

**Bluewater Power Distribution Corporation (Bluewater Power)
Responses to OEB Questions
EB-2018-0019
January 17, 2019**

Staff Question-1

Ref: Application, Section 1, Page 6

As indicated in Bluewater Power's application, OEB audit staff are conducting an audit of Bluewater Power's accounts 1588 and 1589¹ for the 2016 and 2017 calendar years, as per the OEB's decision in EB-2017-0027. As of the filing of this application, the audit is still ongoing. Bluewater Power is requesting disposition of its Group 1 deferral and variance account (DVA) balances in anticipation that the audit will be complete prior to the issuance of a decision.

- (a) Please provide an estimated timeline of when Bluewater Power anticipates the audit to be complete.

Bluewater sought direction from the OEB auditors in regard to the target date for completion of the audit and they anticipate the audit to be completed by the end of January 2019.

- (b) Please confirm what Bluewater Power's position would be if the audit is not complete by the time the OEB is prepared to make a decision on this application.

Bluewater is optimistic the audit will be complete prior to the OEB making a decision on this application, however, should that not be the case, Bluewater would propose at a minimum, approval to dispose the other Group 1 balances excluding RSVA – Power, and RSVA – Global Adjustment. The amount of the remaining Group 1 accounts totals \$(1,509,479) which is a credit to customers, and does exceed the threshold for disposition. We submit this is a material amount that should be returned to customers.

In regard to the disposition of Accounts 1588 and 1589, Bluewater would request that disposition be granted on an interim basis which is consistent with the guidance indicated in the OEB letter dated July 20, 2018, RE: OEB's Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts.

¹ Inspection of Power and Global Adjustment Deferral and Variance Accounts and New True-Up Process of RPP Settlement

Staff Question-2

Section 3.2.5.3 - Commodity Accounts 1588 and 1589 of the Filing Requirements state:

Certification of Evidence

Given issues that have arisen with commodity accounts 1588 RSVA Power and 1589 RSVA GA balances, the OEB now requires a certification by the Chief Executive Officer (CEO), or Chief Financial Officer (CFO), or equivalent. The application must include a certification that the distributor has robust processes and internal controls in place for the preparation, review, verification and oversight of the account balances being disposed, consistent with the certification requirements in Chapter 1 of the filing requirements.

OEB staff notes that while Bluewater Power has provided an itemized list of its internal controls beginning on page 22 of its application, it has not provided the above noted certification. Please file the applicable Certification of Evidence.

[Please find attached as Appendix A to these responses the Certification of Evidence.](#)

Staff Question-3

Ref 1: Rate Generator Model, Tab 1 – Information Sheet

Ref 2: Application, Section 2, Page 8

OEB staff notes that Bluewater Power has selected “Annual IR” on Tab 1 of the Rate Generator Model, however the application indicates that Bluewater Power is applying under the Price Cap IR methodology.

Please confirm which rate-setting method Bluewater Power is applying under and make any necessary corrections to the model.

[Bluewater is applying under the Price Cap IR methodology and has made the appropriate change to Tab 1.Information Sheet of the Rate Generator model.](#)

Staff Question-4

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

Ref: Application, Section 5, Page 12

Bluewater Power has entered an amount approved for disposition in column AK – “OEB-Approved Disposition in 2015” for Account 1595 (2012) in the amount of (\$66,733). The OEB’s decision in EB-2014-0057 approved an amount of (\$66,733) for Account 1595 (2009), and not 2012.

Bluewater Power has entered an amount approved for disposition in column AU – “OEB-Approved Disposition in 2016” for Account 1595 (2012) in the amount of (\$109,461). The OEB’s decision in EB-2015-0053 approved an amount of (\$109,461) for Account 1595 (2010), and not 2012.

In its application, Bluewater Power indicates that while these amounts are not being requested for disposition in this rate application, they have been separately identified in the “OEB-Approved Disposition” columns to ensure each column sums to zero.

