**Essex Powerline Corporation**

**EB-2023-0020**

**December 15th, 2023**

Please note, Essex Powerline Corporation is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*, unless filed in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

**Staff Question-1**

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

On September 12, 2023, the OEB published the 2023 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

**Question(s):**

1. Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2023 OEB-prescribed interest rate of 5.49%.

**Staff Question-2**

**Ref 1: IRM Rate Generator Model, Tab 3, Continuity Schedule**

**Ref 2: IRM Rate Generator – DVA Tabs Instructions**

**Ref 3: OEB Guidance for Electricity Distributors with Forgone**

**Revenues Due to Postponed Rate Implementation from COVID-19, August**

**6, 2020, page 5**

On July 18, 2023, the OEB issued the DVA Tabs Instructions for the 2024 IRM Rate Generator Model. Pages 1 and 3 noted that Account 1509 - Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation was added to the model. A separate rider is calculated for this account in Tab 7, if the disposition is approved.

Regarding Account 1509, Impacts Arising from the COVID-19 Emergency Account, Subaccount Forgone Revenues from Postponing Rate Implementation, the following steps are noted in the August 6, 2020 guidance:

1. Upon implementation of the forgone revenue rate rider that is calculated from the Forgone Revenue Model, the rate rider transactions will be recorded in the same Forgone Revenues Subaccount. This will draw down the accumulated balance of actual forgone revenues/amounts.
2. Any residual balance after the expiry of the rate riders should be requested for final disposition in a future rate application (cost of service or IRM), once the balance has been audited in accordance with normal deferral and variance account disposition practices.
3. If disposition is approved, the residual balance in the Forgone Revenues Subaccount should be disposed proportionately by customer class and the residual balance will be transferred to Account 1595.

**Question(s):**

1. Please update Tab 3 (Continuity Schedule) as necessary to reflect a balance in Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation. Please complete the above-noted steps #1, #2, #3.
2. If this balance is not applicable, please explain.

**Staff Question-3**

**Ref 1: 2024 IRM Rate Generator Model, Tabs 11, 15 and 20**

**Ref 2: OEB Letter, EB-2023-0222, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, September 28, 2023**

On September 28, 2023 the OEB issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates. The OEB determined the use of preliminary UTRs to calculate 2024 Retail Service Transmission Rates (RTSRs) to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. The OEB also directed distributors to update their 2024 application with Hydro One Network Inc.’s proposed host RTSRs.

OEB staff has updated Essex’ Rate Generators with the preliminary UTRs and proposed host RTSR by HONI as follows:

UTRs:

A screenshot of a computer screen

Description automatically generated

Hydro One Sub-Transmission Rates:

A screenshot of a computer

Description automatically generated

Question:

1. Please confirm the accuracy of the Rate Generator update, as well as the accuracy of the resulting Retail Transmission Service Rates following these updates.

**Staff Question-4**

**Ref 1: 2024 IRM Rate Generator Model, Tab 8**  
**Ref 2: EB-2017-0039, 2018 IRM Rate Generator Model**

**Question(s):**

Please explain how did you come to the tax numbers in Tab 8 Cell H16, H18, H36, H40? In your response, please explain any deviations from the value approved in the Essex Powerlines EB-2017-0039, 2018 Cost of Service application.

**Staff Question-5**

**Ref 1: 2024 IRM Rate Generator Model, Tab 18**

**Ref 2: EB-2023-0268, Decision and Order, December 7, 2023**

**Ref 3: EB-2023-0222, OEB Letter “2024 Preliminary Uniform Transmission Rates, issued September 28, 2023**

**Question(s):**

1. The Rate Generator Model was updated to reflect the outcome of the references above. Please confirm the accuracy of the Rate Generator update, as well as the accuracy of the results from these updates, as outlined below.

* Tab 18 Regulatory Charges, RRRP Charges

RRRP charge = $0.0014/kWh

* Tab 18 Time of Use RRP Prices and Percentages

A group of black and white lines

Description automatically generated with medium confidence

* Tab 21 Bill Impacts to a 19.3% Ontario Electricity Rebate

**Staff Question-6**

**Ref 1: 2024 IRM Rate Generator Model, Tab 3**

**Ref 2: EB-2020-0021, Decision and Rate Order, 2021 IRM Rate Generator Model, March 25, 2021**

**Ref 3: EB-2017-0039, Decision and Order**

In Reference 1, Essex Powerlines has the following opening balances for Accounts 1588 and 1589’s continuity schedule.

