**Kenora Hydro Electric Corporation Ltd. Price Cap IR Application (EB-2017-0054)**

**OEB Staff Questions**

**OEB Staff Question #1**

**References: GA Analysis Workform – 2012 Year**

The GA Analysis workform is required for all years that haven’t been disposed of previously. Please file a GA Analysis Workform relating to the 2012 year.

***Kenora Response:*** ***Completed.***

**OEB Staff Question #2**

**References: GA Analysis Workform – Reconciliation items 1a and 1b (for years 2012-2016)
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:

1. 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[[1]](#footnote-1).
2. 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.
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. If another approach is used, please explain in detail

***Kenora Response***: ***Kenora Hydro uses the approach detailed in option (c).***

**OEB 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:

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **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 revenue, Unbilled estimates** | **Unbilled revenue is adjusted at year end and recorded into the GL in the correct year of consumption. The year end unbilled revenue calculation is completed once all billings for December are completed, usually mid-February into the new year. Noted in the next box is the net unbilled year end adjustments as posted into the GL and reported in the USoA 1589 each year.**  | **Net DR (CR) to revenue for unbilled GA Rev adjustment, posted each year end.****2012 = $ 3,302****2013 = $ (116,556)****2014 = $ (21,010)****2015 = $ (86,107)****2016 = $ (17,884)** |
| 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 expenses for the year are based on the actual IESO invoices for the months of Jan through December of each year. Accrual accounting has been used to ensure IESO invoice charges are posted into the correct month when energy was consumed.**  | **$ 0** |
| iii | Expenses - GA non-RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions. | **Initially estimated, true-ups made to reflect actuals.** | **The noted adjustments made to the GA Non-RPP in 2016, carried back to 2012-2015, would have adjusted any difference in the GA expense, based on the report from the billing system, which accurately adjusted kWh used by customers monthly for the year. The differences in the monthly claim amounts were adjusted due to revised volumes vs the monthly estimated volumes used in the initial IESO filings. The adjustments to each year are shown in the next box.**  | **(Credit) Debit 148:****2012 = $ 7,996** **2013 = $ (92,974)****2014 = $ (74,609)****2015 = $ (13,862)****2016 = $ 0****Total = $ (173,449)****Adjustments here would have been done for volume re-allocations only. GA prices were correct annually as shown in iv as below.** |
| iv | Credit of GA RPP: Charge Type 142 if the approach under Staff Question 1c is used | **Initially estimated, true-ups made to reflect actuals.** | **The dollar value that was credited for the GA RPP customers each month is initially based on an estimate of the GA that will be billed to us for each month’s GA, as filed in the first 4 days of each month. Once the true GA cost is known for each month, a true-up is done to ensure that the value of the GA has been correctly allocated to the RPP customer base. True-ups were done each year, before the year end close, to account for the differences in the 1St estimate GA used for billing to the actuals billed to us for the GA/kWh.**  | **DR (CR) all done before year end close:****2012 = $ (9,192)****2013 = $ (211,795)****2014 = $ (79,773)****2015 = $ 79,359****2016 = $ (166,120)** |

* 1. 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.

 ***Kenora Response: Based on this review, a mispost was detected in 2013, which was an incorrect reversal of one month’s variance account reversal posting. The posting should have reversed the prior month DR adjustment made to USoA 1589, but the CR went to USoA 1588 in error. Proposed adjustment to 2013 = $ (33,554) CR to USoA 1589, and DR USoA 1588. This proposed adjustment has been reflected in the 2018 Rate Generator Continuity Schedule* “Principal Adjustments during 2016” column BF for each of Acct 1588 and Acct 1589.**

**OEB Staff Question #4**

**Reference, GA Analysis Workforms (2013-2016), Note 5**

In the GA Analysis Workform for years 2013-2015, the applicant has identified an adjustment in 1b) of Note 5 in each of the years respectively.

1. Please explain in detail the nature of each of the adjustments and why they were necessary.

***Kenora Response: In 2016, a report in the billing system was made available to allow a more accurate pro-ration of monthly consumption by customer types. These reports were used to re-calculate the monthly GA claims on RPP customers back to 2012. The quantity of energy withdrawn from the IESO was used, adding embedded generation for each month, resulting in total energy used by all consumers for each month. The Non-RPP consumption as specifically identified from the report was removed from the total consumption, leaving a more accurate monthly RPP consumption figure. Based on this more accurate monthly RPP consumption, the true-up calculations for each year were performed, any differences between original claims and the new calculated claims were claimed or paid as applicable to the IESO and recorded in the GL in 2016.***

1. Please confirm that the cumulative impact of these 1b) adjustments (from 2013-2015) were recorded in the G/L during 2016 and are therefore captured in the “transactions during 2016” column of the DVA continuity schedule.

 ***Kenora Response: Yes, the cumulative adjustments from 2012-2015 are recorded in the 2016 GL in October 2016, and are captured in the transactions during 2016 on the DVA Continuity Schedule***

1. Please explain why a similar adjustment is not being proposed in 1b) of Note 5 in the 2016 GA Analysis workform.

***Kenora Response: The corresponding 2016 required adjustment was calculated after the year end but is posted back into 2016, therefore no subsequent year adjustments are required at this time back into 2016***.

