



CANADIAN NIAGARA POWER INC.

A FORTIS ONTARIO
Company

September 4, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: 2019 4th Generation Incentive Rate-setting Application by Canadian Niagara Power Inc. to Adjust Electricity Distribution Rates & Rural and Remote Rate Protection Funding, Effective January 1, 2019; EB-2018-0022

Further to the application filed August 13, 2018, please find attached CNPI's responses to the questions on accounts 1588 and 1589, contained in Appendix A of the Board's "Instructions for Completing the GA Analysis Workform".

Yours truly,

Original Signed by

Greg Beharriell
Manager Regulatory Affairs

Appendix A
GA Methodology Description
Questions on Accounts 1588 & 1589¹

1. In booking expense journal entries for Charge Type (CT) 1142 and CT 148 from the IESO invoice, please confirm which of the following approaches is used:
 - a. CT 1142 is booked into Account 1588. CT 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589 respectively.
 - b. CT 148 is booked into Account 1589. The portion of CT 1142 equaling RPP minus HOEP for RPP consumption is booked into Account 1588. The portion of CT 1142 equaling GA RPP is credited into Account 1589.
 - c. If another approach is used, please explain in detail.

2. Questions on CT 1142
 - a. Please describe how the initial RPP related GA is determined for settlement forms submitted by day 4 after the month-end (resulting in CT 1142 on the IESO invoice).

The final Global Adjustment rate is multiplied by the RPP and TOU consumption values to determine the amount receivable from the IESO (referred to as the Global Adjustment "GA" variance).

- b. Please describe the process for trueing up CT 1142 to actual RPP kWh, including which data is used for each TOU/Tier 1&2 prices, as well as the timing of the true up.

True-ups are completed on an annual basis in conjunction with the preparation of IRM and/or CoS proceedings. All consumption values are re-run out of the accounting system and all inputs are re-entered to ensure no typographical errors were made or to account for any changes in externally provided inputs (weighted average energy price, final Global Adjustment rate). Any differences that arise as a result of the true-ups are typically due to billing corrections (i.e. consumption value changes) that have occurred after the original IESO settlement submissions were submitted.

¹In all references in the questions relating to amounts booked to accounts 1588 and 1589, amounts are not booked directly to accounts USoA 1588 and 1589 relating to power purchase transactions, but are rather booked to the cost of power USoA 4705 Power Purchased, and 4707, Charges – Global Adjustment, respectively. However, accounts 1588 and 1589 are impacted the same way as account 4705 and 4707 are for cost of power transactions.

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In the OEB's staff submission dated December 12, 2017 in EB-2017-0031, a recommendation was made that CNPI modify its current settlement process to better align with IESO requirements. Effective January 2018 consumption, CNPI confirms that these true-ups are being completed on a quarterly basis (as outlined in the OEB Guidance on the Disposition of Account 1588 and 1589 dated May 23rd, 2017).

- c. Has CT 1142 been trued up for with the IESO for all of 2017?

CNPI can confirm CT 1142 has been trued up with the IESO for all of 2017.

- d. Which months from 2017 were trued up in 2018?

All 12 months of 2017 were trued up in 2018, as described above.

- e. Have all of the 2017 related true-up been reflected in the applicant's DVA Continuity Schedule in this proceeding?

CNPI can confirm that the 2017 related true-up has been reflected in their DVA Continuity Schedule in this proceeding.

- f. Please quantify the amount reflected in the DVA Continuity Schedule, and the column where it is included.

The 2017 adjustments in the DVA Continuity Schedule for account 1588 and 1589 are \$1,668,211 and (\$2,558,968), respectively. These adjustments are included in column "Principal Adjustments during 2017" for each respective account.

3. Questions on CT 148

- a. Please describe the process for the initial recording of CT 148 in the accounts (i.e. 1588 and 1589).

On a monthly basis, an accrual for CT 148 is set up in 1589 for the current month using the second GA estimate. When the invoice is received in the subsequent month, a true-up is reflected in 1589 to capture the difference between the accrual and the actual CT 148.

- b. Please describe the process for true up of the GA related cost to ensure that the amounts reflected in Account 1588 are related to RPP GA costs and amounts in 1589 are related to only non-RPP GA costs.

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The difference between the weighted average energy price and the RPP tiered and TOU pricing is multiplied by the applicable RPP and TOU consumption values (referred to as the Fixed Price Adjustment “FPA” variance). This variance is treated as a payable back to the IESO and is recorded in OEB account 1588. The accounting entry consists of a debit to OEB account 1588 and a credit payable to the IESO.

