niagara peninsula energy

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February 14, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th 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's additional 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

Suzanne Wilson, CPA, CA
Vice-President, Finance

OEB Staff – Question 1

Ref: 2014 GA Analysis Workform

In the 2014 GA Analysis Workform, the calculated loss factor (F59/D28) is equal to 1.0619, however, the OEB-approved loss factor for Secondary Metered Customers < 5,000 kW is 1.0479, according the Decision and Rate Order EB-2016-0094. Please explain the discrepancy between the calculated loss factor in the 2014 GA Analysis Workform and the OEB-approved loss factor.

<u>Response</u>

NPEI's current OEB-approved loss factor for Secondary Metered Customers of 1.0479 became effective June 1, 2015.

NPEI's OEB-approved loss factor for Secondary Metered Customers that was in effect during 2014 was 1.056, as approved by the Board in NPEI's 2013 IRM Rate Application (EB-2012-0150) and in NPEI's 2014 IRM Rate Application (EB-2013-0154).

Applying the 2014 OEB-approved loss factor to the 2014 non-RPP kWh reported in NPEI's RRR Filing gives:

634,128,090 * 1.056 = 669,639,263 kWh.

The total non-RPP loss adjusted consumption for 2014, from the GA Analysis Workform, is 673,355,288. This difference is 673,355,288 – 669,639,263 = 3,716,025 kWh or 0.55%.

This discrepancy is due NPEI implementing a new Cognos reporting tool in 2017, which provides data at the customer account transaction level, and is more accurate than NPEI's previous reporting methods. The Cognos reporting tool was utilized in compiling the data used to populate the GA Analysis Workform, and will be used to prepare NPEI's 2017 RRR reports.

OEB Staff – Question 2

Ref: 2014, 2015, and 2016 GA Analysis Workforms – Note 4

In each applicable year of the GA Analysis Workform, there are a few amounts included in column H for "Add Current Month Unbilled Loss Adjusted Consumption (kWh)". It is not clear to OEB staff what these amounts represent. The instructions indicate that the monthly billed amounts are to be input into column F "Non-RPP Class B Including Loss Factor Billed Consumption (kWh)", and previous month, monthly unbilled amounts are to be input into column G "Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)" and current month, monthly unbilled amounts are to be input into column H "Add Current Month Unbilled Loss Adjusted Consumption (kWh)".

Please explain Niagara Peninsula's approach to populating the monthly kWh volumes in table 4 in the GA Analysis Workform. Please confirm that the monthly amounts represent the calendar month consumption for the non-RPP customers. If not please populate the kWh volumes with the information as required in the GA Analysis Workform.

<u>Response</u>

NPEI confirms that the kWh volumes populated in the tables of the GA Analysis Workform represent the calendar month consumption for non-RPP customers.

NPEI's originally filed evidence includes an explanation of the approach used in populating the kWh volumes in the GA Analysis Workform (See Section 3.2.5.2.5, pages 34-36). On page 36, NPEI states:

"Using the CIS query results, NPEI was able to populate the GA Analysis Workform by consumption month. For each month, the volumes included in Column F of the Workform represent kWh consumption for that month, regardless of when it was billed during the year. Since NPEI had precise kWh volume data by consumption month, it was not necessary to use the estimation approach described above using billed and unbilled revenue amounts. The kWh volumes included in Column H represent only the consumption that was unbilled at year end."

OEB Staff – Question 3

Ref: 2014, 2015, and 2016 GA Analysis Workforms – Note 5

For each applicable year, the amounts entered under "Net Change in Principal Balance in the GL (i.e. Transactions in the Year)" do not reconcile with the amounts reported in the Rate Generator Model – Tab 3 – Continuity Schedule – Transactions Debit / (Credit) during 20XX. Please adjust the Workforms for each year according to the GL transactions reported in the continuity schedules of the Rate Generator Model.

<u>Response</u>

The differences between the amounts in the "Net Change in Principal Balance in the GL" in the GA Analysis Workform and the amounts in Tab 3. Continuity Schedule of the Rate Generator Model Transactions Debit / Credit during 20XX are due to an adjustment made between Accounts 1588 and 1589 in 2016 relating to long-term load-transfer settlements for 2014, 2015 and 2016. See section 3.2.5.2.4 of NPEI's originally filed evidence.

In the Rate Generator Continuity Schedule, NPEI included the full amount of this adjustment in the 2016 column. However, in the GA Analysis Workform, NPEI allocated the adjustment by consumption year.

The table below provides a reconciliation between the Continuity Schedule and the GA Analysis Workform:

	2014	2015	2016	Total
Rate Generator Model - Net Change in Principal Balance	1,176,470	(258,371)	270,720	1,188,818
2016 Principal Adjustment in Continuity Schedule - Portion Relating to 2014 & 2015 consumption	337,886	(56,881)	(281,005)	-
Net Change in Principal Balance per GA Analysis Workform	1,514,356	(315,253)	(10,285)	1,188,818

NPEI has adjusted its GA Analysis Workform, so that the amounts entered under "Net Change in Principal Balance in the GL (i.e. Transactions in the Year)" agree with the amounts reported in the Rate Generator Model – Tab 3 – Continuity Schedule – Transactions Debit / (Credit) during 20XX, with the load transfer adjustments shown as additional reconciling items.