**OEB Staff Question #5**

**Reference, GA Analysis Workforms (2013-2016), Note 5**

In the GA Analysis Workform for years 2013-2016, the applicant has identified an adjustment in 2b) of Note 5 for each of the years respectively. In quantifying this adjustment, it appears that the utility is taking the difference between the revenue billed as calculated in Note 4 of each GA Analysis Workform and their audited revenue balance for each of the years.

1. The purpose of this adjustment is to capture the GA impact associated with the difference between the applicant’s unbilled revenue accrual (estimate) for their December consumption (for each year) and the actual amounts that were billed in the following month. Please quantify this amount for each of the years and update 2b of Note 5 accordingly.

 ***Kenora Response: After additional analysis, these adjustments to each year have been removed. Any impact of unbilled revenue will have been captured in the lines 1(b) when the true-ups for each year were performed and recorded in 2016.***

**OEB Staff Question #6**

**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:

1. Indicate whether the component is based on estimates or actuals at year end, and
2. Quantify the adjustment pertaining to each component that is trued-up from estimate to actual

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **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?)  | **Actuals** | **Unbilled revenue is adjusted at year end and recorded into the GL in the correct year of consumption. The year end unbilled revenue calculation is completed once all billings for December are completed, usually mid-February into the new year. For any given year, there has been no true-up adjustment needed for unbilled revenue, as it is recorded based on actual billings in the new year identified as belonging to the prior year.**  | **Net DR (CR) to revenue for unbilled GA Rev adjustment, posted each year end.****2012 = $ (29,227)****2013 = $ (147,488)****2014 = $ 65,860****2015 = $ 68,890****2016 = $ (146,075)** |
| ii | Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end) | **Actuals** | **The expenses for the year are based on the actual IESO invoices for the months of Jan through December of each year. Accrual accounting has been used to ensure IESO invoice charges are posted into the correct month when energy was consumed.** | **$ 0** |
| 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** | **Kenora Hydro does not record any amounts from Charge Type 148 to the USoA 1588 account.**  | **$ 0** |
| iv | Expenses - GA RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions. | **Actuals** | **Kenora Hydro does not record any amounts from Charge Type 148 to the USoA 1588 account.** | **$ 0** |
| v | RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type | **Initially estimated, true-ups made to reflect actuals.** | **Kenora records the components in Charge Type 142 as filed in the monthly “Fixed Rate Settlement” filings with the IESO. Each month, the estimated RPP vs HOEP claim is based on actual daily HOEP rates vs RPP Pricing for the most recent available month’s kWh. See Note 1 below.** | **Adjustment to model required at Dec 31, 2016 =****DR Acct 1588 $ 195,719. See notes in Response below.** |

1. 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.

 ***Kenora Response*: During this review it is noted that the portion of the unbilled revenue adjustment made at year end, relating to the additional payable to the IESO amount for the RPP Fixed Price vs HOEP for December was recorded into the GL Account 1588. [Original entry was CR power revenue = CR to Acct 1588.] This unbilled RPP-HOEP should have increased the claim payable to the IESO at year end, not the RSVA 1588 account. The adjustment required will be a DR to Account 1588 and a CR to the IESO payable account for this true-up for $ 196,718. This has been included in the “Principal Adjustments during 2016” column BF in the Continuity Schedule.**

 **The GA Account 1589 is unaffected by this as the unbilled accrual has been correctly included in the true-up process when re-calculating and claiming the GA settlement true-ups for December of each year.**

 **Based on the updated Continuity Schedule which now captures the impact of the mispost between Acct 1588 and 1589, and the correction to reallocate the true-up to the Dec 2016 IESO claim A/P (based on unbilled revenue entry), we confirm that 2016 has been adjusted for true-ups to 2016.**

**OEB Staff Question #7**

**Reference: GA Analysis Workform – Analysis of expected GA Amount**

1. Please confirm whether customers are billed on a calendar month basis. If not, on what basis are non-RPP Class B customers billed?

 ***Kenora Response: Customers are not billed on a calendar month basis. All customers are on a billing schedule to allow for read uploads and billings to be produced evenly throughout the month, including Class B Non-RPP customers. Monthly GA rates are loaded based on First Estimate posted by IESO. Customer consumption crossing over a month will have the GA prorated on the bill and charged at the corresponding period’s First Estimate rate.***

1. Please confirm that the Non-RPP Class B kWh amounts entered in column F below represent the actual kWh that was consumed by non-RPP Class B customers for each month.

 ***Kenora Response***: ***Column F represents the kWh, including losses, consumed by non-RPP Class B customers each month. The billing system report generating this number, it provided the uplifted consumption each month by backing out the usage billed relating to the previous month and adding in the usage from the next month belonging to the current month. Each month is presented here is as was adjusted for unbilled kWh.***

**OEB Staff Question #8**

**Reference: GA Analysis Workform – GA Analysis Tab – Consumption Data Excluding for Loss Factor – Box E (2013-2016)**

1. The kWh volume for non-RPP Class B customer consumption provided in Box E should agree with what Kenora Hydro submitted in its RRR filing. Please update the GA Analysis Workform to correct the kWh volumes.

 **Kenora Response:** ***The kWh inputs into the GA Workform in Box E for each year appear accurate based on the RRR filings. Please provide more direction on the noted error(s).***

1. 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. [↑](#footnote-ref-1)