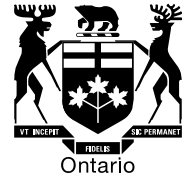


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BY EMAIL

November 22, 2018

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@oeb.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Brantford Power Inc.
2019 IRM Rate Application
OEB Staff Submission
OEB File No. EB-2018-0020**

In accordance with Procedural Order No. 2, please find attached OEB staff's submission in the above proceeding. This document is being forwarded to Brantford Power Inc. and to all participating parties in this proceeding.

Brantford Power Inc. is reminded that its Reply Submission is due on November 29, 2018.

Yours truly,

Original Signed By

Judy But
Analyst, Application Policy & Climate Change

Encl.

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2019 ELECTRICITY DISTRIBUTION RATES

Brantford Power Inc.

EB-2018-0020

November 22, 2018

**OEB Staff Submission
Brantford Power Inc.
2019 IRM Rate Application
EB-2018-0020**

Introduction

Brantford Power Inc. (Brantford Power) filed an application with the Ontario Energy Board (OEB) on August 13, 2018 under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to the rates that Brantford Power charges for electricity distribution, effective January 1, 2019.

In accordance with the OEB's Procedural Orders No. 1 and 2, Brantford Power filed responses to interrogatories on October 18, 2018 and responses to supplementary interrogatories on November 15, 2018. This document provides OEB staff's submission on Brantford Power's revised evidence filed throughout the course of this proceeding.

Consistent with the Chapter 3 Filing Requirements, Brantford Power applied the Price Cap IR adjustment factor to adjust the monthly service charge and volumetric distribution rate during the incentive rate-setting years. OEB staff has no concern with Brantford Power's proposed price cap adjustment.

Brantford Power is in its final year of transition towards a fully fixed monthly distribution charge. Brantford Power has demonstrated that no rate mitigation is required.

Brantford Power requests an update to its Retail Transmission Service Rates (RTSRs) to recover the wholesale transmission rates charged by the IESO and its host distributor, Energy+ Inc. If the OEB issues an order updating current Uniform Transmission Rates (UTRs) or current Energy+ rates prior to the Decision and Order in this proceeding then, at that time, OEB staff will update Brantford Power's IRM rate generator model.

In its application, Brantford Power requests no disposition of its Group 1 Deferral and Variance Account (DVA) balances even though the disposition threshold of \$0.001/kWh was met. The reasons will be outlined below in this OEB staff submission. Furthermore, even though Brantford Power does not request to dispose of its Group 1 DVA balances (pass through accounts), it requests to change its Retail Settlement Variance Account

(RSVA) balances in accounts 1588 (cost of power) and 1589 (global adjustment) for 2015 and 2016¹.

OEB staff makes detailed submissions on the following:

- Proposed Adjustments to the Balances in Accounts 1588 and 1589
- Request for Not Disposing Group 1 DVA Balances
- Request for Disposing of Account 1568 LRAMVA

Proposed Adjustments to the Balances in Accounts 1588 and 1589

Background

In the OEB's decision on Brantford Power's 2018 rates, the OEB directed the distributor to complete an investigation of its 2016 RSVA balances in accounts 1588 and 1589.²

Upon completion of that investigation, Brantford Power:

- Identified errors in the data that it used for IESO settlement purposes for the 2015 and 2016 years.
- Discovered that there were records of unusually high consumption for some customers based on the smart meter data provided by its Operational Data Store (ODS) provider.³
- Confirmed that customers were not billed on the erroneous ODS metered data (the data was only used for settlement purposes with the IESO)⁴

Brantford Power explained that the ODS data errors did not impact customer billings. The data errors, however, caused errors in the two commodity pass through accounts 1588 and 1589 relating to incorrect RPP settlements with the IESO, and incorrect recording of the IESO cost of power transactions by Brantford Power.

The ODS system stores the kWh volume data that is used to calculate the allocation of volume between RPP vs Non RPP kWh volumes. Moreover, the RPP and Non RPP kWh volumes are used in calculating the IESO RPP settlement claims and in recording the monthly IESO accounting transactions.

¹ RSVA accounts 1588 and 1589, the commodity pass through accounts, are two of the Group 1 DVA accounts.

² EB-2017-0028, p. 6

³ Response to Staff-1 d), and Staff-S1 c) and d)

⁴ Response to SEC-6 a)

Through its application, Brantford Power requests no disposition of its Group 1 DVA balances, even though the OEB's established disposition threshold of \$0.001/kWh is met. Although it does not seek disposition of Group 1 DVA balances, Brantford Power is requesting approval to correct the errors identified above, by adjusting the balances of RSVA accounts 1588 and 1589 in order to reflect the corresponding adjustments to 2015 and 2016 RSVA balances.

According to Brantford Power, the discovery of the data errors ultimately necessitates two specific adjustments to the RSVA balances.

