

**Centre Wellington Hydro Ltd.
2019 IRM Application EB-2018-0023**

Staff Question-1

Ref: Page 12 of the revised Application; Tab 3. Continuity Schedule of the 2019 IRM Rate Generator Model

Staff notes the following offsetting RRR variances in Account 1595 -2015 and Account 1595-2016:

| | Total Principal +Interest Balance as of Dec 31, 2017 | RRR 2.1.7 | Variance (RRR vs. 2017 Balance) |
|-------------------|------------------------------------------------------------|-----------|------------------------------------|
| Account 1595-2015 | -5,506 | -12,869 | -7,363 |
| Account 1595-2016 | -7,363 | 0 | 7,363 |

Center Wellington Hydro explained in its revised application that the variances in account 1595 are due to an error in filing the RRR and a revision was requested and submitted. However, staff notes that the revision to the accounts have not been received by the reporting group of the OEB as of the date of the OEB staff questions.

Questions:

- Please provide the details of the variances.
- Please submit the revision to the RRR if applicable.

Response(s):

- Account 1595-2015 principal and interest balance as of December 31, 2017 of \$5,506.24 represents the unrecovered balance of the Group 1 Rate Riders approved in the 2015 IRM Process.

Account 1595-2016 principal and interest balance as of December 31, 2017 of \$7,362.62 represents the Shared Tax Savings for 2012-\$2,492; 2015-\$2,420; and 2016-\$2,212 plus interest accrued to the date the entries were to have been recorded.

b) Revision 2 to the 2.1.7 was submitted on August 9, 2019. The below table represents a copy of the revised submission.

2.1.7 RRR – Revision of Group 1 Accounts

| Assets | Liabilities and Equity | Income Statement | Sub-Accounts | Group 1 Accounts | Trial Balance Summary and Submit |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------|--------------|---------------------|----------------------------------|
| Group 1 Accounts | | | | | |
| The principal and interest as of December 31 for Group 1 DVAs will be used to populate the continuity schedule in the IRM Rate Generator Model. The total balance of each account must equal the main control account in the RRR 2.1.7 Trial Balance. | | | | | |
| Account Description | Account Number | Principal (A) | Interest (B) | Total Balance (A+B) | |
| LV Variance Account | 1550 | 491436.09 | 9654.74 | 501090.83 | |
| Smart Metering Entity Charge Variance Account | 1551 | -4174.68 | -83.24 | -4257.92 | |
| RSVA - Wholesale Market Service Charge | 1580 | -370133.94 | -10793.27 | -380927.21 | |
| RSVA - Retail Transmission Network Charge | 1584 | -54827.61 | -2618.70 | -57446.31 | |
| RSVA - Retail Transmission Connection Charge | 1588 | 1980.11 | -1070.37 | 909.74 | |
| RSVA - Power (excluding Global Adjustment) | 1588 | 38637.47 | -999.85 | 37637.62 | |
| RSVA - Global Adjustment | 1589 | 310413.23 | 10831.44 | 321244.67 | |
| Disposition and Recovery/Refund of Regulatory Balances (2008) | 1595 | 0.00 | 0.00 | 0.00 | |
| Disposition and Recovery/Refund of Regulatory Balances (2009) | 1595 | 0.00 | 0.00 | 0.00 | |
| Disposition and Recovery/Refund of Regulatory Balances (2010) | 1595 | 0.00 | 0.00 | 0.00 | |
| Disposition and Recovery/Refund of Regulatory Balances (2011) | 1595 | 0.00 | 0.00 | 0.00 | |
| Disposition and Recovery/Refund of Regulatory Balances (2012) | 1595 | 863.42 | -2377.02 | -1513.60 | |
| Disposition and Recovery/Refund of Regulatory Balances (2013) | 1595 | -1243.09 | -833.76 | -2076.85 | |
| Disposition and Recovery/Refund of Regulatory Balances (2014) | 1595 | | | 0.00 | |
| Disposition and Recovery/Refund of Regulatory Balances (2015) | 1595 | 20258.52 | -25764.76 | -5506.24 | |
| Disposition and Recovery/Refund of Regulatory Balances (2016) | 1595 | -7124.00 | -238.62 | -7362.62 | |
| Disposition and Recovery/Refund of Regulatory Balances (2017) | 1595 | 19748.18 | 317.31 | 20065.49 | |

Staff Question – 2

Ref: DVA Continuity Schedule in the 2019 IRM Rate Generator Model

Staff notes that the sum of principal adjustments for Account 1589 during 2014 to 2016 is a debit adjustment of \$18,685, which was approved in Centre Wellington Hydro's 2018 Cost of Service Application. The adjustments represent the true-up adjustments for the years of 2014 to 2016.

