

Niagara-on-the-Lake Hydro (Niagara-on-the-Lake Hydro)

2018 IRM Application

EB-2017-0064

Application Analysis

January 23, 2018

Responses

Question #1

Reference: Tab 3 “Continuity Schedule”

A portion of Tab 3 “Continuity Schedule” is reproduced below

Account Descriptions		Projected Interest on Dec-31-16 Balances			
		Projected Interest from Jan 1, 2017 to December 31, 2017 on Dec 31, 2016 balance adjusted for disposition during 2017 ¹	Projected Interest from January 1, 2018 to April 30, 2018 on Dec 31, 2016 balance adjusted for disposition during 2017 ²	Total Interest	Total Claim
Group 1 Accounts					
LV Variance Account	1550	0	0	0	0
Smart Metering Entry Charge Variance Account	1551	(46)	(14)	(77)	(2,887)
RSVA - Wholesale Market Service Charge ³	1580	(2,822)	(882)	(3,562)	(238,740)
Variance WMS - Sub-account CBR Class A ¹	1580	0	0	0	0
Variance WMS - Sub-account CBR Class B ²	1580	(22)	(7)	(29)	(2,134)
RSVA - Retail Transmission Network Charge	1584	(223)	(70)	(130)	(16,740)
RSVA - Retail Transmission Connection Charge	1586	87	27	269	7,572
RSVA - Power ³	1588	4,848	1,110	1,005	405,349
RSVA - Global Adjustment ⁴	1589	(2,187)	(682)	2,030	(170,826)
Disposition and Recovery/Refund of Regulatory Balances (2009) ⁴	1595	1	0		<input type="checkbox"/> Check to Dispose of Account 0
Disposition and Recovery/Refund of Regulatory Balances (2010) ⁴	1595	(7)	(0)		<input type="checkbox"/> Check to Dispose of Account 0
Disposition and Recovery/Refund of Regulatory Balances (2011) ⁴	1595	(11)	(4)	(24)	<input type="checkbox"/> Check to Dispose of Account 0
Disposition and Recovery/Refund of Regulatory Balances (2012) ⁴	1595	(7)	(1)	(4)	<input type="checkbox"/> Check to Dispose of Account 0
Disposition and Recovery/Refund of Regulatory Balances (2013) ⁴	1595	(1)	(0)	(1)	<input type="checkbox"/> Check to Dispose of Account 0
Disposition and Recovery/Refund of Regulatory Balances (2014) ⁴	1595	(3)	(2)	(16)	<input type="checkbox"/> Check to Dispose of Account 0
Disposition and Recovery/Refund of Regulatory Balances (2015) ⁴	1595	57 ⁵	179	10,702	<input type="checkbox"/> Check to Dispose of Account 58,314
Disposition and Recovery/Refund of Regulatory Balances (2016) ⁴	1595	5,743	1,790	2,043	<input type="checkbox"/> Check to Dispose of Account 0
<i>Not to be disposed of until a year after rate rider has expired and that balance has been audited</i>					

In this application Niagara-on-the Lake Hydro is requesting to dispose an amount of \$58,314 in account 1595 (2015). As provided in Niagara-on-the-Lake Hydro's DVA Continuity Schedule for 2015 the OEB approved the disposition of principal and interest totalling \$503,744. However, Niagara-on-the-Lake Hydro recovered \$563,816. OEB staff notes that the usual expectation is that this balance would be relatively small.

- a) Please explain why the recovered amount is 12% greater than what was requested. Please provide a table showing the billing determinants by customer class multiplied by the applicable OEB approved rate riders by customer class balancing back to the total amount recovered. Please reconcile the differences in billing determinants used to calculate the rider compared to billed volumes.

The balance in account 1595 (2015) as presented in the DVA Continuity Schedule is overstated by \$18,681 (\$18,568 in principal and \$112 in interest). This was due to an error in the billing system in May – June of 2016 that resulted in a negative rate rider

being booked to account 1595 (2016) instead of 1595 (2015) for that period. Niagara-on-the-Lake Hydro Inc. (NOTL Hydro) will be correcting the issue in the General Ledger. Removing these amounts reduces the total recovered amount to \$545,238, or 8.2% greater than what was requested.

Table R1 below shows the difference between the billing determinants submitted and the actual consumption billed.

