

Northern Ontario Wires Inc. (NOW Inc.)

EB-2015-0093

Application Analysis

Interrogatory #1

IRM Model - Sheet 3 "2016 Continuity Schedule" – Board-Approved Disposition during 2012

		2012							
Account Descriptions	Account Number	Board-Approved Disposition during 2012	Adjustments during 2012 - other ¹	Closing Principal Balance as of Dec-31-12	Opening Interest Amounts as of Jan-1-12	Interest Jan-1 to Dec-31-12	Board-Approved Disposition during 2012	Adjustments during 2012 - other ²	Closing Interest Amounts as of Dec-31-12
Group 1 Accounts									
LV Variance Account	1550	(22,950)		101,385	(488)	996	(762)		1,270
Smart Metering Entity Charge Variance	1551								
RSVA - Wholesale Market Service Charge	1580	(128,105)		(263,032)	(3,416)	(3,460)	(3,161)		(3,715)
RSVA - Retail Transmission Network Charge	1584	31,732		(93,458)	653	(402)	825		(574)
RSVA - Retail Transmission Connection Charge	1586	(191,036)		(111,043)	(5,634)	(2,607)	(5,240)		(3,001)
RSVA - Power (excluding Global Adjustment)	1588	1,768		(573,024)	(1,389)	(8,604)	(94)		(9,899)
RSVA - Global Adjustment	1589	(34,264)		271,644	2,973	3,384	1,349		5,008
Disposition and Recovery/Refund of Regulatory Balances (2008) ⁴	1595_(2008)			0	0				0
Disposition and Recovery/Refund of Regulatory Balances (2009) ⁴	1595_(2009)	(155,541)		(85,815)	(10,908)	(1,185)			(12,093)
Disposition and Recovery/Refund of Regulatory Balances (2010) ⁴	1595_(2010)			0	0				0
Disposition and Recovery/Refund of Regulatory Balances (2011) ⁴	1595_(2011)			(24,377)	(1,563)	(564)			(2,133)
Disposition and Recovery/Refund of Regulatory Balances (2012) ⁴	1595_(2012)		(447,494)	(195,366)	0	(3,395)			(3,395)
Disposition and Recovery/Refund of Regulatory Balances (2013) ⁴	1595_(2013)			0	0				0
Disposition and Recovery/Refund of Regulatory Balances (2014) ⁴	1595_(2014)			0	0				0
<i>Not to be disposed of unless rate rider has expired and balance has been audited</i>									
RSVA - Global Adjustment	1589	(34,264)	0	271,644	2,973	3,384	1,349	0	5,008
Total Group 1 Balance excluding Account 1589 - Global Adjustment		(465,132)	(447,494)	(1,244,730)	(22,751)	(19,221)	(8,432)	0	(33,540)
Total Group 1 Balance		(499,396)	(447,494)	(973,086)	(19,778)	(15,837)	(7,083)	0	(28,532)
LRAM Variance Account (only input amounts if applying for disposition of this	1568			0					0
Total including Account 1568		(499,396)	(447,494)	(973,086)	(19,778)	(15,837)	(7,083)	0	(28,532)

NOW Inc's 2012 IRM Decision (EB-2011-0188, page 7) which identifies the principal and interest amounts approved for disposition, is reproduced below.

Account Name	Account Number	Principal Balance		Interest Balance		Total Claim	
		A		B		C = A + B	
LV Variance Account	1550	\$ 38,383		-\$ 762		\$ 37,621	
RSVA - Wholesale Market Service Charge	1580	-\$ 187,839		-\$ 3,161		-\$ 191,000	
RSVA - Retail Transmission Network Charge	1584	\$ 62,034		\$ 825		\$ 62,859	
RSVA - Retail Transmission Connection Charge	1586	-\$ 398,377		-\$ 5,240		-\$ 403,617	
RSVA - Power (excluding Global Adjustment)	1588	\$ 20,667		-\$ 94		\$ 20,573	

RSVA - Power – Global Adjustment Sub-Account	1588	-\$ 34,264	\$ 1,349	-\$ 32,915
Recovery of Regulatory Asset Balances	1590			
Disposition and Recovery of Regulatory Balances (2008)	1595			
Disposition and Recovery of Regulatory Balances (2009)	1595			
Group 1 Total				-\$ 506,479

Board staff notes that for each Group 1 Account:

- a) **“Board-Approved Disposition during 2012” column Q in the Rate Generator Model does not reconcile with the “Principal Balance” in the 2012 IRM Decision. “The Interest Disposition during 2012”, column V in the Rate Generator Model reconciles with the “Interest Balance” in the 2012 IRM Decision.**

The principal disposition for 2012 does not reconcile with the 2012 IRM decision on an account level due to the miscoding as identified on page 6 of the same decision in the second paragraph.

