

**Guelph Hydro Electric Systems Inc.**  
**2018 Price Cap IR Application (EB-2017-0044)**  
**Follow-Up IRRs**  
**November 20, 2017**

With reference to Guelph Hydro's interrogatory responses filed on October 26, 2017

**1. Ref. Response to IR 1 (a)**

Guelph Hydro states that the GA accounts related to RPP customers were incorrectly grouped with other classes for unbilled revenue accrual entry recording purposes. It appears that GA unbilled revenues for RPP customers was intended to be recorded in Account 1588.

Please explain why GA unbilled revenues for RPP customers were being accrued when only revenues based on RPP prices should be recorded for unbilled revenues in Account 1588.

**Guelph Hydro's Response:**

GA unbilled revenue is an accrual for the portion of the RPP settlement pertaining to GA in the revenue side of 1588 Account balance ( $GA_{RPP}$ ).

Guelph Hydro's billing system is setup to track weighted average market price (-/+WAP) and -/+GA for RPP customers (\$ and kWh) to reflect accurately the RPP settlement.

The way Guelph Hydro tracks the 1588 variance account balances is:

Revenue: WAP for all rate classes (RPP and non-RPP) including WAP unbilled revenue. Guelph Hydro uses WAP for RPP classes because the RPP settlement with IESO offsets the RPP prices:  
 $RPP - \text{Settlement} (RPP - (WAP + GA_{RPP}))$ .

Cost: 101 IESO charge (Net Energy Market Settlement for Non-dispatchable Load) and  $GA_{RPP}$ :  
 $101 \text{ IESO Charge} + GA_{RPP}$

The Accounting Procedures Handbook FAQ issued on October 2009 Questions 11 and 12 states that RPP portion of GA (reflected in 148 IESO charge for Class B GA) should be reflected in Account 1588 RSVA Power, whereas the Non-RPP portion of GA should be reflected in Account 1589 GA.

The RPP settlement with IESO is tracked separate and reconciled monthly to zero (i.e.  $RPP - (WAP + GA_{RPP})$  is offset by the IESO 1142 charge).

Therefore the 1588 Account variance captures:

$$\begin{aligned} 1588 \text{ Variance} &= \text{RPP} - \text{Settlement (RPP-(WAP+GA}_{\text{RPP}}) - (101 \text{ IESO charge} - \text{GA}_{\text{RPP}}) \\ &= \text{RPP} - \text{RPP} - \text{WAP} - \text{GA}_{\text{RPP}} - 101 \text{ IESO charge} + \text{GA}_{\text{RPP}} \\ &= \text{WAP} - 101 \text{ IESO charge} \end{aligned}$$

**2. Ref. Response to IR 1(b)**

Guelph Hydro States that “The adjustment was made to the closing balance of unbilled revenue for December 31, 2015, in order to ensure that these GA accounts were allocated to the proper RSVA accounts going forward.”

Please clarify if Guelph Hydro is proposing to adjust the 2015 balances that have been previously approved for disposition.

**Guelph Hydro’s Response:**

The response to IR 1 (b) should have more clearly stated: that “The adjustment was made to the closing balance of unbilled revenue for December 31, 2015 as an adjustment to the opening January 1, 2016 balance, in order to ensure that these GA accounts were allocated to the proper RSVA accounts going forward.” Guelph Hydro is not adjusting the 2015 balances that have been previously approved for disposition.

**3. Ref: Response to IR 1(d & e)**

During the teleconference, Guelph Hydro stated that its 2016 RRR balances were updated.

- a. In response to IR 1(d) Guelph Hydro indicates that the incorrect 2015 unbilled revenue entry had no impact on the year end 2016 balance in accounts 1588 RSVA – Power and 1589 RSVA – GA. Please provide the journal entry adjustments to the 2016 RRR and explain why the 2016 RRR balances were updated if there was no impact on the 2016 year-end balance.

**Guelph Hydro’s Response:**

The journal entries for the adjustment to the 2016 RRR were as follows:

	<b>January RRR adjustment entries</b>		
DR.	Account 1589 – RSVA GA - Adjustments	\$2,220,295	
CR.	Account 1589 – RSVA GA - Activity		\$2,220,295
	To correct January activity for GA UBR misallocation reversed from 2015		
DR.	Account 1588 – RSVA Power - Activity	\$2,220,295	
CR.	Account 1588 – RSVA Power - Adjustment		\$2,220,295
	To correct January activity for GA UBR misallocation in 2015 that should have reversed and been included in 2016 1588 activity		
	<b>Subsequent month correction entries</b>		
	Account 1589 – RSVA GA - Activity	\$XXXX	
	Account 1588 – RSVA Power - Activity		\$XXXX
	To reallocate GA UBR misallocated to account 1589		

The response to IR 1 (d) states that the unbilled revenues from 2015 would reverse in January 2016 and would have no impact on the 2016 year end balances. While this is true it does not take into account the fact that the account misclassification still continued in 2016. In July 2017, Guelph Hydro requested and received approval to adjust the 1588 and 1589 balances in the 2016 Q4 2.1.1. Filing and the 2016 2.1.7. Trial balance respectively.