Table R1

Billing Determinants from Rate Model	Unit	Total kWh	Total kW	Non-RPP kWh	Non-RPP kW	DVA Rate Riders	GA Rate Riders	Total Calculated	Total OEB Approved
RESIDENTIAL	\$/kWh	67,753,410		2,345,576		0.0002	(0.0065)	(1,696)	
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	37,260,698		3,196,489		0.0002	(0.0065)	(13,325)	
GENERAL SERVICE 50 TO 4,999 KW	\$/kW		201,178		187,247	0.0619	(2.6463)	(483,059)	
UNMETERED SCATTERED LOAD	\$/kWh	240,322				0.0011	-	264	
STREET LIGHTING	\$/kW		3,377		3,082	0.0573	(2.4157)	(7,251)	
		105,254,430	204,555	5,542,065	190,329			(505,067)	(503,744)
Actual - excluding billing error	Unit	Total kWh	Total kW	Non-RPP kWh	Non-RPP kW	DVA Rate Riders	GA Rate Riders	Total	Total OEB Approved
RESIDENTIAL	\$/kWh	68,843,484	-	2,123,738		0.0002	(0.0065)	(39)	
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	41,563,248	-	5,200,897		0.0002	(0.0065)	(25,683)	
GENERAL SERVICE 50 TO 4,999 KW	\$/kW		212,547		199,458	0.0619	(2.6463)	(514,669)	
UNMETERED SCATTERED LOAD	\$/kWh	223,471	-			0.0011	-	246	
STREET LIGHTING	\$/kW		2,455		2,166	0.0573	(2.4157)	(5,092)	
		110,630,202	215,002	7,324,635	201,624			(545,238)	(503,744)
Variance	Unit	Total kWh	Total kW	Non-RPP kWh	Non-RPP kW	DVA Rate Riders	GA Rate Riders	Total	Total OEB Approved
RESIDENTIAL	\$/kWh	1,090,074	-	(221,838)	-	-	-	1,657	
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	4,302,550	-	2,004,408	-	-	-	(12,358)	
GENERAL SERVICE 50 TO 4,999 KW	\$/kW		11,369		12,211	-	-	(31,610)	
UNMETERED SCATTERED LOAD	\$/kWh	(16,851)	-	-	-	-	-	(18)	
STREET LIGHTING	\$/kW		(922)		(916)	-	-	2,159	
		5,375,772	10,447	1,782,570	11,295			(40,171)	-

b) As was indicated on page 8 in the OEB's decision on Niagara-on-the-Lake Hydro's 2017 IRM decision,

...The OEB has previously provided guidance to distributors regarding how to apply over recoveries (or refunds) of rate riders in the Accounting FAQ from October 2009.

Please confirm that Niagara-on-the-Lake Hydro complied with the Accounting Guidance from October 2009 related to the over recoveries for sub-account 1595 (2015). If the Accounting Guidance was not followed, please provide a worksheet calculating the correct monthly balances for each Principal and Interest component of sub-account 1595 (2015); then, please adjust the DVA Continuity Schedule as required.

OEB FAQs from October 2009 states that:

1. The cumulative principal balance transferred to and recorded in "Sub-account Principal Balances Approved for Disposition in 2009"

3. The accrued carrying charges recorded in "Sub-account Carrying Charges on 2009 Net Principal Account Balances."

However, NOTL Hydro did not follow the accounting guidance with regards to the balance in the “Carrying Charges on 2015 Net Principal Account.” This account was in a credit position and therefore a portion of the over-recoveries should have been applied to this account.

Table R2

[illegible]

* See response to question 1a

Table R3 below shows the revised correct monthly balances for the sub-accounts after properly applying a portion of the over-recovery to the Carrying Charges on Net Principal Account. NOTL Hydro will file a revised DVA continuity schedule to reflect these changes.