While OEB staff understands the intent of the inputs, the continuity schedule should reconcile to the previous decisions of the OEB. It is not necessary that the columns sub to zero. Given that Account 1595 sub-accounts for 2009-2011 have been removed in the Rate Generator Model, Bluewater Power does not need to show these amounts separately. Please make the necessary corrections to the Rate Generator Model. And if there is a variance in account 1595 (2012) in column BV after the corrections are made, please provide explanations for the variance.

Bluewater Power has removed the amounts pertaining to accounts 1595 (2009) and (2010) as noted in the question above. We have also removed account 1595 (2011) in the amount of \$35,926CR as approved in EB-2016-0057. The remaining variance of \$20,002CR is from account 1595 (2012) which was also approved in EB-2016-0057 and this amount remains in cell BE-31. We are not requesting disposition of this specific amount in this current rate application.

Staff Question-5

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

Ref: Application, Section 5, Page 12

Bluewater Power indicates in the application that it incorrectly booked the approved Share Tax Adjustment amount related to 2016 in the 1595 (2017) account – this amount is included in the 2.1.7 RRR amount for 2017. Bluewater Power has now allocated 2016 and 2017 approved Share Tax amounts to the respective rate application year separately. Therefore, cell BV35 of the Continuity Schedule shows a variance of (\$31,054) and cell BV36 shows a variance of \$31,054.

OEB staff suggests Bluewater Power file a RRR revision to correct the 2017 year-end residual balances in account 1595 (2016) and 1595 (2017) in its 2017 RRR 2.1.7 filing to reflect the above noted correction. Once the revision is completed, OEB staff will update the RRR numbers in the Rate Generator Model so that there will be no variance amounts in 1595 (2016) and 1595 (2017) indicated in column BV.

Bluewater submitted a RRR revision request on January 16, 2019 to credit Account 1595 (2017) by \$31,054 and debit Account 1595 (2016) by \$31,054.

Staff Question-5**Ref: Rate Generator Model, Tab 8 – STS-Tax Change**

OEB staff understands based on questions posed to Bluewater Power in its 2018 IRM application (EB-2017-0027) that the “Taxable Capital” amount entered on tab 8 reconciles to the 2013 cost of service RRWF “Settlement Agreement” column. This is because the OEB fully accepted the settlement proposal in its decision, and therefore the RRWF was not updated to reflect the settlement proposal values under the column headed “Per Board Decision”.

Please confirm that the same applies to the “Taxable Income” amount.

Confirmed.

Staff Question-6**Ref: Rate Generator Model, Tab 9 – Shared Tax-Rate Rider**

OEB staff notes that tab 9 has not been populated with Bluewater Power’s previous cost of service data. While Bluewater Power is proposing that the tax-sharing amount in this application be booked into Account 1595 for future disposition due to immaterial rate riders, the data must be entered to show that this amount in fact produces immaterial rate riders. OEB staff notes that the Rate Generator Model will produce a pop-up box (shown below).

If the allocated tax sharing amount does not produce a rate rider in one or more rate class (except for the Standby rate class), a distributor is required to transfer the entire OEB-approved tax sharing amount into account 1595 for disposition at a later date (see Filing Requirements, Appendix B)

Please make the necessary entries into the Rate Generator Model.

The data has been populated in Tab 9 of the model.

Staff Question-7**Ref 1: Rate Generator Model, Tab 3 – Continuity Schedule****Ref 2: Account 1595 Analysis Workform****Ref 3: Application, Section 5, Page 25**

- 1) Please explain why the total residual balance for Account 1595 (2016) in reference 2 of \$165,230 does not match the RRR 2.1.7 number of \$177,586 in reference 1. (OEB staff understands that the current RRR balance in 1595 (2016) does not include the Share Tax amount for 2016, therefore this number is comparable for 1595 analysis purposes.)

Bluewater has made a small adjustment to the value in cell G13 of Account 1595 (2016) workform to remove \$21.

