



October 26, 2015

BY RESS/COURIER/EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli,

**Re: Whitby Hydro Electric Corporation
EB-2015-0251 and EB-2015-0113**

In accordance with Procedural Order No. 1, please find attached Whitby Hydro's Interrogatory Responses in regards to the above proceedings.

Regards

Original signed by

Susan Reffle
Vice President

cc: Ms. Kelli Benincasa (email)
Mr. Richard Lanni (email)
Ms. Shelley Grice (email)
Mr. Michael Janigan (email)

Whitby Hydro Electric Corporation

EB-2015-0251 and EB-2015-0113

Interrogatory Responses

October 26, 2015

1 **Staff - Interrogatory #1**

2 **Ref: Managers Summary Page 12 – Global Adjustment**

3 Whitby Hydro is requesting a rate rider for the disposition of Global Adjustment (2015) in the
4 amount of \$1,982,879 based on non-RPP consumption. This represents transaction and
5 interest amounts during the 2014 rate year. In the 2013 rate year, Whitby Hydro showed
6 transactions in the amount of \$371,544. Whitby Hydro disposed of all balances in account
7 1589 in its last rate application EB-2013-0181.

- 8 a) Please explain the large balance in account 1589 Global Adjustment (2015), which is
9 about 5 times relative to 2013, given that Whitby Hydro bills on a bi-monthly basis.
- 10 b) Do any changes in billing patterns or settlement practices explain the five-fold
11 change in the value from 2013 to 2014? Please explain any other reasons for the
12 change in the balances.
- 13 c) Please state if Whitby Hydro's systems or procedures have changed materially
14 during the past two years.

15 **Whitby Hydro - Interrogatory #1 - Response:**

- 16 a) Account 1589 included principal transactions of \$371,544 (debit) in 2013 and
17 \$1,566,471 (debit) in 2014. The total cumulative balance claimed (actual principal
18 and interest up to the end of 2014 plus projected interest for 2015) is \$1,982,879
19 (debit). Both years reflect an under-funding from customers charged for global
20 adjustment versus actual costs incurred by Whitby Hydro.

21
22 Whitby Hydro uses the IESO's 1st estimate of global adjustment (GA) which is
23 provided monthly to calculate charges for customer bills where GA is applicable.
24 This approach is not unlike many other LDCs who use GA 1st estimate for customer
25 billing for a variety of reasons which include (but are not limited to) improved
26 timeliness of bills issued to customers, management of billing cycles and the
27 timeliness of total bill cash flow. Since the introduction of GA, the IESO has
28 published monthly GA estimates for use in LDC customer billing as well as for
29 estimating GA settlement information which is due within 4 business days after the
30 calendar month end. In theory, if the estimation process is relatively accurate,
31 variances in 1589 will not be significant. However, LDCs have experienced fairly

1 significant fluctuations month to month and variations between estimated GA rates
 2 published as compared to the final GA rate charged to LDCs. While these
 3 differentials sometimes correct themselves over time, 2014 (and into 2015) have
 4 seen particularly concerning trends which do not appear to be followed by GA rates
 5 which incorporate a catch-up type of adjustment. This has been a concern for
 6 Whitby Hydro (and other LDCs) for some time. The issue has been raised to the
 7 OEB and the IESO through the Electricity Distributor's Association (EDA) and by
 8 various LDCs individually. In 2014, the differential between estimated GA rates
 9 used for billing customers and actual rates was particularly significant and has
 10 caused the amount of account 1589 transactions in 2014 to increase by more than 4
 11 times that experienced in the previous year.

12
 13 A sample of the GA rates and difference between 1st estimate and actual GA rates
 14 has been provided below:
 15

Global Adjustment Monthly Rates (\$/MWh)

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1st Estimate	36.26	22.31	11.03	(9.65)	53.56	71.90	59.76	61.08	80.49	74.92	99.01	73.18
2nd Estimate	18.06	11.18	(8.00)	54.53	73.52	66.64	57.53	68.97	80.72	101.35	85.04	57.89
Actual	12.61	13.30	(0.27)	51.98	71.96	60.25	62.56	67.61	79.63	100.14	82.32	74.44
<i>Difference -</i>												
1st Est vs Act	23.65	9.01	11.30	(61.63)	(18.40)	11.65	(2.80)	(6.53)	0.86	(25.22)	16.69	(1.26)

16
 17
 18 b) There have been no changes in billing patterns or settlement practices that would
 19 affect the 2014 transactions in account 1589. The reason for the large change in
 20 account 1589 balance is due to the differential between monthly IESO published
 21 estimated GA rates (used by Whitby Hydro for customer billing) and the actual GA
 22 rates (used to calculate charges from the IESO to Whitby Hydro). This differential
 23 resulted in net 2014 transactions which reflect a significant under-collection of GA
 24 from applicable non-RPP customers.