Table R3

	Principal			Interest	Interest on Net Principal		
	Adjusted Balances*	Adjustment 2**	Revised		Adjusted Balances*	Adjustment 2**	Revised
May-15	(510,347.98)	-	(510,347.98)	12,460.15	-	-	-
Jun-15	(465,606.58)	-	(465,606.58)	12,460.15	(467.82)	-	(467.82)
Jul-15	(417,978.63)	-	(417,978.63)	12,460.15	(894.63)	-	(894.63)
Aug-15	(367,765.41)	-	(367,765.41)	12,460.15	(1,277.77)	-	(1,277.77)
Sep-15	(315,803.51)	-	(315,803.51)	12,460.15	(1,614.89)	-	(1,614.89)
Oct-15	(262,624.33)	-	(262,624.33)	12,460.15	(1,904.38)	-	(1,904.38)
Nov-15	(219,815.35)	-	(219,815.35)	12,460.15	(2,145.12)	-	(2,145.12)
Dec-15	(180,349.62)	-	(180,349.62)	12,460.15	(2,346.61)	-	(2,346.61)
Jan-16	(141,900.01)	-	(141,900.01)	12,460.15	(2,511.93)	-	(2,511.93)
Feb-16	(101,365.17)	-	(101,365.17)	12,460.15	(2,642.01)	-	(2,642.01)
Mar-16	(58,839.80)	-	(58,839.80)	12,460.15	(2,734.93)	-	(2,734.93)
Apr-16	(15,651.48)	-	(15,651.48)	12,460.15	(2,788.86)	-	(2,788.86)
May-16	25,592.17	(2,803.21)	22,788.96	12,460.15	(2,803.21)	2,803.21	-
Jun-16	29,042.89	(2,803.21)	26,239.68	12,460.15	(2,779.75)	2,800.64	20.89
Jul-16	29,042.89	(2,803.21)	26,239.68	12,460.15	(2,753.13)	2,798.07	44.94
Aug-16	29,042.89	(2,803.21)	26,239.68	12,460.15	(2,726.51)	2,795.50	69.00
Sep-16	29,042.89	(2,803.21)	26,239.68	12,460.15	(2,699.88)	2,792.93	93.05
Oct-16	29,042.89	(2,803.21)	26,239.68	12,460.15	(2,673.26)	2,790.36	117.10
Nov-16	29,042.89	(2,803.21)	26,239.68	12,460.15	(2,646.64)	2,787.79	141.16
Dec-16	29,042.89	(2,803.21)	26,239.68	12,460.15	(2,620.02)	2,785.22	165.21
* See response to question 1a							
** Adjusted to comply with guidance from OEB FAQ from October 2009							

Question #2

Reference: Rate Generator Model, Tab 3 “Continuity Schedule”

In the its 2015 DVA continuity schedule from its 2017 IRM rate application¹, the applicant recorded principal adjustments totalling (\$460,377) and carrying charge adjustments totalling (\$422) to USoA accounts 1580, 1588, and 1589 related to a November 2015 dispute with the IESO that was pending final resolution. In addition, in the 2016 DVA continuity schedule, Niagara-on-the-Lake Hydro recorded principal adjustments of (\$139,807)² to USoA accounts 1580, 1588, and 1589 related to a March 2016 dispute with the IESO that was also pending final resolution. In its application Niagara-on-the-Lake Hydro indicate that:

¹ EB-2016-0095 issued March 30, 2017

² Niagara-on-the-Lake Hydro also recorded further carrying charge adjustments but were not clearly identifiable as a group.

The NOD is still outstanding at the time of this application, however NOTL Hydro has received verbal confirmation from legal counsel that IESO has accepted NOTL Hydro's position³.

- a) Has Niagara-on-the-Lake Hydro reached settlement with the IESO for both the November 2015 and March 2016 disputes at this time?

Yes, NOTL Hydro reached a settlement with the IESO on December 28, 2017.

- b) If settlement with the IESO has been reached please provide a reconciliation of the actual IESO invoiced dollar settlement with the expected dollar settlement for each of the November 2015 and the March 2016 disputes. Also, please update the Rate Generator Model accordingly.

Table R4 below contains a reconciliation of the adjustments included in NOTL Hydro's 2018 IRM application and the actual amount contained in the settlement agreement with the IESO. The Rate Generator Model submitted with these responses reflects these changes as 'NOTL_2018_IRM_RateGen_Model_Version_1.0_20180202'.

