**Bluewater Questions – October 11, 2017**

1. The Adjusted Net Principal Balance Including Reconciling Items includes reconciling item 7. The Net Change in Expected GA Balance in the Year Per Analysis was also adjusted by reconciling item 7. Reconciling item 7 appears to be double counted. Please revise the amounts as necessary.

It does appear the reconciling item #7 was double counted. The revised GA Workform has corrected this issue.

1. In the GA Analysis Workform, non-RPP consumption is 507,631,409 kWh. Non-RPP consumption as reported in the RRR is 438,558,825 kWh.
	1. Please explain the difference in consumption.

The value reported in the RRR was 507,631,409 kWh for non-RPP customers which is correct, however for purposes of the 2018 IRM rate model the value in Column E of Sheet 4 was modified in order to exclude kWh from customers who pay actual GA rate which are those in the GS>1000-4999 (Intermediate) and Streetlighting rate classes. These are still non-RPP customers however they are billed a different GA rate than the other non-RPP customers. The net result is 438,558,825 kWh which is for the 2018 rate model only.

* 1. Please reassess the reasonability of the loss factor by comparing the total non-RPP Class B consumption in the Analysis of Expected GA Amount table and in the amount in the Consumption Data table, if the consumption amounts change.

Not applicable per explanation to part 2 (a).

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.

Bluewater Power uses the approach explained in part (b).

1. With regards to the Dec. 31, 2016 balance in Account 1589,
	1. Please indicate whether the following items (under part b,i to iii)that flow into the account is based on estimates/accruals or actuals at year end.
2. Revenues (i.e. is unbilled revenues trued up). If this is based on estimates, please explain why reconciling 2a and 2b are not applicable.

Revenues are based on actual billings (actual consumption x 1st Estimate GA rate) in each month to non-RPP customers plus accrual adjustments.

The accruals are made up of two items. First, there is an accrual made at year end which records the estimated unbilled non-RPP consumption at 1st Estimate GA rates. This unbilled accrual has historically not been trued-up. Second, the same year end accrual from the 2015 year end is reversed in January 2016. Thus, the combination of these two accrual entries, plus actual billings in the year, means that the 2016 fiscal year for accounting represents approximately 10 months of actual consumption (Feb to Nov) and two months of estimated unbilled consumption (Jan unbilled reversal plus billings, Dec unbilled), all at the 1st Estimate GA rates.

Reconciling items 2a and 2b are addressed in part 4(b) below.

1. Expenses - GA non-RPP (Charge Type 148) with respect to the quantum dollar

Expenses – GA non-RPP (Charge Type 148) – the quantum dollar amount is based on actual calendar month billings from the IESO. This dollar amount, which is GA on our entire Class B load (including RPP), is then reduced for the RPP load by part (iii) next.

1. Expenses - GA non-RPP (Charge Type 148) with respect to and RPP/non-RPP

Expenses – GA non-RPP (Charge Type 148) – RPP vs non-RPP – each month Bluewater Power has historically provided an estimate to the IESO (through Form 1598) for the RPP portion of GA that is included in Charge Type 148. This estimate is then included as a credit in Charge Type 1142. This estimate is based on the billings in the current month (i.e. for consumption in current and prior months) which are used as a proxy for the consumption in that same current month. The underlying consumption from those billings is multiplied by the 1st Estimate GA rate. Prior to 2017, this is the methodology that Bluewater Power relied on because we had not developed an alternative method to extract calendar month consumption data from our in-house Operational Data Store (i.e. smart meter data) until 2017. No true-up entries were made prior to 2017 (i.e. our new true-up process started with consumption effective January 1, 2017 as detailed in our 2018 IRM application on page 22 and 23).

Historically, at each year end, there is an accrual entry made which records the estimated unbilled RPP consumption at the 1st Estimate GA rate. This unbilled accrual has historically not been trued-up. The same year end accrual from the 2015 year end is reversed in January 2016. Thus, the combination of these two accrual entries, plus RPP-GA settlement entries derived from actual billings in the year, ensures that the 2016 fiscal year for accounting represents the 2016 estimated RPP consumption and 1st Estimate GA rates that are then subtracted from Charge Type 148 for accounting purposes.

Therefore, the net amount from part (ii) and (iii) represents the non-RPP GA expense amount which is what ultimately flows into Account 1589.

Reconciling items 1a and 1b are addressed in part 4(b) below.