The amount in column Q in the Rate Generator Model agrees to the 2012 IRM decision in aggregate principal of (\$499,396). As such the 2012 Board-approved disposition amount is recorded in its entirety.

The variance on the account level is a result of moving the balances transferred to the 1595 account disposed of in 2009. The balance transferred was not included in the recovery in that disposition, but was an administrative error as noted by the Board in the 2012 IRM decision.

- b) **If the input into the Rate Generator Model is an error, Board staff will make the necessary corrections.**

The input was not an error. No corrections are required.

- c) **Please provide explanation for the credit transaction of \$155,541 in 2012 in Account 1595 (2009).**

The credit transaction of \$155,541 in 2012 account 1595 (2009) is a result of the administrative error as noted in the answer to question a). The credit corrects the amount incorrectly recorded to 1595 (2009) and moves it to account 1595 (2012) as it was approved in the balance of the 2012 IRM Decision.

- d) **Please provide explanation for the credit adjustment of \$447,494 during 2012 in account 1595 (2012).**

The credit adjustment of \$447,494 during 2012 in account 1595 (2012) is twofold. The Group One disposal as approved in the 2012 IRM (\$506,479) is included in the adjustment column in addition to NOW's PILS disposal entry amounting to \$58,985. As a result, the net amount in the adjustment column is (\$447,494).

Interrogatory #2

IRM Model - Sheet 3 "Continuity Schedule"

Ref: Column AW "Projected Interest from Jan 1, 2015 to December 31, 2015 on Dec 31, 2014 balance adjusted for disposition during 2015"

Ref: Column AX "Projected Interest from January 1, 2016 to April 30, 2016 on Dec 31, 2014 balance adjusted for disposition during 2014"

Projected Interest on Dec-31-14 Balances		
Projected Interest from Jan 1, 2015 to December 31, 2015 on Dec 31, 2014 balance adjusted for disposition during 2015 ³	Projected Interest from January 1, 2016 to April 30, 2016 on Dec 31, 2014 balance adjusted for disposition during 2014 ³	Total Claim
	1,245	52,809
	30	199
	(2,226)	(10,030)
	2,165	169,236
	743	62,747
	126	234,319
	2,429	76,419
		0
	3	(13,368)
		0
	(75) <input checked="" type="checkbox"/> Check to Dispose of Account	(264)
		191 <input checked="" type="checkbox"/> Check to Dispose of Account
		(25,670) <input checked="" type="checkbox"/> Check to Dispose of Account
		0 <input type="checkbox"/> Check to Dispose of Account
0	2,429	76,419
0	2,010	470,170
0	4,439	546,590
		0
0	4,439	546,590

- a) Please state on a monthly basis the interest rates to calculate the projected interest amounts in columns "AW and AX".

The interest rate used was 1.10% per annum or 0.09% per month to project the interest calculation.

Interrogatory #3

Updates to IRM Model made by OEB staff – Tab 15: Rev2Cost_GDPIPI, Tab 18: Bill Impacts

Tab 15: Rev2Cost_GDPIP - Price Escalator

The OEB has calculated the value of the inflation factor for the incentive rate setting under the Price Cap IR and Annual Index plans, for rate changes effective in 2016, to be 2.1%. The derivation of this is shown on OEB's webpage:

<http://www.ontarioenergyboard.ca/oeb/Industry/Regulatory%20Proceedings/Applications%20Before%20the%20Board/Electricity%20Distribution%20Rates/2016%20Electricity%20Distribution%20Rate%20Applications>

This new inflation factor has been applied to Tab 15 of the IRM model as the Price Escalator.

- a) **Please confirm if NOW Inc. agrees with the above. If the answer is no, please provide explanation.**

NOW Inc. agrees to the above.

Ontario Clean Energy Benefit (OCEB) and Debt Retirement Charge (DRC) to Residential Class

NOW Inc.'s 2016 electricity distribution rates are effective on May 1, 2016. Therefore, the "Current Board-Approved" section of the individual bill impact table should include the rates as of April 30, 2016 (the day before the effective date). The OCEB will be ending on December 31, 2015, and it should not be applicable to any individual bill impact table. OEB staff has changed the "OCEB Applicable?" option from "Yes" to "No" for all rate classes, so that the OCEB amount will not appear in any bill impact table.