Table R4

	Nov-15			Mar-16			Total		
	NOTL Hydro IRM Adjustment	IESO Settlement Amount	Difference	NOTL Hydro IRM Adjustment	IESO Settlement Amount	Difference	NOTL Hydro IRM Adjustment	IESO Settlement Amount	Difference
1580 Principal	10,824.09	20,592.76	(9,768.67)	(7,829.71)	(5,471.87)	(2,357.84)	2,994.38	15,120.89	(12,126.51)
1580 Interest	9.92	-	9.92	54.47	-	54.47	64.39	-	64.39
1588 Principal	(35,790.65)	(23,345.26)	(12,445.39)	(6,947.29)	(7,839.73)	892.44	(42,737.94)	(31,184.99)	(11,552.95)
1588 Interest	(32.81)	-	(32.81)	(451.01)	-	(451.01)	(483.82)	-	(483.82)
1589 Principal	(435,410.61)	(371,098.45)	(64,312.16)	(125,029.94)	(122,207.08)	(2,822.86)	(560,440.55)	(493,305.53)	(67,135.02)
1589 Interest	(399.13)	-	(399.13)	(5,821.01)	-	(5,821.01)	(6,220.14)	-	(6,220.14)
Total Principal	(460,377.17)	(373,850.95)	(86,526.22)	(139,806.94)	(135,518.68)	(4,288.26)	(600,184.11)	(509,369.63)	(90,814.48)
Total Interest	(422.01)	-	(422.01)	(6,217.56)	-	(6,217.56)	(6,639.57)	-	(6,639.57)
Total	(460,799.18)	(373,850.95)	(86,948.23)	(146,024.50)	(135,518.68)	(10,505.82)	(606,823.68)	(509,369.63)	(97,454.05)

- c) If settlement with the IESO has not been reached, does Niagara-on-the-Lake Hydro still expect to settle the two disputes with the IESO as originally expected. If so please provide support from the IESO indicating that they are in agreement with the dollar amounts Niagara-on-the-Lake Hydro has estimated, and when this settlement would be completed.

n/a, a settlement has been reached.

³ EB-2017-0064 page 19 paragraph 1

- d) If settlement has not been reached, and Niagara-on-the-Lake Hydro expects that the settlement amounts will change, please provide support of any updated amounts from the IESO and explain why they have changed and also please provide a reconciliation of the originally expected IESO settlement compared to the updated IESO settlement and make the appropriate adjustments to the Rate Generator Model.

n/a, a settlement has been reached.

Question #3

Reference: Managers Summary Page 6 of 56

In its Managers Summary, Niagara-on-the-Lake Hydro provides in Table 2.1 a calculation showing that that Hydro One will reimburse Niagara-on-the-Lake Hydro \$102,641.04 for Transmission Network Charges, and \$9,131.16 for Transmission Connection Charges. On page 6 of its Managers Summary Niagara-on-the-Lake Hydro states that:

NOTL Hydro Network and Connection charges were higher than normal in March 2016 due to the NOTL Transmission Station being off-line for longer than expected while Hydro One completed work on their transmission lines. Hydro One has agreed to reimburse NOTL Hydro for the difference once NOTL Hydro's unrelated Notice of Disagreement with the IESO for the same month is resolved. Table 2.1 shows the difference between the actual Network and Connection charges and those on the IESO invoice.

- a) Has Niagara-on-the-Lake Hydro settled this matter with Hydro One at this time?

While Hydro One has agreed to reimburse NOTL Hydro, a final settlement has not been finalized.

- b) If the matter has not been settled with Hydro One yet, please clarify why Niagara-on-the-Lake Hydro would not settle this matter with Hydro One sooner as it is not related to the Notice of Disagreement with the IESO.

While the Hydro One settlement is unrelated to the Notice of Disagreement with the IESO, that disagreement impacted NOTL Hydro's peak and load data for March 2016 and therefore Hydro One was not able to accurately determine the amount that was over charged for Network and Connection. NOTL Hydro is actively working on a settlement with Hydro One at this time.

Question #4

Reference: 2018 Rate Generator Model – Tab 3 Continuity Schedule

With regards to the amount being requested for disposition of USoA 1588⁴ 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

	Component	a) Estimate or Actual	Notes/Comments	b) Quantify True Up Adjustment
i	Revenues (i.e. is unbilled revenues trued up by year end)	Estimate	NOTL Hydro has not historically trued-up unbilled revenue at year end.	
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)	Actual	Total expense is based on the actual invoiced amounts from the IESO.	
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	Total expense is based on the actual invoiced amounts from the IESO.	
iv	Expenses - GA RPP: Charge Type 148 with respect and RPP/non-RPP	Actual	This amount is included in the year-end true up.	

⁴ Note, the following in all references in OEB Staff questions relating to amounts booked to account 1588. Amounts are not booked directly to account USoA 1588 relating to power purchase and sale transactions, but are rather booked to the cost of power USoA 4705 Power Purchased and the respective Energy Sales USoA accounts. However, account 1588 is impacted the same way as accounts 4705 is for cost of power transactions, and the same way as the Energy Sales accounts are for revenue transactions.

	pro-ration percentages			
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type	Actual	This amount is included in the year-end true up.	

