	1589	<mark>-\$8,731,842</mark>	-\$54,573	<mark>-\$8,786,415</mark>
Recovery of Regulatory Asset Balances	1590	-\$1,684,689	\$201,324	-\$1,483,365
Total Group 1 Excluding Global Adjustment – Account 1589				\$4,193,473
Total Group 1				-\$4,592,942

# 2013 IRM Application (EB-2012-0123) – Closing Balances for Accounts 1588 and 1589

No Disposition as total Group 1 Deferral and Variance Accounts were below the threshold

Accounts	2013 IRM Application – Closing Balances
1588	\$3,065,893
1589	-\$2,048,296