**Orillia Power Distribution Corporation**

**Responses to Staff Follow-up Questions**

**February 22, 2018**

**Question #1**

**Ref: Manager’s Summary, Section 2 - Annual Adjustment Mechanism**

On page 6 of Orillia Power’s 2018 IRM application, Orillia Power states:

Pending the outcome of the MAAD application, Orillia Power intends to forego the IRM price cap (inflation rate less productivity factor) adjustment in the 2018 rate year.

OEB staff finds the above statement may be ambiguous since the decision on the MAADs application has not been made as of now while OEB staff is reviewing and processing Orillia Power’s 2018 rate application.

1. Please confirm if the following statement is true and more accurate. If not, please provide clear and accurate statement on this matter.

“Orillia Power believes the MAADs application will more than likely be approved. In this event, Orillia Power will forego the price cap (inflation rate less productivity factor) adjustment in the 2018 rate year.”

Reply:

Orillia Power confirms that the following statement is true and more accurate:

“Orillia Power believes the MAADs application will more than likely be approved. In this event, Orillia Power will forego the price cap (inflation rate less productivity factor) adjustment in the 2018 rate year.”

**Question #2**

**Ref: Account 1595 (2014) – Principal and Interest Balances; Accounting Procedures Handbook Frequently Asked Questions (FAQs)[[1]](#footnote-1)**

In further review of the continuity schedule in Orillia Power’s 2018 IRM rate generator model, OEB staff notes that there are significant offsetting principal and interest balances in Account 1595 (2014) as at year-end 2016 (a large credit of $313,846 in principal and a large debit of $314,912 in interest). Although Orillia Power is not requesting for disposition of Account 1595 (2014) in its application, such offsetting account balances could be indicative of potentially incorrect carrying charge calculations.

1. Please review the attached OEB Accounting Procedures Handbook FAQs issued in October 2009 (specifically answers to questions 4, 5 and 6), and confirm whether or not Orillia Power follows the accounting guidance stated in the FAQs in terms of the application of the rate rider recoveries to the balances in principal and interest sub-accounts.

Reply:

Orillia Power confirms that it follows the accounting guidance stated in the FAQ – October 2009 (Q.6). Amounts collected in rate riders to recover/refund approved balances are applied first to the approved principal balance until fully recovered/refunded, and then to the approved carrying charge balance.

1. In the attached Principal and Interest Recovery workform, please complete the recovery schedule by entering the dollar amounts recovered/refunded through the rate riders in the Transactions column (green cells in column E).

Reply:

Orillia Power has completed the recovery schedule provided by OEB staff. Dollar amounts recovered/refunded through rate riders are shown in the Transaction column. The schedule has been modified as follows: The OEB method (Tab 1) shows the recovery of $(1,383,548) OEB-approved Principal Balance and $339,514 OEB-approved Interest Balance. Orillia Power method (Tab 2) shows the recovery of OEB-approved Deferral and Variance Balances excluding Global Adjustment Balance of $(1,965,283) OEB-approved Principal Balance and $325,376 OEB-approved Interest Balance. Orillia Power method (Tab 3) shows the recovery of the OEB-approved Global Adjustment Balance of $581,735 OEB-approved Principal Balance and $14,138 OEB-approved Interest Balance. Tab 2 and Tab 3 are consistent with how balances are recorded in Orillia Power’s accounting records.

The following table shows the results from each Tab and combining Tab 2 and Tab 3, compares the results of this schedule with what is claimed in the 2018 IRM Model, Tab 3. Continuity Schedule.



The balance of $1,066.40 was written off, in the customers’ favour and Orillia Power is not requesting for disposition of Account 1595 (2014) in its application.

1. Based on Orillia Power’s accounting record, what is the total cumulated interest on the net principal balance? What is the difference between this value and the total interest on principal calculated in cell G47 of the workform? If the difference between the two numbers is substantial, Orillia Power may consider update the account balances in 1595 (2014) in DVA continuity schedule. Otherwise, the OEB decision maker will assess based on the information on our record.

Reply:

Orillia Power’s accounting record shows total cumulated interest on net principal balance of $(19,265.00), consisting of $(23,721.00) for the OEB-approved Deferral and Variance Balances excluding Global Adjustment Balance and $4,456.00 for the OEB-approved Global Adjustment Balance. These amounts are consistent with calculations Tab 2 and Tab 3, respectively. In Tab 1, the total interest on principal calculated in cell G47 is $(19,258.22). The difference between the value calculated in Tab 1 and the total interest on principal in Orillia Power’s accounting records is $6.78.

Orillia Power confirms the account balances in 1595 (2014) in the DVA continuity schedule as submitted.

1. Issued October 2009 [↑](#footnote-ref-1)