Question:

- a. Please confirm whether or not the Cells BD28 and BD29 Transactions Debit/(Credit) during 2017 for Account 1588 and Account 1589 include the sum of 2014-2016 principal credit/debit adjustment of \$18,685 respectively.
 - i. If confirmed, please remove the accrual of the adjustments respectively in the cells BF28 and BF29 for Account 1588 and Account 1589 respectively.

Response(s):

- a) The amount reflected in “Principal Adjustments during 2017” of \$69,775.58 in cell BD28 and BD29 does not include the adjustment of \$18,684.52 which was included in the 2018 Cost of Service application.

The reallocation between 1588 and 1589 in cells BD28 and BD29 of \$69,775.58 only reflects those adjustments that are applicable to the 2017 reconciliation as detailed in the GA Analysis Workform.

Staff Question-3

Ref: GA Analysis Workform; DVA continuity schedule in 2019 IRM rate generator model

Staff notes the following discrepancies between the GA Analysis Workform and the DVA continuity schedule:

| | Net Change in Principal Balance/Transaction Debit/(Credit) during 2017 |
|------------------------------------------|------------------------------------------------------------------------|
| Cell C62 of the GA Analysis Workform | \$2,199 |
| Cell BD29 of the DVA continuity schedule | -\$16,485 |
| Difference | \$18,684 |

In addition, staff notes that the sum of the following adjustment items in the GA Analysis Workform as in the table below does not agree to the Cell BF29 Principal Adjustments during 2017 on the DVA continuity schedule:

| | | |
|----|-----------------------------------------------------------------------------------------------|-------------|
| 1a | True-up of GA Charges based on Actual Non-RPP Volumes - prior year | -\$18,685 |
| 1b | True-up of GA Charges based on Actual Non-RPP Volumes - current year | \$68,026.75 |
| 3a | Remove difference between prior year accrual/forecast to actual from long term load transfers | \$1,749 |
| | Sum of the above adjustments (A) | \$51,090.65 |

| | | |
|--|--------------------------------------------------------------------------------|-----------|
| | Cell BF29 Principal Adjustments during 2017 on the DVA continuity schedule (B) | \$69,776 |
| | Difference (C=A-B) | -\$18,685 |

Question:

- a. Please confirm whether or not the GA Analysis Workform was populated correctly.
 - i. If not, please update the GA Analysis Workform. Otherwise please reconcile the differences.

Response(s):

- a) The GA Adjustment for 2014-2016, which was completed during the 2018 Cost of Service application, resulted in an adjustment between the accounts of \$18,684.52 was posted to the 2017 General Ledger as the 2016 General Ledger balances had already been closed out and audited. Therefore, CWH's the net change in the account for 2017 is \$2,199.32 as reflected in the table below.

| RRR Reference | Description | Amount |
|-----------------------------------------------------------------|---------------------------------------------|------------|
| "Net Accruals this Period" from RRR 2.1.1 Quarterly Reports | GA Adjustment for 2017 | -16,485.20 |
| "Other Adjustment This Period" from RRR 2.1.1 Quarterly Reports | GA Adjustment for 2014-2016 Approved by OEB | 18,684.52 |
| | Net Increase | 2,199.32 |

Staff Question- 4

Ref: GA Analysis Workform

Staff notes that the following two reconciling items (1b and 3a) sum up to the principal adjustment made into the account on the DVA continuity schedule:

| | Item | Amount |
|----|-----------------------------------------------------------------------------------------------|-------------|
| 1b | True-up of GA Charges based on Actual Non-RPP Volumes - current year | \$68,026.75 |
| 3a | Remove difference between prior year accrual/forecast to actual from long term load transfers | 1,749 |
| | Total (Calculated by Staff) | \$69,776 |

Question:

- a. Please provide the supporting calculation for the true-up adjustment of \$68,026.75.

Response(s):

- a) The below table provides the supporting calculation for the true-up adjustment of \$68,026.75.