- 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.

Amounts for items ii – v are recorded as actual at year-end and no subsequent adjustments are made. Item i – unbilled revenue is recorded as an estimate at year-end. The year-end entry is reversed in the following month and actual revenues are recorded when December consumption is billed in February and March of the following year. This is not reflected in the Continuity Schedule for 2016.

Question #5

Reference: Niagara-on-the-Lake Hydro Responses to OEB Staff Questions dated December 11, 2017 related to the GA Analysis Workform.

On December 15, 2017, Niagara-on-the-Lake Hydro provided responses to OEB staff questions. OEB staff has the following follow-up questions:

1. In its response to Question 3 the applicant has provided a narrative that should be populated in Note 3 of their 2016 GA Analysis workform. Please update Note 3 of the GA Analysis workform to include this narrative.

Note 3 has been updated. Please see the GA Analysis Workform submitted with these responses as 'NOTL_2018_GA_Analysis_Workform_20180202'.

2. In the response provided to Question 4, the applicant provides a break-down of the \$360,958 principal adjustment recorded in the continuity schedule for account 1589 in 2016.

- a. For item 2, please explain why the (\$5,042) legal fees associated with the IESO dispute were included in account 1589 instead of being recorded as operating expenses since they are not pass-through commodity costs. Please update the DVA Continuity Schedule and Note 5 of the GA Analysis Workform accordingly. In addition, if Niagara-on-the-Lake Hydro recorded this amount in USoA 1589 in its General Ledger, this amount should be transferred to recorded to an operating expense account.

Legal fees were removed from account 1589 and charged as an operating expense in 2017, subsequent to our application. They are still required as a reconciling item to arrive at the net change in account 1589 for 2016 and therefore Note 5 and the DVA continuity schedule have not been revised. It will be reflected in the final 2017 balance for account 1589.

- b. For item 4 related to the difference between the OEB approved loss factor and the actual loss factor, it is not clear why the applicant recorded an adjustment for this in the DVA continuity schedule. Although it correctly represents a reconciling item in Note 5 of the GA Analysis Workform the amount has already been captured in the G/L as part of normal transactions for 2016 and should not be adjusted in the DVA Continuity for 2016. Based on this, no adjustment related to the difference in loss factors should be recorded as a principal adjustment in the applicant's DVA continuity schedule. If the applicant agrees, then please update the DVA continuity schedule accordingly, otherwise please explain your position in detail.

NOTL Hydro agrees that this amount has been captured in the GL. This is the first full year that all NOTL Hydro customers were billed on the actual GA rate.

Page 12 of the Chapter 3 Filing Requirements dated July 20, 2017 states that, "If a distributor uses the actual GA price to bill non-RPP Class B customers for an entire rate class, it must make a proposal to exclude these customer classes from the allocation of the balance of account 1589 RSVA GA and the calculation of the resulting rate riders. These rate classes are not to be charged/refunded the GA rate rider as they did not contribute to the accumulation of the balance of account 1589 RSVA GA."

Based on the requirement above, NOTL Hydro included this amount as an adjustment to the DVA schedule so it would not be charged/refunded as part of the GA rate rider.

This amount was removed from the Rate Generator Model submitted with these responses along with the amount in part d of this question.

The breakdown of the “Principal Adjustment for 2016” for account 1589 in the revised Rate Generator Model submitted with these responses is contained in Table R5 below.

Table R5

Item #	Item	Amount
1	IESO Notice of Disagreement	(\$122,207)
2	Legal Fees - IESO Notice of Disagreement	(\$5,042)
	Total IESO Notice of Disagreement	(\$127,249)
3	Add current year end unbilled to actual revenue differences	\$231,901
4	IESO Load vs. Actual Consumption (loss factor)	\$0
5	July Consumption Billed at June GA Rate	\$72,100
6	Generation Estimates	\$35,661
7	Unknown	\$0
	Principal Adjustments in 2016	\$212,413

- c. For Item 5, the applicant has indicated that the adjustment results in a credit to account 1589, however it is being presented as a debit in the GA Analysis workform. Please confirm whether the adjustment to account 1589 should be a debit or a credit and make adjustments as required.

The error resulted in an additional credit to account 1589 which is included in the ‘Net Change in Principal Balance in the GL.’ In order to remove the impact of the error it is shown as a debit on the GA Workform.