**Table 1: 2024 Continuity Schedule Opening Balances**



The OEB approves the disposition of Essex Powerlines’ Group 1 accounts including Accounts 1588 and 1589 on an interim basis in the 2021 IRM proceeding. Table 2 below summarizes the ending balances for the accounts as of December 31, 2017, and December 31, 2018 recorded in Reference 2.

**Table 2: 2021 Continuity Schedule Ending Balances**



**Question(s):**

1. Please explain why the opening principal balances as of Jan. 1, 2018 for Accounts 1588 and 1589 in the 2024 IRM rate Generator Model match with the closing principal balance as of Dec 31, 2018.
2. Please reconcile the opening balances as of Jan. 1, 2018 for Accounts 1588 and 1589 in the 2024 IRM rate Generator Model with the ending balances as of December 31, 2017 on an interim basis in the 2021 IRM proceeding.
3. Please update the 2024 Continuity Schedule and the GA Analysis Workform with the opening balances as of Jan 1, 2017, which is the last final approved DVA balance according to Reference 3.

**Staff Question-7**

**Ref 1: Management Summary, Page 5**

Essex Powerlines states the utility has completed a comprehensive review of Account 1588 and 1589 balances in the context of the new Accounting Guidance and Settlement changes that took effect on August 31, 2019. As a result of the review, Essex Powerlines identified and corrected settlement issues that were incurred between 2018 and 2021. The issue resulted in accounting errors and split issues between Accounts 1588 and 1589.

**Question(s):**

1. Please explain in detail the identified settlement issues and the resulting accounting errors and split issues.
2. Please quantify the accounting errors and split issues for Accounts 1588 and 1589 in the table below.



1. Please explain in which year the correction of the settlement issues was recorded in the GL.
2. Have the identified settlement issues impacted the settlement with IESO?
3. If yes, please confirm whether Essex Powerlines has filed the settlement corrections with the IESO.
4. If not, please explain why and provide Essex Powerlines’ plan to settle with the IESO.

**Staff Question-8**

**Ref 1: Management Summary, Page 5**

**Ref 2: EB-2022-0031, Decision and Rate Order, March 23, 2023**

According to Reference 2, the OEB directs Essex Powerlines to bring forth the results of KPMG’s SOP review.

Essex Powerlines states in Reference 1 that KPMG made recommendations to decrease manual effort and inefficiencies and improve integrity, as well as documentation of review of work performed in the KPMG report.

**Question(s):**

1. Please provide the scope and results or report of KPMG’s SOP review and the period that the review covers.
2. Please confirm whether the review impacts the balances of Accounts 1588 and 1589 for the period 2017 to 2018 which were previously disposed of on an interim basis.

**Staff Question-9**

**Ref 1: 2024 GA Analysis Workform, Tab GA 2018**

**Ref 2: EB-2017-0039, Final Rate Order, September 20, 2018**

**Ref 3: Management Summary, Page 6**

**Ref 4: EB-2022-0031, Decision and Rate Order, March 23, 2023**

According to Reference 2, the OEB approves Essex Powerlines’ new rates are to be effective as of May 1, 2018, and implemented on October 1, 2018.

Essex Powerlines explained in Note 4 (b) in Reference 1 that its loss factor changed from 1.0602 to 1.03555 in the 2018 COS proceeding. The recalculated loss factor for 2018 is 1.05403. Additionally, Essex Powerlines stated “The data in Note 2 above, which is imported from the RRR filing, has been comprehensively reviewed for accuracy purposes. Based on more accurate data, Non-RPP Class B consumption excluding the loss factor for 2018 should be 181,525,638 kWh, which translates to a calculated loss factor of 1.0572 (191,900,435/181,525,638 = 1.0572). When compared to the recalculated loss factor for the year of 1.0540, the difference is 0.0032, which falls within the expected 1% threshold.”

Essex Powerlines subsequently provided the updated Non-RPP class B consumption excluding loss factor for 2019 (189,338,231 kWh) and 2020 (163,192,424 kWh) in Note 4 (b) in the respective tabs.

