

Veridian Connections Inc.
Response to OEB Staff Questions
February 16, 2018

OEB Staff Question – 1

Ref: A portion of Sheet 9. Shared Tax – Rate Rider of the 2018 IRM Rate Generator Model is reproduced below.

Rate Class		Re-based Billed	Re-based Billed	Re-based Billed
		Customers or Connections A	kWh B	kW C
RESIDENTIAL SERVICE CLASSIFICATION	kWh	105,999	946,209,532	0
SEASONAL RESIDENTIAL SERVICE CLASSIFICATION	kWh	1,590	10,199,564	0
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION	kWh	8,781	294,683,518	0
GENERAL SERVICE 50 TO 2,999 KW SERVICE CLASSIFICATION	kW	1,087	992,256,895	2,385,333
GENERAL SERVICE 3,000 TO 4,999 KW SERVICE CLASSIFICATION	kW	5	103,257,857	232,933
LARGE USE SERVICE CLASSIFICATION	kW	2	173,481,847	299,313
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	929	4,867,100	0
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	475	364,718	1,013
STREET LIGHTING SERVICE CLASSIFICATION	kW	29,943	20,730,417	57,803
Total		148,811	2,546,051,448	2,976,395

OEB staff is unable to validate the Re-based Billed kWh and Re-based Billed kW with Veridian’s approved load forecast from its 2014 cost of service proceeding¹. Please provide documentation supporting Veridian’s input, or if an error has been made, please advise and OEB staff can update the IRM Rate Generator model.

RESPONSE

The kWh and kW in the table above is incorrect. The correct Re-based kWh and kW information is provided in the table below. Veridian understands that the OEB Staff will update the IRM Rate Generator model.

Rate Class		Re-based Billed kWh	Re-based Billed kW
		B	C
RESIDENTIAL SERVICE CLASSIFICATION	kWh	968,772,164	0
SEASONAL RESIDENTIAL SERVICE CLASSIFICATION	kWh	9,089,444	0
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	299,645,513	0
GENERAL SERVICE 50 TO 2,999 KW SERVICE CLASSIFICATION	kW	1,022,093,560	2,566,405
GENERAL SERVICE 3,000 TO 4,999 KW SERVICE CLASSIFICATION	kW	125,707,953	259,661
LARGE USE SERVICE CLASSIFICATION	kW	112,219,237	193,776
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	4,496,870	0
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	374,941	1,580
STREET LIGHTING SERVICE CLASSIFICATION	kW	21,533,545	59,945
Total		2,563,933,227	3,081,367

OEB Staff Question – 2

Ref: Reconciliation items 1a and 1b GA Analysis Workform and Sheet 3. Continuity Schedule 2018 IRM Rate Generator Model

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, respectively².
- 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 equaling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equaling GA RPP is credited into Account 1589.
- d) If another approach is used, please explain in detail.

RESPONSE

When booking expense journal entries for Charge Type 1142 and Charge Type 148 from the IESO invoice Veridian uses the approach *c) Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equaling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equaling GA RPP is credited into Account 1589.*

OEB Staff Question – 3

Ref: Reconciliation items 1a and 1b GA Analysis Workform and Sheet 3. Continuity Schedule 2018 IRM Rate Generator Model

With regards to the amount being requested for disposition of USoA 1589 account balance as at December 31, 2016, all components that flow into Account 1589 (i to iv in table below) should be based on actuals in Sheet 3 of the 2018 IRM Rate Generator Model. 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.
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	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?)			
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)			
iii	Expenses - GA non-RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.			
iv	Credit of GA RPP: Charge Type 142 if the approach under Staff Question 1c is used			

- c) For each item in the table above, please confirm that the GA Analysis Workform for 2016 and Sheet 3 of the 2018 Rate Generator Model 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		a)		b)
	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?)	For billed Revenue: Actual For Unbilled Revenue: Class A is based on Actual Class B is based on estimate	Billed revenue for Class A is based on calculation using the PDF for the period x the Ontario Class A GA\$. Billed Revenue for Class B is based on actual kWh and 1 st estimate GA rate For Unbilled Revenue: Class A is based on based on calculation using the PDF for the period x the Ontario Class A GA\$. Class B is based on estimated kWh x 1 st estimate GA rate.	No true up at year end for unbilled revenue
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	Expense is based on the IESO invoice for December 2016.	No true up required.
iii	Expenses - GA non-RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.	Actual	Expense is based on IESO invoice for December 2016.	No true up required
iv	Credit of GA RPP: Charge Type 142 if the approach under Staff Question 2c is used	Estimate in Charge type 1142	Charge type 1142 includes the amount credited to 1589 for the RPP portion of GA based on an estimate. December 2016 1589 balance includes an accrual for true up of volume and price for Nov and Dec 2016.	The December 2016 1589 true up is \$(579,432)