- d. Please remove the unexplained variance from Note 5 as Note 5 serves as a reasonability test only and therefore the applicant’s G/L does not have to be reconciled to the dollar compared to the expectation calculated in the GA Analysis Workform.

The amount from Note 5 has been removed. This item was included for the same reason given in response to question 5, part 2b.

3. In the applicant’s response to 6a with respect to reconciling item #9 in Note 5 of the GA Analysis Workform, the applicant indicates that they are currently

reviewing the historical information to determine the total impact. Does this mean that the amount being put forward as currently presented is not accurate? Please also further explain the nature of this adjustment and why is it necessary.

The amount being put forward for 2016 is accurate. Further review is required to determine the impact in historical years. This adjustment is required because the IESO includes the generation submitted monthly by NOTL Hydro in determining NOTL Hydro's GA cost for the month. i.e. the lower estimates resulted in lower GA cost for NOTL Hydro although GA was still collected from customers. This creates a variance between GA revenue and GA expense which is included in account 1589 and therefore required as a reconciling item.

Question #6

Reference: GA Analysis Workform

Please confirm that the description for reconciling item 8 in Note 5 of the GA Analysis Workform should relate to the March 2016 dispute with the IESO, rather than March 2017. If so please update the GA Analysis Workform.

Correct – the description should read March 2016. That change has been completed in the GA workform submitted with these responses.

Question #7

Reference: GA Analysis Workform

Please confirm whether or not Niagara-on-the-Lake Hydro performs true-ups of estimates to actuals for reconciling item 9 in Note 5 relating to generation estimates. How often are true-up adjustments done and have such true-up adjustments been reflected in the DVA Continuity Schedule for 2016?

NOTL Hydro has not performed true-ups relating to generation estimates.

Question #8

Reference: GA Analysis Workform

On December 15, 2017 Niagara-on-the-Lake Hydro provided a response to OEB Staff Question 7 which indicated that there was a difference between the OEB approved total loss factor of 1.0379 and the actual total loss factor of 1.0297 for 2016 amounting to a difference of \$157,558. Niagara-on-the-Lake Hydro indicated that the full amount of this difference impacted account 1589. Furthermore, Niagara-on-the-Lake Hydro indicate in their response to OEB Staff Question 1 that it uses approach "b" to record a credit to

account 4707 for the portion of GA relating to RPP customers. Please confirm how Niagara-on-the-Lake Hydro determines the portion of the Charge Type 148 that it recovers from the IESO through Charge Type 1142. Please detail the calculations providing an example, then clarify why the full amount impacts account 1589 in light of the approach used to credit Account 4707 for wholesale settlements with the IESO.

NOTL Hydro estimates the amount of GA attributable to RPP customers on a monthly basis, however these amounts are trued-up at year-end based on the process outlined below.

NOTL Hydro uses actual billed data (including losses) from the billing system to determine the consumption for RPP customers by month. This process is completed in February of the following year once all of the prior fiscal year's consumption has been billed to customers. Billed consumption by month is multiplied by the actual GA rate for the month to determine the amount of GA attributable to RPP customers. For 2016, this amount was \$11,466,361 and was booked as a credit to account 4707.

Table R6

Month	RPP				
	Base kWh	Approved Loss Factor	Billed kWh	Actual GA Rate	RPP GA (credit 4707)
January	9,735,853	1.0379	10,104,842	\$ 0.09179	\$ 927,523
February	8,836,518	1.0379	9,171,422	\$ 0.09851	\$ 903,477
March	8,594,222	1.0379	8,919,943	\$ 0.10610	\$ 946,406
April	8,037,868	1.0379	8,342,503	\$ 0.11132	\$ 928,687
May	8,517,939	1.0379	8,840,769	\$ 0.10749	\$ 950,294
June	9,856,305	1.0379	10,229,859	\$ 0.09545	\$ 976,440
July	13,077,828	1.0379	13,573,477	\$ 0.08306	\$ 1,127,413
August	13,693,448	1.0379	14,212,429	\$ 0.07103	\$ 1,009,509
September	9,963,833	1.0379	10,341,463	\$ 0.09531	\$ 985,645
October	8,057,224	1.0379	8,362,593	\$ 0.11226	\$ 938,785
November	7,747,114	1.0379	8,040,729	\$ 0.11109	\$ 893,245
December	9,724,876	1.0379	10,093,449	\$ 0.08708	\$ 878,938
Total	115,843,028		120,233,479		\$ 11,466,361

The total GA amount billed to NOTL Hydro for 2016 on line 148 in 2016 was \$20,175,611. Adjusted for the IESO NOD, Generation Estimates and Miscellaneous Adjustments the actual amount recoverable from customers was \$20,079,135 booked as a debit to account 4707.