- b. Do the 2016 RRR adjustments need to be reversed?

**Guelph Hydro's Response:**

No, the 2016 monthly balances are correct as stated with the adjustments. Guelph Hydro has isolated the portion of the misallocated unbilled revenue which reversed in January 2016 as an adjustment versus normal transaction activity for the purposes of transparency. Guelph Hydro does not have issue with removing the adjustment and flowing the misallocation reversal through the transaction activity column and will make the change to the continuity and the GA Analysis workflow.

- c. In response to IR 1(d) Guelph Hydro indicates that *"The adjustment relates to the closing unbilled revenue of 2015 which would have reversed in January 2016 thus having no impact on the year end 2016 balance in account 1588 RSVA – Power and 1589 RSVA – GA."* Please confirm whether or not the incorrect unbilled revenue journal entry made in December 2015 was an accrual entry and that it was reversed in January 2016. Please confirm whether or not there were two offsetting discrepancies causing the transactions in both 2015 and 2016 to be impacted. If not confirmed, please explain Guelph Hydro's process for recording unbilled revenues.

**Guelph Hydro's Response:**

Guelph Hydro confirms that the incorrect unbilled revenue journal entry made in December 2015 was an accrual entry and it was reversed in January 2016. There were two offsetting discrepancies causing the transactions in both 2015 and 2016 to be impacted.

- d. Please confirm that the DVA rate riders calculated in Guelph Hydro's 2017 IRM rate application were impacted by the unbilled revenue discrepancy from 2015.

**Guelph Hydro's Response:**

Guelph Hydro confirms that the DVA rate riders calculated in Guelph Hydro's 2017 IRM rate application were impacted by the unbilled revenue discrepancy from 2015.

- e. Please confirm that the resulting discrepancy in 2015 would have been corrected in 2016 by virtue of the automatic reversal of the unbilled journal entry from 2015.

**Guelph Hydro's Response:**

Guelph Hydro confirms that the opening balance of 2016 would have been corrected in 2016 automatically by the normal reversal of the UBR accrual in 2015. Guelph Hydro intended to isolate from the normal activity the misallocation of the UBR in a transparent manner on the D&VA continuity, and at the same time clean up a GA Analysis workflow discrepancy. As noted, Guelph Hydro will remove the adjustment and put the UBR misallocation on the GA Analysis workflow as a reconciling item.

- f. Please confirm that if Guelph Hydro did not make the adjusting entry in 2016, the resulting rate riders calculated in Guelph Hydro's 2018 IRM rate application would have offset the discrepancy in the rate riders calculated in the 2017 IRM application such that customers would have been kept whole.

**Guelph Hydro's Response:**

Guelph Hydro confirms statement "f." as correct but also notes that the adjustments proposed do not change the balances of account 1588 or 1589 for 2018 IRM purposes.

- g. Please confirm that in order to keep customers whole that the retroactive adjustment of \$2.2 Million related to December 2015 that was made to the year-end 2016 balances of accounts 1588 RSVA – Power and 1589 RSVA – GA was not required.

**Guelph Hydro's Response:**

Guelph Hydro confirms statement "g." as correct.

- h. If the preceding is confirmed, please eliminate the adjustment made by Guelph Hydro in the 2016 year-end balances of accounts 1588 RSVA – Power and 1589 RSVA – GA, and update the GA Analysis Workform to increase reconciling item 2b for an additional difference between the current year end unbilled to actuals.

**Guelph Hydro's Response:**

Response: Guelph Hydro has eliminated the adjustments and update the GA Analysis Workform. Guelph Hydro has included a separate reconciling item, 2b ii, versus 2b as it is a different matter.

**4. Ref: Response to IR 2(b)**

Guelph Hydro stated that “it uses monthly billed consumption (kWh)” whereas true-up reconciliations are to be based on the difference between the estimated claim and actual claim amount based on past billing data. Guelph Hydro confirmed that it did not include the actual non-RPP and RPP consumption to perform a true-up for settlement with the IESO as it does not have the data to do this.

Distributors are required to use past billing data for true-up purposes, why hasn't Guelph Hydro set up processes to capture this data so it can reconcile between the estimated claim amounts and actual claim amounts based on past billing data.