**Question(s):**

1. Based on the effective date of May 1, 2018, the prorated loss factor for 2018 is calculated to be 1.04373. Please confirm the OEB staff’s calculation.
2. Please confirm whether Essex Powerlines has submitted the RRR filing revisions for the updated consumption data from 2018 to 2020. If not, please provide a plan for the RRR revisions.

**Staff Question-10**

**Ref 1: EB-2022-0031, Decision and Rate Order, March 23, 2023**

**Ref 2: Management Summary, Page 7**

**Ref 3: 2024 GA Analysis Workform**

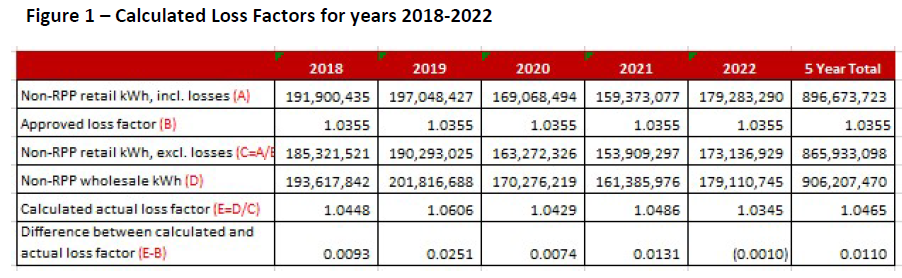
According to Reference 1, the OEB has instructed Essex Powerlines to address a number of OEB staff’s outstanding questions for Accounts 1588 and 1589.

The questions are listed as follows.

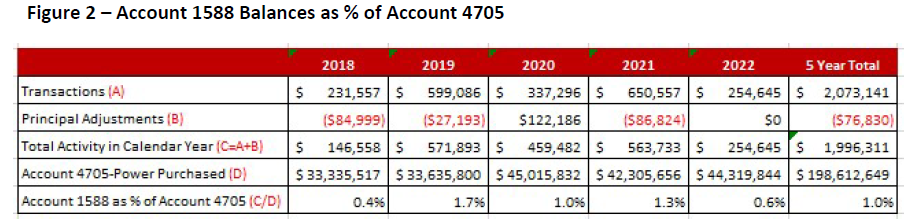
1. The correlation between the expected GA volume variance and the actual loss factor experienced for 2019 and 2020.
2. The high Account 1588 balance for 2019 in comparison to Account 4705 – Power Purchased for 2019.
3. Confirmation that timing-related adjustments of meter reads that affected 2019 and 2020 did not affect 2017 and 2018.

In the 2024 GA Analysis Workform, the reported expected GA volume variance is $157,452, $523,793, and $148,411 for 2018, 2019, and 2021, respectively.

Essex Powerlines has provided a table of calculated loss factors for the year 2018-2022 in Reference 2.



Additionally, Essex Powerlines has provided a table of Account 1588 balances as % of Account 4705 for the year 2018-2022 in Reference 2.



Essex Powerlines states that the adjustment of meter reads that affected 2019 and 2020 stretched back to 2018. The 2018 balances were reviewed, corrected, and reconstructed as part of the review of Account 1588 and 1589 balances. Essex Powerlines further states that the meter read adjustments did not affect 2017.

**Question(s):**

1. Please comment on the reasonability of the volatility observed in the calculated actual loss factor from 2018 to 2022 and provide the causes for the large variances presented in 2019 and 2021.
2. OEB staff has observed the material expected GA volume variances in 2018, 2019, and 2021 correlate with the high calculated actual loss factors in the respective years. Please confirm this observation.
3. Please explain the high Account 1588 balance for 2019 and 2021 in comparison to Account 4705 – Power Purchased for 2019 and 2021.
4. Please quantify the meter reads adjustments for the period 2018 – 2020 by year.
5. Please explain how the 2018 balances were corrected and reconstructed.
6. Please provide the journal entry.
7. Please confirm in which year the correction journal entry was recorded in the GL.
8. Please confirm whether the meter reads adjustments are included as part of the net change in principal balance in the GL (i.e. transactions in the year) in both the GA Analysis Workform and the Continuity Schedule.
9. Please explain the adjustments made to Account 4705 for the period 2018 – 2022.
10. Please provide the journal entries.
11. Please confirm in which year the adjustment entries were recorded in the GL.