OEB Staff – Question 4

Ref: 2014, 2015, and 2016 GA Analysis Workforms – Note 5 – Reconciling Items 2a/2b

For each applicable year, there are amounts reported on line 2a to remove the adjustments pertaining to differences between accrued and actual revenues from the prior fiscal year, however, no amounts are reported in line 2b.

For example, in the 2016 Workform, under line 2a, Niagara Peninsula states:

"CR $13,941 (actual revenues were lower than accrued revenues). Relates to 2015 consumption, but recorded in the GL in 2016"

Should there not be a debit entry in the 2015 Workform, under reconciling items line 2b for the adjustment that was posted in 2016?

Please explain why the differences between accrued and actual revenue that are posted in subsequent years are not reflected on line 2b of each year's Workform. Please update the GA Analysis workform for each respective year.

<u>Response</u>

NPEI has adjusted its GA Analysis Workform for each year, such that when a reconciling item has been reported under line 2a, an offsetting reconciling item is now reported under line 2b of the previous year.

OEB Staff – Question 5

Ref: 2014, 2015, and 2016 GA Analysis Workforms – Note 5 – Reconciling Items 3a/3b

For each applicable year, there are amounts reported on line 3a to remove the adjustments pertaining to differences between accrued and forecasted amounts for long-term load transfers from the prior fiscal year, however, no amounts are reported in line 3b.

For example, in the 2016 Workform, under line 3a, Niagara Peninsula states:

"DR $45,200 (actual revenues less actual cost were greater than accrued revenues less accrued cost). Relates to 2015 load transfers, but recorded in the GL in 2016"

Should there not be a credit entry in the 2015 Workform, under reconciling items line 3b for the adjustment that was posted in 2016?

Please explain why the differences between accrued and forecasted long-term load transfers that are posted in subsequent years are not reflected on line 3b of each year's Workform. Please update the GA Analysis workform for each respective year.

Response

NPEI has adjusted its GA Analysis Workform for each year, such that when a reconciling item has been reported under line 3a, an offsetting reconciling item is now reported under line 3b of the previous year.

OEB Staff – Question 6

Ref: 2018 Rate Generator Model – Tab 3 Continuity Schedule

In 2016 of the DVA Continuity Schedule, Niagara Peninsula made a principal adjustment to debit account 1589 for $224,864.26 and credit account 1588 for the same amount. Niagara Peninsula stated that it uses approach "b)" for settlement with the IESO:

"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."

Please confirm whether there are any IESO RPP settlement ramifications associated with this adjustment. i.e. Where Niagara Peninsula as Physical Distributor invoices the Geographic Distributor for Global Adjustment charges or Niagara Peninsula as Geographic Distributor pays the Physical Distributor for Global Adjustment charges. In light of the approach that Niagara Peninsula takes to settle with the IESO please comment on whether or not it is appropriate for Niagara Peninsula to make a RPP settlement true-up adjustment for this amount with the IESO. If Niagara Peninsula has settled with the IESO since 2016 in relation to this amount, or plans to settle with the IESO for this amount please explain why it is appropriate to adjust account 1588 in the DVA Continuity Schedule for this amount. If account 1588 should not be adjusted relating to LTLT, please remove the adjustment from the DVA continuity schedule. If Niagara Peninsula has not settled with the IESO regarding the change to account 1588, please explain why a settlement adjustment is not appropriate.

Response

NPEI confirms that there are no outstanding IESO RPP settlement implications associated with this adjustment. The adjustment relates to the Global Adjustment charges either billed or paid between NPEI and the other LDC for RPP load transfer customers. Since these amounts do not relate to non-RPP customers, they should have been recorded in Account 1588, but were recorded by NPEI in account 1589. The adjustment is only required to correct the general ledger accounts that were used by NPEI to record the invoices between Geographic and Physical distributor for LTLT settlements.

For RPP load transfer customers where NPEI is the Geographic Distributor, the customers are billed by NPEI each month at RPP rates. The volumes relating to these customers are included as part of NPEI's monthly RPP settlement calculation, and IESO charge type 1142 (formerly 142) is recorded into Account 1588. Therefore, all IESO RPP settlements associated with these load transfer customers have already been settled with the IESO and are reflected in NPEI's Account 1588 balance. When the Physical Distributor invoiced NPEI for this consumption, the power and RPP portion of the GA should have been recorded into Account 1588, but were recorded by NPEI into Account 1589. The adjustment is required to correct the general ledger account used by NPEI when recording the invoice received from the physical distributor.

For RPP load transfer customers where NPEI is the Physical Distributor, the Geographic Distributor completes the RPP settlement with the IESO. NPEI's IESO invoices include charges for power and GA for these customers which are reflected in NPEI's Account 1588 balance. When NPEI invoiced the Geographic Distributor for these charges, they should have been recorded into Account 1588, but were recorded by NPEI into Account 1589. The adjustment is required to correct the general ledger account used by NPEI when issuing the invoice received to the Geographic Distributor.