



Wellington North Power Inc.

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November 6th 2017

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

Dear Ms. Walli:

**Re: OEB File: EB-2017-0082
2018 Price Cap IR Distribution Rate Application - Wellington North Power Inc.
Applicant Responses to OEB's GA Analysis Questions**

On October 25th 2017, Wellington North Power Inc. (WNP) received a list of thirteen questions from OEB Staff regarding Global Adjustment (GA) based upon the evidence filed as part of the LDC's 2018 Price Cap IR rate application. Please find enclosed the Applicant's responses to these GA questions.

An electronic copy of this letter containing responses to the questions raised has been filed on the Board's web portal together with an updated 2018 IRM Rate Generator model and revised 2015/2016 GA Analysis workforms.

Should the Board have questions regarding this matter please do not hesitate to contact me.

Regards,

Richard Bucknall

Richard Bucknall
Chief Administrative Officer
Wellington North Power Inc.
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c.c. Daniel Kim, Analyst – Applications, OEB.

c.c. Christiane Wong - Information Administrator.

- 1) For the 2015 and 2016 GA Analysis Work Forms the Consumption Data Excluding for Loss Factor (Data to agree with RRR as applicable) was not populated
 - a) Please populate data required.
 - b) Please calculate the approximate loss factor (cell F59/D26) and compare the calculated loss factor to the Wellington North's approved loss factor. Please explain any major discrepancies in loss factors.
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Wellington North Power Inc. Response:

- a) The data has been populated as requested. The kWh values were revised (compared to the original files submitted on September 25, 2017) to reflect:
 - i. Removal of RPP Tier 1 & 2 values; and
 - ii. Applying the correct loss factor for the relevant period:
 - 2015 to April 2016 inclusive using a loss factor of 1.0716 as per WNP's 2012 Cost of Service application (EB-2011-0149) and;
 - May 2016 onwards using a loss factor of 1.0656 from May 1, 2016 as per WNP's 2016 Cost of Service rate application – EB-2015-0110.)
- b) The Loss factor for each year is calculated in cell F29 of each year's GA Analysis Workform, with the comparison on subsequent lines.

For 2016 there was a blended loss factor applied based on 4 months at 1.0716 and 8 months at 1.0656 to reflect the revised loss factor effective from May 1, 2016 that was approved in Wellington North Power Inc.'s 2016 Cost of Service rate application (EB-2015-0110).

- 2) In the 2016 GA Analysis Work Form, the Net Change in Principal Balance in the GL is (\$362,650) and reconciling item 7 Differences in GA Unbilled is for \$58,474 and reconciling item 8 2016 COS Recovery is for \$147,421. In the DVA Continuity Schedule, the 2016 transaction column show (\$156,755), which equals to (\$362,650)+\$147,421+\$58,474. In Wellington North's 2016 settlement agreement, Account 1589 with a debit balance of \$147,421 was approved for disposition. This removal of the approved debit balance should increase the closing 2016 credit balance. However, this is not the case in the DVA Continuity Schedule.
- a) Please revise this in the DVA Continuity Schedule and also separate out the (\$362,650), \$147,421, \$58,474 in the transactions, approved disposition and adjustments column.
 - b) Similarly please separate out the amounts in the 2015 transaction columns into transactions and adjustments columns, if applicable.
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Wellington North Power Inc. Response:

The requested revisions have been made in the revised DVA Continuity Schedule contained in the IRM Rate Generator Model which has been filed on the OEB's web portal.

In its original Continuity Schedule filed on September 25, 2017, the Dec 31, 2014 ending balances were not included since these were disposed balances. With the dispositions now included as requested, the opening balances have also been included. The opening balances and disposition amounts for both principal and interest reflect the values in Wellington North Power Inc.'s approved 2016 Cost of Service rate application (EB-2015-0110).

- 3) In Appendix F: Settlement Process with IESO, Wellington North indicates that the RPP settlement trues up the rate used from the 1st GA estimate to the final GA rate. It then states that when the IESO invoice is received, based on the division of RPP consumption from non-RPP consumption, the GA invoice amount is either allocated to cost of power or GA. Having the final GA values on the IESO invoice also enables the calculation of variances from the information submitted in the 1598 filing and is submitted in the following month. Please confirm that the previous sentence means the RPP consumption used in the RPP settlement process is trued up to actuals. If not, please clarify what this means.

