**2024 IRM Application**

Interrogatory Responses

EB-2023-0020

Table of Contents

Table of Contents 2

Staff Question #1 3

Response 3

Staff Question #2 3

Response 4

Staff Question #3 4

Response 5

Staff Question #4 6

Response 6

Staff Question #5 7

Response 7

Staff Question #6 8

Response 9

Staff Question #7 10

Response 10

Staff Question #8 11

Response 12

Staff Question #9 13

Response 13

Staff Question #10 14

Response 16

Staff Question #11 17

Response 18

Staff Question #12 19

Response 20

Staff Question #13 24

Response 25

Staff Question #1

**Ref: Rate Generator Model, Tab 3, ConDtinuity 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%.

Response

1. Essex confirms that the Q4 2023 prescribed interest rate of 5.49% has been used in the Continuity Schedule. No updates are required to Tab 3 of the Rate Generator Model.

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.

Response

1. Essex implemented a forgone rate rider for the COVID-19 Emergency effective November 1, 2020 with an expiry date of October 31, 2021. Per normal deferral and variance account disposition practices, distributors become eligible to seek disposition of residual balances two years after expiry of the rate rider and after those balances have been audited. In this case, two years after the expiry of the rate rider is October 31, 2023. Essex’s 2023 balances have yet to be audited. Our intention is to seek disposition of Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues in our upcoming Cost of Service, which is due to be filed by April 30, 2024.

As such, we have not updated Tab 3 of the Continuity Schedule to reflect Account 1509 balances in this application.

1. N/A

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:

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Hydro One Sub-Transmission Rates:

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**Question(s):**

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.

Response

1. Essex confirms the accuracy of UTRs and Hydro One Sub-Transmission rates in the Rate Generator Model, as well as the accuracy of the resulting Retail Transmission Service Rates.

It should be noted that the Hydro One Sub-Transmission Rates were derived from the Partial Decision and Rate Order (EB-2023-0030) issued on December 14, 2023, rather than the preliminary rates contained in the OEB letter (EB-2023-0222) issued on September 28, 2023 as noted in reference 2 above.

Staff Question #4

**Ref 1: 2024 IRM Rate Generator Model, Tab 8**

**Ref 2: EB-2017-0039, 2018 IRM Rate Generator Model**

**Question(s):**

1. 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.

Response

1. Essex derived the numbers in Tab 8, Cells H16 and H18 from its 2018 Cost of Service (EB-2017-0039). Please refer to Cell J10 on Tab T0 PILs Tax Provision in the document titled “2018 Test Year Income Tax PILS Workform” dated April 13, 2018. A snapshot is provided below.

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Cell H36 of Tab 8 in the 2024 IRM Rate Generator Model erroneously contained a value of 14.9%, which has now been updated to 26.5% in the model.

Cell H40 of Tab 8 in the 2024 IRM Rate Generator Model was submitted with a zero value, as OEB-Approved Total Tax Credits are not applicable.

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

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

Response

1. Essex confirms the accuracy of the Rate Generator update and the accuracy of the results from these updates.

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.

Response

1. The opening principal balances as of January 1, 2018 for Accounts 1588 and 1589 in the 2024 Rate Generator Model were incorrect due to limitations within the model which prevented Essex from populating the Continuity Schedule commencing with 2016, which is the required starting point given Essex’s circumstances. Continuity Schedules for 2016 and 2017 have now been prepared manually and are provided as a separate attachment to the interrogatory responses. The 2017 Continuity Schedule within the Rate Generator Model contains the correct closing balances.
2. The opening balance as of January 1, 2018 for Accounts 1588 and 1589 in the 2024 Rate Generator Model agree to the ending balances as of December 31, 2017 on an interim basis in the 2021 IRM proceeding.
3. The 2024 Continuity Schedule has been updated with the proper opening balances as of January 1, 2017, and is included as a separate attachment to the interrogatory responses. No adjustment to the GA Analysis Workform is required, as the in-year transactions are unchanged.

