

January 29, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
PO Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

**RE: 2018 IRM Rate Application EB-2017-0063**

Dear Ms. Walli:

Please find attached Niagara Peninsula Energy Inc.'s ("NPEI's") responses to Board Staff interrogatories in NPEI's 2018 IRM Rate Application (EB-2017-0063).

Please contact myself should anything further be required, I can be reached at 905-353-6004.

Yours truly,  
NIAGARA PENINSULA ENERGY INC.



Suzanne Wilson, CPA, CA  
Vice-President, Finance

**Niagara Peninsula Energy Inc.  
EB-2017-0060**

**Staff Question-1**

Ref: Tab 4 Billing Det. for Def-Var

<b>1595 Recovery Proportion (2015) <sup>1</sup></b>	
	-25%
	-16%
	139%
	-1%
	0%
	2%
	100%

Please explain the rational for the allocation of 1595-2015 to each rate class. (ie why are some classes over 100% and some negative)

**Response**

The allocation of the Account 1595-2015 residual balance to each rate class is based on the original allocation from the deferral and variance account disposition that was approved by the Board in NPEI's 2015 COS Rate Application (EB-2014-0096). This method is consistent with the *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* ("EDDVAR") which indicates that for Account 1595: "Residual Account balance to be allocated to the rate classes in proportion to the recovery share as established when the rate riders were implemented."

The amounts that were approved for disposition in EB-2014-0096 included total deferral and variance account balances (excluding Global Adjustment) of (\$1,083,705) payable to customers and a Global Adjustment balance of \$1,582,461 recoverable from customers. The net amount allocated to each rate class resulted in a repayment for some rate classes and a recovery for others. In particular, most of the Global Adjustment recovery was allocated to the GS > 50 kW class, which resulted in a net recovery of \$695,259 (139.4% of the total) for this class. The table below shows the details of the original deferral and variance account dispositions from EB-2014-0096.

Disposition and Recovery/Refund of Regulatory Balances (2015) - EB-2014-0096						
Rate Class	Regulatory Asset Balances (excluding GA) Repayment	% of Total (Repayment)	GA Balance Recovery	% of Total (Recovery)	Net (Repayment / Recovery)	% of Total
RESIDENTIAL SERVICE CLASSIFICATION	(201,212)	18.6%	74,797	4.7%	(126,415)	-25.35%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	(118,680)	11.0%	40,890	2.6%	(77,789)	-15.60%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	(754,435)	69.6%	1,449,693	91.6%	695,259	139.40%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	(2,574)	0.2%	-	0.0%	(2,574)	-0.52%
SENTINEL LIGHTING SERVICE CLASSIFICATION	1,724	-0.2%	118	0.0%	1,843	0.37%
STREET LIGHTING SERVICE CLASSIFICATION	(8,529)	0.8%	16,963	1.1%	8,434	1.69%
Total	(1,083,705)	100.0%	1,582,461	100.0%	498,757	100.00%

The allocation of the Account 1595-2014 residual balance to each rate class is based on the original allocation from the deferral and variance account disposition that was approved by the Board in NPEI's 2014 IRM Rate Application (EB-2013-0154). In this case, the net allocated balances resulted in a repayment to each rate class. The table below shows the details of the original deferral and variance account dispositions from EB-2013-0154.

Disposition and Recovery/Refund of Regulatory Balances (2014) - EB-2013-0154						
Rate Class	Regulatory Asset Balances (excluding GA) Repayment	% of Total (Repayment)	GA Balance Recovery	% of Total (Recovery)	Net Repayment	% of Total
RESIDENTIAL SERVICE CLASSIFICATION	(2,633,580)	37.9%	428,082	11.3%	(2,205,498)	70.09%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	(701,226)	10.1%	118,553	3.1%	(582,673)	18.52%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	(3,550,556)	51.1%	3,236,831	85.3%	(313,725)	9.97%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	(13,270)	0.2%	6,743	0.2%	(6,527)	0.21%
SENTINEL LIGHTING SERVICE CLASSIFICATION	(1,697)	0.0%	683	0.0%	(1,015)	0.03%
STREET LIGHTING SERVICE CLASSIFICATION	(42,530)	0.6%	5,387	0.1%	(37,143)	1.18%
Total	(6,942,860)	100.0%	3,796,279	100.0%	(3,146,581)	100.00%

## **Staff Question-2**

### **References: GA Analysis Workform – Reconciliation items 1a and 1b 2018 Rate Generator Model – Tab 3 Continuity Schedule**

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 approaches is used:

- a) 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<sup>1</sup>.
- b) Charge Type 1142 is booked into Account 1588. In relation to Charge Type 148, the non-RPP quantities multiplied by the GA rate is booked to account 1589 and the remainder of Charge Type 148 is booked to account 1588.
- c) 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.
- d) If another approach is used, please explain in detail.

