

Algoma 2019 IRM – Questions to Applicant

Question 1

Ref. DVA Continuity Schedule and GA Analysis Workform

The applicant has indicated that it has reversed the principal adjustments that it recorded as part of its 2016 DVA disposition balance within the “Transactions Debit/(Credit) during 2017” column of the DVA continuity schedule submitted as part of its current application.

- a) The “Transactions Debit/(Credit) During 2017” column of the DVA continuity schedule must represent the actual transactions recorded within the Applicant’s G/L. For transparency purposes all principal adjustments, including the Reversal of prior year principal adjustment amounts, must be recorded within the “Principal Adjustments during 2017” column of DVA schedule. Accordingly, please update the DVA continuity to reflect this.
 - b) The reversal of the prior year principal adjustments must also be itemized within the analysis performed within Note 5 of the GA Analysis Workform. Please update the GA Analysis Workform to reflect this.
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API Response:

- a) Please see updated DVA continuity schedule, which reflects all principal adjustments in the column, “Principal Adjustments during 2017”.
- b) Please see updated GA Analysis Workform, which reflects new itemized prior year adjustments within Note 5.

Question 2

Ref. GA Analysis Workform

With respect to the various adjustments recorded in Note 5 of the DVA continuity schedule (i.e. Adj 1 -10), the applicant provides an explanation for each of the adjustments proposed.

- a) The explanation for each adjustment does not contain enough information to substantiate the direction, i.e. a debit versus a credit and vice versa. Please update of the explanations to include the sufficient detail so support the direction of each of the adjustments proposed.
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API Response:

- a) API has updated the explanations to include sufficient detail to support the direction of each adjustment proposed.

See updated GA Analysis Workform.

Question 3

Ref. Adj. 2b in Note 5 of the GA Analysis Workform

The Applicant has a revenue accrual true-up for the difference between the 1st and 2nd GA rate estimates.

- a) Please confirm that there is not consumption variance that needs to be accounted for as well between the when the initial accrual that is made at the first GA rate estimate and the 2nd estimate that is used for actual billings made. If so, please quantify the quantity variance impact as well.
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API Response:

- a) API can confirm that both the consumption and GA rate variances between the initial accrual and actual billings have been reflected in Adj. 2b in Note 5 of the GA Analysis Workform.

In the updated GA Analysis Workform, please see the updated description of the adjustment for 2b.

Question 4

Ref. Adj. 4 in Note 5 of the GA Analysis Workform

- a) Please provide a description as to how this initial year-end accrual was calculated and when it is subsequently adjusted.
- b) Does this accrual relate only to the month of December?
- c) Please complete the following table to support the quantum of this adjustment (the expectation is that the overall difference should equal the amount of the adjustment, if not, please explain why):

CLASS A CUSTOMERS			
	Accrual	Actual	Difference
Revenue			0
Expense			0
Overall Diff			<u>0</u>

- d) How does the unbilled revenue component of this entry differ from the adjustment recorded in 2b of Note 5 of the GA Analysis workform?

API Response:

- a) The Class A GA unbilled revenue accrual is based on the assigned peak demand factor for the current adjustment period. Whereas, the IESO GA accrual for Class A customers was calculated based on the second estimate rate. Since the unbilled accrual and IESO GA accrual were not calculated using the same method, a variance existed at year-end. The variance was reversed in the subsequent year.
- b) API can confirm that this accrual variance relates only to the month of December.

CLASS A CUSTOMERS			
	Accrual	Actual	Difference
Revenue	122,276	136,765	(14,488)
Expense	577,763	136,765	440,998
Overall Diff			<u>(455,486)</u>

c)

Class A GA revenues and expenses were accrued using two different methods, resulting in the above variance.

- d) In Adjustment 2b in Note 5 of the GA Analysis Workform, the difference between the current year-end unbilled and actual revenue relates to the Class B unbilled accrual and the actual amount billed to Class B customers.

The unbilled revenue component calculated in b) above is not reflected in 2b of Note 5 in the GA Analysis Workform. Since this component relates to only Class A customers, API has reflected this revenue variance as a separate adjustment, adj. 4 in Note 5 of the GA Analysis Workform.

Question 5

Ref. Adj. 6 in Note 5 of the GA Analysis Workform

- a) Please explain why there are differences between the IESO posted rate at the actual rate charged on the invoice?
 - b) How ere these amounts identified and how was the overall variance amount calculated?
 - c) Please confirm that this amount is already included as part of the "Transactions Debit/(Credit During 2017" column in the DVA continuity schedule for account 1589.
 - d) Were the additional amounts charged all related to Non-RPP customers?
 - e) How were any of the additional amounts charged by IESO but related to RPP customers removed from the balance in account 1589 (i.e. since both RPP and Non-RPP GA are recorded in account 1589).
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API Response (a - e):

Upon further review, API has revised this adjustment to \$nil as it was noted that the specific GA adjustment included in API's original submission was reversed in a subsequent month.

