Welland Hydro-Electric System Corp.

OEB Staff Questions

EB-2018-0075

**Welland Hydro-Electric System Corp. (Welland Hydro)**

**EB-2018-0075**

**Staff Question-1**

**Ref: Rate Generator Model, Tab 3 – Continuity Schedule**

OEB staff notes the sum of the accounts in column BE (OEB-Approved Disposition in 2017) is ($288,304). Account 1595 (2017) shows an amount transferred to this account of $180,887. Please provide a reconciliation of the two. Please also reconcile the interest amounts in column BJ to the amount transferred into Account 1595 (2017).

 **Response:**

**Welland Hydro has corrected the amounts transferred to Account 1595 (2017) to a Principal amount of $144,002 and Interest amount of $44,702. The total amount transferred of $188,704 did not change. A revised 2019 IRM Rate Generator Model has been filed with these interrogatories.**

**The sum of Group 1 accounts in columns BE and BJ (OEB-Approved Disposition in 2017) is a principal amount of ($288,304) and interest amount of ($45,496). The revised amounts in columns BE and BJ transferred to Account 1595 (2017) are a principal amount of $144,002 and an interest amount of $44,702. The difference between the sum of Group 1 accounts in columns BE and BJ and the amounts transferred to Account 1595 (2017) is ($144,302) principal and ($794) interest for a total difference of ($145,096). These differences are the total of the Group 2 balances that were approved for disposition in EB-2016-0110 and were transferred to Account 1595 (2017) as can be seen in the table below:**



**Staff Question-2**

**Ref: Rate Generator Model, Tab 3 – Continuity Schedule**

OEB staff notes the sum of the accounts in column BM (OEB-Approved Disposition in 2018) is ($1,279,008). Account 1595 (2018) shows $nil. Please provide an explanation. Please also reconcile the interest amounts approved in column BN to the amount in Account 1595 (2018) of $nil.

 **Response:**

**Welland Hydro has revised Rate Generator Model, Tab 3 – Continuity Schedule to include the OEB-Approved Dispositions of Principal and Interest in 2018 in columns BM and BN. There is no difference between the sum of accounts in columns BM and BN to the amount transferred to Account 1595(2018).**

**Staff Question-3**

**Ref: Rate Generator Model, Tab 6.2a CBR\_B Allocation**

OEB staff notes that Welland Hydro’s original filing showed immaterial amounts allocated to transition customers for CBR Class B. Therefore a distributor is to transfer the entire OEB-approved CBR Class B amount into the Account 1580 WMS control account to be disposed through the general purpose Group 1 DVA rate riders. OEB staff notes that the Rate Generator Model is designed to automatically do this, however cell D20 on Tab 6.2a should be zeroed out to not show the immaterial allocation.

OEB staff has made this change to Welland Hydro’s model and has provided it along with these questions. Please confirm if Welland Hydro agrees.

 **Response:**

**Welland Hydro agrees with zeroing out cell D20 on Tab 6.2a of the Rate Generator Model.**

**Staff Question-4**

**Ref 1: Rate Generator Model, Tab 12 – RTSR – Historical Wholesale**

**Ref 2: Rate Generator Model, Tab 11 – RTSR – UTRs & Sub-Tx**

A portion of reference 1 is reproduced below.

1. Please explain why the Network rate does not reconcile to the 2017 UTR for Network Service as found at reference 2 (i.e. $3.66).

**Response:**

**Welland Hydro has corrected Tab 12 – RTSR – Historical Wholesale for the Network Rates. The Network rate reconciles to the 2017 UTR for Network Service as found at reference 2 (Tab 11 – RTSR – ITRs & Sub-Tx).**

1. Please explain the Line Connection and Transformation Connection rates for November and December.

**Response:**

**Per the letter from the OEB dated December 22, 2016 regarding EB-2016-0160, the OEB declared the Ontario Uniform Transmission Rates Interim effective January 1, 2017. On November 16, 2017 the draft decision regarding EB-2016-0160 and EB-2017-0280 was updated approving rates effective for January 1, 2017 to December 31, 2017 which were implemented November 1, 2017. As a result, the rates reported on Tab 12 – RTSR – Historical Wholesale for November and December represent the newly approved and implemented 2017 rates.**



**LRAMVA Questions**

**Staff Question-5**

**Ref: Tab 3 (Distribution rates) of LRAMVA Workform**

Tab 3 of the LRAMVA Workform provides a template for distributors to input distribution rates by customer class. LDCs should input the distribution rates for the years that are applicable to the LRAMVA disposition.

Please confirm that the GS 50 to 4,999 kW and Large Use distribution rates in 2015 and 2016 were adjusted for transformer allowance.