| Year 2017 | Hydro One kWh | CT148 IESO kWh+ Generations | Total actual kWh | Actual Non-RPP % | Non-RPP kWh (IESO+ H1) | Actual posted GA rate | \$ Non-RPP GA at actual posted actual GA rate (IESO+ H1) | \$ Non-RPP GA in the GL | \$ Non-RPP GA Charge difference (Posted Actual vs actual invoices) |
|-----------|---------------|-----------------------------|------------------|------------------|------------------------|-----------------------|----------------------------------------------------------|-------------------------|--------------------------------------------------------------------|
| Jan. | 8,929,252 | 4,153,242 | 13,082,495 | 52.767% | 6,903,240 | 0.08227 | 567,929.55 | 533,469.44 | 34,531.98 |
| Feb. | 7,893,338 | 3,666,943 | 11,560,281 | 54.134% | 6,258,042 | 0.08639 | 540,632.29 | 526,982.50 | 13,652.19 |
| Mar. | 8,543,046 | 4,055,005 | 12,598,052 | 54.097% | 6,815,168 | 0.07135 | 486,262.24 | 486,590.93 | (332.57) |
| Apr. | 7,139,113 | 3,547,213 | 10,686,325 | 55.771% | 5,959,870 | 0.10778 | 642,354.83 | 627,178.99 | 19,407.68 |
| May | 7,086,458 | 3,761,055 | 10,847,513 | 56.0hblac10% | 6,075,692 | 0.12307 | 747,735.45 | 748,041.18 | 3,205.65 |
| June | 7,607,113 | 3,894,302 | 11,501,416 | 55.826% | 6,420,780 | 0.11848 | 760,734.04 | 742,187.20 | (2,438.18) |
| July | 8,078,876 | 3,865,914 | 11,944,789 | 52.665% | 6,290,723 | 0.11280 | 709,593.60 | 734,389.54 | 0.01 |
| Aug. | 7,600,782 | 3,914,929 | 11,515,711 | 53.433% | 6,153,190 | 0.10109 | 622,025.99 | 621,880.43 | (0.00) |
| Sept. | 7,695,307 | 3,740,802 | 11,436,109 | 54.730% | 6,258,983 | 0.08864 | 554,796.23 | 554,511.35 | 0.01 |
| Oct. | 7,782,254 | 3,548,603 | 11,330,858 | 56.327% | 6,382,332 | 0.12563 | 801,812.40 | 801,365.57 | 0.00 |
| Nov. | 8,459,182 | 3,651,365 | 12,110,547 | 54.493% | 6,599,400 | 0.09704 | 640,405.82 | 640,091.23 | (0.00) |
| Dec. | 8,797,720 | 3,915,196 | 12,712,916 | 48.721% | 6,193,860 | 0.09207 | 570,268.66 | 570,294.03 | (0.00) |
| | 8,797,720 | 8,797,720 | 141,327,012 | | 76,311,282 | | 7,644,551.08 | 7,586,982.39 | \$ 68,026.75 |

Staff Question-5

Ref: GA Analysis Workform

Center Wellington Hydro entered a reconciling item (#6 on the GA Analysis Workform) of -\$10,485 for the difference in GA IESO posted rates and the rates charged on the IESO invoices.

Questions:

- a. Please confirm whether or not the entire amount of \$10,485 was the adjustment made by the IESO, i.e. the adjustments for total global adjustment charges for all customers (RPP and Non-RPP customers).
 - i. If so, please confirm whether the adjustment amount was allocated to RPP customers and Non-RPP Class B customers.
- b. If a. is confirmed, please explain why 100% of the difference is shown as a reconciling item impacting non-RPP customers in the GA Analysis Workform for Account 1589, rather than allocating a portion of the difference between RPP and non-RPP customers. Please also update the GA Analysis Workform for this reconciling item as applicable.

Response(s):

- a) CWH confirms that the amount of \$10,458.06 was not the entire adjustment made by the IESO for all customers, but rather the portion for only the Non-RPP customers. The adjustment made by the IESO has been allocated based on the actual percentage of Non-RPP.
- b) The amount referenced in a) above was only for the Non-RPP customers.

Staff Question-6

Ref: Staff Preliminary Questions – Appendix A of GA Analysis Workform Center Wellington Hydro Responses

With respect to the true-up of the consumptions to split CT148, Center Wellington Hydro stated in its response to question 3.d that:

For the period of January to June 2017, CWH identified this true up during the GA analysis and reflects it into this application. This true-up is just a reallocation between 1588 and 1589 but required no adjustment to be sent to the IESO.

In the response 3.g, Center Wellington Hydro referred to this true-up adjustment as the principal adjustment of \$69,776 in the DVA continuity schedule.

With respect to the true-up of the CT1142 RPP declaration to the IESO, Center Wellington Hydro stated in responding to its question 2 that

CWH does the true up by monthly true up of the GA rate to final rate...and quarterly/annually true-up of the volume to actual volume.

Center Wellington Hydro further explained that the May to December 2017 true up for CT 142 was done in 2018 and booked into 2017 and referred this true-up adjustment to the principal adjustment of \$69,776 in the DVA continuity schedule.