c) Veridian confirms that the GA Analysis Workform for 2016 and Sheet 3 of the 2018 Rate Generator Model for 2016 have been adjusted for settlement true-ups where settlement was originally based on estimate and true up to actuals subsequent to 2016 for the IESO expense. However Veridian does not true up unbilled revenue at year end.

OEB Staff Question – 4

Ref: Sheet 3. Continuity Schedule 2018 IRM Rate Generator Model

With regards to the amount being requested for disposition of USoA 1588 account balance as at December 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	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?)			
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)			
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)			
iv	Expenses - GA RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.			
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type			

- c) For each item in the table above, please confirm that Sheet 3 of the 2018 IRM Rate Generator Model 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		a)	b)	
	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?)	Billed revenue: Actual Unbilled Revenue: Estimate	Billed revenue is based on actual kWh and actual pricing prescribed (TOU, RPP, WAP, etc). Unbilled revenue is based on estimated kWh and estimated pricing.	No true up is made for unbilled Commodity Revenue. The Dec 2016 unbilled entry is reversed in January and the actual billing would occur primarily in the month of January 2017 for Dec 2016.
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)	Actual	Expense is based on the IESO invoice for December 2016	
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)	N/A	Based on Veridian’s response to Question 2 above, charge type 148 is booked to Account 1589.	
iv	Expenses - GA RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.	N/A	Based on Veridian’s response to Question 2 above, charge type 148 is booked to Account 1589.	
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type	Estimate	Charge type 1142 includes an estimate credit for GA RPP amount. Veridian accrues a true up entry for actual volume and price and to Power 1588 account.	The true up amount relates to the actual volume and price \$(49,074.68)

c) Veridian confirms that Sheet 3 of the 2018 IRM Rate Generator Model for 2016 have been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016. However, Veridian does not true up the unbilled revenue.

OEB Staff Question – 5

Ref: Reconciliation item 4 GA Analysis Workform

Veridian has input an adjustment in the amount of (\$566,750) to remove GA balances pertaining to Class A customers. Veridian indicated that the adjustment was the result of Class A customers unbilled amounts being recorded at the second estimate, while the billed amounts were recorded at the December 2015 actual.

- a) Please confirm that Class A customers are invoiced the GA based on the actual charges that the IESO bills Veridian.
- b) Is there also difference due to the December 31, 2015 unbilled revenue accrual for Class A customers being different from the Class A cost of power accrual at December 31, 2015 year end? Is there such a difference at the end of 2016 due to accrual reversals as well?
- c) Does the \$566,750 amount reflect the total of all Class A components of account 1589?
- d) Please provide a table that summarizes all transactions by month for 2016 pertaining to amounts paid to the IESO and amounts billed and unbilled (accrued and reversed) to Class A customers.
- e) Please also explain why Veridian did not adjust the December 31, 2016 DVA Continuity Schedule for account 1589 as the balance of account 1589 should only be recovered from Class B customers.

RESPONSE

- 5 a)** Veridian confirms that Class A customers are invoiced the GA based on the actual charges that the IESO bills Veridian.
- 5 b)** Yes, Veridian confirms there is a difference due to the December 31, 2015 unbilled revenue accrual for Class A customers being different from the Class A cost of power accrual at December 31, 2015 year end . Veridian also confirms there is a difference at the end of 2016 for the reversal of Dec 2015 Class A customer unbilled revenue accrual.
- 5 c)** Yes the \$566,750 amount reflects the total of all Class A components of account 1589.

