**West Cost Huron Energy Inc - EB-2017-0083**

**GA Analysis Workform Preliminary Questions**

1. 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:
2. 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
3. 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.
4. Another approach. Please explain this approach in detail.

The utility records charge type 1142 into account 4705.

Charge Type 148 is pro-rated based on the calculation of RPP GA expense use for settlement with the IESO via form 1598. The RPP portion is recorded in account 4705. The remaining amount is allocated to Non-RPP customer and recorded in account 1589. Relevant revenue and expenses are compared quarterly to update RSVA account 1588.

The above method has now been updated starting in 2017 to pro-rate Charge type 148 based on RPP/Non-RPP consumption rather than using the calculations performed for the IESO Form 1598 settlement

1. In regards to the Dec. 31 balance in Account 1589; for all components that flow into Account 1589 (see items i to iv in the table below), please complete the table below and indicate whether the items listed have been recorded based on estimates or actuals at year-end. Where an item has been recorded based on an estimate, quantify the adjustment required for true up from estimate to actual.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Component** | **a) Estimate or Actual** | **Notes/Comments** | **b) Quantify True Up Adjustment** |
| I | Revenues (i.e. is unbilled revenues trued up by year end)  | Actual | Unbilled revenue is recorded at year end based on actual billings of December consumption |  |
| Ii | 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 | Expense - GA for Non-RPP is based on the allocation of code 148 on the December IESO invoice recorded at year end |  |
| Iii | Expenses - GA non-RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages |  | Allocation was based on expense calculated for RPP as part of settlement form 1598 with remainder allocated to Non-RPP account 1589 for years 2015 and 2016 |  |
| Iv | Credit of GA RPP: Charge Type 142 if the approach under IR 1b is used |  | Charge type 142 is not recorded in account 1589 |  |

1. Please populate Note 3 of the GA Analysis workform in accordance with the requirements specified in the “Instructions” tab of the workbook (refer to item 3. In the “Instructions” tab for detailed requirements).

Please see revised spreadsheet attached.

1. In Note 4 of both 2015 and 2016’s GA workforms, West Coast Huron Energy (WCHE) did not enter any previous/current month unbilled consumption amounts (column G & H).
2. Please confirm whether or not each amount entered in column F was the actual consumption for the given calendar month. (e.g. In the 2015 workform, was any of the January consumption (3,506,373 kwh) billed to customers in February?)

The data in column F reflects amounts billed related to consumption of the given month regardless of when it was billed during the year.

1. Please confirm that WCHE does not have any customers whose billing cycles span more than one calendar month. If not, please explain how the consumption data is prorated into months and what GA rates is utilized for billing purposes.

WCHE does not have any customers whose billing cycles span more than one calendar month.

1. Please provide the total GA amounts billed to non-RPP customers in 2015 and 2016 respectively, as recorded in the applicant’s revenue G/L accounts excluding any transfers to RSVA GA if applicable.



1. 1b of Note 5 in the 2015 and 2016 GA Analysis Workforms present a true-up adjustment that was not recorded as part of the year-end settlement process.
	1. Please provide a detailed description of the applicant’s GA settlement process with the IESO.

The utility settles RPP GA on a monthly basis with the IESO via Form 1598 .

Calculations performed include a comparison of GA revenue billed to GA expense. GA expense is calculated using consumption times 2nd estimate GA rate. The utility did not include any true-up calculations to adjust the GA expense calculation to the final GA rate as part of the Form 1598 RPP settlement process in 2015 and 2016.

* 1. Please explain why the applicant did not record this true-up adjustment?

Staff became aware of the need to true up in 2017 as part of an internal review process regarding processes related to GA.

* 1. Please explain why the reverse of the balance shown in 1b of Note 5 in the 2015 GA Analysis Workform is not being presented as a reconciling adjustment in 1a of Note 5 in the 2016 GA Analysis Workform? If required, please update the 2016 GA Analysis Workform to reflect this adjustment.

The true up adjustment for both 2015 and 2016 has been reflected in 2017, therefore, there is no reversal reflected in the 2016 workform.

1. Does the applicant accrue for unbilled revenue at the end of the year? If so, would there be a difference between what was accrued and what ended up being actually billed? Please explain.

Unbilled revenue is recorded at year end based on actual billings in January for December consumption.

1. The applicant has identified an adjustment in Note 5 of both the 2015 and 2016 GA Analysis Workforms that has been characterized as an “Error in GA expense allocated to RPP due to consumption error”(item 7 in Note 5 for 2015 and item 8 in Note 5 for 2016)
	1. Please explain the nature of the issue that has resulted in these errors and how the applicant has identified the underlying problem.