Staff Question #7

**Ref: 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.

Response

1. As a result of the comprehensive review of Account 1588 and 1589 balances, it was discovered that incorrect meter read values were used to settle both RPP Smart Meter vs Market Price Variances and RPP Conventional Meter vs Market Price Variances. These incorrect values resulted in incorrect settlement with the IESO which occurred between 2018 and 2021. Incorrect settlement values resulted in accounting errors and split issues between Accounts 1588 and 1589.

In addition to the incorrect data being used, split issues between Accounts 1588 and 1589 were discovered in the accounting of power purchased from Hydro One.

Meter read data was re-run and settlement data was reconstructed for the years in question to quantify the necessary corrections. Furthermore, the errors related to Hydro One power purchases were quantified and corrected.

1. The following table quantifies the accounting errors and split issues for Accounts 1588 and 1589:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Identified Accounting Errors and Split Issues** | **2018** | **2019** | **2020** | **2021** |
| Account 1588 | $ 32,571 | $ 1,504,230 | $ 240,343 | $ (48,087) |
| Account 1589 | $ (422,626) | $ (1,400,168) | $ (434,833) | $ 4,599 |
| Total | $ (390,055) | $ 104,062 | $ (194,490) | $ (43,488) |
| Settlement Variance | $ (393,402) | $ 150,563 | $ (194,816) | $ (47,362) |
| Unadjusted Balance | $ 3,346 | $ (46,501) | $ 326 | $3,874 |

The total unadjusted balance over the four years is $38,955, which is not material.

1. The correction of the settlement issues was recorded in the GL in 2023.
2. The identified settlement issues impacted the settlement with the IESO.
3. Essex has filed the settlement corrections with the IESO.
4. N/A

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.

Response

1. Essex engaged KPMG to review its SOPs with respect to its approach to regulatory accounting oversight, including a review of the processes used to account for Regulatory Accounts 1588 and 1589. KPMG reviewed eleven (11) SOPs and performed a walkthrough of the IESO settlement process to assess the adequacy of the procedures to accurately and completely account for the regulatory matter, and to identify the risks of error in the process and the internal controls in place to mitigate the risk.

The work performed during this engagement resulted in noting that significant manual effort was being expended; a need for additional data integrity checks; and a lack of clear review guidelines.

This engagement was performed in Q4 2022.

1. As the review performed by KPMG was solely a review of SOPs and the IESO settlement process, it does not impact the balances of Account 1588 and 1589 for the period 2017 to 2018 which were previously disposed of on an interim basis. However, Essex’s comprehensive review took into consideration the Board’s Accounting Guidance related to Accounts 1588 and 1589 issued on February 21, 2019 in the context of pre-2019 balances yet to be disposed on a final basis. The recommendations made by KPMG contained within their report were used to improve Essex’s SOPs to ensure that appropriate internal controls are in place to mitigate risk on a go-forward 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.

Response

1. The Decision and Final Rate Order for Essex’s Cost of Service application EB-2017-0039 was published on September 20, 2018. In that order, Essex was given approval to implement its new rates on October 1, 2018 effective as of May 1, 2018.1 Essex therefore calculated its 2018 loss factor to be 1.0540, based upon 9 months (January-September

1EB-2017-0039 dated September 20, 2018, page 5

2018) at the former loss factor of 1.0602 and 3 months (October-December 2018) at the new loss factor of 1.0355. This results in a pro-rated loss factor of 1.05403. OEB staff has calculated the 1.04373 pro-rated loss factor on the basis that Essex implemented its new 2018 rates on May 1, 2018.

1. Essex has not yet submitted the RRR revisions for the updated consumption data from 2018 to 2020. RRR revisions will be made in the near future, but not later than the end of Q2 2024.

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.

A table with numbers and numbers

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

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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.