Wellington North Power Inc. Response:

In its statement, WNP specifically refers to the GA costs. To be explicitly clear, the Global Adjustment cost calculated based on the RPP consumption used in the RPP settlement process is trued up to actuals.

- 4) In booking expense journal entries for Charge Type 1142 (formerly 142), and Charge Type 148 from the IESO invoice, please confirm which of the following approach is used:
- Charge Type 1142 is booked into Account 1588. Charge Type 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively
 - Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equalling GA RPP is credited into Account 1589.
 - Another approach. Please explain this approach in detail.

Wellington North Power Inc. Response:

Wellington North Power uses the approach as defined in a).

- 5) With regards to the Dec. 31 balance in Account 1589, components that flow into Account 1589 (i to iii in table below) should all be based on actuals at year end. Please complete the following table to a) indicate whether the component is based on estimates or actuals at year end and b) quantify the adjustment pertaining to each component that is trueed up from estimate to actual

Wellington North Power Inc. Response:

Please see updated table below as requested:

	Component	a) Estimate or Actual	Notes/Comments	b) Quantify True Up Adjustment
i	Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)	Actual	Charge Type 148 is pro-rated based on RPP/non-RPP consumption kWh and then booked into Account 1588 and 1589, respectively.	There is no monthly true-up for non-RPP GA. The change in the 1589 variance account is the true-up.
ii	Expenses - GA non-RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages	Actual	Charge Type 148 is pro-rated based on RPP/non-RPP consumption kWh and then booked into Account 1588 and 1589, respectively.	The true up for RPP GA is completed monthly based on the IESO invoice and makes up most of Charge Type 142. This does not affect 1589.

	Component	a) Estimate or Actual	Notes/Comments	b) Quantify True Up Adjustment
iii	Credit of GA RPP: Charge Type 142 if the approach under IR 1b is used	N/A	Not applicable.	

6) For each of the 2015 and 2016 GA Analysis Work Forms, please explain why reconciling item 1a applies but item 1b does not.

Wellington North Power Inc. Response:

1b is not applicable since WNP does not accrue GA adjustments for the current year. Any changes in the GA as a result of an annual reconciliation, is realized in subsequent years. The amounts from the reconciliations are accounted for in 1a since these are prior period adjustments which are booked in the current year. The kWh for these adjustments is not reflected in the GA Analysis Workform, therefore to reconcile to the expected change in GA balance, WNP adjusted for the annual reconciliation amounts.

7) For each of the 2015 and 2016 GA Analysis Work Forms, reconciling items 3a and 3b regarding long term load transfers, please explain the relationship of the long term load transfers and how the amounts are accounted for in the financial records.

Wellington North Power Inc. Response:

The GA portion of the Long Term Load Transfers (LTLT) is allocated to GA. The numbers on the reconciliation reflect the total GA charged to Hydro One (Credit) for LTLT vs the GA paid to Hydro One (Debit) for LTLT. As indicated in the table below, the LTLT kWh volume is very low.

	2015		2016	
	kWh	\$	kWh	\$
Hydro One GA Purchases from WNP	46,455	-\$3,394	35,711	-\$3,485
WNP GA Purchases from Hydro One	57,509	\$4,356	34,399	\$3,291

WNP received its LTLT Decision and Order on September 22, 2016 (case number EB-2016-0199) and consequently, meters at customer premises were replaced by respective entities (Hydro One and WNP) on November 17, 2016.

8) For the 2015 and 2016 GA Analysis Work Forms, reconciling item 6 regarding the difference in GA posted rate and rate charged on IESO invoice, it states only the non-RPP portion of this was allocated here and the remainder is in cost of power. Please elaborate on what this means and explain the reason for the difference in posted rate and rate charged on the IESO invoice, if known.

Wellington North Power Inc. Response:

Taking the total kWh and multiplying it by the OEB GA rate results in the GA calculated being less than the GA WNP is required to pay to the IESO. This happens every month, as illustrated in the table below. It is known that the IESO does prior period adjustments.

