**North Bay Hydro Distribution Ltd. - Price Cap IR Application (EB-2017-0065)**

**OEB Staff Questions**

**OEB Staff Question #1**

**References: 2018 Rate Generator Model – Tab 3 Continuity Schedule**

With regards to the amount in USoA 1588[[1]](#footnote-1) 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:

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

**Response**

NBHDL has filled out the table below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **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?)  | Estimate | NBHDL’s revenues at year-end are recorded through accrual of unbilled data. The true-up for this is done in the following fiscal period ex; at Dec16 unbilled revenue is accrued – this reverses in Jan17 and actual billing for Dec16 consumption takes place primarily in Jan~Feb17. Any unbilled variances in revenue are then reflected in current fiscal year revenue. In this example, that would be 2017. | $237,308 |
| ii | Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end) | Actual | Charge Type 101 $ in Dec16 is based on IESO invoice for Dec16. | $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) |  |  |  |
| 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 185,405 components of the charge type | Estimate | NBHDL estimates the kWh for RPP customers and records estimate based on TOU/Tier buckets and used. The 2nd GA rate used to determine RPP GA and HOEP is determined on average cost/hour for the month. The true-up amount represents both the change in kWh and prices vs. accrual. | $92,841 |

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.

**Response**

The 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 has been adjusted for settlement true-ups.

**OEB Staff Question #2**

**References: Deferral of Accounts 1588 and 1589**

1. North Bay Hydro has requested to defer the disposition of USoA 1588 and 1589 an additional year. Accounts 1588 and 1589 are a portion of the Group 1 accounts which are normally disposed contemporaneously in a rate proceeding. Please calculate the effects on the total bill by customer class of disposing of Group 1 account balances as compared to not disposing of Group 1 account balances.

**Response:**

NBHDL has discussed the disposition deferral request with Board Staff and while concerns with the disposition of unaudited amounts still exist, NBHDL proposes to rescind its original proposed treatment and has updated the rate generator model for true-up amounts for both 1588 and 1589 and will seek to dispose of the adjusted amounts in this IRM proceeding through rate riders over a 1 year term. NBHDL has included the adjustments in column “BF” of tab ‘3.Continuity Schedule’ in the Rate Generator Model. Carrying charges in 2017 (column “BQ”) and 2018 (column “BR”) have also been updated to assume the adjustment would be recorded in December 2016 and carrying charges would be applied forward on the total cumulative balance.

Total bill impacts continue to fall below the rate mitigation threshold and NBHDL considers the proposed rates and applicable disposition periods to be reasonable.

1. In the customer impacts for the Residential and General Service < 50 kW Customer Classes, please perform the same calculations for customers with retailers.

**Response:**

Please see response to Q2 a). Based on this revision, NBHDL does not believe this calculation is required.

**OEB Staff Question #3**

**References: 2018 IRM Model – Continuity Schedule (Sheet #3)**

In the 2018 continuity schedule, North Bay Hydro has recorded an LRAMVA disposition amount of $190,949, consisting of a principal amount of $184,734 and an interest amount of $6,215. In its 2017 IRM decision, the OEB approved a debit balance of $191,584, consisting of a principal amount of $185,405 and an interest amount of $6,179.

Please reconcile the differences and update the continuity schedule if necessary.

**Response:**

In its 2017 IRM decision, the OEB approved balance consisted of an amount owing to the GS >3,000 customer class of $671, plus carrying charges. At the end of 2016, NBHDL had not recorded this amount due to the materiality. When the Decision and Rate Order was issued on March 30, 2017, NBHDL recorded the additional amounts in fiscal year 2017. The disposition amount and rate rider were subsequently disposed in accordance with the decision. NBHDL has updated the continuity schedule to reflect this adjusted amount in cells “BM43” and “BN43” to reconcile to the OEB approved balance, however, an additional adjustment was included in cell “BQ43” in order to ensure that the net claim for this was $0 and that the 2016 balance reconciled to the amount submitted in the 2016 RRR filing.

**OEB Staff Question #4**

As Per the OEBs Accounting Guidance on the Disposition of Accounts 1588 and 1589 issued May 23, 2017:

The OEB requires distributors to complete RPP settlement true-up claims and to reflect these true-ups in the account balances being requested for disposition, before filing for disposition of the RSVA Power (1588) and Global Adjustment (1589) variance accounts.

…

The balances in distributors’ RSVA Power (1588) and Global Adjustment (1589) variance accounts that are requested for disposition by distributors must reflect RPP settlement amounts pertaining to the period that is being requested for disposition. This means that RPP settlement true-up claims made with the IESO in the period subsequent to the fiscal year for which disposition is being requested must be reflected in the balances being requested for disposition.

North Bay Hydro stated in its Managers Summary that it will be revising its year-end settlement procedures to address this new guidance, The applicant however would like to ensure that balances requested for disposition agree with the audited financial statements and requests not to make such adjustments for 2016, but rather defer the disposal of accounts 1588 and 1589 until it has updated its settlement procedures so that the amounts requested for disposition align with the audited financial statements.