Response

1. Further to the recommendations in the KPMG report, Essex has implemented better and more timely validations of data to ensure the loss factor volatility remains within a reasonable range. Essex acknowledges that the calculated loss factors in 2019 and 2021 are higher than the approved loss factor but notes that the 5-year average for years 2018-2022 is reasonable at just slightly over 1%. Essex continues to monitor and investigate all incidences of loss factor volatility to avoid unexplained variances.
2. Essex confirms this observation. Despite the higher than expected GA volume variances in these years, the unresolved difference percentage on the GA Analysis Workform falls within the expected 1% threshold for each year being requested for disposition. Essex has since implemented improved processes and workflows to better capture and identify any material variances in a timely manner.
3. The high Account 1588 balances in 2019 and 2021 correlate to the increased loss factor volatility incurred in those years. Essex has implemented processes and controls to assist with early identification of volatility to be able to better respond and explain variances.
4. The meter read adjustments for the years 2018 to 2020 are quantified as follows:

|  |  |  |
| --- | --- | --- |
| **Year** | **RPP vs Market Price**  **Conventional Meters (kWh)** | **RPP vs Market Price**  **Smart Meters (kWh)** |
| 2018 | (806,516) | (1,847,656) |
| 2019 | 306,841 | 3,196,843 |
| 2020 | (758,485) | 4,503,381 |

1. Meter read data was re-run and settlement data was reconstructed for 2018 to quantify the necessary corrections.
2. The journal entry for 2018 debited Account 2256 (IESO Fees Payable) and credited Account 4705 (Power Purchased) in the amount of $393,402.
3. The correcting journal entry was recorded in the GL in 2023.
4. Essex confirms that the meter read adjustments are included as part of the net change in principal balance in the GL (ie. transactions in the year) in both the GA Analysis Workform and the Continuity Schedule.
5. The adjustments made to Account 4705 for the period 2018-2022 are as follows:
6. The journal entry for 2018 debited Account 2256 (IESO Fees Payable) and credited Account 4705 (Power Purchased) in the amount of $393,402.

The journal entry for 2019 debited Account 4705 (Power Purchased) and credited Account 2256 (IESO Fees Payable) in the amount of $150,563.

The journal entry for 2020 debited Account 2256 (IESO Fees Payable) and credited Account 4705 (Power Purchased) in the amount of $194,816.

The journal entry for 2021 debited Account 2256 (IESO Fees Payable) and credited Account 4705 (Power Purchased) in the amount of $47,362.

There was no adjusting entry required for 2022.

The net adjustment to Account 4705 (Power Purchased) was a credit in the amount of $485,018.

1. The adjustment entries were recorded in the GL in 2023.

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.

Response

1. Essex is fully embedded in the Hydro One distribution system network and short-term load transfers can, and often do, occur between the two distributors in both directions (ie. Essex to Hydro One and Hydro One to Essex). Essex also has permanent long-term load transfers with Hydro One (Essex to Hydro One).

Essex and Hydro One collaborate to collect the details of the timing, volumes and dollar amounts associated with the short-term load transfers that are to be billed between the distributors. Once the information has been compiled and agreed upon by the two parties, billing occurs, frequently in a subsequent year. In any given year, there may be multiple periods of short-term load transfers which need to be billed.

Consumption and billing for the long-term load transfers generally occurs within the same fiscal year.

The adjustments on the GA Analysis Workform are necessary when the load transfers occur in any given year, but are not billed until a subsequent year, which frequently occurs due to the length of time involved for the two distributors to compile and validate the data that is used to prepare the billing.

The credit of $41,801 on the GA Analysis Workform in 2018 represents load transfers which occurred in 2018 but were not billed by Essex to Hydro One until 2020. No accrual was made in Essex’s GL for the revenue associated with this consumption since the value was unknown in 2018.

The credit of $266,850 on the GA Analysis Workform in 2019 represents load transfers which occurred in 2019 but were not billed by Essex to Hydro One until 2020. No accrual was made in Essex’s GL for the revenue associated with this consumption since the value was unknown in 2019.

The debit of $308,652 on the GA Analysis Workform in 2020 represents the reversal of those 2018 and 2019 load transfers on the GA Analysis Workforms in 2018 and 2019. The revenue associated with these 2018 and 2019 load transfers was recorded in Essex’s GL in 2020.

1. Billing for 2018 long-term load transfers did not occur until 2019. Since that time, Essex has improved its processes and billing now occurs in the same fiscal year as the consumption.