Furthermore, Bluewater submitted a RRR revision request on January 16, 2019 to reallocate \$12,335 as follows: credit Account 1595 (2016) \$12,335, and debit Account 1595 (2017) \$12,335. This reallocation is related to a short term load transfer from August 2017 that should be properly reflected in Account 1595 (2017) rather than Account 1595 (2016). Related to this, an adjustment was also required in Tab 3 – Continuity Schedule of the rate model, specifically Cell BD36 has a \$12,335 credit adjustment and cell BD37 has a \$12,335 debit adjustment in order to properly reflect the short term load transfer amount to the proper year.

To summarize the RRR 2.1.7 adjustments:

	1595 (2016)	1595 (2017)
original balance in Tab 3	177,586	(455,822)
question #7 adjustment - STLT reallocation to correct year	(12,335)	12,335
	165,251	(443,487)
question #5 adjustment - tax savings reallocation to correct year	31,054	(31,054)
corrected balance in Tab 3 (column BU balance at Dec 31, 2017)	196,305	(474,541)

The revised balance in Tab 3 – Continuity schedule will be \$196,305 once these two adjustments are made through the RRR 2.1.7 revision process. We note that this balance includes the \$31,054 shared tax adjustment, whereas the 1595 workform does not because this amount did not form part of the original Group 1 2016 rate riders.

- 2) In 1595 Analysis Workform – Tab 1595 2016, the RRR data required in column L “Billed Consumption per RRR filings” of the tables under Step 3 should be Bluewater Power’s 2016 RRR consumption data, not the 2014 RRR data that was used in the 2016 rate generator model. Please update the data in column L in the three tables accordingly.

Column L has been updated with 2016 RRR consumption data.

- 3) In 1595 Analysis Workform – Tab 1595 2016, OEB staff notes that the residual balance in Total Group 1 excluding GA calculated in Step 1 is in amount of \$5,626 (cell H13). However, the total residual balance for Group 1 excluding GA calculated in the first 2 tables in Step 3 is in amount of \$1,516 (cell J57+J86). Please provide explanation for this difference in total residual balances. And if needed, please make necessary corrections to 1595 Analysis Workform (and the Continuity Schedule if it's affected) with explanations.

Given the response to part 1 of the response above, the updated residual balance is \$5,647 (cell H13). As OEB staff noted, the recalculated residual balance for Group 1 is \$1,516 (cell J57 & J86). Bluewater notes the variance between the two (\$5,647 - \$1,516) is just over \$4,000 and is related to the difference between the kWh presented in Column H as 'Billed consumption that the rider was applied against' and the actual billed kWh. Bluewater does not bill all its customers on a calendar month basis, however we have queries that fairly closely approximates the calendar month consumption. Thus the variance is due to the difference between actual billings and the approximate calendar month kWh as presented in Column H.

In addition, the billing determinants to which the rate rider applies are greater than 350 million kWh and over 1.3 million kW, so the quantum of the above noted variance is not material.

- 4) In 1595 Analysis Workform – Tab 1595 2016, OEB staff notes that the residual balance in account 1589 GA calculated in Step 1 is in amount of \$147,370 (cell H14). However, the total residual balance for GA calculated in the 3rd table in Step 3 is in amount of \$75,016 (cell J115). Please provide explanation for this difference in the residual balances. And if needed, please make necessary corrections to 1595 Analysis Workform (and the Continuity Schedule if it's affected) with explanations.

Bluewater has updated the statistics in Column H of Table 3 under Step 3. The residual balance has been updated to \$135,139 as compared to \$147,370 in Step 1 for a variance of \$12,231 which is not material and can be explained with the same reason for the variance outlined in response to question 3 above.

- 5) Bluewater Power provided explanations on why the GA disposition amount was under collected in the Notes and Comments box in the 1595 Analysis Workform and on page 25 of the application. Please explain why the DVA disposition amount (total Group 1 excluding GA) was under collected.