- First, a correction is required relating to the misallocation of the RPP vs Non RPP kWh volumes. This correction impacts the power purchases recorded in accounts 1588 and 1589 in 2015 and 2016.
- Second, a correction is required to the RPP settlement claims with the IESO for 2015 and 2016. This is because Brantford Power used incorrect volume data provided by the ODS for RPP settlements with the IESO.

It is important to note that while the 2016 balances have yet to be approved for disposition (as they are the subject of this application), any correction made to the 2015 previously approved balances⁵ may represent out of period adjustments.

2015 RSVA Balance Adjustments

After the ODS-related errors were discovered, it was Brantford Power's initial conclusion that the subsequent adjustments it proposed relating to the 2015 approved balances would result in a favourable bill impact to RPP customers, due to the effect on the commodity pass through rate riders. Brantford Power initially requested the OEB's approval to make this retroactive adjustment, as it believed there would be a net benefit to customers.

Through the interrogatory process, it came to light that the proposed adjustments to the 2015 balances were arrived at incorrectly. The remapping errors regarding the RPP vs Non RPP volume allocation were recorded in reverse in accounts 1588 and 1589 in both 2015 and 2016. Once the correct adjustments were made to the 2015 RSVA balances, Brantford Power discovered that RPP customers would, in fact, pay more.⁶ Consequently, Brantford Power confirmed the withdrawal of its request to make its

⁵ 2015 balances were approved for disposition on a final basis in Brantford Power's 2017 cost of service proceeding.

⁶ Response to Staff-1 c), and Staff-2 b) i).

proposed 2015 adjustments, in response to OEB staff's interrogatory, Staff-1 c). Brantford Power also acknowledged that its decision to withdraw its 2015 adjustments was influenced by prior OEB case precedents that did not allow for retroactive adjustments to previously approved balances.

As shown in the evidence, Brantford Power originally made credit adjustments in Account 1588 as a result of including the adjustment in the 2015 Group 1 DVA balances. Brantford Power originally thought that there would be a refund of \$925,032 to RPP customers relating to the 2015 adjustments, as follows:

Original Adjustments:	Account 1588	Account ⁷ 1589
2015 Remapping RPP vs Non RPP split ⁸	\$ (645,208)	\$ 645,208
2015 IESO Settlement Error ⁹	<u>\$ (279,884)</u>	<u>\$ _____</u>
Original credit adjustment	<u>\$ (925,032)</u>	<u>\$ 645,208</u>

In its interrogatory responses¹⁰, Brantford Power determined that the 2015 related adjustments to Account 1588 ought to have been a debit adjustment for recoveries from RPP customers totalling \$365,324 in 2015:

Corrected Adjustments:	Account 1588	Account ¹¹ 1589
2015 Remapping RPP vs Non RPP split ¹²	\$ 645,208	\$ (645,208)
2015 IESO Settlement Error ¹³	<u>\$ (279,884)</u>	<u>\$ _____</u>
Revised debit adjustment	<u>\$ 365,324</u>	<u>\$ (645,208)</u>

As part of its initial RPP settlement claim corrections with the IESO to accounts 1588 and 1589, Brantford Power recovered \$279,884 from the IESO. Now that Brantford Power has withdrawn its proposed adjustments to accounts 1588 and 1589 for 2015, it also seeks approval to return the money it recovered from the IESO due to RPP settlement claim corrections with the IESO.

⁷ Adjustments to Account 1589 not discussed, the focus on adjustments is on RPP customers as discussed by Brantford Power in their application and responses to IR and Supplementary IRs.

⁸ Response to Staff-2 b i), Table Staff-2 b.1

⁹ Response to Staff-2 b i), Table Staff-2 b.1

¹⁰ Response to Staff-2 b i)

¹¹ Adjustments to Account 1589 not discussed, the focus on adjustments is on RPP customers as discussed by Brantford Power in their application and responses to IR and Supplementary IRs.

¹² Response to Staff-2 b i), Table Staff-2 b.2

¹³ Response to Staff-2 b i), Table Staff-2 b.2

Brantford Power thereby seeks approval to effectively reverse the initial RPP settlement claim correction for 2015 that it made with the IESO. ¹⁴ Brantford Power states that if the OEB concurs with this approach in its Decision, it will return the total of \$279,884 to the IESO, plus associated interest. ¹⁵

In response to OEB staff’s supplementary interrogatories, Brantford Power maintains its request to not to make any changes to its 2015 balances previously approved for final disposition. Brantford Power has not changed its request to not dispose of Group 1 DVA balances (i.e., the DVA continuity schedule completed for scenario iv) as the proposed outcome of this IRM application.