For purposes of the 2024 GA Analysis Workform, the values of both short-term and long-term load transfers were aggregated.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2018** | **2019** | **2020** |
| Long-Term Load Transfers | $ (8,066.50) | $ 8,066.50 | $ 0 |
| Short-Term Load Transfers | $ (33,734,95) | $ (274,916.88) | $ 308,651.83 |
| **Total** | **$ (41,801.45)** | **$ (266,850.38)** | **$ 308,651.83** |

Staff Question #12

**Ref 1: 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.

Response

1. The April 2019 Participation and Cost Report (P&C Report) is filed as a separate attachment to the interrogatory responses (see Participation and Cost Report - Essex Powerlines Corporation - 2019 04).
2. Confirmed, with the exception of corrections to the 2017 Save on Energy Coupon Program, 2017 Save on Energy Retrofit Program and the 2017 Save on Energy Small Business Lighting Program savings as explained below. Additionally, the Save on Energy Home Assistance Program and Save on Energy Energy Management Program were added to the LRAMVA model, but these savings were already included as the Social Benchmarking Local Program (row 529 on the “2015-2017 LRAM” tab) so they have been removed from the updated LRAMVA Workform. Difference between savings in the EB-2016-0034 LRAMVA model and the 2024 LRAMVA model are detailed in the following tables. All first year savings and savings persisting to 2020 are consistent with the April 2019 P&C Report.

**2016**

|  |  |
| --- | --- |
| **Opening / Adjustments** | **2016 kWh Savings** |
| EB-2019-0034 Claimed Savings | 7,078,022 |
| Plus adjustment to Save on Energy Coupon Program | 286,083 |
| Plus adjustment to Save on Energy Heating and Cooling Program | 3,922 |
| Plus adjustment to Save on Energy New Construction Program | 853 |
| Plus adjustment to Save on Energy Retrofit Program | 2,778,930 |
| **Adjusted Total / P&C Report** | **10,147,810** |

**2017**

|  |  |
| --- | --- |
| **Opening / Adjustments** | **2017 kWh Savings** |
| EB-2019-0034 Claimed Savings | 7,311,456 |
| Plus adjustment. to Save on Energy Coupon Program | 3,997 |
| Plus correction to Save on Energy Coupon Program\* | 1,295,941 |
| Plus adjustment to Save on Energy Heating and Cooling Program | 51,988 |
| Plus adjustment to Save on Energy New Construction Program | 3,963 |
| Plus adjustment to Save on Energy Home Assistance Program | 112,763 |
| Plus adjustment to Save on Energy Smart Thermostat Program | 5,852 |
| Plus adjustment to Save on Energy Retrofit Program | 857,042 |
| Less correction to Save on Energy Retrofit Program\*\* | (106,673) |
| Plus adjustment to Save on Energy High Performance New Construction Program | 187,612 |
| Plus Save on Energy Energy Manager Program | 404,162 |
| Plus correction to Save on Energy Small Business Lighting Program\*\*\* | 50,840 |
| Adjusted Total | 10,178,943 |
| Less adjustment to Save on Energy Home Assistance Program | (112,763) |
| Less Save on Energy Energy Manager Program | (404,162) |
| **Corrected Adjusted Total / P&C Report 2017 Year to Date** | **9,662,017** |

\*The EB-2019-0034 LRAMVA model includes combined Save on Energy Coupon Program, Save on Energy Instant Discount Program, and Instant Savings Local Program savings within the Save on Energy Coupon Program row (row 485). The entries for these programs implemented in 2017 incorrectly included the years 2018-2027 instead of 2017-2026. The difference between first year savings (5,561,382 kWh in 2017) and the savings entered into the model as first year savings (4,265,441 kWh in 2018) is 1,295,941 kWh.

\*\*The EB-2019-0034 LRAMVA model savings for the Save on Energy Retrofit Program implemented in 2017 incorrectly included the years 2018-2027 instead of 2017-2026. The difference between the first year savings (1,538,026 kWh in 2017) and the savings entered into the model as first year savings (1,644,699 kWh in 2018) is (106,673) kWh.

\*\*\*The EB-2019-0034 LRAMVA model savings for the Save on Energy Small Business Lighting Program implemented in 2017 incorrectly included the years 2020-2029 instead of 2017-2026. The difference between first year savings (375,528 kWh in 2017) and the savings entered into the model as first year savings (324,688 kWh in 2020) is 50,840 kWh.