Through additional investigation, API has identified that there were differences between the actual system losses and approved total loss factor (TLF) billed to customers during the year. This amount has been estimated in Note 5, adj. 7 of the updated GA Workform Analysis in Note 5, adj. 7. The calculation was made as follows:

Total Metered excluding WMP = 203,063,777 kWhs

Actual System Losses = 7.86%

Billed TLF = 9.17%

Weighted Average GA = \$0.1035/kWh

Difference = \$276,000 (Dr Adjustment to GA Workform)

One other correction was made to change kWhs recorded as a Deduction of Previous Month's Unbilled Loss Adjusted Consumption from 3,019,000 in January 2017 to 4,030,000. This correction was due to the discovery of a formula error in the original submission calculation.

Question 6

Ref. Adj. 9 in Note 5 of the GA Analysis Workform

- a) Please confirm that this adjustment includes both the January 4th, 2018 settlement with the IESO for November 2017 consumption, and the February 4th, 2018 settlement with the IESO for December 2017 consumption.
 - b) Please also confirm that both settlements noted above were completed using actual consumption data and the actual GA rate for each of the respective months. Please also confirm that because the actual data is used, there is typically no subsequent true-up required to the resulting CT 1142 that was calculated and recorded for each of these months i.e. due to 1-month time lag in settlements, it is already based on actual data, not estimates).
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API Response:

- a) API can confirm that adj. 9 in Note 5 of the GA Workform (adj .10 in updated Workform) includes the February 4th, 2018 settlement with the IESO for December 2017 consumption. The January 4th, 2018 settlement with the IESO for November 2017 consumption was already reflected in the transactions column for 2017, so no additional adjustment has been made in the GA Workform Analysis.
- b) API can confirm that both settlements noted above were completed using the actual consumption data and the actual GA rate for each of the respective months.

API completed an annual true-up in conjunction with the preparation of the IRM proceeding. All consumption values were re-run out of the accounting system and all inputs were re-entered to ensure no typographical errors were made or to account for any changes in externally provided inputs (i.e. final Global Adjustment rate). Any differences that had arisen as a result of the true-up were typically due to billing corrections (i.e. consumption value changes) that have occurred after the original IESO settlement submissions were submitted.

Question 7

Ref. Note 5 of the GA Analysis Workform and Appendix A, Response 2f

- a) As part of this response the Applicant has quantified a true-up amount of (\$1,344,767) related to CT 1142. Please reconcile this to the true-up adjustments presented in Note 5 of the GA Analysis Workform.

API Response:

- a) Reconciled GA Appendix A to GA Analysis Workform, as follows:

GA Appendix A, Response 2f		(1,344,767)
Adjustments reflected in Note 5, GA Analysis Workform		
2017 GA true-up	<i>(adj 12 in updated Workform)</i>	(48,094)
December 2017 consumption submitted on former Form 1598 IESO GA submission	<i>(adj 10 in updated Workform)</i>	(1,296,673)
Total		(1,344,768)
Difference		-

For further clarify, these amounts have been recorded separately the updated GA Analysis Workform provided in these IR responses.

Question 8

Ref. 2019 RRRP Adjustment Factor

- a) OEB staff has calculated an updated RRRP adjustment factor of 2.32% based on calculating the simple average annual rate change for distributors for the Residential and GS<50 kW customer rate classes (see schedule A attached).
 - i. Please review and confirm the methodology used.
 - ii. When applied to API's Rate Design Model, API's RRRP amount required for 2019 increases by \$14,657. Please confirm.
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API Response:

- i. API has reviewed the methodology used to determine the 2.32% adjustment factor and confirms that it is consistent with the methodology used in prior years.
- ii. Confirmed. API notes that the RRRP amount required for 2019 will change further when the placeholder for the Inflation Factor is updated on the "IRM Adjustment Factors" worksheet in the API 2019 Rate Design Model.

Question 9

Ref. DVA Continuity Schedule, Account 1595 (2017)

- a) Please provide an explanation for the balance of \$(227,098) in the "Transactions during 2017" column.

API Response:

- a) The balance of \$(227,098) in the "Transactions during 2017" column represents net rate rider recoveries during 2017.