25
 26 c) Whitby Hydro's related systems and procedures have not changed materially over
 27 the past two years.
 28

1 **Staff - Interrogatory #2**

2 **Ref: IRM Rate Generator – Tab 3**

- 3 a) Please explain the entries in the Adjustments columns under 2011, 2013 and 2014
4 for both principal and interest.
- 5 b) Please explain the entries under column “Principal Disposition during 2015 -
6 instructed by the Board” and “Interest Disposition during 2015 – instructed by the
7 Board.”

8 **Whitby Hydro - Interrogatory #2 - Response:**

- 9 a) A breakdown of the adjustments are provided by year as follows:

10

11 2011

12 Data was entered in the 2011 adjustment columns for both principal and interest in order
13 to populate the opening balances for 2012 which was the first year after Whitby Hydro’s
14 last Cost of Service application. Whitby Hydro simply selected the 2011 adjustment
15 column as a mechanism to populate the IRM Rate Generator model so it would roll
16 forward accurate opening balances for 2012.

17

18 2013

19 In Whitby Hydro’s 2013 Rate Application (EB-2012-0117), Whitby Hydro requested that
20 the tax sharing refund of \$50,164 be recorded in variance account 1595 for disposition at
21 a later date. The OEB agreed in the Decision and Order dated December 6, 2012. This
22 was recorded in the Adjustment column for Principal in 2013.

23 Whitby Hydro’s DVAD (2012) had a sunset date of December 31, 2013. Whitby Hydro
24 applied the rate rider recoveries to the balances in the sub-accounts as per the guidance
25 in APH FAQ October 2009 Question 6. This resulted in a reallocation of Principal and
26 Interest sub-accounts in 2013 which was reported in the 2013 Adjustment column of the
27 continuity schedule. As the reallocation related to rate riders collected within 2013, the
28 reallocation should be considered as part of regular transactions during the year. Whitby
29 Hydro staff simply used the adjustment column to distinguish the reallocation between
30 sub-accounts.

31

1 2014

2 In Whitby Hydro's 2014 Rate Application (EB-2013-0181), Whitby Hydro requested that
3 the tax sharing refund of \$82,066 be recorded in variance account 1595 for disposition at
4 a later date. The OEB agreed in the Decision and Order dated December 5, 2013. This
5 was recorded in the Adjustment column for Principal in 2014.

6 b) Please note that the 2015 columns '*Principal Disposition during 2015 - Instructed by*
7 *Board*' and '*Interest Disposition during 2015 – Instructed by Board*' were used to
8 record adjustments to the Regulatory Accounts that were made subsequent to year
9 end. The intention was to leave the 2014 balances as they were reported in the
10 RRR and put any additional items the 2015 section of the continuity schedule so that
11 they could be uniquely identified and explained for inclusion in the Total Claim. The
12 adjustments relate to three different 1595 sub-accounts, each which is described
13 below.

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15 i. In Whitby Hydro's 2015 Rate Application (EB-2014-0124), Whitby Hydro
16 requested that the tax sharing refund of \$82,066 be recorded in variance
17 account 1595 for disposition at a later date. The OEB agreed in the Decision
18 and Order dated December 4, 2014. This amount was to be recorded by
19 March 31 2015 and was included in the column '*Principal Disposition during*
20 *2015 - Instructed by Board*' so that it would be included in the Total Claim and
21 disposed of in this application. This is further explained in the 2016 IRM
22 application on pages 10 (lines 3-12) and 11 (table and lines 3-4).

23
24 ii. The \$763 adjustment between Principal and Interest was described in the
25 2016 IRM application (page 11, lines 10-14). The DVAD (2012) rate rider
26 had a sunset date of December 31, 2013 and was considered completed for
27 the purposes of this application. However, as a result of a small billing
28 adjustment, it was necessary to allocate the rate rider against the interest in
29 2015 (in keeping with the approach to the allocation of rate riders against
30 principal and interest outlined in the OEB's APH FAQ, October 2009,
31 Question 6). The allocation adjustment between principal and interest has
32 been captured for completeness in the continuity schedule.

