

**Hearst Power Distribution Company Limited (Hearst Power)
EB-2018-0038
Response to OEB Staff Questions**

Staff Question-1

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

OEB staff is unable to reconcile the amounts entered in cells G21 and L21 for the LV Variance Account to the amounts approved for disposition in Hearst Power’s 2012 rate application¹ as seen below. The Rate Generator Model in the current proceeding shows a principle amount of \$13,535 and interest of \$1,154. Please explain the discrepancy. If any changes are required, please make them to the Rate Generator Model as provided in Staff Question-5.

Account Name	Account Number	Principal Balance	Interest Balance	Total Claim
LV Variance Account	1550	\$65,877	\$4,578	\$70,465
RSVA - Wholesale Market Service Charge	1580	-\$160,763	-\$10,433	-\$171,196
RSVA - Retail Transmission Network Charge	1584	\$19,024	-\$1,237	\$17,788
RSVA - Retail Transmission Connection Charge	1586	-\$156,187	-\$11,684	-\$167,871
RSVA - Power (excluding Global Adjustment)	1588	-\$279,767	-\$89,960	-\$369,727
RSVA - Power - Sub-Account - Global Adjustment	1588	\$70,678	\$4,353	\$75,032
Recovery of Regulatory Asset Balances	1590	-\$13,351	\$9,318	-\$4,213
Disposition and Recovery of Regulatory Balances (2008)	1595			-
Disposition and Recovery of Regulatory Balances (2009)	1595			-
Group 1 Total				-\$549,723

Hearst Power:

The discrepancy is due to an OEB audit finalized in 2014. Please refer to the attached Excel spreadsheet, tab 1, for an explanation with numbers and references.

Staff Question-2

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

Please explain the principle and interest adjustments in columns AV and BA for the 2016 rate year to Account 1580 – Wholesale Market Service Rate.

Hearst Power:

The Principal adjustment is due to the issuance of OEB Accounting Guidance letter on CBR, dated July 25, 2016. Please refer to attached Excel spreadsheet tab 2.

Staff Question-3

¹ EB-2011-0171

Ref: Rate Generator Model, Tab 4 – Billing Det. for Def-Var

Data on this worksheet has been populated using your most recent RRR filing.

Click on the checkbox to confirm the accuracy of the data below.

If you have identified any issues, please contact the OEB.

On Tab 4 of the Rate Generator Model, distributors are required to check off the box to confirm the accuracy of the populated billing determinants. In Hearst Power’s revised Rate Generator Model filed as part of these responses, please ensure the check box is marked off.

Hearst Power:

The box should have been checked off. Hearst Power confirms the accuracy of the RRR data in Tab 4.

Staff Question-4

Ref: Rate Generator Model, Tabs 6.1a GA Allocation and 6.2a CBR_B Allocation

OEB staff has done a calculation for the kWh’s entered in Tab 6.1a GA Allocation (i.e. 33,538,638). Please review the image below and confirm if Hearst Power agrees with OEB staff’s calculation. If Hearst Power agrees, please make the necessary correction to the model provided in Staff Question-5.

Validation of Data used in Class B GA and CBR Allocations						
Total metered volume Excl WMP	A		77,259,506	Source I23 of tab 4. Billing Det. for Def-Var		
Non-RPP excl WMP	B		42,721,259	Source C23 of tab 6.1 GA		
Class A Full year	C		-	Source E23 of tab 6.1 GA		
Class A Full Part year:						
While Class A	D	9,182,621		=+F-E		
While Class B	E	10,213,564		Source D21 of tab 6.1a GA Allocation		
	F		19,396,185	Source G23 of tab 6.1 GA		
Total non-RPP excl WMP and full year volumes for class A customers who were class A for the full year, and the class A volumes who were class A part year	G= +B-C-D		33,538,638	Input in D20 of tab 6.1a GA Allocation	33,534,640	input in Tab 6.1a GA Allocation
Total Class B Customers excl WMP and Full year volumes for customers who were class A for full year, and the class A customers who were class A part year	H=+A-C-D		68,076,885	Input in D20 of tab 6.2a CBR_B Allocation	58,905,656	input in Tab 6.2a CBR_B Allocation

Hearst Power:

Hearst Power agrees with the statement above.