**Staff Question-11**

**Ref 1: 2024 GA Analysis Workform, 2018 – 2020 GA Tab**

**Ref 2: GA Analysis Workform, June 23, 2023, page 9**

In Reference 1, Essex Powerlines recorded reconciling items for long-term and short-term load transfers in Note 5 for 2018, 2019, and 2020. The respective amounts are a credit of $41,801, a credit of $266,850, and a debit of $308,652.

Reference 2 states that:

Reconciling items relating to load transfers, GA balances pertaining to Class A customers, and differences between the posted and invoiced GA rates are generally not expected to be material.

**Question(s):**

1. Please provide explanations for the reconciling items mentioned above. Especially, please explain why there are material load transfer reconciling amounts recorded in 2019 and 2020’s GA Analysis Workform.
2. Please explain how the reconciling items are quantified.

**Staff Question-12**

**Ref1: Section 9 (Lost Revenue Adjustment Mechanism Variance Account); 2024 LRAMVA Workform**

EPLC notes that “Essex’s savings results are based on the 2017 Final Verified Annual LDC CDM Program Results report and the April 2019 Participation and Cost Report provided by the IESO. There are no new projects in 2020 through 2022, or adjustments to savings from 2017 and 2018, and therefore, no additional documentation is being provided.”

However, OEB staff notes that claimed savings for the 2016, 2017, and 2018 program years do not match the savings for those program years that were used as the basis for EPLC’s previous LRAMVA claim (EB-2019-0034).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program Year** | **EB-2019-0034 Claimed Savings** | | **EB-2023-0020 Claimed Savings** | |
|  | **kWh** | **kW** | **kWh** | **kW** |
| 2016 | 7078022 | 532 | 10147810 | 637 |
| 2017 | 7311456 | 932 | 10178943 | 1192 |
| 2018 | 2542387 | 460 | 2781214 | 545 |

**Question(s):**

1. Please file the referenced April 2019 Participation and Cost Report provided by the IESO.
2. Please confirm that all differences between claimed CDM savings for program years 2016 to 2018 in the current LRAMVA claim and claimed CDM savings for program years 2016 to 2018 used as the basis of EPLC’s previous LRAMVA claim (EB-2019-0034) are due to adjustments to program results for those years that are documented in the April 2019 Participation and Cost Report. If not confirmed, please identify the reason for these differences, with supporting documentation as necessary.
3. Please describe how year-over-year persistence of savings from these adjustments to program results was calculated. In particular, please describe why the persistence of 2017 program savings from the Save on Energy Coupon Program (row 485 versus 486 in the “2015-2027 LRAM” tab of the LRAMVA Workform) and the Save on Energy Retrofit Program (row 501 versus row 502) into subsequent years is significantly different for the original program results as compared to the adjustments.
4. Please confirm that all claimed savings for program year 2019 (103,037 kWh and 14 kW), including assumptions around persistence of program savings, are documented in the April 2019 Participation and Cost Report. If not confirmed, please provide additional supporting documentation as necessary.

**Staff Question-13**

**Ref1: Section 9 (Lost Revenue Adjustment Mechanism Variance Account), page**

**11; 2024 LRAMVA Workform; IRM Rate Generator Model, Tab 19;**

[**Guidance on Prospective LRAM Amounts – 2024 Rates**](https://www.oeb.ca/sites/default/files/LRAMVA-Workform-Instructions%20-%20Prospective%20Lost%20Revenues.pdf)

EPLC requests prospective disposition of LRAM-eligible amounts of $16,968 for 2024.

As per the Guidance on Prospective LRAM Amounts, distributors should propose rate riders to recover each annual LRAM-eligible amount in the corresponding rate year.

**Questions:**

1. For the 2024 LRAM-eligible amount, please provide the calculation of the resulting 2024 rate riders (including inflating the LRAM-eligible amount by the 2024 OEB-Approved Inflation Minus X-Factor, and taking into account the presumed 8-month recovery period) and input those riders into Tab 19 of the IRM Rate Generator Model,[[1]](#footnote-2) or explain why EPLC has not proposed rate riders to recover the LRAM-eligible amount for 2024.

1. See EB-2023-0016, [IR Responses](https://www.rds.oeb.ca/CMWebDrawer/Record/817596/File/document) (Question 6(b)) and the related [IRM Rate Generator Model](https://www.rds.oeb.ca/CMWebDrawer/Record/823356/File/document) (Tab 19) for an example of how to calculate this rate rider. [↑](#footnote-ref-2)