2016 RSVA Balance Adjustments

As stated above, the data errors that Brantford Power identified for the 2015 adjustments to accounts 1588 and 1589 also affected 2016. The corrections include: i) corrections relating to the misallocation of the RPP vs Non RPP kWh volumes, and ii) corrections to RPP settlement claims with the IESO as it used incorrect volume data provided by the ODS. As account 1588 and 1589 balances for 2016 are yet to be approved for disposition, Brantford Power submits that it can make adjustments to the account balances.

Similar to the adjustments Brantford Power made to 2015, it was identified through the interrogatory process that the proposed adjustments it made to the 2016 balances were arrived at incorrectly as well. Brantford Power corrected the adjustments to the 2016 RSVA balances.

As shown in the evidence, Brantford Power originally made the following adjustments for 2016:

Original Adjustments:	Account 1588	Account ¹⁶ 1589
2016 Remapping RPP vs Non RPP split ¹⁷	\$ 371,340	\$ (371,340)
2016 IESO Settlement Error ¹⁸	<u>\$ 375,315</u>	<u>\$ _____</u>
Original credit adjustment	<u>\$ 746,655</u>	<u>\$ (371,340)</u>

¹⁴ Response to Staff-1 c), and Table Staff S1-B

¹⁵ Response to Staff-1 c)

¹⁶ Adjustments to Account 1589 not discussed, the focus on adjustments is on RPP customers as discussed by Brantford Power in their application and responses to IR and Supplementary IRs.

¹⁷ Response to Staff-S4 b

¹⁸ Ibid

In its interrogatory responses¹⁹, Brantford Power updated the adjustments to 2016 as follows:

Corrected Adjustments:	Account 1588	Account ²⁰ 1589
2016 Remapping RPP vs Non RPP split ²¹	\$ (371,340)	\$ 371,340
2016 IESO Settlement Error ²²	\$ 375,315	\$ _____
Revised debit adjustment	<u>\$ 3,975</u>	<u>\$ 371,340</u>

Finally, to confirm the outcome of withdrawing 2015 corrections and making the necessary adjustments to the 2016 Group 1 DVA commodity pass through account balances, OEB staff requested that Brantford Power file various scenarios of the DVA continuity schedule.

In response to OEB staff’s supplementary interrogatories, Brantford Power maintains its request to make no 2015 corrections and to not dispose of Group 1 DVA balances (i.e., the DVA continuity schedule completed for scenario iv) as the proposed outcome of this IRM application.

Staff Submission

OEB staff submits that Brantford Power’s request to withdraw the proposed corrections to the 2015 Group 1 DVA balances is appropriate, as the 2015 balances were previously approved on a final basis.

OEB staff does not object to the adjustments made by Brantford Power to the 2016 balances, as the 2016 balances are the subject of this application along with the approval of 2017 balances. OEB staff confirms that the 2016 adjustments have been included correctly in the DVA continuity schedule.²³

In response to OEB staff’s supplementary interrogatories, Brantford Power agreed to exclude all interest adjustments related to accounts 1588 and 1589 booked in 2015, 2016 and 2017 related to the ODS data errors.²⁴ Brantford Power notes that the IESO

¹⁹ Ibid 17

²⁰ Adjustments to Account 1589 not discussed, the focus on adjustments is on RPP customers as discussed by Brantford Power in their application and responses to IR and Supplementary IRs.

²¹ Ibid 17

²² Ibid 17

²³ DVA continuity schedule provided by Brantford Power referred to all four scenarios in Staff S-4

²⁴ Response to Staff-S3 a)

settlement correction would not have resulted in any interest paid to, or from, the IESO. OEB staff accepts this explanation.²⁵

Additionally, since the discovery of ODS data errors in the smart metered consumption data, Brantford Power took additional steps to ensure a higher level of accuracy in the settlement data it uses to make IESO submissions. This includes trueing up the consumption data to actuals, in an effort to eliminate unusual entries or anomalies in the consumption data provided by the ODS third party provider.²⁶ Also, Brantford Power engaged KPMG to review its account 1589 accounting processes and implemented numerous process improvements to enhance the checking process, with the goal of adopting all of KPMG's recommendations by the end of 2018.²⁷

With the 2015 principal and interest related adjustments excluded from the Group 1 DVA balances, Brantford Power has revised its Group 1 DVA balance of (\$3,110,355)²⁸ to a balance of (\$2,825,258).²⁹

OEB staff notes that Brantford Power requests that there be no disposition of Group 1 DVA balances. OEB staff, however, supports the case for the disposition of Group 1 DVA balances and, hence, supports the DVA continuity schedule that was completed by Brantford Power for scenario iii.

OEB staff's submission on disposing of Group 1 DVA balances is discussed in the next section.