Staff Question-5

Ref: Rate Generator Model, Tab 6.2a CBR_B Allocation

OEB staff notes that Hearst Power’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 Hearst Power’s model and has provided it along with these questions. Please confirm if Hearst Power agrees.

Hearst Power:
Hearst Power agrees.

Staff Question-6

Ref: Rate Generator Model, Tab 8 – STS – Tax Change

Ref: Revenue Requirement Workform (RRWF), 2015 Cost of Service Application (EB-2014-0040)

OEB staff is unable to reconcile the following line items in Tab 8 of the Rate Generator Model to Hearst Power’s RRWF from its previous cost of service application:

- Tax Credits (cell L15)
- Corporate Tax Rate (cell L32)
- Tax Impact (cell L34)
- Grossed-up Tax Amount (cell L36)

OEB staff notes that the tax credits should equal the amount entered in “Other Tax Credits” in the RRWF in the “Taxes/PILs” section. The corporate tax rate should equal the percentage entered in the line for the “Total Tax Rate” in the “Taxes/PILs” section. The tax impact should equal the amount entered in “Income Taxes” in the “Taxes/PILs” section. Lastly, the grossed-up tax amount should equal the amount entered in “Grossed-up Income Taxes” in the “Taxes/PILs” section.

Please provide an explanation for the inputs, and make any necessary corrections to the Rate Generator Model. Please ensure the amounts entered are those that were approved as per the OEB’s decision, and not the figures as per the initial cost of service application filed.

Hearst Power:

- Tax Credits (cell L15) in the amount of \$12,000 reconciles with the Tab T of the PILs model file as part of the settlement agreement in EB-2014-0080. This is also consistent with the 2017 and 2018 IRM applications.

Total Income Taxes
Investment Tax Credits
Miscellaneous Tax Credits
Total Tax Credits

\$	10,182	N = A * M
\$	2,000	O
\$	10,000	P
\$	12,000	Q = O + P

- Corporate Tax Rate (cell L32) should reflect 15% as opposed to 15.50%. This as per Tab T of the PILs model file as part of the settlement agreement in EB-2014-0080.

Combined Tax Rate and PILs	Effective Ontario Tax Rate	4.50%	K = J / A
	Federal tax rate (Maximum 15%)	11.00%	L
	Combined tax rate		M = K + L

15.00%

- Tax Impact (cell L34) in the amount of 10,182 corresponds to the Total Income in Tab T of the PILs model file as part of the settlement agreement in EB-2014-0080.

Total Income Taxes \$ 10,182 N = A * M

- Grossed-up Tax Amount (cell L36) in the amount of 0 corresponds to Tab T of the settlement agreement in EB-2014-0080

Corporate PILs/Income Tax Provision for Test Year \$ - R = N - Q

Corporate PILs/Income Tax Provision Gross Up ¹ 85.00% S = 1 - M \$ - T = R / S - R

Income Tax (grossed-up) \$ - U = R + T

Staff Question-7

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

IESO Month	Network			Line Connection			Transformation Connection			Total Connection
	X q,lw#E,lshg	U dsh	D p rxcqw	X q,lw#E,lshg	U dsh	D p rxcqw	X q,lw#E,lshg	U dsh	D p rxcqw	
January	4,195	\$3.66	\$ 15,354	4,775	\$0.87	\$ 4,154	4,775	\$2.02	\$ 9,646	\$ 13,800
February	4,053	\$3.66	\$ 14,834	4,768	\$0.87	\$ 4,148	4,768	\$2.02	\$ 9,631	\$ 13,780
March	4,391	\$3.66	\$ 16,071	4,725	\$0.87	\$ 4,111	4,725	\$2.02	\$ 9,545	\$ 13,655
April	4,172	\$3.66	\$ 15,270	4,351	\$0.87	\$ 3,785	4,351	\$2.02	\$ 8,789	\$ 12,574
May	3,737	\$3.66	\$ 13,677	4,396	\$0.87	\$ 3,825	4,396	\$2.02	\$ 8,880	\$ 12,704
June	3,560	\$3.66	\$ 13,030	4,188	\$0.87	\$ 3,644	4,188	\$2.02	\$ 8,460	\$ 12,103
July	3,533	\$3.66	\$ 12,931	4,156	\$0.87	\$ 3,616	4,156	\$2.02	\$ 8,395	\$ 12,011
August	3,620	\$3.66	\$ 13,249	4,144	\$0.87	\$ 3,605	4,144	\$2.02	\$ 8,371	\$ 11,976
September	3,675	\$3.66	\$ 13,451	4,323	\$0.87	\$ 3,761	4,323	\$2.02	\$ 8,732	\$ 12,493
October	3,720	\$3.66	\$ 13,615	4,377	\$0.87	\$ 3,808	4,377	\$2.02	\$ 8,842	\$ 12,650
November	4,170	\$3.68	\$ 15,365	4,779	\$0.84	\$ 3,999	4,779	\$2.03	\$ 9,679	\$ 13,677
December	6,700	\$2.57	\$ 17,220	7,679	\$0.66	\$ 5,050	7,679	\$1.59	\$ 12,224	\$ 17,274
Total	49,526	\$ 3.51	\$ 174,066	56,661	\$ 0.84	\$ 47,506	56,661	\$ 1.96	\$ 111,193	\$ 158,699