**2018**

In EB-2019-0034, LRAMVA savings in 2018 were calculated manually based on a list of completed projects (filed as “Essex 2018 LRAMVA PandC Summary xlsx 20191011” in EB-2019-0034). The adjustments listed below reflect the difference between those calculations and the April 2019 P&C Report such that the total 2018 savings for each program in the 2024 LRAMVA workform is consistent with the values in the April 2019 P&C Report.

|  |  |  |
| --- | --- | --- |
| **Opening / Adjustments** | **kWh Details** | **2018 kWh Savings** |
| EB-2019-0034 Claimed Savings |  | 2,542,387 |
| Save on Energy Heating and Cooling Program |  |  |
| EB-2019-0034 LRAMVA Workform Amount | 202,927 |  |
| April 2019 Participation and Cost Report Amount | 231,849 |  |
| Plus adjustment |  | 28,922 |
| Save on Energy Retrofit Program |  |  |
| EB-2019-0034 LRAMVA Workform Amount | 981,875 |  |
| April 2019 Participation and Cost Report Amount | 1,123,141 |  |
| Plus adjustment |  | 141,266 |
| Save on Energy Small Business Lighting Program |  |  |
| EB-2019-0034 LRAMVA Workform Amount | 70,882 |  |
| April 2019 Participation and Cost Report Amount | 139,521 |  |
| Plus adjustment |  | 68,639 |
| **Adjusted Total** |  | **2,781,214** |

The updated LRAMVA claim with the above-noted corrections is detailed in the following tables.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Rate Class** |  | **2019** | **2020** | **2021** | **2022** | **2023** | **Carrying Charges** | **Total Claim by Class** |
| Residential | Actual | $13,716.43 | $0.00 | $0.00 | $0.00 | $0.00 | -$84 | -$800 |
| Forecast | ($14,432.18) | $0.00 | $0.00 | $0.00 | $0.00 |
| GS < 50 kW | Actual | $44,853.30 | $45,278.37 | $46,315.52 | $46,109.24 | $46,482.24 | $6,096 | $78,841 |
| Forecast | ($29,840.16) | ($30,329.35) | ($31,063.12) | ($32,041.49) | ($33,019.85) |
| GS > 50 kW | Actual | $16,129.84 | $16,512.45 | $16,830.08 | $16,902.83 | $17,086.04 | $808 | $10,202 |
| Forecast | ($14,183.19) | ($14,421.82) | ($14,707.94) | ($15,118.36) | ($15,635.62) |
| Sentinel Lighting | Actual | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0 | $0 |
| Forecast | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Street Lighting | Actual | $15,494.36 | $15,802.14 | $15,998.06 | $16,444.01 | $17,006.36 | $829 | $10,937 |
| Forecast | ($13,526.20) | ($13,754.06) | ($14,026.98) | ($14,417.98) | ($14,911.04) |
| Unmetered Scattered Load | Actual | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0 | $0 |
| Forecast | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Total | Actual | $90,193.91 | $77,592.95 | $79,143.66 | $79,456.08 | $80,574.64 | $7,649 | $99,180 |
| Forecast | ($71,981.73) | ($58,505.23) | ($59,798.03) | ($61,577.83) | ($63,566.51) |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Rate Class | Billing Unit | Principal | Carrying Charges | Total LRAMVA | Billing Determinant | Proposed Rate Rider |
| Residential | kWh | ($715.75) | ($84.03) | ($799.78) | 272,676,249 | ($0.0000) |
| GS < 50 kW | kWh | $72,744.70 | $6,096.16 | $78,840.86 | 67,690,342 | $0.0017 |
| GS > 50 kW | kW | $9,394.31 | $807.68 | $10,201.99 | 504,916 | $0.0303 |
| Sentinel Lighting | kW | $0.00 | $0.00 | $0.00 |  |  |
| Street Lighting | kW | $10,108.66 | $828.77 | $10,937.43 | 7,286 | $2.2517 |
| Unmetered Scattered Load | kWh | $0.00 | 0 | $0.00 |  |  |
| Total |  | $91,531.91 | $7,648.58 | $99,180.49 |  |  |