2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Amount to be paid based on OEB GA times kWh	\$529,747.12	\$394,543.33	\$645,478.83	\$862,569.60	\$863,241.59	\$835,368.63	\$711,242.46	\$730,214.40	\$612,741.85	\$693,927.88	\$1,018,101.64	\$846,052.44	
GA Actually Paid to IESO	\$530,106.39	\$394,812.24	\$647,881.09	\$866,481.49	\$868,252.27	\$840,070.92	\$715,754.96	\$733,847.90	\$615,431.43	\$695,967.36	\$1,019,928.27	\$846,816.32	
Extra amount paid to IESO	-\$359.27	-\$268.91	-\$2,402.26	-\$3,911.89	-\$5,010.68	-\$4,702.29	-\$4,512.50	-\$3,633.50	-\$2,689.58	-\$2,039.48	-\$1,826.63	-\$763.88	-\$32,120.86
Amount allocated to non-RPP (based on kWh)	-\$218.48	-\$169.73	-\$1,582.44	-\$2,856.22	-\$3,676.49	-\$3,411.05	-\$3,144.24	-\$2,600.50	-\$1,914.64	-\$1,435.34	-\$1,244.25	-\$482.01	-\$22,735.39
2016									Sep	Oct	Nov	Dec	Total
Amount to be paid based on OEB GA times kWh	\$908,312.89	\$922,607.53	\$994,024.78	\$978,954.07	\$908,976.78	\$817,400.76	\$690,533.37	\$682,850.18	\$847,069.82	\$1,002,676.10	\$1,008,444.26	\$821,215.98	
GA Actually Paid to IESO	\$908,842.96	\$923,995.58	\$997,073.12	\$983,996.74	\$915,078.68	\$823,356.31	\$695,306.17	\$686,567.86	\$851,163.95	\$1,005,740.45	\$1,010,618.50	\$821,392.80	
Extra amount paid to IESO	-\$530.07	-\$1,388.05	-\$3,048.34	-\$5,042.67	-\$6,101.90	-\$5,955.55	-\$4,772.80	-\$3,717.68	-\$4,094.13	-\$3,064.35	-\$2,174.24	-\$176.82	-\$40,066.60
Amount allocated to non-RPP (based on kWh)	-\$330.84	-\$921.73	-\$2,037.71	-\$3,533.89	-\$4,336.95	-\$4,224.29	-\$3,058.06	-\$2,485.41	-\$2,915.68	-\$2,187.71	-\$1,523.88	-\$106.40	-\$27,662.53

Since the GA cost is split between the RPP (where it is allocated to the cost of power) and Non-RPP based on the kWh, the total extra IESO cost was divided in the same way when the dollar difference was being accounted for as per item 6 of the Workform.

- 9) For the 2015 and 2016 GA Analysis Work Forms, reconciling item 7 regarding differences in GA unbilled, on page 19 of the application it states that a historical misallocation in GA unbilled entries to the cost of power account was identified. This misallocation is included as a reconciling item calculated as the difference between the Dec. 2015 consumption at the Dec. 2015 first estimate and the Jan. 2016 consumption at the Jan. 2016 first estimate.
- a) Please explain what was being misallocated.
 - b) Please explain how the difference in the Jan. 2016 unbilled amount and the Dec. 2015 unbilled amount is a reconciling item that addresses the misallocation in the unbilled.
 - c) Please explain why this reconciling item only includes the calculation pertaining to 2015/2016 and not 2016/2017.
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Wellington North Power Inc. Response:

- a) Historically, when the GA amount was calculated, the resulting dollar value was allocated to the 1588 accounts. When this method was changed and the use of 1589 for GA was mandated, this was not implemented at the LDC, and therefore, the GA unbilled dollar amount was still being allocated to 1588. The GA adjustment amount at Dec 31, 2014 to correct this error is shown in the Continuity Schedule of the Rate Generator model in the amount of \$425,150 (and as described in the Applicant's response to question 11).
- b) The GA Analysis Workform integrates the unbilled amounts into the calculation of the expected net dollar change in GA. However, the GA unbilled dollar amount changes were not included in the "Net Change in Principal Balance in the GL (i.e. Transactions in the Year)". Therefore the change in the GA unbilled amount of \$221,740 from Dec 31, 2014 to Dec 31, 2015 is used to adjust the 1589 GL transactions.
- c) The 2016 GA Analysis Workform also adjusts for the change in the GA unbilled amount of \$58,472 from Dec 31, 2015 to Dec 31, 2016.