Please explain the rates for Network, Line Connection and Transformation Connection in November and December.

Hearst Power:

The variance is a result of an IESO error on charge codes 600, 601 and 602 during these months. The IESO communicated to all parties via email, and a copy of the correspondence is attached.

Staff Question-8

Ref: Rate Generator Model, Tab 16 – Rev2Cost_GDPIPI

A portion of the above reference is reproduced below:

# of Residential Customers (approved in the last CoS)	2,272	Effective Year of Residential Rate Design Transition (yyyy)	2015
Billed kWh for Residential Class (approved in the last CoS)	24,683,471	OEB-approved # of Transition Years	5
Rate Design Transition Years Left	1		

Please confirm if in fact Hearst Power began its Residential Rate Design transition in 2015 (calendar year). OEB staff notes that the majority of distributors commenced in 2016 (calendar year) as the policy indicates an effective date of January 1, 2016.

Hearst Power:

Hearst Power confirms that the last COS (EB-2014-0080) included a Resident Rate Design Effective Date of May 1, 2015, and Implementation Date of January 1, 2016.

Staff Question-9

Ref: Rate Generator Model, Tab 16 – Rev2Cost_GDPIPI

Ref: Application, Section 6 – Rate Design for Residential Rate Class

At reference 2, Hearst Power notes that Tab 16 of the Rate Generator Model shows an incremental fixed charge of \$4.14 “which falls marginally above the \$4.00 threshold” for the Residential Rate Design transition. OEB staff notes that this is based on the implementation of the transition to the fixed charge being determined after the price cap adjustment is applied, which is incorrect. OEB staff notes that the policy indicates the \$4.00 threshold should be looked at prior to the price cap adjustment. Therefore, the incremental fixed charge applicable to Hearst Power is \$3.89 as per Tab 16 of the Rate Generator Model, and therefore no rate mitigation is required. Please confirm that Hearst Power agrees.

<u>Rate Design Transition</u>		Revenue from Rates	Current F/V Split	Decoupling MFC Split	Incremental Fixed Charge (\$/month/year)
Current Residential Fixed Rate (inclusive of R/C adj.)	20.0700	547,188	83.8%	16.2%	3.89
Current Residential Variable Rate (inclusive of R/C adj.)	0.0043	<u>106,139</u>	16.2%		

Hearst Power:

Hearst Power agrees.

GA Analysis Workform Questions

Staff Question-10

Ref: Global Adjustment

Hearst Power states:

“RPP/non-RPP true-ups are done every month and since HPDCL requests GA disposal after true-ups are completed, no further adjustments are required.”

- (a) How long after the year-end does Hearst Power keep the books open to ensure that all true-ups were included in the commodity variance accounts for that year?

Hearst Power:

Year-end is December 31st; books are closed around April of the following year. (3-4 months after year end)

- (b) For 2017, when were October, November and December RPP true-ups for CT 1142 completed with the IESO /host distributor?

Hearst Power:

October was completed in the first four business days of December, November was completed in the first four business days of January and December was completed in the first four business days of February.

- (c) Please provide evidence of the completed true-ups per part b) above.

Hearst Power:

Please see the attached Excel spreadsheet named:

- Form 1598 - Nov 2017, with Oct true-up
- Form 1598 - Dec 2017, with Nov true-up
- Form 1598 - Jan 2018, with Dec true-up

- (d) Do Accounts 1588 and 1589 balances proposed for disposition include CT 1142 true-ups per part b) above?