1. The April 2019 P&C Report provides savings data for the implementation year and savings persisting to 2020, so savings from that report are entered in each year’s implementation year and 2020. Savings in the years between the implementation year and 2020 are calculated to provide an equal amount of lost persistence in each interim year. When detailed persistence data for initial savings is available, the loss in persistence of adjustments is assumed to be the same as the loss in persistence of initial savings. For example, in row 502 “2015-2027 LRAM” tab of the LRAMVA Workform, the persistence of adjustment to 2017 Save on Retrofit savings to 2021 is calculated as 2021 initial savings divided by 2020 initial savings multiplied by 2020 adjusted savings. In most cases there is no loss in persistence of initial savings so savings adjustments are equal in each year to 2025.

The Save on Energy Coupon Program example cited in the question (row 486 in the “2015-2027 LRAM” tab of the LRAMVA Workform in EB-2023-0020) is an exception because there is significant loss in persistence from 2017 to 2020. The amounts provided in rows 485 and 486 include the Save on Energy Coupon Program, the Save on Energy Instant Discount Program, and the Instant Savings Program. A large portion of the adjustments in 2017 and 2018 is caused by the incorrect year of savings being entered in the LRAMVA model in EB-2019-0034. This row (row 486) includes the correction which has revised the persistence of initial savings in the LRAMVA Workform in EB-2023-0020. The 2024 LRAMVA Workform is now updated such that all initial savings are included in row 485 and adjustments are in row 486.

1. Essex confirms that the 103,037 kWh savings figure is documented in the April 2019 P&C Report. The April 2019 P&C Report does not provide kW savings. The 14 kW savings figure was calculated based on 2019 kWh savings and the ratio of kW savings to kWh savings of those programs in previous years.

Staff Question #13

**Ref 1: Section 9 (Lost Revenue Adjustment Mechanism Variance Account), page 11;**

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

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.

**Question(s):**

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, or explain why EPLC has not proposed rate riders to recover the LRAM-eligible amount for 2024.

Response

1. The calculation of the rate riders for the 2024 LRAM-eligible amount are provided in the following tables. Essex confirms it has added these rate riders to Tab 19 of the IRM model.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Rate Class** | **2024 Total  LRAM-Eligible** | **Jan 2024-**  **Apr 2024** | **May 2024-**  **Dec 2024** | **May to Dec I - X Escalation** | **Escalated 2024 Claim** |
| **A** | **B = A \* (4/12)** | **C = A \* (8/12)** | **D = C \* (1.048)** | **E = B + D** |
| **Residential** | $0.00 |  |  |  |  |
| **GS < 50 kW** | $12,912.67 | $4,304.22 | $8,608.45 | $9,021.65 | $13,325.88 |
| **GS 50 - 4,999 kW** | $1,450.43 | $483.48 | $966.95 | $1,031.36 | $1,496.84 |
| **Embedded Dist.** |  |  |  |  |  |
| **Sentinel Lighting** |  |  |  |  |  |
| **Street Lighting** | $2,095.31 | $698.44 | $1,396.88 | $1,463.93 | $2,162.36 |
| **USL** | $0.00 |  |  |  |  |
| **Total** | **$16,458.41** | **$5,486.14** | **$10,972.28** | **$11,498.94** | **$16,985.08** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Rate Class** | **Escalated 2024 Claim** | **Monthly Claim**  **(May - Dec)** | **Billing Determinant** | **Monthly Billing Det.** | **Rate Rider** |
| **F = E** | **G = F / 8 months** | **H** | **I = H / 12 months** | **J = G / I** |
| **Residential** |  |  |  |  |  |
| **GS < 50 kW** | $13,325.88 | $1,665.73 | 67,690,342 | 5,640,862 | **$0.0003** |
| **GS 50 - 4,999 kW** | $1,496.84 | $187.11 | 504,916 | 42,076 | **$0.0044** |
| **Embedded Dist.** |  |  |  |  |  |
| **Sentinel Lighting** |  |  |  |  |  |
| **Street Lighting** | $2,162.36 | $270.30 | 7,286 | 607 | **$0.4452** |
| **USL** |  |  |  |  |  |