For the total Group 1 account excluding GA, Bluewater submits that there will always be a variance between the disposition amount applied for and the actual disposition. This is because the statistics used to calculate the rate rider, in this case, were 2014 statistics as compared to the period the rate rider was effective which was from May 1, 2016 to April 30, 2017. There is customer movement between rate classes, and lower

or higher consumption related to conservation or growth which will result in different billing statistics.

In the case of the Rate Rider – RSVA – GA, Bluewater updated the notes at the bottom of the 1595 (2016) tab to note that the variance is related to a number of factors. There is variance related to the number of customers signed up with retailers between 2014 and 2016/2017, there is lower usage for the street lighting class as a result of implementing LED streetlights (ie. lower consumption), and there was a customer that moved from the General Service 1000-4999 kW (Intermediate) rate class to the Large Use rate class, and Tariff Schedule for the Large Use rate class did not include a rate rider for the Disposition of Global Adjustment Account (2016). All of these factors lead to a variance in the amount collected compared to the original amount of disposition. Bluewater notes that the variance is less than 10% for the Total Group 1 and Group 2 balances which is below the OEB's materiality for the Account 1595 Workform.

Staff Question-8

Ref 1: Rate Generator Model, Tab 20 – Bill Impacts

Please complete the data input in column M (required for every rate class) and column N (for the USL rate class) of Table 1 and update this tab by clicking the “UPDATE” button.

RTSR Demand or Demand-Interval?	Billing Determinant Applied to Fixed Charge for Unmetered Classes (e.g. # of devices/connections).
DEMAND - INTERVAL	
	10
	800

The model has been updated for column M and N.

Staff Question-9**Ref 1: Application, Section 5, Page 16-19****Ref 2: Rate Generator Model, Tab 3, Tab 6.2a and Tab 6.2****Ref 3: Chapter 3 Filing Requirements**

Bluewater Power is proposing to dispose of the balance in Sub-account CBR Class B through this application. As noted in Section 5 of the application, the total amount in Sub-account CBR Class B is \$20,396, which includes a portion of \$1,747 pertaining to the transition customers, and a balance of \$18,649 pertaining to current Class B customers. However, since the balance of \$18,649 does not produce a rate rider greater than zero within 4 decimal places for all rate classes, Bluewater Power proposes to transfer the CBR amount of \$18,649 (net of transition customers' portion) to Account 1580 WMS and dispose the amount through DVA riders. Bluewater Power proposes to allocate the CBR amount of \$1,747 to its transition customers through customer-specific charges.

As it's stated in Chapter 3 Filing Requirements, if a distributor had any Class A customers during the period where the Account 1580 CBR Class B Sub-account balance accumulated, a separate rate rider will be calculated in the rate generator model. In the event that the allocated CBR Class B amount results in a volumetric rate rider that rounds to zero at the fourth decimal place in one or more classes, the entire balance in Account 1580 Sub-account CBR Class B will be added to the Account 1580 WMS control account to be disposed through the general purpose Group 1 DVA rate riders.

Please note that the "entire balance" in the above statement means the full amount in Sub-account CBR Class B including the portion pertaining to transition customers. Therefore, in Bluewater Power's case, the total amount of \$20,396 should be allocated to control Account 1580 WMS and be disposed through the DVA rate riders. Please make necessary adjustments to the rate generator model.

Prior to submitting the original rate application, Bluewater sought direction from OEB staff on the interpretation of the handling of the Class A transition customers and was directed to proceed as we had proposed in the application. However, given the low materiality we do support adding the entire balance including the amount related to the transition customers to Account 1580 WMS to be disposed through the general purpose Group 1 rate riders. We have made the appropriate change in Tab 3 – Continuity Schedule and the resulting request for disposition is \$20,396.

LRAMVA Questions

Ref: Bluewater LRAMVA WF Version 3.0_20181105, Tab 5

**Bluewater_2017 Final Verified LDC CDM Program Results_20181105, Tab:
LDC Progress**

Preamble

As part of Bluewater's LRAMVA, it has requested approval of lost revenues that have occurred in 2016 and 2017.

