

*Your Home Town Utility*

December 23rd, 2015

Ms. Georgette Vlahos

Dear Ms. Vlahos,

**Re: 2016 IRM Rate Application EB-2015-0067**

As part of the Erie Thames Powerlines’ 2016 IRM application, EB-2015-0067, you requested that Erie Thames provide information with respect to recovering its’ applied for DVAD balances over 24 months rather than the default period of 12 months. Erie Thames, as part of this response, has provided this information as requested and also provided a scenario where only the Global Adjustment DVAD account is disposed of over 18 months while the remaining group one accounts continue to be recovered over a twelve month period. The following table details the GA rates that are utilized in the GA only bill impacts since the IRM model would not allow for that delineation.



The reasoning for Board staff to request this adjustment is directly attributable to bill impacts over 10% for a small subset of Erie Thames customer classes, specifically Non-RPP retailer residential customers especially the customers in the lowest 10th percentile of consumption which only represent 24 customers of the 18,000 customers within Erie Thames Service territory. However, Erie Thames does not believe the circumstances warrant departing from the 12 month recovery period.

To understand the current situation, it is useful to understand why Erie Thames’ customers are seeing these bill impacts. It is as a direct result of 2012 rate riders that will fall off of the customers’ bills in May of 2016 coupled with the addition of rate riders for the recovery of regulatory assets as part of 2014 balances being added to customers’ bills. This impact is not felt for RPP customers as they do not pay the GA regulatory balances as only retailer customers are allocated these balances. The impact is further exacerbated for these low consumption customers because of the transition to fully fixed rates for distribution charges. For customers in the Non-RPP lowest 10th percentile the total bill impact in dollars is $7.64 of which $4.86 of that impact is simply the change in DVAD rate riders; while the remainder is almost completely due to the movement towards fixed distribution charges.

As part of its 2012 IRM application, Erie Thames proposed deferring repayment of the large liability DVAD balances because a large dollar value of regulatory assets (especially for GA) had been built up in the months following the 2012 audited balances. Erie Thames suggested that approving the large liability only to be followed by the large asset balance would cause rate instability once the liability had expired. However, as the balances were not audited, Erie Thames was not permitted to defer repayment of the balances. Therefore, the potential rate instability identified by Erie Thames for many customers which was previously rejected should not now be used to extend the period of recovery as the result of the impact to a few customers.

Over the past 36 months the GA has increased and the rate for the recovery of cost of power that is charged to TOU customers has lagged behind this increase. Erie Thames like many distributors in the province have been forced to carry these large balances which has caused significant cash flow strain. As a result, Erie Thames has been carrying in excess of $4,000,000 in unrecovered cash for almost the whole period, since May of 2013 until today, which equates to almost $225 per customer or approximately 40% of its Revenue Requirement.

Erie Thames would note that neither the balances with the GA account nor the transition to a fixed distribution charge are within its control. Further, only a relatively few customers are impacted in such a way that mitigation should be considered. As such, Erie Thames should not be deprived of the ability to recover the DVAD amounts over 12 months which is the typical recovery period.

Should you have any questions, or concerns, please contact myself at Erie Thames Powerlines Corporation at 519-485-1820 ext. 254, or via email at [gpettit@eriethamespower.com](mailto:gpettit@eriethamespower.com).

Respectfully,

Original signed

Graig Pettit

Manager of Finance and Regulatory Affairs

Erie Thames Powerlines Corporation.

cc. Chris White President Erie Thames Powerlines