5 d)

Class A Global Adjustment Details						
Month	Billed	Pr month Unbilled	Curr month Unbilled	Billed & Unbilled	IESO Paid	1589 Balance
Jan-16	1,356,237.91	-1,922,988.38	2,128,798.36	1,562,047.89	1,452,648.71	-109,399.18
Feb-16	1,452,648.72	-2,128,798.36	2,308,385.73	1,632,236.09	1,443,226.27	-189,009.82
Mar-16	1,443,226.26	-2,308,385.73	2,538,827.78	1,673,668.31	1,519,804.52	-153,863.79
Apr-16	1,519,804.53	-2,538,827.78	2,767,241.51	1,748,218.26	1,479,808.47	-268,409.79
May-16	1,479,808.47	-2,767,241.51	2,865,237.33	1,577,804.29	1,439,238.36	-138,565.93
Jun-16	1,439,238.36	-2,865,237.33	2,187,861.68	761,862.71	1,350,434.32	588,571.61
Jul-16	1,350,434.32	-2,187,861.68	1,909,148.56	1,071,721.20	1,294,317.05	222,595.85
Aug-16	1,294,317.04	-1,909,148.56	1,781,697.46	1,166,865.94	1,158,361.21	-8,504.73
Sep-16	1,158,361.21	-1,781,697.46	2,106,232.96	1,482,896.71	1,275,717.34	-207,179.37
Oct-16	-9,940,643.36	-2,106,232.96	2,736,687.18	-9,310,189.14	1,400,520.65	10,710,709.79
Nov-16	12,616,881.33	-2,736,687.18	2,756,521.46	12,636,715.61	1,418,638.54	11,218,077.07
Dec-16	1,418,638.55	-2,756,521.46	1,272,917.66	-64,965.25	1,272,917.66	1,337,882.91
Total	16,588,953.34	-28,009,628.39	27,359,557.67	15,938,882.62	16,505,633.10	566,750.48

5 e) Veridian did not adjust the December 31, 2016 DVA Continuity Schedule for account 1589 as it was erroneously included in the balance in 2015 and this was subsequently reversed in January of 2016. In totality over the two years of 2015 and 2016 there is no net effect as 2015 balance was understated and 2016 balance was overstated. The 2015 balance was overstated and disposed of in error so the correct approach is to leave the reversal of the Dec 2015 error in 2016.

OEB Staff Question – 6

Ref: Reconciliation item 2a GA Analysis Workform

Veridian has included an amount for \$2,189,050 under reconciliation item 2a and explained the adjustment as “Dec2015 Unbilled Revenue @ 2nd Estimate vs. Billed at 1st Estimate.”

- a) Please provide the dollar amounts in account 1589 – Global Adjustment for the December 2015 estimated unbilled revenue and the actual billed relating to unbilled revenue.
- b) Please provide the dollar amounts in account 1589 – Global Adjustment for the December 2016 estimated unbilled revenue and the actual billed relating to unbilled revenue.
- c) Please confirm in which fiscal year the difference between estimated and actual unbilled revenue for December 2016 is recorded.

RESPONSE

- 6 a) The dollar amount in account 1589-Global Adjustment for the December 2015 estimate unbilled revenue is \$1,922,988 for Class A and \$7,282,423 for Class B. Veridian is unable to provide

accurate data for the actual billed revenue related to the Dec 2015 unbilled revenue. The consumption period for billing may overlap a calendar month. Veridian's billing system is unable to report by calendar month.

- 6 b)** The dollar amount in account 1589-Global Adjustment for the December 2016 estimate unbilled revenue is \$1,272,917, for Class A and \$9,439,097 for Class B. Veridian is unable to provide accurate data for the actual billed revenue related to the Dec 2016 unbilled revenue. The consumption period for billing may overlap a calendar month. Veridian's billing system is unable to report by calendar month.
- 6 c)** The difference between estimated and actual unbilled revenue for December 2016 is recorded in 2017.

OEB Staff Question – 7

Ref: Sheet 3. Continuity Schedule 2018 IRM Rate Generator Model

In 2016 Account 1588 has credit transactions totaling (\$2,631,105) in the year.

- a) Please confirm that the balance of this account only relates to unaccounted for energy and that all RPP Settlement true-ups done in 2017 relating to 2016 have been reflected in 2016. If not please calculate the RPP settlement true up amount and record as an adjustment in the DVA Continuity Schedule.
- b) Please prepare an analysis by month allocating the total actual Global Adjustment between RPP and non-RPP customer groups. Please use total actual monthly calendar month volumes for each of the two groups of customers totaling back to the monthly quantities purchased from IESO. Please compare to the monthly amounts settled with the IESO for the actual Global Adjustment charges.