Table R7

Total GA Expense - Line 148 (IESO Invoice)	20,175,611
Adjust (Generation Variance)	35,661
Adjust (IESO NOD)	(130,072)
Adjust (Miscellaneous Adjustments)	(2,065)
Total GA - Recoverable from Customers	20,079,135

Based on the methodology described above, the GA attributable to Non-RPP customers (balance in account 4707) would be the difference between the Total GA Recoverable (debit 4707) and the GA Billed to RPP customers (credit 4707).

Table R8

Total GA - Recoverable from Customers (debit 4707)	20,079,135
GA Billed to RPP Customers (credit 4707)	(11,466,361)
GA attributable to Non-RPP Customers (balance 4707)	8,612,774

The actual amount billed to Non-RPP customers for 2016 was \$8,770,331.

Table R9

Month	Non-RPP				
	Base kWh	Approved Loss Factor	Billed kWh	Actual GA Rate	Non-RPP GA
January	7,074,125	1.0379	7,342,235	\$ 0.09179	\$ 673,944
February	6,595,016	1.0379	6,844,967	\$ 0.09851	\$ 674,298
March	6,780,247	1.0379	7,037,219	\$ 0.10610	\$ 746,649
April	6,431,982	1.0379	6,675,754	\$ 0.11132	\$ 743,145
May	6,856,393	1.0379	7,116,250	\$ 0.10749	\$ 764,926
June	7,278,407	1.0379	7,554,259	\$ 0.09545	\$ 721,054
July	8,910,803	1.0379	9,248,522	\$ 0.08306	\$ 768,182
August	9,193,456	1.0379	9,541,888	\$ 0.07103	\$ 677,760
September	7,714,312	1.0379	8,006,684	\$ 0.09531	\$ 763,117
October	6,955,039	1.0379	7,218,635	\$ 0.11226	\$ 810,364
November	6,682,252	1.0379	6,935,510	\$ 0.11109	\$ 770,466
December	7,262,939	1.0379	7,538,204	\$ 0.08708	\$ 656,427
Total	87,734,971		91,060,126		\$ 8,770,331

The total GA billed was \$20,236,693 (RPP \$11,466,361 + Non-RPP \$8,770,331) while the total expense, adjusted for the IESO NOD, Generation Variances, and Miscellaneous adjustments was \$20,079,135. A difference of \$157,558 which is due to the loss factor.

Table R10

Base kWh Consumption	Billed kWh Consumption (loss 1.0379)	Actual Load (kWh)	Actual Loss Factor	Billed - Load (kWh)	GA Rate	GA Variance
16,809,978	17,447,076	17,438,811	1.0374	(8,265)	\$ 0.09179	(758.67)
15,431,535	16,016,390	16,051,963	1.0402	35,573	\$ 0.09851	3,504.32
15,374,470	15,957,162	15,870,266	1.0322	(86,896)	\$ 0.10610	(9,219.70)
14,469,850	15,018,257	14,799,390	1.0228	(218,867)	\$ 0.11132	(24,364.23)
15,374,332	15,957,019	15,828,807	1.0296	(128,212)	\$ 0.10749	(13,781.56)
17,134,712	17,784,118	17,776,236	1.0374	(7,882)	\$ 0.09545	(752.34)
21,988,630	22,821,999	22,288,293	1.0136	(533,706)	\$ 0.08306	(44,329.64)
22,886,903	23,754,317	23,605,615	1.0314	(148,702)	\$ 0.07103	(10,562.28)
17,678,146	18,348,147	18,178,655	1.0283	(169,493)	\$ 0.09531	(16,154.34)
15,012,263	15,581,228	15,439,605	1.0285	(141,623)	\$ 0.11226	(15,898.56)
14,429,366	14,976,239	14,899,240	1.0326	(76,998)	\$ 0.11109	(8,553.75)
16,987,814	17,631,653	17,440,027	1.0266	(191,626)	\$ 0.08708	(16,686.79)
203,577,998	211,293,604	209,616,907	1.0297	(1,676,697)		(157,558)

The methodology utilized by NOTL Hydro to determine the credit to account 4707 (GA billed to RPP customers) uses data from the billing system and therefore the loss factor is assumed to be 1.0379. Therefore, the entire impact of the difference in the loss factor is accounted for in account 1589.

