**2022 IRM Application**

Interrogatory Responses

EB-2021-0023

Attachments

Revised 1595 Analysis Workform

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Staff Question #3

**Ref: 2022 Rate Generator Model, Tab 3. Continuity Schedule**

 **1595 Analysis Workform**

 **EB-2014-0072 Decision and Order, June 9, 2015**

Typically, the remaining balance in Account 1595 after the expiration of applicable rate riders is expected to be relatively small as it is a residual of what was collected compared to the forecast. OEB staff notes that the Account 1595 (2015) balance of $2,437,103 per the Continuity Schedule is very large.

In the 1595 Analysis Workform, for the Rate Rider – Group 1 DVA accounts (excluding GA), the amount shown as the balance approved by the OEB is a $3,094,923 credit to customers. OEB staff notes that in the 2015 rates proceeding, a $3,202,317 credit amount was approved for disposition.

In the 1595 Analysis Workform, the following information was presented:

|  |  |  |
| --- | --- | --- |
| **Description** | **Cell** | **Amount** |
| Total Group 1 and Group 2 Balances excluding Account 1589 – Global Adjustment | F13 | ($3,843,411) |
| Total: Rate Rider 1 – Group 1 DVA Accounts (excluding Global Adjustments) | D59 | ($3,094,923) |
| Total: Rate Rider 3 for Disposition of Deferral and Variance Accounts (2015) | D204 | ($2,151,440) |

1. Please explain the large residual balance, $2,437,103, in 1595 (2015).
2. Please explain the difference between what was approved by the OEB in EB-2014-0072 and the 1595 Analysis Workform.
3. OEB staff expects the allocated balances in Step 3 in the Workform for Rate Rater 1 and 3 to equal the total Group 1 and 2 balances (excluding GA) from Step 1 in the workform. Please reconcile the significant difference between the two numbers.
4. Similarly, OEB staff expects the calculated variance for each rate rider in Step 3 to equal the total residual balance presented in Step 1. This figure is automatically calculated in Cell J240. Please explain why there is a significant variance of ($1,657,548).

Response

1. The largest component of the residual balance relates to the balance that was over-refunded to customers identified previously by the OEB and is being brought forward for disposition in the amount of $1,510,347. Other components of the balance are the residuals from four (4) rate riders, as well as interest and projected interest.

The residuals from rate riders 2 and 4 amount to $564,202, 17.1% of the Total Balance Approved for Disposition. The large residuals result from imprecise estimated billing determinants used in the rate rider calculation, which gave rise to under-recovery of principal balances over the rate rider recovery period. The largest components of the variance arose in the residential rate class, with an over-estimated billing determinant; offset by an under-estimated billing determinant in the GS<50 rate class.

1. The difference between the OEB-approved amount per EB-2014-0072 and the 1595 Analysis Workform is $1,510,347, which is the balance that was over-refunded to customers identified previously by the OEB and is being brought forward for disposition at this time.
2. The difference between the allocated balances in Step 3 of the 1595 Analysis Workform for Rate Riders 1 and 3 and the total Group 1 and 2 balances (excluding GA) from Step 1 of the workform of $1,402,952 and is made up of the balance that was over-refunded to customers identified previously by the OEB and is being brought forward for disposition ($1,510,347), offset by the removal of consumption data associated with the General Service 3,000-4,999 kW rate class ($107,394) due to the loss of the two (2) customers in this rate class. One customer, Hydro One, does not get charged rate riders and the other customer, Heinz Corporation, ceased operations in 2014. In its rate application EB-2014-0072, Essex Powerlines proposed the change to the volumetric data used for this rate class to ensure that the allocation of the tax savings, deferral and variance and RTSR rate riders were more accurately applied. OEB staff supported the omission of this consumption data for this customer class in EB-2014-0072.
3. The difference between the calculated variance for each rate rider in Step 3 of the 1595 Analysis Workform and the total residual balance presented in Step 1 of the workform is comprised of the balance that was over-refunded to customers identified previously by the OEB and is being brought forward for disposition ($1,510,347)\*, the omission of consumption data associated with the General Service 3,000-4,999 kW rate class ($107,394) that was supported by the OEB in EB-2014-0072, and an additional miscellaneous balance ($39,807).

*\* Section 10.2.3 Action Required arising from Audit of Group 1 and Group 2 Deferral and Variance Accounts Essex Powerlines Corporation, March 2017*

*The amount in Account 1590 approved for disposition as part of the 2015 IRM and refunded to customers in the 2015 rate year was brought forward in error. The reconstructed continuity schedule for Account 1595 should reflect the true residual balance as of December 31, 2015. This would mean that the $1.5 million that was over-refunded to customers would be recovered from customers. Moving forward, Essex Powerlines needs to ensure that the residual balances in Account 1595 brought forward for disposition are true residual balances, in accordance with the APH*

Follow-up Staff Question #3

In response to Staff Question 3, Essex Powerlines provided an explanation on why the approved amounts in the Account 1595 Workform do not agree to the 2015 decision and order.

1. Please revise the Account 1595 Workform for the following:
	1. Step 3 Rate Rider 1 – Revise the Allocated Balance to Rate Class as Approved by OEB (column D), and Denominator Used in Rider Calculation as Approved by OEB (column E) to agree to Essex Powerlines 2015 IRM.
	2. Step 1 Total Group 1 and Group 2 Balances excluding Account 1589 - Global Adjustment – Revise the Principal Balance Approved for Disposition (D13) and Carrying Charges Balance Approved for Disposition (E13) to agree with Essex Powerline’s 2015 IRM.
2. Please confirm that after these changes, Step 1 - Residual Balances Pertaining to Principal and Carrying Charges Approved for Disposition (column H) should show the residual difference between what was approved for disposition and amounts recovered/refunded. The difference between this residual and the balance in the DVA Continuity Schedule will include the $1.5M amount noted in Essex Powerline’s responses.
3. Please confirm that after these changes, the unreconciled difference in Step 3 (cell J240) should be minimal.

Response

1. Please find attached revised Account 1595 Workform.
2. Confirmed. After the requested changes, the difference between the residual and the balance in the DVA Continuity Schedule is the $1.5M amount noted in Essex Powerlines’ responses.
3. Confirmed. After the requested changes, the unreconciled difference in Step 3 is minimal (6.4% of the Total Balance Approved for Disposition).