The utility’s method for calculating the amount of GA expense for non-RPP customers relied on the calculation of the GA expense for RPP customers in the filing of Form 1598. Form 1598 calculated the amount of GA expense for RPP customer with the remainder allocated to Non-RPP and recorded in account 1589. We have determined that our methodology for calculating the data for Form 1598 was flawed. Our calculation was as follows:

Consumption for utility as a whole

Using meter data from Utilismart XXXXX

Deduct Consumption of our embedded

Market participant XXX

Deduct Consumption for our Non-RPP customers XXX

Results in Consumption for RPP customers. XXXXX

However, the consumption used for our Non-RPP customers reflected the results of one specific customer twice in error as it was included in two separate reports used to gather the;Non-RPP information.

The RPP consumption used to calculate the RPP GA expense was used to split the Class B GA expense amount on the IESO invoice.

* 1. Please confirm that this error is independent from the one identified in item 9 of Note 5 in both the 2015 and 2016 GA Analysis Workforms.

This error is specific to the year being reconciled and is independent from the error identified in item 9

* 1. Please explain how the applicant has quantified the impact of the error for both 2015 and 2016 and provide the calculation for each.

Please see attached spreadsheet

* 1. Please confirm that the amount quantified represents the impact on each of specific years only and does not include carryforward impacts from any other years.

There are no carryforward impacts in this error. Each difference is specific to the year being reconciled.

* 1. Given that the same allocation error has occurred in both 2015 and 2016, please explain what the applicant has changed in its underlying allocation process to ensure that a similar error will not occur in the future.

We have changed our method to the use of billing data specific to RPP customers to calculate the consumption for Form 1598 and therefore eliminated the potential for this error to reoccur.

1. The applicant has identified an adjustment in Note 5 of both the 2015 and 2016 GA Analysis Workforms that has been characterized as a general ledger error associated with how the applicant has prorated the IESO charge type 148 between RPP and non-RPP for each of the years (item 8 in Note 5 for 2015 and item 9 in Note 5 for 2016).
	1. Please provide a description that explains how the applicant prorates charge type 148 from the IESO?

For 2015 and 2016 the utility prorated charge type 148 based on calculations performed as part of filing for settlement of GA for RPP customers in Form 1598 on a monthly basis. The RPP portion of the GA expense was calculated using RPP consumption times the GA 2nd estimate rate. The remainder of the Code 148 charge is allocated to Non-RPP and recorded as a debit in account 1589.

* 1. Please explain the nature of the issue that has occurred that resulted in the inaccurate allocation between RPP and non-RPP?

The issue that occurred involved the use of the RPP portion of GA calculated as part of the Form 1598 filing to split the IESO code 148 for the wrong IESO invoice month.

Form 1598 is filed by the fourth business day after each month end. It reflects the settlement of GA revenue vs GA expense for RPP consumption for the prior month. (eg. settlement of May is filed by June 4th ). The expense portion of this calculation is used to split code 148 on the IESO bill, however, staff had used the expense calculated for RPP to split code 148 for the wrong month’s IESO bill. Staff had used the RPP GA expense calculated for the June 4th filing to split code 148 on the June IESO invoice. This is incorrect as the June IESO invoice is reflecting charges for consumption for the month of June. The RPP GA expense calculated for the June 4th filing is based on May’s consumption.

This issue has now been corrected for 2017.

* 1. Please explain how the impact of the error was quantified for both 2015 and 2016 and provide the calculation of each.

Please see attached spreadsheet

* 1. Please confirm that the amount quantified represents the impact on each of specific years only and does not include carryforward impacts from any other years.

The amount quantified represents the impact on each specific year. It does not include any carryforward impact.

* 1. Given that the same error has occurred in both 2015 and 2016, please explain what the applicant has changed in its RPP vs non-RPP allocation process to ensure that a similar error will not occur in the future.

The utility has adjusted its process such that the split of Code 148 is based on the relative proportion of consumption of RPP customers vs Non-RPP customers for the month invoiced by the IESO as a percentage of the total billed consumption for the month.

1. In Note 5 of both the 2015 and 2016 GA Analysis Workform, the applicant has identified a reconciling item associated with the actual approved loss factors for the year.
	1. Please provide the actual system loss factor for both 2015 and 2016 and compare it to the OEB approved loss factor?

The utility does not currently have actual system loss factor data for 2015 and 2016. The utility uplifts consumption based on the approved loss factors for billing purposes. Please see data provided in b to support the identification of the difference as a loss factor issue. The quantities billed to the utility by the IESO do not equal the uplifted billed consumption.

* 1. Please provide a calculation that quantifies the impact of the loss factor difference for both 2015 and 2016.

Please see attached spreadsheet.

* 1. Please explain the narrative provided for the 2015 adjustment related to the fact that the RPP portion requires adjustment. Would this also require adjustment to the balances presented in the DVA continuity schedule?

The difference between the kwh billed to the utility by the IESO and the uplifted billed kwh to our customers can not be linked to a specific customer or customer class, therefore, the difference would be allocated between RPP and Non-RPP based on relative consumption.

1. Please reconcile the “Principle Adjustments” that the applicant has recorded for Account 1589 in the DVA continuity schedule for both 2015 and 2016 to the adjustments presented in Note 5 of the respective GA Analysis Workforms.

See attached spreadsheet.