Request for Not Disposing Group 1 DVA Balances

Background

As stated in the OEB's July 20, 2018 letter, Group 1 DVA rate riders would not be approved on a final basis pending the development of further guidance.³⁰ The OEB noted in the letter that Group 1 DVA disposition will be approved on an interim basis or not be approved at all, as determined on a case by case basis. In this application, Brantford Power proposes no disposition of Group 1 DVA balances. The balances are a

²⁵ Response to Staff-S3 a)

²⁶ Response to SEC-2 b)

²⁷ Response to SEC-2 b)

²⁸ Tab 3 "Att C-Staff-S4 a.ii.Brantford_2019-IRM-Rate-Generator-Model- NO DVA DSP".

²⁹ Tab 3 "Att E-Staff-S4 a.iv.Brantford_2019-IRM-Rate-Generator-Model".

³⁰ July 20, 2018 Letter on the OEB's Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts

credit of \$0.003 per kWh, which exceeds the pre-set disposition threshold of \$0.001 per kWh.

In response to OEB staff interrogatories, Brantford Power provided further clarification to justify the concerns with interim disposition. Brantford Power indicates that it has concerns related to making subsequent true-up adjustments on interim rate riders. Specifically, Brantford Power has raised concern with communicating the changes to each of the 15 former class B customers, and it increased the risk of making billing or accounting errors, billing adjustments and creating an unclear audit trail.³¹

Based on the requirement for subsequent true-ups or billing corrections, Brantford Power requests to defer disposition in hopes of confirming the balances further thus avoiding the need to make further adjustments to Group 1 DVA balances once they are approved final.³² As Brantford Power has not had interim rates which were later trued up in its recent experience, Brantford Power has indicated it was not familiar with the mechanisms employed by the OEB to adjust previously approved interim rates in the past.³³

Brantford Power notes that deferring the disposition of Group 1 DVA balances also creates an opportunity to mitigate short-to-medium term rate impacts, as the distributor plans on applying for incremental capital module (ICM) funding in its 2020 rates application.³⁴ The deferral of the Group 1 DVA balances could smooth bill impacts in 2019 and 2020. In particular, the significant credit balance from the Group 1 DVA balance, if deferred in 2019, could offset some or all of the potential bill increases in 2020 owing to the ICM rate riders.³⁵ As a result, Brantford Power advises that this could mitigate short-to-medium term rate impacts for customers as key outcomes of the RRFE.³⁶

Brantford Power states that it would not object to the disposition of Group 1 DVA balances, if the OEB does not deem the deferral request to be appropriate.³⁷

³¹ Application, pp. 14-15; Staff- 7 b).

³² Staff-7 c)

³³ Staff-7 b)

³⁴ Application, p. 32

³⁵ Application, p. 32

³⁶ Staff-7 d)

³⁷ Staff-7 d)

Staff Submission

OEB staff submits that Brantford Power's proposal to defer the disposition of Group 1 DVA balances is not appropriate. On a net basis, there is a credit balance of \$2,825,258 owing to customers which is three times greater than the disposition threshold on a kWh basis.

OEB staff has reviewed the justification provided by Brantford Power to defer the disposition of Group 1 DVA balances. OEB staff submits that any changes to previously approved rate riders would be rolled into the next year's DVA rate riders.

As part of its deferral request, Brantford Power notes the opportunity to smooth bill impacts in 2019 and 2020. OEB staff does not support Brantford Power's request to use the Group 1 DVA credit balance as a bill reduction measure for a future application. OEB staff notes that the ICM request has neither been made nor approved in the current application. It also provides a potential disincentive to the company to control costs for the ICM project.

If the Group 1 DVA balances are approved for interim disposition, the disposition will include the disposition of balances accrued in 2016 and 2017, and a residual balance from sub-account 1595 (2016) related to 2014 balances. OEB staff submits that the residual balance meets the eligibility requirement to be disposed of one year after the sunset date. The residual balance is considered to be reasonable as the unexplained difference in 1595 (2016) is within 10% of the approved balances, therefore, being under the account 1595 reasonability threshold. Brantford Power confirmed that the impact of disposition would result in bill impacts in the +/- 3% range for all customers, specifically a -1.10% decrease for its typical residential customer in 2019.³⁸

OEB staff submits that the OEB should order the disposition of Group 1 DVA balances of (\$2,825,258) in 2019 rates.

Request for Disposing of Account 1568 LRAMVA

Background

Brantford Power applied for recovery of a debit balance of \$339,536 in lost revenues associated with conservation activities in 2016 and 2017. Following a minor update to

³⁸ Response to Staff-7 f)

the Q4 2018 interest rate applied on carrying charges, Brantford Power's LRAMVA balance requested for disposition was updated to a debit balance of \$339,765.

Staff Submission

OEB staff has no concern with Brantford Power's request to dispose of its revised LRAMVA debit balance of \$339,765. OEB staff has reviewed the calculations and submits that the LRAMVA has been calculated in accordance with OEB policy.

All of which is respectfully submitted.