Questions:

- a. Please reconcile the responses in 2.f and 3.g and clarify if the principal adjustment of \$69,776 on the DVA continuity schedule is related to CT1142 true-up of May to December 2017 or the CT148 true-up adjustment of January to June 2017.
- b. Please explain how CENTER WELLINGTON HYDRO reconciled the CT1142 true-up process and CT148 true-up processes.
- c. Please explain if and how Center Wellington Hydro recorded the journal entry for CT1142 relating to kWh consumption volumes for the true-up adjustments for May to December 2017.
- d. Please provide the true-up journal entry for CT148 consumption split true-up for RPP and non-RPP Class B customers for January to June 2017.
- e. Please confirm that Center Wellington Hydro's RPP settlement true-up process with the IESO in 2017 did not conform to the Guidance on Disposition of Accounts 1588 and 1589 issued in the letter on May 23, 2017 that requires the true-ups at a minimum on a quarterly basis.
- f. Please explain Center Wellington Hydro's plan to change the business process to conform to the letter issued on May 23, 2017.

Response(s):

- a) The principal adjustment of \$69,775.58 is related to the CT148 true-up adjustment, where \$68,026.75 is for the CT148 true-up adjustment of January to June 2017 and \$1,748.83 for LTLT.
- b) For CT1142 true-up reconciliation process, as stated in Question 2 b of "Staff Preliminary Questions - Appendix A of GA Analysis Workform":

CWH does the true up by monthly true up of the GA rate to final rate, as described in Section 10 “Global Adjustment” in the Managers Summary of CWH’s 2019 IRM Application, and quarterly/annually true up of the volume to actual volume. The actual volume is obtained from our billing system, which separates the volume of each bucket of TOU/Tier 1 & 2 and uses the particular prices for each TOU/Tier 1 & 2.

Regarding the CT148 true-up reconciliation process, as stated in Question 3b of “Staff Preliminary Questions - Appendix A of GA Analysis Workform”:

CWH used the previous month’s percentage of RPP and non-RPP to split the amount on CT148 for January to June 2017. The true up of the GA cost has been identified during the GA analysis and reflected in this application.

CWH has used the actual percentage of RPP and non-RPP to split the amount on CT148 since July 2017. Therefore, no true-up is required.

CWH has compared the RPP kWh from the CT1142 true-up process and CT148 true-up process and found the difference is 3,231.60 kWh or 0.005% over total RPP kWh of 6.5 million kWh. This difference is deemed to be immaterial.

- c) CWH recorded all of the true-up adjustments for May-December 2017 relating to kWh consumption volumes for CT1142 into a sub account of Account 4705 Power Purchased.
- d) The \$68,026.75 identified during this application is entirely related to a reallocation of the GA for CT148 to Non-RPP customers. The journal entry is debit in Account 1589 RSVA GA and credit in Account 1588 RSVA power. See the table provided in the answer to question 4 above.
- e) In 2017 Centre Wellington Hydro did an annual reconciliation for CT1142 and accrued it in 2017’s books and therefore did not conform to the May 23, 2017 guidance of quarterly true ups. Centre Wellington Hydro had all intentions to complete quarterly true-ups, however with the time requirements for completing the 2018 Cost of Service application, unfortunately quarterly true-ups were started, however not submitted.

- f) Centre Wellington Hydro in 2018 has started completing the true-ups on a quarterly basis. Centre Wellington Hydro is currently completing a reconciliation for the period ending June 30, 2018 and will continue quarterly from this point forward.

Staff Question-7

Ref: Ref: Staff Preliminary Questions – Appendix A of GA Analysis Workform Center Wellington Hydro Responses

Center Wellington Hydro explained, it is response to staff preliminary question 3.b that

CWH has used the actual percentage of RPP and non-RPP to split the amount on CT148 since July 2017. Therefore, there is no true-up needed since July 2017.

Question:

- a. Please elaborate on the details of the journal entry process of the splitting of CT148 based on the actual percentages of RPP and non-RPP on a monthly basis.

Response(s):

- a) Since July 2017, CWH waits one month from the issuance of the IESO invoice in order to be able to use the actual percentage of RPP and non-RPP on billing kWh for a particular consumption month to allocate the amount on CT148. The allocated GA amounts for RPP and non-RPP are then booked into sub accounts of Account 4705 Power Purchased and Account 4707 Charges-Global Adjustment respectively.

Staff Question-8

Ref: Tab 6 of LRAMVA Workform

- a. Please update the Q4 2018 interest rate in Table 6 to reflect the OEB's most recently approved prescribed interest rate for deferral and variance accounts.

- b.** If Centre Wellington Hydro made any changes to the LRAMVA work form as a result of its responses to interrogatories, please file an updated LRAMVA work form. Please confirm any changes to the LRAMVA workform in “Table A-2. Updates to LRAMVA Disposition (Tab 2)”.

Response(s):

- a) Centre Wellington Hydro has updated the Q4 2018 prescribed interest rate with the appropriate one published by the OEB.
- b) Centre Wellington Hydro has not made any changes to the LRAMVA work form, other than updating the Q4 prescribed interest rate in question a) above. The revised LRAMVA workform with the updated interest rate is being submitted with IR responses.