* 1. If there are reconciling items #1a, 1b in the GA Analysis Workform or if there are any proposed adjustments to Account 1589 in the DVA Continuity Schedule for the true up impacts, please quantify the adjustment that relate to each of the above items under ai to aiii.

Reconciling Items 1a and 1b

There are no amounts for reconciling items 1a and 1b since Bluewater Power only started its new RPP true-up process with consumption effective January 1, 2017. Similarly, there are no proposed adjustments to Account 1589 in the DVA Continuity Schedule as there are no true-up impacts in 2016.

Reconciling Items 2a and 2b

Bluewater Power has recalculated the unbilled revenue accrual entry for the 2015 and 2016 year end. The revised calculation uses primarily the same unbilled consumption at the Actual GA rate. Bluewater Power does not have the ability to extract from its system the actual unbilled non-RPP consumption with perfect accuracy. However, there is comfort over the reliability of the estimated unbilled consumption amounts as described next.

The GS>50 Interval rate category is able to be recalculated using actual unbilled consumption from the system because we have calendar month consumption available. This represents approximately 20% of the unbilled accrual. Another 27% of the accrual is from GS>50 Intermediate and Street Lighting where the original unbilled accrual was already based on actual calendar month unbilled consumption and Actual GA rate, thus no recalculation is necessary.

Another 45% of the accrual is based on GS>50 where the load is consistent from month to month (i.e. flat line over year), thus the unbilled consumption is fairly accurate. The remaining 8% of the accrual is from retail customers where an average historical load is used as the basis for the unbilled consumption. Bluewater Power does not have the ability to extract the actual unbilled consumption from our system for these two categories of non-RPP customers.

The 2015 year end accrual amount, which is reversed in 2016, needs to be decreased by $295,125, which is primarily the result of the difference between the 1st Estimate GA rate of $114.62 versus the Actual GA rate of $94.71 for December 2015. This results in an increase of GA revenue in 2016, and therefore a credit adjustment to GL 1589.

The 2016 year end accrual amount needs to be decreased by $270,366, which is primarily the result of the difference between the 1st Estimate GA rate of $105.94 versus the Actual GA rate of $87.08 for December 2016. This results in a reduction of GA revenue in 2016, and therefore a debit adjustment to GL 1589.

The net impact to GL 1589 for 2016 is a credit adjustment of $24,759. The GA Analysis Workform has been updated to reflect these two adjustments.

1. Bluewater indicated that prior to 2017, the RPP settlement was not trued up as the 2016 balance included unbilled RPP consumption and ensures that both accounts reflect 2017 calendar month consumption. And accordingly, no adjustment is made in the DVA Continuity Schedule as would otherwise be required as per the OEB letter dated May 23, 2017.

In the May 23, 2017 letter, it states *Guidance on the Disposition of Accounts 1588 and 1589* “Accordingly, effective immediately, the OEB requires distributors to complete RPP settlement true-up claims and to reflect these true-ups in the account **balances being requested for disposition**” [emphasis added].

1. Please confirm that including unbilled consumption in the RPP settlement would only approximate calendar month consumption and would not be the same as the consumption used in a RPP settlement true up.

Confirmed.

1. Please quantify the 2016 year end RPP settlement true up and revise reconciling items 1a, 1b, 2a and 2b in the GA Analysis Workform and the DVA Continuity Schedule as needed.

Reconciling Item 1a – not applicable since there are no impacts to GA in 2016 to be removed that relate to the 2015 RPP settlement true up process, because the process did not exist in 2015. There was nothing booked in 2016 relating to 2015.

Reconciling Item 1b – not applicable since there are no impacts to GA in 2016 to be added that relate to the 2016 RPP settlement true up process, because the process did not exist in 2016. There was nothing booked in 2016 or 2017 relating to 2016.

There were no current year (2016) RPP settlement true up claims completed in the first quarter of 2017 as required by OEB letter dated May 23, 2017 – “*The year-end RPP settlement true-up claim for the last quarter of a year must be completed no later than the settlement claim with the IESO for the final month of the first quarter of the following fiscal year.*” Bluewater Power’s first ever RPP true-up claim with the IESO was made as part of the August 2017 IESO invoice relating to RPP consumption from January 1, 2017 to June 30, 2017. The RPP true-up claim is being made monthly thereafter.

Please note that 2a and 2b from the GA Workform is addressed in response to question #4.