Essex Powerline Corporation
EB-2021-0023

Please note, Essex Powerline Corporation (Essex Powerlines) 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*.

Please further note, OEB staff has made the following updates in Rate Generator Models attached to these questions:

- Updated the IPI Inflation Factor to 3.30%[1] in Tab 16 and Tab 17-Retail Service Charges
- Updated the Ontario Electricity Rebate in Tab 20 to 17% (as of November 1, 2021)
- Updated the Wireline Pole Attachment Charge to $34.76[2] in Tab 17 and removed "Approved on an Interim Basis" from the Tariff in Tab 19.
- Updated the 2022 UTRs[3] and Hydro One Sub-transmission rates[4] in Tab 15

Staff Question – 1

Ref: Managers Summary pages 6
Appendix C – Management Action Plan

In Essex Powerlines' 2021 decision and rate order[5], Essex Powerlines indicated that as part of its Management Action Plan, it was in the process of engaging a third party review of its improved Standard Operating Procedures (SOP) with respect to its approach to its regulatory accounting oversight. Therefore, Essex Powerlines requested interim disposition of its 2017 and 2018 balances. The OEB indicated that it expected Essex Powerlines to bring forth the results of its review of the 2019 Group 1 balances and of its SOP, including whether outcomes of this review impact the 2017 to 2018

[1] 2022 inflation factor established in the Decision and Order issued on November 18, 2021, EB-2021-0212
[2] EB-2021-0302, Decision and Order, issued December 16, 2021
[3] EB-2021-0276, Decision and Rate Order, issued December 16, 2021
[4] EB-2021-0032, Decision and Rate Order, issued December 14, 2021
[5] Pages 10-11, Decision and Rate Order, March 25, 2021, EB-2020-0021

balances being disposed in this proceeding, for the OEB's consideration when Essex Powerlines requests disposition of its 2019 Group 1 balances.

In the 2022 IRM, Essex Powerlines requested for disposition Group 1 balances for 2019 and 2020 and Account 1595 (2015).

a) In the Management Action Plan, under finding #1, it states independent third party review commenced and the planned completion is 2020. Please provide an update on the review of the SOP and the conclusions of the review.
b) Please confirm whether Essex Powerlines is requesting an interim or final disposition for Group 1 balances for 2019 and 2020 and Account 1595 (2015).

Staff Question – 2
Ref: Managers Summary pages 6-8
2022 Rate Generator Model, Tab 6.1. GA, cell K13
2022 Rate Generator Model, Tab 7. Calculation of Def-var RR, cell C13
2022 Rate Generator Model, Tab 20 Bill Impacts

According to the Chapter 3 Filing Requirements, a distributor is required to file a mitigation plan if total bill increases for any customer class exceed 10.0%. The Filing Requirements also state that a distributor may propose and justify an alternative disposition period for Group 1 balances from the default of 12-months to mitigate bill impacts or address considerations. Essex Powerlines is requesting that the DVAs are disposed over a 24-month period to mitigate bill impacts. OEB staff notes that, even with a 24-month disposition timeline for the Group 1 DVA riders, the total bill impact exceeds 10% in the GS 50-4,999 kW and Embedded Distributor customer classes.

a) Please explain what is driving these particular classes to have bill impacts that are substantially higher than the other rate classes.
b) Please explain whether Essex Powerlines considered further mitigation measures in light of these impacts. Why or why not?

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)

a) Please explain the large residual balance, $2,437,103, in 1595 (2015).
b) Please explain the difference between what was approved by the OEB in EB-2014-0072 and the 1595 Analysis Workform.
c) 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.
d) 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).

Staff Question – 4
Ref: Manager's Summary, page 3
GA Analysis Workform

Essex Powerlines states that a material adjustment was made to reallocate $1.4M between Accounts 1588 and 1589 in 2019. The principal adjustment tab of the GA Analysis Workform includes this reallocation for 2019.

a) Please explain the error that led to the material adjustment.
b) Please explain how the adjustment was quantified.
c) In the principal adjustment tab of the GA Analysis Workform, 2020 principal adjustments include a reallocation of $104,319 between Accounts 1588 and 1589 for "reclass entry and new acctging guidance impl. Allocation". Please explain whether the reasons for these entries is the same in 2020 is the same as that in 2019. If not, please explain the reason for the adjustments and how it was quantified.
    i. If these adjustments are related, please explain why the 2019 adjustment identified is much more significant than the 2020 adjustment identified.

Staff Question – 5
Ref: GA Analysis Workform – 2019 and 2020 GA Tab

In the GA Analysis Workform, the expected GA volume variance is $872,988 and $427,283 for 2019 and 2020, respectively. OEB staff calculated the actual loss factor below based on information in the GA Analysis Workform. Please comment on the reasonability of this high calculated actual loss factor as compared to the actual losses that Essex Powerlines experiences.

	2019	2020
Non-RPP retail kWh, including loss (A)	192,481,499	122,897,567
Approved loss factor (B)	1.0355	1.0355
Non-RPP retail kWh excluding loss (C = A/B)	185,882,664	118,684,276
Non-RPP wholesale kWh (D)	200,465,661	126,690,242
Calculated actual loss factor (=D/C)	1.0785	1.0675

Staff Question – 6
Ref: GA Analysis Workform – Account 1588 Tab
Manager's Summary, page 5

In the Account 1588 tab of the GA Analysis Workform, the Account 1588 transactions in 2019 as a percentage of Account 4705 is 4%. Essex Powerlines indicated that the principal adjustment includes a $1.4M amount for a reallocation between accounts 1588 and 1589 further to a review of 2019 balances. In the Manager's Summary, Essex Powerlines indicated that this review did not affect 2017 and 2018 balances. Essex Powerlines further indicated that excluding the principal adjustment, the 2019 Account 1588 transactions as a percentage of Account 4705 is -0.4%.

a) Please confirm that the $1.4M adjustment pertains only to 2019 transactions and no other years.
b) If confirmed, including the 2019 principal adjustment with the 2019 transactions in the general ledger should appropriately reflect all transactions pertaining to only the 2019 calendar year in the 2019 balance. Therefore, it would be expected that the 2019 transactions including 2019 principal adjustments as a percentage of Account 4705 would be small. Please reassess and explain why the percentage is greater than 1%.

c) If part a is not confirmed, please provide a breakdown of the $1.4M adjustment by year. If any portion of the $1.4M pertains to 2017 and 2018, please indicate why the 2017 and 2018 balances which were approved for disposition on an interim basis, were not proposed to be adjusted.