Hearst Power:

No, following a review, Hearst Power noticed errors in 2017 claims and a true-up in 2018 is required for the period of 2017. Please refer to answers in question #11 below for more details.

- (e) How many months before all consumption for a month is billed?

Hearst Power:

15 days. All consumptions are billed monthly, around the 12 to 16 of every month, using the end of previous month consumptions.

- (f) How many months after all billings are completed when all RPP true-up is completed with the IESO /host distributor?

Hearst Power:

Typically, it is 1.5 months.

For example, customer consumption is billed on **February 15th**, using January 31st meter readings. The preliminary reported/claimed in the IESO portal in the **first 4 business days of March**, then true-up of these amounts billed on Feb 15th (January consumption) are completed in the IESO portal in the **first 4 business day of April**. (So, it takes 1.5 months for true-ups to be completed, from mid-Feb to beginning of April in this example)

Staff Question-11

Ref: Table 5 – Deferral and Variance Account balances, Reconciliation, Rate Generator Model, Tab 3 Continuity Schedule

Hearst Power has a debit balance of \$91,195 in Account 1588 for disposition. This balance appears to be high, given that Hearst Power has only 2,659 residential and GS < 50 kW customers. On a per customer basis, this works out to over \$34 per customer. OEB staff notes that Hearst Power has not shown any amounts under 'principal adjustments' in 2017. Hearst Power has stated that balances in both commodity Accounts (1588 and 1589) include true-ups.

- (a) Given that Account 1588 is designed to reflect only the amounts related to unaccounted for energy, after all true-ups for RPP settlements have been recorded in the GL, please explain why does Hearst Power have a relatively material balance in account 1588.

Hearst Power:

Hearst Power reviewed all submission to the IESO in relation to account 1588 two items were identified as erroneous:

1. Data entry error on true-ups: Incorrect data was entered in one box on each of the true-ups completed in July and Sept 2017.
2. The inclusion of the estimated billing 1588 power variance account for January 2018: Every month, the settlement form submitted to the IESO regarding the 1588 variance account includes a monthly forecast/estimation for the current month AND a monthly with true-up for the previous month, all under a single claim. Once the monthly claim is submitted to the IESO, the amount is received as one payment; it is entered in our Accounting General Ledger under only one month. We now realized that this is incorrect and the single claim should be accounted in two separate entries in our GL; the forecast in one month and the true-up in the previous month. A revision is

required to remove the forecast for January 2018 enter in December 2017.

For all above revisions, please refer to excel spreadsheet for more details. Revisions to the RRR filings and the IRM model will be required once we receive final adjustments from the IESO.

- (b) OEB staff has reviewed Hearst Power's RRR 2.1.7 for Account 4705 for 2017. The total for 2017 was \$4,174,712. The balance recorded in 2017 for Account 1588 (before carrying charges) was \$88,544 per the evidence filed, which is more than 21% of the total \$'s paid for energy. The balance is too high, given that the variance recorded should be related to only unaccounted for energy. Please provide reasons for the high balance in Account 1588.

Hearst Power:

Hearst Power has conducted a year review of the account 1588 fillings to the IESO and provided an explanation to the differences in (a) above and in the Excel spreadsheet attached, under the tab "#11".

- (c) When did Hearst Power complete all of its 2017 consumption related RPP settlement true-ups with the IESO or the host distributor?

Hearst Power:

Hearst Power WAS under the impression that all true-ups necessary were completed for 2017 but after this review, a true-up is necessary, for account 1588 balances in the year 2017.

- (d) Please provide evidence that settlement true-ups for all of the 2017 consumption are included in the balance proposed for disposition.

Hearst Power:

Form 1598 for each month in 2017 has been attached. Since additional true-ups are required in 2018 for 2017, account 1588 in the IRM model was updated, and the RRR filings will need to be revised shortly.

LRAMVA Questions

Staff Question-12

Ref: Application, section 11, LRAMVA, p. 24

In Hearst Power Distribution's original application, Hearst Power Distribution applied for disposition of a debit balance of \$52,314. This amount consists of lost revenues associated with new CDM program savings between 2014 and 2017, persisting savings from 2011 to 2016 programs in 2017, and carrying charges. Actual savings were

compared against forecast savings from the LRAMVA threshold established in the 2015 cost of service application.