RESPONSE

- 7 a)** Veridian is confirming it follows the Board methodology when recording Revenues and expenses related to accounts 1588 and 1589. Veridian estimates unbilled revenue based on estimates of volumes and pricing and therefore residual balances in account 1588 and 1589 may contain differences due to this estimate, in addition to unaccounted for energy. Veridian also confirms that all RPP Settlement true-ups settled with the IESO in 2017 relating to 2016 have been reflected in the 2016 balances for accounts 1588 and 1589.
- 7 b)** Veridian has prepared an analysis by month allocating the total actual Global Adjustment between RPP and non-RPP customer groups. This analysis is provided in the attached spreadsheet "Question 7b Table for Board Staff". The overall variance for the 2016 year is 0.076% of the submitted GA RPP.

Veridian notes the following assumptions used when preparing the analysis:

- a. Veridian has calculated the split between RPP and Non RPP purchases in column Q and R based on billed consumption data. Veridian's billing periods overlap calendar months so an estimate proration between calendar months has been used.

- b. In 2016 Veridian transitioned from bi-monthly billing to monthly billing. Veridian has estimated the billing months in which the transition occurred.

	RPP kWh Purchased C	Non-RPP kWh Purchased D	Total kWh Purchased (incl Hydro One) C+D=E	Actual GA Rate F	Calculated Amt Cx F=J	IESO Charge Type 1142 Amount- Booked to Acct 1588 for GA RPP K	True up submitted on form 1598 in subsequent months L	Variance J-K-L=N	% Variance	Calculated Split based on Billed Consumption			
										Q	R		
January	117,828,463	95,652,879	213,481,342	0.091790	10,815,475	11,006,839	(38,284)	(153,080)		Jan	55.19%	44.81%	100.00%
February	111,102,181	86,327,792	197,429,973	0.098510	10,944,676	10,525,338	190,395	228,943		Feb	56.27%	43.73%	100.00%
March	102,713,768	92,284,279	194,998,048	0.106100	10,897,931	10,728,422	343,197	(173,688)		Mar	52.67%	47.33%	100.00%
April	92,620,959	85,431,134	178,052,093	0.111320	10,310,565	10,352,658	(42,958)	866		Apr	52.02%	47.98%	100.00%
May	93,680,341	84,640,769	178,321,111	0.107490	10,069,700	10,531,188	(683,690)	222,202		May	52.53%	47.47%	100.00%
June	104,040,174	88,189,298	192,229,472	0.095450	9,930,635	9,614,425	214,368	101,841		Jun	54.12%	45.88%	100.00%
July	128,925,548	95,401,216	224,326,763	0.083060	10,708,556	10,916,131	(135,285)	(72,290)		Jul	57.47%	42.53%	100.00%
August	137,973,180	98,282,551	236,255,731	0.071030	9,800,235	9,833,887	75,148	(108,800)		Aug	58.40%	41.60%	100.00%
September	103,756,163	85,287,703	189,043,866	0.095310	9,889,000	9,297,609	386,787	204,603		Sep	54.88%	45.12%	100.00%
October	90,015,519	84,909,231	174,924,750	0.112260	10,105,142	10,643,610	(502,927)	(35,541)		Oct	51.46%	48.54%	100.00%
November	92,518,113	86,148,763	178,666,876	0.111090	10,277,837	10,869,880	(366,158)	(225,884)		Nov	51.78%	48.22%	100.00%
December	117,128,203	87,397,102	204,525,304	0.087080	10,199,524	9,337,821	945,591	(83,888)		Dec	57.27%	42.73%	100.00%
Total	1,292,302,610	1,069,952,717	2,362,255,328		123,949,275	123,657,807	386,184	(94,716)	-0.076%				

Notes:

Column	Explanation
C and D	RPP and Non RPP Split of total in column E based on column Q and R percentages
E	The total kWh purchased including Hydro One purchases on the IESO invoice and Hydro One invoice
F	Actual GA rate charged by IESO
J	RPP kWh purchased multiplied by Actual GA rate
K	GA RPP adjustment booked on IESO charge type 1142
L	GA RPP true up for price and volume variance
N	Variance between the amount submitted in charge type 1142 for GA RPP and calculated GA RPP based on billed consumption split for RPP and Non RPP
Q and R	Split between RPP and Non RPP