Non-RPP GA Revenue was \$8,770,331, in 2016 while the expense recorded in account 4707 was \$8,612,774 as per the table above. Revenue exceeded expenses by \$157,558 which results in a credit to account 1589.

Question #9

Reference: Managers Summary Page 9 of 56 - Billing for Customers with Load Displacement Generators

In its application Niagara-on-the-Lake Hydro indicates that:

NOTL Hydro is applying to have the Retail Transmission Rate – Line and Transformation Connection Service Rates for Load Displacement Generators (“LDG”), with a generator unit rating of 2 MW or higher for renewable generation and 1 MW or higher for non-renewable generation applied on a gross load billing basis consistent with the method charged for Line and Transformation Connection Services by the IESO. Without gross billing of Retail Transmission. Rate - Line and Transformation Connection, NOTL Hydro’s other customers will be subsidizing the gross load billing transmission costs for any future LDG customers.

- Please confirm that this request is consistent with OEB policy and provide the references to the documents outlining this policy.

This request is consistent with OEB policy and has been previously approved for both Hydro One Networks Inc. (EB-2016-0081) and Entegrus Powerline Inc. (EB-2016-0063).

Other OEB documents that reference this request include the March 29, 2016 letter from the Board Secretary entitled “Billing for Customers with Load Displacement Generators” and page 6 of “Synopsis of Changes to the Transmission System Code” dated July 25, 2005 when this rate methodology was first implemented at the transmission level.

- b. How is Niagara-on-the-Lake Hydro proposing this request be reflected on its tariff of rates and charges?

Niagara-on-the-Lake Hydro is proposing that this request be reflected as a note to the Retail Transmission Rate - Line and Transformation Connection Service Rate of the GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION. This is the manner by which this request is reflected in the tariff of rates and charges of Entegrus Powerlines Inc.

The Billing Demand for Line and Transformation Connection Services and Low Voltage Services is defined as the Non-Coincident Peak demand (MW) in any hour of the month. The customer demand in any hour is the sum of (a) the loss adjusted demand supplied from the distribution system plus (b) the demand that is supplied by embedded generation installed after October 1998, which have installed capacity of 2MW or more for renewable generation and 1 MW or higher for nonrenewable generation. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. The demand supplied by embedded generation will not be adjusted for losses.

Question #10


Ref: Tab 8 – STS Tax Change

Revenue Requirement Work Form (RRWF) EB-2013-0155

The RRWF filed with Niagara-on-the-Lake Hydro Decision and Order in its 2014 cost of service application (EB-2013-0155) shows a tax credit of \$12K. The 2018 IRM Model related to Shared Tax Savings in Tab 8 does not have an amount entered for tax credits.

- a) Please confirm that \$12K should have been entered. If this amount has been omitted in error, OEB staff will make the necessary updates to the model.

Yes, this was omitted in error. This was corrected in the Rate Generator Model submitted with these responses.

 Ontario Energy Board


Incentive Regulation Model for 2018 Filers

Summary - Sharing of Tax Change Forecast Amounts

For the 2014 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2014	2018
Taxable Capital (If you are not claiming capital tax, please enter your OEB-Approved Rate Base)	\$ 74,411,721	\$ 74,411,721
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 9,483,958	\$ 9,483,958
Rate	0.00%	0.00%

 **Revenue Requirement Workflow**

Taxes/PILs

Line No.	Particulars	Application	Supplementary Interrogatory	Per Board Decision
Determination of Taxable Income				
1	Utility net income before taxes	\$697,645	\$693,714	\$695,627
2	Adjustments required to arrive at taxable utility income	(\$642,692)	(\$662,245)	(\$642,692)
3	Taxable income	\$255,153	\$271,469	\$253,145
Calculation of Utility Income Taxes				
4	Income taxes	\$27,653	\$30,078	\$30,078
6	Total taxes	\$27,653	\$30,078	\$30,078
7	Gross-up of Income Taxes	\$5,054	\$5,517	\$5,517
8	Grossed-up Income Taxes	\$32,637	\$35,595	\$35,595
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$32,637	\$35,595	\$35,595
10	Other tax Credits	(\$12,000)	(\$12,000)	(\$12,000)
Tax Rates				
11	Federal tax (%)	11.00%	11.00%	11.00%
12	Provincial tax (%)	4.50%	4.50%	4.50%
13	Total tax rate (%)	15.50%	15.50%	15.50%