**Response:**

**The GS 50 to 4,999 kW and Large Use distribution rates in 2015 were adjusted for transformer allowance. For 2016, the GS 50 to 4,999 kW rates were adjusted for the transformer allowance but the Large User rates were not adjusted. This has been corrected in the revised LRAMVA work form filed with these interrogatories. This correction has increased the LRAMVA claim amount by $1,234, from $89,029 to $90,263. Tab 3 – Continuity Schedule and related tabs of the 2019 IRM Rate Generator Model have been updated to reflect this correction. The revised 2019 IRM Rate Generator Model has also been filed with these interrogatories.**

**Staff Question-6**

**Ref: Tab 4 (2011-2014 LRAM) of LRAMVA Workform**

**Ref: EB-2018-0075 Application, p. 27**

Welland Hydro has stated that it is not claiming the persisting savings adjustments in 2013 and 2014 in the current application. In the LRAMVA Workform, it appears that the persisting savings adjustments in 2013 are included for recovery in 2015 and 2016. Based on IESO reports, staff is of the understanding that there are no adjustments to 2014 programs.

Although lost revenues related to 2013 and 2014 were approved for disposition in the last application (EB-2016-0110), it is permissible to include the persistence of savings adjustments verified by the IESO for recovery in future year LRAMVA claims.

1. Please explain why Welland Hydro is choosing to forfeit the additional savings adjustments from 2013 that were verified by the IESO in later year reports.

**Response:**

**Welland Hydro clarifies and confirms that in 2015 and 2016 it has claimed the persistence of 2013 and 2014 programs into 2015 and 2016. The persisting savings adjustments in 2013 and 2014 have been claimed in the current application.**

1. If Welland Hydro wishes to do so, please adjust the LRAMVA accordingly to remove the persisting savings adjustments from 2013 in 2015 and 2016.

**Response:**

**The LRAMVA claim includes LRAMVA associated with the persistence of 2013 and 2014 programs into 2015 and 2016. Welland Hydro does not wish to remove these savings adjustments from it’s current claim.**

**Staff Question-7**

**Ref: Tab 2 (LRAMVA threshold) of LRAMVA Workform**

**Ref: 2013 Decision and Order (EB-2012-0173), Settlement Agreement, p. 21 of 86**

In Welland Hydro’s 2013 cost of service application, Welland Hydro was approved an LRAMVA threshold of 6,224,831 kWh.

Please insert the kWh for the General Service 50 to 4,999 kW and Large Use classes, so that the total LRAMVA threshold amount in Table 2-a is consistent with the 6,224,831 kWh approved threshold.

 **Response:**

**Welland Hydro has revised Table 2-a in Tab 2-LRAMVA Threshold to include kWh for all customer classes. The total LRAMVA threshold amount is now consistent with the 6,224,831 kWh approved threshold.**

**Staff Question-8**

If Welland Hydro made any changes to the LRAMVA work form as a result of its responses to these questions, please file an updated LRAMVA Workform.

Please confirm any changes to the LRAMVA workform in response to these LRAMVA questions in “Table A-2. Updates to LRAMVA Disposition (Tab 2)”.

 **Response:**

**Welland Hydro has confirmed changes to the LRAMVA workform in Table A-2 of Tab 1 – Summary of Changes of the LRAMVA Workform. Welland Hydro has filed an updated LRAMVA Workform with the responses to these questions.**

**GA Analysis Workform Questions**

**Staff Question-9**

**Ref: GA Analysis Workform**

**Ref: 2019 IRM Model, Tab 3 Continuity Schedule**

1. Please confirm that Welland Hydro used the 1st estimate GA rate for any particular month to record unbilled GA revenue during 2017. If the above is not confirmed, please indicate what rate was used.

**Response:**

**The procedure that Welland Hydro uses to record unbilled revenue is that from January to November, GA unbilled revenue is calculated based on estimated kWh at the GA 1st estimate rate. Unbilled revenue for December is based on actual kwh at the GA 1st estimate rate.**

1. If any rate other than the 1st estimate GA rate was used to record unbilled revenue, an adjustment must be recorded to the principal balances. If Welland Hydro agrees, please calculate the difference between the rate used and the GA 1st estimate and record this difference as a 2017 principal adjustment in the continuity schedule, as well as a reconciling item in the GA Analysis Workform. If Welland Hydro disagrees, please explain why.

**Response:**

**Not applicable as Welland Hydro used the 1st estimate GA rate to record unbilled revenue.**

1. Please confirm that the unbilled GA revenue recorded as of December 31, 2017 is based on actual unbilled consumption rather than estimated unbilled consumption. If the unbilled GA revenue accrual is based on estimated unbilled consumption, please calculate the difference between the estimated unbilled consumption and the actual unbilled consumption at the GA rate used. If the difference is material, please record this amount as both a 2017 principal adjustment in the continuity schedule and a reconciling item in the GA Analysis Workform.

**Response:**

**Welland Hydro confirms that unbilled GA revenue recorded as of December 31, 2017 is based on actual unbilled consumption rather than estimated unbilled consumption.**

**Staff Question-10**

**Ref: 2017 GA Analysis Workform**

**Ref: 2016 GA Analysis Workform (EB-2017-0081)**

In the 2018 rate application (EB-2017-0081), Welland Hydro identified in the 2016 GA Analysis Workform a reconciling item 3b in the amount of ($18,932) for a long-term load transfer recorded in 2017 that pertained to 2016. In the current application, in the 2017 GA Analysis Workform, Welland Hydro has recorded reconciling item 3b in the amount of $64,475 and described this as a 2016 load transfer recorded in 2017.