- 10) For both the 2015 and 2016 GA Analysis Work Forms please confirm that revenues at year end are based on estimates and explain why reconciling 2a and 2b are not identified and quantified as reconciling items, given that there has been misallocation in unbilled revenues.
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Wellington North Power Inc. Response:

WNP confirms that revenues at year-end are based on estimates. However, this is the case for both the GA analysis Workform Model and the GL accounts resulting in an equivalent comparison. They are both based on the same kWh and GA rate values. To adjust the GL accounting numbers with the actuals in 2a and 2b and not adjust the given model with the actuals would create an imbalance.

- 11) In addition, in the 2015 DVA Continuity there has been an adjustment between GA and Cost of Power of \$425,150 which is the December 2014 unbilled kWh multiplied by the GA first estimate. This calculation would be the unbilled December 2014 revenues. This implies that unbilled revenues was not recorded for December 2015. Please explain if that was the case, if not, please clarify.
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Wellington North Power Inc. Response:

It is correct that the unbilled revenue for GA was not recorded in 1589 accounts, but instead the GA unbilled revenue was actually recorded in the 1588 accounts. The net change in the variance accounts is zero (\$0) because although the GA Unbilled revenue is added to 1589, it must also be subtracted from the 1588 Cost of Power. This is accurately reflected in the Continuity Schedule - cell AV28 contains the \$425,150 decrease in revenue allocated to 1588 and cell AV29 contains the \$425,150 increase in revenue allocated to 1589.

As per the changes resulting from question 2, these cells also now contain the adjustments to the GA for the yearend of 2015. Cells BF28 and BF29 now contain the adjustments to the GA for the year-end of 2016.

12) Explain how the GA billing rate is determined for billing cycles that span more than one load month.

Wellington North Power Inc. Response:

Wellington North Power Inc.'s billing cycle is a monthly calendar billing (i.e. electricity consumption from 1st to 30th/31st of each month) therefore aligning to the monthly GA period. In circumstances where a customer is to be billed for a period longer than one calendar month (e.g. from September 1st to October 10th), WNP applies the following methodology:

- Consumption for 1st to 30th September's will apply September's 1st Estimate GA* rate and;
- Consumption for 1st October to 10th October will apply October's 1st Estimate GA* rate.

[*GA 1st Estimate as published by the IESO]

The table below provides an example with the billing calculations:

Account	GA Rate (A)	Trade Date (B)	Usage (C)	Zone (D)	GA Cost (E)		
ABCD1234	\$ 0.12739	1-Sep-17	32.41	ONZN	\$ 4.13		
ABCD1234	\$ 0.12739	2-Sep-17	32.08	ONZN	\$ 4.09		
ABCD1234	\$ 0.12739	3-Sep-17	31.76	ONZN	\$ 4.05		
ABCD1234	\$ 0.12739	4-Sep-17	31.44	ONZN	\$ 4.01		
ABCD1234	\$ 0.12739	5-Sep-17	31.13	ONZN	\$ 3.97		
ABCD1234	\$ 0.12739	6-Sep-17	30.82	ONZN	\$ 3.93		
ABCD1234	\$ 0.12739	7-Sep-17	30.51	ONZN	\$ 3.89		
ABCD1234	\$ 0.12739	8-Sep-17	30.20	ONZN	\$ 3.85		
ABCD1234	\$ 0.12739	9-Sep-17	29.90	ONZN	\$ 3.81		
ABCD1234	\$ 0.12739	10-Sep-17	29.60	ONZN	\$ 3.77		
ABCD1234	\$ 0.12739	11-Sep-17	29.31	ONZN	\$ 3.73		
ABCD1234	\$ 0.12739	12-Sep-17	29.01	ONZN	\$ 3.70		
ABCD1234	\$ 0.12739	13-Sep-17	28.72	ONZN	\$ 3.66		
ABCD1234	\$ 0.12739	14-Sep-17	28.44	ONZN	\$ 3.62		
ABCD1234	\$ 0.12739	15-Sep-17	29.38	ONZN	\$ 3.74		
ABCD1234	\$ 0.12739	16-Sep-17	28.86	ONZN	\$ 3.68		
ABCD1234	\$ 0.12739	17-Sep-17	29.58	ONZN	\$ 3.77		
ABCD1234	\$ 0.12739	18-Sep-17	30.32	ONZN	\$ 3.86		
ABCD1234	\$ 0.12739	19-Sep-17	31.08	ONZN	\$ 3.96		
ABCD1234	\$ 0.12739	20-Sep-17	31.85	ONZN	\$ 4.06		
ABCD1234	\$ 0.12739	21-Sep-17	32.65	ONZN	\$ 4.16		
ABCD1234	\$ 0.12739	22-Sep-17	33.46	ONZN	\$ 4.26		
ABCD1234	\$ 0.12739	23-Sep-17	34.30	ONZN	\$ 4.37		
ABCD1234	\$ 0.12739	24-Sep-17	35.16	ONZN	\$ 4.48		
ABCD1234	\$ 0.12739	25-Sep-17	36.04	ONZN	\$ 4.59		
ABCD1234	\$ 0.12739	26-Sep-17	36.94	ONZN	\$ 4.71		
ABCD1234	\$ 0.12739	27-Sep-17	37.86	ONZN	\$ 4.82		
ABCD1234	\$ 0.12739	28-Sep-17	38.81	ONZN	\$ 4.94		
ABCD1234	\$ 0.12739	29-Sep-17	39.78	ONZN	\$ 5.07		
ABCD1234	\$ 0.12739	30-Sep-17	40.77	ONZN	\$ 5.19		
ABCD1234	\$ 0.10212	1-Oct-17	29.88	ONZN	\$ 3.05		
ABCD1234	\$ 0.10212	2-Oct-17	29.28	ONZN	\$ 2.99		
ABCD1234	\$ 0.10212	3-Oct-17	28.70	ONZN	\$ 2.93		
ABCD1234	\$ 0.10212	4-Oct-17	28.12	ONZN	\$ 2.87		
ABCD1234	\$ 0.10212	5-Oct-17	29.69	ONZN	\$ 3.03		
ABCD1234	\$ 0.10212	6-Oct-17	29.96	ONZN	\$ 3.06		
ABCD1234	\$ 0.10212	7-Oct-17	29.85	ONZN	\$ 3.05		
ABCD1234	\$ 0.10212	8-Oct-17	30.44	ONZN	\$ 3.11		
ABCD1234	\$ 0.10212	9-Oct-17	31.22	ONZN	\$ 3.19		
ABCD1234	\$ 0.10212	10-Oct-17	31.67	ONZN	\$ 3.23		
Total			1,271.00		\$ 154.36		

	Total Usage	GA Cost
Sept	972.18	\$ 123.85
Oct	298.82	\$ 30.52
Total	1,271.00	\$ 154.36

GA Rate - Blended:	\$0.121449
	(Total GA Cost / Total Usage)
	(\$154.36 / 1,271 kWh)

Using the above data, the customer's bill will show:

- A "blended" GA Rate of \$0.121449 which is calculated as the "Total GA Cost / Total Usage" (i.e. \$154.36 divided by 1,271 kWh = \$0.121449);

- The usage of 1,271 kWh when multiplied by the “blended” GA Rate of \$0.121449 results in a Global Adjustment cost of \$154.36.

This reconciles to the GA cost if it were calculated for the individual monthly period:

Sept:	972.18 kWh x GA 1 st Estimate of \$0.12379	=	\$123.85 +
Oct:	298.82 kWh x GA 1 st Estimate of \$0.10212	=	\$30.51
			<hr/>
	Total GA cost	=	\$154.36

Such a circumstance would occur if a GA billed customer vacated a property on 10th of October. Rather than issuing two bills, WNP would calculate the usage and cost for all of September and ten days of October and issue one electricity bill.

- 13) Confirm that the GA rate that is used is applied consistently for all billing and unbilled revenue transactions for non-RPP Class B customers in each customer class

Wellington North Power Inc. Response:

WNP confirms that the GA rate used is applied consistently for all billing and revenue transactions for non-RPP Class B customers in each customer class.