Also, as the DRC will be removed from Residential customers' bills after December 31, 2015, the model has been fixed to show \$0 DRC rate under Current Board-Approved section for Residential Classification.

The Decision and Order on Regulatory Charges for 2016 issued on November 19, 2015 (EB-2015-0294) establishes the WMSR at 0.36¢/kWh, the RRRP at 0.13¢/kWh and the new OESP charge at 0.11¢/kWh.

- b) **As calculated on Tab 18, the total bill impact for Residential customers at the 10th percentile consumption is \$4.81 or 7.98% (4.19/52.50) which is**

below the OEB's threshold of 10%. Please confirm if NOW Inc. agrees. If NOW Inc. is no, please provide explanation.

NOW Inc. agrees to the above.

Interrogatory #4

Ref: Sheet 3 – 2016 Continuity Schedule

In its current application, NOW Inc. is requesting a rate rider for the disposition of Global Adjustment in the amount of a debit of \$76,419 based on non-RPP consumption. This represents 2014 transactions of a debit of \$71,789 and interest amounts up to April 30, 2015. In 2013, NOW Inc. Hydro showed transactions in the amount of a debit of \$33,771. NOW Inc. disposed of all balances in Account 1589 in its last rate application EB-2014-0100.

- a) Please explain the large balance in Account 1589 Global Adjustment, which is about two times relative to 2013 when assessed by transaction.**

Both 2013 and 2014 transactions reflect an under-funding from customers for Global Adjustment versus actual costs incurred by Northern Ontario Wires Inc.

NOW uses the IESO's first estimate of Global Adjustment (GA) to calculate charges for customers where GA is applicable. Since the introduction of GA, the IESO has published monthly GA estimates for use in LDC customer billing as well as for estimating GA settlement information. In theory, if the estimation process is relatively accurate, variances in 1589 will not be significant. However, fairly significant fluctuations month to month and variations between estimated GA rates published as compared to the final GA rate charged to LDCs. While these differentials sometimes correct themselves over time, this sometimes happens in separate fiscal years. As audited statements are used, there is potential for under-collection in one fiscal year and over-collection in the next. The result would be potentially offsetting dispositions of GA accounts in subsequent rate applications. In 2014, the difference between estimated GA rates used for billing customers and the actual rates was significant and has caused the account 1589 transactions in 2014 to increase by approximately two times that experienced in the previous year.

A sample of the GA rates and difference between first estimate and actual GA rates has been provided below:

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1st Estimate (\$/MWh)	36.26	22.31	11.03	-9.65	53.56	71.9	59.76	61.08	80.49	74.92	99.01	73.18
2nd Estimate (\$/MWh)	18.06	11.18	-8	54.53	73.52	66.64	57.53	68.97	80.72	101.35	85.04	57.89
Actual Rate (\$/MWh)	12.61	13.3	-0.27	51.98	71.96	60.25	62.56	67.61	79.63	100.14	82.32	74.44
Over (Under) Collected	23.65	9.01	11.3	-61.63	-18.4	11.65	-2.8	-6.53	0.86	-25.22	16.69	-1.26
2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1st Estimate (\$/MWh)	55.49	69.81	36.04	67.05	94.16	92.28	88.88	88.05	82.7	63.71	76.23	114.62
2nd Estimate (\$/MWh)	61.61	40.95	57.4	92.68	97.3	97.68	84.13	73.55	71.91	71.93	124.48	
Actual Rate (\$/MWh)	50.68	39.61	62.9	95.59	96.68	95.4	78.83	80.1	67.03	75.44	113.2	
Over (Under) Collected	4.81	30.2	-26.86	-28.54	-2.52	-3.12	10.05	7.95	15.67	-11.73	-36.97	

b) Please provide non-RPP consumption every month for the last two years.

See excel workbooks provided

c) Please provide RPP consumption every month for the last two years.

See excel workbooks provided

d) Please provide a table showing consumption comparison for 2014 and 2015.

See excel workbooks provided

- e) Do any changes in billing patterns or settlement practices explain the increase in the value from 2013 to 2014? Please explain any other reasons for the change in the balances.**

NOW did not change its billing patterns or settlement practices thereby ensuring consistency for the 2014 transactions in account 1589. The reason for the large change is due to the differential between the actual GA rates (used to calculate charges from the IESO to Northern Ontario Wires Inc.) and the monthly IESO published first estimated GA rates (used by Northern Ontario Wires Inc. for customer billing). This result in net 2014 transactions was the under-collection of GA from customers.

- f) Please state if NOW Inc.'s billing systems have changed materially during the past two years.**

NOW's billing system has not changed materially over the past two years.