33

1 iii. The Principal and Interest adjustments relating to the 1595 (2010) rate rider
2 are described in the 2016 IRM application (page 8, lines 14-26 and page 9,
3 lines 1-20). The DVAD (2010) rate rider had a sunset date of December 31,
4 2014 and was considered completed for the purposes of this application.
5 However, final billing of this rate rider for reads up to the end of December
6 31, 2014 was not completed until 2015. In order to ensure all related
7 transactions were captured in this disposition request, an adjustment was
8 included to reflect the net impact of unbilled reversals and the related actual
9 billing transactions during 2015 (see IRR#3 for detailed breakdown); as well
10 as the final required allocation of rate riders against approved principal and
11 interest (as per the OEB's APH FAQ, October 2009, Question 6) and as
12 described in the 2016 IRM application (page references noted above).

1 **Staff - Interrogatory #3**

2 **Ref: Managers Summary Pages 8 – 12**

- 3 a) Please confirm that the residual balance proposed for disposition for 1595 (2010) in
 4 the net amount of a credit of \$121,373 is not an audited number.
- 5 b) The Table provided on page 8 indicates that the year-end balance as of Dec. 31,
 6 2014 was adjusted for the billings in early 2015 for the rate rider (1595 sub-account
 7 for 2010), as well as the reversal of the unbilled entry at year-end. Please provide a
 8 breakdown of each amount in the following format:

	Principal	Interest	Total
Reversal of unbilled entry			
Actual rate rider collections from January to June 2015 for energy withdrawn to Dec. 31, 2014			
Total:			

- 10
- 11 c) On page 12, Whitby indicated that it had made an adjustment of \$38,363 credit to
 12 Account 1595 (2010).
- 13 i. Please explain the rationale for making this adjustment.
- 14 ii. Please indicate where this amount is shown on Tab 3 the IRM Rate
 15 Generator.

16 **Whitby Hydro - Interrogatory #3 - Response:**

- 17 a) The sub-account 1595 (2010) audited balance at December 2014 was \$126,312.
 18 Included in this balance was an accrual for unbilled amounts for estimated energy
 19 withdrawn up to the end of 2014. During 2015 the unbilled accrual was reversed and
 20 the actual amounts relating to meter reads up to end of 2014 was recorded. The net
 21 impact to the balance of account 1595 (2010) was \$4,939 resulting in an overall
 22 disposition request of \$121,373 (\$126,312 – \$4,939).
- 23
- 24 b) A breakdown of the reversal of the year-end accrual and the rate rider collections
 25 from January to June 2015 for energy withdrawn to Dec 31, 2014 is provided below:

1

	Principal	Interest	Total
Reversal of unbilled entry	(143,962)	0	(143,962)
Actual rate rider collections from January to June 2015 for energy withdrawn to Dec. 31, 2014	152,798	0	152,798
Projected Interest Jan 1, 2015 to Dec 31, 2015		(3,897)	(3,897)
Total	8,836	(3,897)	4,939

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Summarized information was provided in the 2016 IRM application on page 8, line 23. Whitby Hydro notes that the projected interest for the period of Jan 1, 2015 – Dec 31, 2015 was included in column AW of the 2016 Rate Generator model however, it is may be more appropriate to include it in column AT. However, this modification would not result in a net change to the Total Claim.

9

c) Requested information regarding the adjustment of \$38,363 credit to Account 1595 (2010) is provided as follows:

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11

12

i. Sub-account 1595 (2010), which was approved as part of the last cost of service application, included projected interest for 2009. The projected interest differed from the actual interest, largely because of changes in interest rates and the time period which extended to the end of 2010. The difference was a credit of \$38,363 and Whitby Hydro included this amount in its disposition transfer to sub-account 1595 (2010). The rationale for the adjustment is outlined in the 2016 IRM application (page 11, lines 20-27 and page 12, lines 1-19). A summary is also provided below:

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– It was unclear whether differences to the approved amount should be either be written off or included as part of the disposition entries to account 1595 or some other alternative.

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1 **Staff - Interrogatory #4**

2 **Ref: Rate Adder for Disposition of Account 1576**

3 Please confirm that Whitby is proposing to keep the account open to dispose the credit
4 amount of \$2,159,600 on an interim basis.

5 **Whitby Hydro-Interrogatory #4-Response:**

6 Confirmed. In this application, Whitby Hydro is proposing to give back to its customers the
7 credit amount of \$2,159,600 which has accumulated in account 1576 to the end of 2014
8 plus a calculated WACC amount. Account 1576 will remain open and a final disposition will
9 be included as part of Whitby Hydro's next cost of service, at which time this account will
10 undergo a full prudency review.