1. Please confirm that this should in fact be shown under reconciling item 3a (a prior year adjustment that was recorded in the current year).

**Response:**

**Welland Hydro confirms that this amount should be shown under reconciling item 3a and has adjusted the GA Analysis Workform to reflect this change.**

1. If the above is confirmed, please explain why the adjustment is not for $18,932 to reverse the adjustment made in the prior year’s GA Analysis Workform?

**Response:**

**Upon further review of accounts subsequent filing the GA Analysis Workform related to 2016, Welland Hydro discovered that the actual amount that should have been recorded as 2016 load transfer revenue recorded in 2017 under reconciling item 3b should have been $64,475.**

1. If necessary, please adjust the 2017 GA Workform.

**Response:**

**The 2017 GA Analysis Workform has been revised to reallocate the 2016 load transfer revenue recorded in 2017 from reconciling item 3b to reconciling item 3a. The amount of the reconciling item is correct as filed.**

**Staff Question-11**

**Ref: 2017 GA Analysis Workform**

**Ref: Application Page 20-21**

In the 2017 GA Analysis Workform, Welland Hydro has recorded an adjustment for $267,931 to account for the difference between the average billed loss factor of 1.04947 and the actual loss factor of 1.04154.

Please explain how the applicant calculated:

* 1. the average billed loss factor of 1.04947

**Response:**

**Welland Hydro billed consumption from January 1 to April 30, 2017 at a loss factor of 1.0532 and billed consumption from May 1 to December 31, 2017 at a loss factor of 1.0476. These were the rates for a Secondary Metered Customer. As most of Welland Hydro’s customers are Secondary Metered Customers, the impact of Primary Metered Customers would be negligible and therefore have been ignored for the purpose of calculating the average billed loss factor. Welland Hydro calculated the average billed loss factor as follows:**

**[ (1.0532 x 4 months) + (1.0476 x 8 months) ] / 12 months = 1.04947 (A)**

* 1. the actual loss factor of 1.04154

**Response:**

**Welland Hydro reported the following amounts on 2.1.5 of the 2017 RRR Reporting:**

1. **Supply:**
2. **Total kWh of electricity that has flowed into the distributors distribution system from IESO-controlled grid including long-term load transfer supplied, or flowed into the distribution system of a host distributor: 347,356,727 kWh**
3. **Total kWhs of electricity that has flowed into the distributor’s distribution system from all embedded generation facilities: 21,439,643 kWh**
4. **Delivery:**
5. **Total kWh of electricity delivered to all customers in the distributor’s licensed service area to any embedded distributor’s: 353,716,802 kWh**
6. **Total kWhs of electricity delivered on long-term load transfer arrangements: 370,167 kWh**

**Total Supply ( A(i) + A(ii) ) = 368,796,370 kWh**

**Total Delivery ( B(i) + B(ii) ) = 354,086,969 kWh**

**Actual Loss Factor: Total Supply / Total Delivery**

 **(368,796,370 / 354,086,969) = 1.04154 (B)**

* 1. the adjustment of $267,931

**Response:**

**Welland Hydro calculated the loss factor adjustment as follows:**

**Total Metered kWh excluding WMP**

**(not including losses) as reported on RRR**

**and Tab 4 - Billing Det. For Def-Var: 350,703,022**

**Less Class A kWh: (14,542,159)**

**Total Class B Metered kWh excluding WMP**

**and Class A, excluding loss 336,160,863 (C)**

**Total Class B Metered kWh excluding WMP**

**And Class A, including loss at:**

1. **Billed Loss Factor (C) x (A): 336,160,863 x 1.04947 = 352,789,620**
2. **Actual Loss Factor (C) x (B): 336,160,863 x 1.04154 = 350,124,985**

**Difference in kWh = 2,664,635**

**Average 2017 GA Rate = $0.100551**

**GA $ difference due to loss factor adjustment = $267,931**

**Staff Question-12**

**Ref: Appendix A GA Methodology Description**

In response to Question 3c Welland Hydro stated:

*Welland records all of CT 148 to account 1589. This is the actual GA charge for both RPP and non-RPP kwh volume. The estimated GA cost for RPP kWh (CT 1142) is credited to Account 1589. Final true-ups with the IESO for RPP GA is also debited or credited to Account 1589. As a result, the remaining variance in Account 1589 is related to Class B Non-RPP kWh volume.*

Please confirm that, as part of its true-up process for the GA cost that is initially credited to Account 1589, Welland Hydro recalculates and records the difference for the GA attributable to RPP customers for both:

1. the GA price variance (difference between 2nd estimate and actual GA rate for the month) and
2. the RPP quantity variance (difference between estimated RPP kWh for each TOU/Tier and the actual RPP consumption for each TOU/Tier).

**Response:**

**Welland Hydro confirms that, as part of its final true-up process for Account 1589, Welland Hydro recalculates and the records the difference for the GA attributable to RPP customers for both**

1. **the GA price variance, (difference between GA 2nd estimate and actual GA rate) and**
2. **the RPP quantity variance (difference between estimated RPP kWh and actual RPP consumption).**