## **Response**

NPEI confirms that approach b) is used.

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<sup>1</sup> Note, the following in all references in OEB Staff questions relating to amounts booked to accounts 1588 and 1589. Amounts are not booked directly to accounts USoA 1588 and 1589 relating to power purchase and sale transactions, but are rather booked to the cost of power USoA 4705 Power Purchased/4707 Charges - Global Adjustment and the respective Energy Sales USoA accounts, respectively. However, accounts 1588 and 1589 are impacted the same way as accounts 4705/4707 are for cost of power transactions, and the same way as the Energy Sales accounts are for revenue transactions.

### Staff Question-3

#### References: GA Analysis Workform – Reconciliation items 1a and 1b 2018 Rate Generator Model – Tab 3 Continuity Schedule

With regards to the amount being requested for disposition of USoA 1589 account balance as at Dec. 31, 2016, all components that flow into Account 1589 (i to iv in table below) should be based on actuals in the 2018 Rate Generator Model – Tab 3 Continuity. Please complete the following table to:

- a) Indicate whether each of the components are based on estimates or actuals at year end, and
- b) Quantify the adjustment amount pertaining to each component that is trued-up from estimate to actual.

#### Response:

	Component	Estimate or Actual	Notes/Comments	Quantify True Up Adjustment \$ Amount
i	Revenue (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)	Actual	NPEI's unbilled revenue accrual for 2016 year-end is based on January 2017 billing journals, which reflect actual December 2016 consumption. For any billing cycles where all of the December consumption was not billed in January 2017, this was included in the year-end unbilled revenue accrual on a pro-rata basis, and was billed in February 2017 using the actual December 2016 GA rate.	
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	The Global Adjustment expense reflects the actual amount of Charge Type 148 from NPEI's December 2016 IESO invoice.	
iii	Expenses - GA non-RPP: Charge Type 148 with respect to the RPP/non-RPP	Actual	The split between RPP and non-RPP for Global Adjustment expense reflects the actual Charge	

	kWh volume proportions.		Type 148 from NPEI's December 2016 IESO invoice and is based on actual kWh volume.	
iv	Credit of GA RPP: Charge Type 142 if the approach under Staff Question 1c is used		Not applicable.	

- c) For each item in the table above, please confirm that the GA Analysis Workform for 2016 and the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 have been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

**Response:**

None of the items listed in table above require adjustments to the GA Analysis Workform or the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016.

#### Staff Question-4

#### References: 2018 Rate Generator Model – Tab 3 Continuity Schedule

With regards to the amount being requested for disposition of USoA 1588 account balance as at Dec. 31, 2016, all components that flow into Account 1588 (i to iv in table below) should be all 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 trued-up from estimate to actual

#### Response:

	Component	Estimate or Actual?	Notes/Comments	Quantify True Up Adjustment \$ Amount
i	Revenues (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)	Actual	NPEI's unbilled revenue accrual for 2016 year-end is based on January 2017 billing journals, which reflect actual December 2016 consumption. For any billing cycles where all of the December consumption was not billed in January 2017, this was included in the year-end unbilled revenue accrual on a pro-rata basis, and was billed in February 2017.	
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)	Actual	The power expense reflects the actual amount of Charge Type 101 from NPEI's December 2016 IESO invoice.	
ijj	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)	Actual	The power expense reflects the actual amount of Charge Type 148 from NPEI's December 2016 IESO invoice.	
iv	Expenses - GA RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.	Actual	The split between RPP and non-RPP for Global Adjustment expense reflects the actual Charge Type 148 from NPEI's December 2016 IESO invoice and is based on actual kWh volume.	

v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type	Actual	The power expense reflects RPP settlement charge type 142 that is based on actual RPP volumes, RPP rates, market price and Global Adjustment rate for December 2016 consumption. NPEI recorded an RPP settlement amount of \$169,486 in its general ledger in January 2017 which relates to 2016 consumption. This amount has been included in the continuity schedule for 2016 in the "Principal Adjustment During 2016" column.	\$169,486
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- c) For each item in the table above, please confirm that the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 have been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

**Response:**

The only item listed in table above that requires an adjustment in the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 is item v) RPP Settlement Charge Type 142. NPEI confirms that the adjustment of \$169,486 has been included in Tab 3 Continuity Schedule in accordance with the Board's Letter to All Licensed Electricity Distributors dated May 23, 2017, *Guidance on the Disposition of Accounts 1588 and 1589*.