**Guelph Hydro's Response:**

Guelph Hydro has historically used consumption data billed during a calendar month to settle RPP variances and true up the Global Adjustment with the IESO each month. Guelph Hydro has elected to follow this approach as it has proven to be very accurate over time. Following discussions with Board Staff during this Application's proceedings, Guelph Hydro recognized the need to develop a method of identifying consumption attributed to each load month. A query was produced which uses year-end rates change date of December 31<sup>st</sup> to identify the consumption for the load month of December which was billed in the calendar month of January. Currently this query functions only based on the rate change date. It would be possible, though very onerous and unproductive, to complete a mass rates change in the billing system each month for the purpose of extracting the consumption of each load month. Guelph Hydro intends to explore other approaches to query this information, and if possible, will use this data to reconcile between estimated claim amounts and actual claim amounts for both RPP settlement and GA true-up on a go-forward basis.

**5. Ref: Response to IR 4(b)**

In response to 4b, it's stated that unbilled revenue was lower than the 1st estimate in December 2015 in the amount of \$89,099.90, and unbilled revenue was higher than the 1st estimate in December 2016 in the amount of \$37,942.24. The GA Analysis Workform assumes that unbilled revenue is calculated at the first estimate, therefore, to reconcile 2016 unbilled revenues in the GL to that in the GA Analysis Workform, a debit adjustment would be added to the 2016 Net Change in the Principal Balance in the GL to reduce unbilled revenues to that in the GA Analysis Workform. Similarly, for 2015 unbilled revenues, a credit adjustment would be added to the 2015 Net Change in the Principal Balance in the GL increase unbilled revenues to that in the GA Analysis Workform. However, this entry is reversed in 2016 and therefore, a debit adjustment would be needed to decrease unbilled revenues to that in the GA Analysis Workform for 2016. Therefore, the total adjustment should be a debit or \$127,042.

If Guelph Hydro agrees, please revise the sign of the reconciling item. If not, please explain why the reconciling item is a credit adjustment.

**Guelph Hydro's Response:**

Upon further consideration Guelph Hydro agrees with Board Staff's assessment and has provided a revised GA Analysis Workform with the sign of the reconciling item reversed.



**6. Ref: Response to IR 5(b)**

Guelph Hydro noted in its response to the above IR that the total class B Non-RPP GA revenue excluding transfers for 2016 was \$74,797,940.

OEB staff notes that the difference between the above figure and the amount in the GA analysis workform in column titled "Consumption at GA rate billed" is approximately \$214,000. Please reconcile this amount with the revenue items totaling \$659,320.

**Guelph Hydro's Response:**

Please see reconciliation below.

Guelph Hydro Electric Systems Inc.									
Nov-17									
IRR follow up response to item #6 - November 15th									
Total Class B Non-RPP GA revenue billed for 2016 - excluding transfers	Per G/L		\$ 74,990,923.78						
Change in total Class B Non-RPP GA revenue ubilled for 2016 - excluding transfers	Per G/L		\$ (192,983.37)						
Total Class B Non-RPP GA revenue for 2016 - excluding transfers	Per G/L		\$ 74,797,940.41						
Consumption at GA rate billed	Per GA workform		\$ 75,012,050.80						
Difference			\$ (214,110.39)						
Billed GA differences (Weighted Average vs. First estimate)	Per GA workform		\$ 331,031.06						
UBR for retailer differences (Weighted Average vs. First estimate)	Per GA workform		\$ 127,042.14						
Higher Actual 2015 UBR received in 2016 vs. reversed	Per GA workform		\$ 45,169.75						
Lower Actual 2016 UBR received in 2017 vs. accrued	Per GA workform		\$ 156,076.67						
Unreconciled Class B Non-RPP GA revenue			\$ 445,209.23						
			0.60%						

\$ 659,319.62 Revenue items from GA Workform

**7. Ref: Response to IR 8**

Guelph Hydro noted that "The portion of Charge Type 142 (now 1142) attributed to GA RPP for a given month is determined based on billed kWh and the 2<sup>nd</sup> estimate GA rate. This is trued up in the subsequent month when the actual GA rate is known".

Please explain why the 3<sup>rd</sup> component, Credit of GA RPP, is based on actual and not estimate when in fact it is trued up in the subsequent month.

**Guelph Hydro's Response:**

Guelph Hydro settles RPP based on the Global Adjustment 2<sup>nd</sup> Estimate rate and consumption quantities billed within a calendar month, then performs a GA true up in the subsequent month to settle the difference between the 2<sup>nd</sup> Estimate and Actual GA rates. The "Credit of GA RPP" is an estimate in the current month. In Guelph Hydro's view the value is Actual in the subsequent month when the GA true up is completed, though recognizes, as referenced in question 4, the need to develop a method of analyzing post-bill data to determine which portions of consumption are attributable to each load month. In the interim, the "Credit of GA RPP" may be considered an estimate as it is based on consumption billed during the load month, rather than consumption attributable to the load month.

Respectfully submitted,



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