- a) Please reconcile the following 2016 verified savings included within the LRAMVA workform to the IESO verified results. If necessary, please file an updated LRAMVA workform with your response.
 - i. 2016 Save on Energy Retrofit Program
 - 1) 2016 Verified Savings in 2016
 - LRAMVA WF = 2,169,223 kWh (D304)
 - IESO Report = 2,146,732 kWh (AS16)
 - 2) 2016 Adjustments in 2016
 - LRAMVA WF = 2,592,647 kWh (D305)
 - IESO Report = 2,845,850 kWh (AT16)
 - 3) 2016 Adjustments in 2017
 - LRAMVA WF = 2,615,138 kWh (E305)
 - IESO Report = 2,845,850 kWh (AT16)
- b) Please reconcile the following 2017 verified savings included within the LRAMVA workform to the IESO verified results. If necessary, please file an updated LRAMVA workform with your response.
 - i. 2017 Save on Energy Coupon Program
 - LRAMVA WF = 3,302,399 kWh (D469)
 - IESO Report = 2,649,493 kWh (AV7)
 - ii. 2017 Save on Energy Instant Discount Program
 - LRAMVA WF = 2,724,036 kWh (D475)
 - IESO Report = 1,972,715 kWh (AV8)
 - iii. 2017 Save on Energy Retrofit Program
 - LRAMVA WF = 3,248,461 kWh (D485)
 - IESO Report = 3,431,569 (AV16)
 - iv. 2017 Save on Energy Small Business Lighting
 - LRAMVA WF = 63,401 kWh (D488)
 - IESO Report = 62,253 kWh (AV17)

For (a) and (b) above, Bluewater has utilized the data off the IESO Report tab called “LDC Savings Persistence” for the relevant year. Per the instructions on the OEB LRAMVA workform, row 45 indicates to use the persistence data from Tab 7 which is the data sourced from the persistence report of the IESO data. It appears that OEB Staff is utilizing data under the column headings ‘Net Incremental 2020 Annual Energy Savings’ which is the values persisting to 2020, whereas Bluewater submits that the data to be used is the first year energy savings as that is what impacts the lost revenue each year. Bluewater believes the data used in the workform is correct, and no changes are required.

- c) Please explain why the following rate class allocations do not add up to 100%:
- i. 2017 Save on Energy Retrofit Program - Rate class allocation only adds up to 92%.
 - ii. 2017 Save on Energy Small Business Lighting Program - Rate class allocation adds up to 101%.

The percent allocation by program will not add to 100% because some programs affect multiple rate classes, and those programs that pertain to the GS<50 rate class use kWh for the billing determinant and those that pertain to the GEN>50 and Intermediate rate classes use kW for the billing determinant thus you cannot add the kWh and kW allocations together. See Table 1 below to show the breakdown:

Table 1 – 2017 Energy Retrofit Program

Rate Class	kWh%	kW%
GS<50	20.2%	28.4%
GEN>50	79.2%	71.2%
Intermediate	0.6%	0.4%
	100.0%	100.0%

Table 2 – 2017 Small Business Lighting

Rate Class	kWh%	kW%
GS<50	22%	21%
GEN>50	78%	79%
	100%	100%

Appendix A

Certification of Evidence

Certification of Evidence

As part of the Chapter 3 Filing Requirements dated July 12, 2018, an application filed with the OEB must include a certification that the distributor has robust processes and internal controls in place for the preparation, review, verification and oversight of the account balances being disposed, consistent with the certification requirements in Chapter 1 of the filing requirements.

I, Mark Hutson, VP and Chief Financial Officer of Bluewater Power Distribution Corporation ("Bluewater Power") certify that Bluewater Power has robust processes and internal controls in place for the preparation, review, verification and oversight of the account balances being disposed. The evidence filed is accurate to the best of my knowledge and consistent with the requirements under Chapter 3 of the Filing Requirements.



Mark Hutson, VP and CFO



Date