In the revised application, Hearst Power notes it has reservations regarding the calculations embedded in the OEB's LRAMVA model. Hearst Power notes that the model compares "billed" demand from the threshold from its last board approved cost of service (2015) to "net peak" demand from the IESO verified report. Hearst Power is of the opinion that the comparison is inaccurate and skews the results and per class allocation.

OEB staff understands that LRAMVA disposition is still being requested, but Hearst Power has reserved the right to remove its LRAMVA claim from the application following interrogatories and prior to the issuance of the decision.

- (a) Please confirm whether the "billed" demand from last OEB-approved threshold Hearst Power is referring to affects only the lost revenues from demand billed (kW) classes.
- (b) Please discuss what analysis has been undertaken, if any, to determine a proxy for forecast net peak demand savings to more accurately compare forecast to actual savings in the calculation of the LRAMVA. For example, has Hearst Power considered applying a conversion factor to convert the approved energy savings from the LRAMVA threshold to peak savings for demand billed customer classes?
- (c) Has Hearst Power estimated the amount of lost revenues that is gained, or foregone, due to a potentially inaccurate LRAMVA threshold used?

Hearst Power:

LRAMVA disposition will not be requested with the 2019 rates and will be dealt with during our next Cost of Service application.

Staff Question-13

Ref: Tab 1 - LRAMVA Model, LRAMVA Summary

It appears to OEB staff that the LRAMVA claim of \$52,314 captures 2018 amounts, even though these amounts are not being requested for disposition.

The LRAMVA workform do not show consistent totals included for LRAMVA recovery. Please note the inconsistencies in LRAMVA amounts in the summary tab 1, cells H22 and G43.

Please remove the 2018 rate class lost revenue amounts in row 75 of Tab 1 (Table 1-b) of the LRAMVA workform. Once the 2018 amounts are removed, please ensure that the totals requested for disposition are consistent in the application and the LRAMVA workform.

Hearst Power:

LRAMVA disposition will not be requested with the 2019 rates and will be dealt with during our next Cost of Service application.

Staff Question-14

Ref: Tab 2 – LRAMVA Model, LRAMVA Threshold

In Tab 2 of the LRAMVA workform, the threshold established in 2015 was used as the basis of forecast savings in 2014 and 2017. It would appear that the previous LRAMVA threshold, or forecast CDM savings, developed in the 2010 COS application would be applicable until the next rebasing application when a new load forecast was developed, in this case, in 2015.

- (a) Please discuss whether a CDM adjustment was included in the 2010 load forecast. If no LRAMVA threshold was established then, please discuss appropriateness of applying the CDM adjustment as forecast savings in 2014.
- (b) Please revise the tables accordingly in Tab 2.

Hearst Power:

LRAMVA disposition will not be requested with the 2019 rates and will be dealt with during our next Cost of Service application.

Staff Question-15

Ref 1: EB-2014-0080, Settlement Agreement, Tables 6 a) and b)

Ref 2: Tab 5 of LRAMVA Threshold

In Table 6 of the 2015 Settlement Agreement approved by the OEB in the last COS application, it showed that the 2015 CDM manual adjustment included half of year's savings from 2014 and a full year's saving in 2015. OEB staff would like to ensure that the persisting savings included in the LRAMVA is appropriate.

- (a) Please confirm whether 2011 and 2013 forecast savings were embedded in the 2015 load forecast.
- (b) If yes, please discuss the appropriateness of claiming the persistence of 2011 to 2013 savings in 2015, 2016 and 2017.
- (c) If it is no longer appropriate to do so, please remove these persisting savings from Tables 5-a, 5-b and 5-c.

Hearst Power:

LRAMVA disposition will not be requested with the 2019 rates and will be dealt with during our next Cost of Service application.

Staff Question-16

Ref: Tab 6 – LRAMVA Workform, Carrying Charges

Please revise Tab 6 of the LRAMVA workform so that carrying charges are calculated to the end of April 30, 2019.

Staff Question-17

- (a) If Hearst Power made any changes to the LRAMVA work form as a result of its responses to these LRAMVA questions, please file an updated LRAMVA work form.
- (b) Please confirm any changes to the LRAMVA workform in response to these LRAMVA questions in “Table A-2. Updates to LRAMVA Disposition (Tab 2)”.

Hearst Power:

LRAMVA disposition will not be requested with the 2019 rates and will be dealt with during our next Cost of Service application.