1. Please confirm that North Bay Hydro performs RPP settlement true-ups with the IESO. If not, please explain.

**Response:**

NBHDL confirms that it performs RPP settlement true-ups with the IESO on a monthly basis.

1. If North Bay Hydro does perform RPP settlement true-ups please provide an itemized list of each of the elements of the RPP Settlement true-up amounts that were recorded in 2017 that relate to 2016 for both accounts 1588 and 1589 and explain how the true-ups are calculated.

**Response:**

NBDHL performs RPP settlement true-ups on a monthly basis. The following listing makes up the elements of the RPP settlement true-up amounts that were recorded in 2017 that relate to 2016.

1588

*Revenue*

A reconciliation is completed based on the variance between estimate vs. actual consumption billed by TOU / tier buckets. The true-up amount captures both volume and rate variances. NBHDL uses billed revenue data to complete this reconciliation each month. Revenue estimates for ISO settlement are based on prior month usage for January through November and on actual billed data for year-end. Pricing is based on current RPP pricing which is updated based on OEB rate changes.

*Cost*

NBHDL trues up the cost based on actual billing data compared to the estimate. The estimate is based on the average HOEP for the month in question and uses the same consumption determined in the revenue estimate. NBHDL’s CIS calculates NSLS cost for all RPP customers for each billing period (this calculation results in a DR/CR calculation for net $0 impact on customer’s bill). The determination of billed cost is then compared to the estimate for an accurate true-up process. A summary is provided below for Account 1588.



1589

*Revenue*

Revenue estimates are based on pending meter reads not yet billed and included in the unbilled revenue accrual. NBHDL uses the 1st estimate from the ISO to determine revenues. NBHDL reconciles unbilled vs. actual billed data as part of the true-up process. In January 2017, additional non-RPP billings related to 2016 consumption were recorded.

*Cost*

NBHDL trues up the cost based on actual billing data compared to the estimate. NBHDL’s CIS calculates GA based on 1st estimate for all RPP customers for each billing period (this calculation results in a DR/CR calculation for net $0 impact on customer’s bill). The determination of billed is then compared to the estimate for an accurate true-up process. A summary is provided below for Account 1589.



**OEB Staff Question #5
Reference: Tab 3 “Continuity Schedule”
 Account 1595 (2014)**

In its DVA Continuity Schedule North Bay Hydro recorded a disposition of $807,284 in 2014 and recoveries of $831,396 during 2014 and 2015.

1. Please confirm that North Bay Hydro complied with the Accounting Guidance from October 2009 related to the over recoveries for sub-account 1595 (2014).

**Response:**

NBHDL confirms that it has complied with the Accounting Guidance from October 2009 related to the over recoveries for sub-account 1595 (2014) to the best of its knowledge. NBHDL’s understanding is that recoveries are to be applied to the sub-account balances in order of priority, as follows:

1. The cumulative principal balance transferred to and recorded in “Sub-account Principal Balances Approved for Disposition in 2xxx”
2. The cumulative carrying charge balance transferred to and recorded in “Subaccount Carrying Charges Approved for Disposition in 2xxx” and,
3. The accrued carrying charges recorded in “Sub-account Carrying Charges on 2xxx Net Principal Account Balances.”

NBHDL has followed this guidance, however, in the specific case of the 2014 disposition amount the net principal balance was an amount owing to customers. Once this rate rider expired, NBHDL was in a position where it had refunded more to customers than was owing. After applying the additional refund amounts against the cumulative carrying charges (2), the balance was in a total net debit balance. NBHDL’s understanding in this situation is that carrying charges should not continue to accumulate against the customer.

Further to this, within the 2014 amount reported in the DVA Continuity Schedule, is the 2014 Shared Tax Savings amount. Upon the expiration of this rate rider, the net balance was a credit owing to customers. NBHDL’s understanding in this situation is that carrying charges should continue to accrue to the customer. The different treatment of these two situations is purposely asymmetrical and done to the benefit of customers, not NBHDL. NBHDL notes that the additional carrying charges owing to customers from the STS balance was incorrectly included in the row related to the 1595 (2015) amounts; the DVA Continuity Schedule has been updated accordingly.

1. 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 (2014).

**Response:**

NBHDL submits that the balances reported in the continuity schedule for 1595 (2014) are correct with the exception of the additional carrying charge amounts referred to in Q4 a) for 2017 and 2018. The carrying charge amounts that have been updated are immaterial in nature and were incorrectly included in the 1595 (2015) amounts.

1. Adjust the DVA Continuity Schedule as required.

**Response:**

The DVA continuity Schedule has been updated to reflect the corrected 2017/2018 carrying charges as explained in Q4 a) for account 1595 (2014).

1. Note the following in relation to 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. [↑](#footnote-ref-1)