The final Global Adjustment rate is multiplied by the RPP and TOU consumption values to determine the amount receivable from the IESO (referred to as the Global Adjustment “GA” variance). This credit is recorded in OEB account 1589. The accounting entry consists of a debit receivable from the IESO and a credit to OEB account 1589 (offsetting CT 148 total GA accrual).

- c. What data is used to determine the non-RPP kWh volume that is multiplied with the actual GA per kWh rate (based on CT 148) for recording as expense in Account 1589 for initial recording of the GA expense?

CNPI's CT 148 accrual is based on the total system load less the embedded generation. The above accrual is reduced by the GA monthly settlement amount accrued in 1589 (reflected in CT 1142).

- d. Does the utility true up the initial recording of CT 148 in Accounts 1588 and 1589 based on estimated proportions to actuals based on actual consumption proportions for RPP and non-RPP?

Please refer to the true up process described above in 3.b.

The RPP consumption proportion used to calculate the GA variance is trueed up to reflect actual consumption (offsetting the CT 148 accrual recorded in account 1589).

- e. Please indicate which months from 2017 were trueed up in 2018 for CT 148 proportions between RPP and non-RPP.

Please refer to the true up process described above in 2.d.

- f. Are all true-ups for 2017 consumption reflected in the DVA Continuity Schedule under 2017.

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Please refer to the true up process described above in 2.e.

- g. Please quantify the amount reflected in the DVA Continuity Schedule, and the column where it is included.

Please refer to the true up process described above in 2.f.

- 4. Questions regarding principal adjustments and reversals on the DVA Continuity Schedule:

Questions on Principal Adjustments - Accounts 1588 and 1589

- a. Did the applicant have principal adjustments in its 2018 rate proceeding which were approved for disposition?

CNPI had principal adjustments in its 2018 rate proceeding which were approved for disposition.

- b. Please provide a break-down of the total amount of principal adjustments that were approved (e.g. true-up of unbilled (for 1589 only), true up of CT 1142, true up of CT 148 etc.).

Account 1588:					
				2016 FPA true-up	206,069
				2016 MicroFit + FIT true-up	(92,892)
				December 2016 consumption submitted on former Form 1598 IESO FPA submission	2,308,998
				Difference between December 2016 unbilled revenue accrual and billed actual	(156,061)
				Difference between December 2016 IESO accrual and billed actual	286
					2,266,401
Account 1589:					
				2016 GA true-up	(202,692)
				December 2016 consumption submitted on former Form 1598 IESO GA submission	(2,244,467)
				Difference between December 2016 unbilled revenue accrual and billed actual	82,428
				December 2016 IESO GA accrual vs. IESO GA actual	389,301
					(1,975,429)

- c. Has the applicant reversed the adjustment approved in 2018 in its current proposed amount for disposition?

The adjustments approved in 2018 were appropriately reversed in the current proposed amount for disposition.

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- d. Please provide a breakdown of the amounts shown under principal adjustments in the DVA Continuity Schedule filed in the current proceeding, including the reversals and the new true up amounts regarding 2017 true ups.

Account 1588:									
						2017 FPA true-up	39,319		
						2017 MicroFit + FIT true-up	(71,376)		
						December 2017 consumption submitted on former Form 1598 IESO FPA submission	1,628,892		
						Difference between December 2017 unbilled revenue accrual and billed actual	(137,810)		
						Difference between December 2017 IESO accrual and billed actual	(10)		
							<u>1,459,014</u>		
Account 1589:									
						2017 GA true-up	(41,100)		
						December 2017 consumption submitted on former Form 1598 IESO GA submission	(2,517,868)		
						Difference between December 2017 unbilled revenue accrual and billed actual	(17,000)		
						December 2017 IESO GA Accrual vs IESO GA Actual	(115,000)		
							<u>(2,690,968)</u>		

The reversals as described in 4) b. have been reflected under the column “Transactions Debit/(Credit) during 2017” for each respective account (i.e. 1588 and 1589).

- e. Do the amount calculated in part d. above reconcile to the applicant’s principal adjustments shown in the DVA Continuity Schedule for the current proceeding? If not, please provide an explanation.

The amounts above reconcile to CNPI’s principal adjustments shown in the DVA Continuity Schedule for the current proceeding.

- f. Please confirm that the principal adjustments shown on the DVA Continuity Schedule are reflected in the GL transactions. As an example, the unbilled to actual true-up for 1589 would already be reflected in the applicant’s GL in the normal course of business. However, if a principal adjustment related to proportions between 1588 and 1589 was made, applicant must ensure that the GL reflects the movement between the two accounts.

CNPI can confirm that the principal adjustments shown on the DVA Continuity Schedule are reflected in the GL transactions.