



Wellington North Power Inc.

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January 11th 2019

Ontario Energy Board
Attention: Kirsten Walli, Board Secretary
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: OEB File: EB-2018-0076
2019 Price Cap IR Distribution Rate Application - Wellington North Power Inc.
Applicant Responses to OEB Staff Questions**

On December 27th 2018, Wellington North Power Inc. (WNP) received eight (8) questions from OEB Staff regarding the LDC's 2019 IRM Rate Application (OEB case number EB-2018-0076.) Please find enclosed the Applicant's responses to the questions raised.

An electronic copy of this letter containing responses to the questions raised has been filed on the Board's web portal together with an updated 2019 IRM Rate Generator model and GA Analysis Workform.

Should the OEB have questions regarding this matter please do not hesitate to contact me.

Respectfully submitted,

Original Signed By

James Klujber

Chief Executive Officer / President

Wellington North Power Inc.

c.c. Georgette Vlahos – Advisor, Rates - Incentive Rate-setting and Accounting, OEB

Wellington North Power Inc. (Wellington North Power)

2019 IRM Application

EB-2018-0076

Applicant's Responses to OEB Staff Questions

Staff Question-1

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 Wellington North Power has not provided the above noted certification in its filed evidence. Please file the applicable Certification of Evidence.

Wellington North Power Inc. Response:

As required, a signed “*Certification of Evidence*” was filed on the Board’s web portal on January 2nd 2019 (filing confirmation number 36736).

Staff Question-2

Ref: Rate Generator Model, Tab 16 – Rev2Cost_GDPIPI

OEB staff has updated Wellington North Power’s Rate Generator Model taking into account the 1.5% input price index applicable to 2019 applications announced by the OEB¹. OEB staff has provided the updated model along with this document. Please confirm Wellington North Power’s acceptance of the updated model.

Wellington North Power Inc. Response:

Wellington North Power has reviewed the updated Rate Generator model and confirms the information is correct.

¹ <https://www.oeb.ca/industry/applications-oeb/electricity-distribution-rates/2019-electricity-distribution-rate#updates>

Staff Question-3

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

Please explain the driver(s) behind the large recoverable balance in Account 1550 – LV Variance Account.

Wellington North Power Inc. Response:

In December 2016, Wellington North Power Inc. (WNP) energized a new second 44kV line to supply the Town of Mount Forest – one of the LDC's service territories. This new 44kV line was constructed by WNP and Hydro One Networks Inc. (HONI). New Primary Meter Equipment was installed at the demarcation point between HONI and WNP and consequently, this is a new delivery point that HONI can charge WNP.

As per the LDC's 2016 Distribution System filed² with the WNP's 2016 Cost of Service rate application, this new 44kV line was a capital investment project necessary to handle anticipated future energy demand at Mount Forest. The Town of Mount Forest is now fed by two 44kV lines – one from the south from HONI's Palmerston TS and the second from the north from HONI's Hanover TS.

The Town of Mount Forest's monthly peak demand is typically between 9,000kW to 10,000kW. With two 44kV lines supplying Mount Forest, the combined kW demand of both lines therefore should be between 9,000kW and 10,000kW per month (not accounting for outages and major events). Since the energization of a second 44kV line, there have been instances where HONI has invoiced WNP a "double-peak demand charge", that is to say the aggregated peak demand for the two PME metered supply points has been in excess of 10,000kW, as summarized in the table below:

Event	Usage Month	Event Cause	HONI's Monthly Transmission Invoice to WNP		
			kW Demand from Hanover	kW Demand from Palmerston	Total kW Demand
			(non-adjusted)	(non-adjusted)	
1	December 2016	Planned - WNP	9,623.25	5,003.08	14,626.33
2	June 2017	Planned - HONI	8,388.81	5,515.03	13,903.84
3	July 2017	Unplanned outage	8,363.97	7,511.29	15,875.26

Below is a summary of the events:

- Event #1: On December 23rd 2016, the new 2nd line feeder to Mount Forest was energized. This "double-peak demand charge" was expected as some load was switched from Hanover TS feeder to Palmerston TS Feeder.

² Wellington North Power 2016 Cost of Service rate application EB-2015-0110, Exhibit 2 – Appendix 2A - Distribution System Plan – 5.4.5.3.1 "Second 44kV Feeder to Mount Forest"

- Event #2: All electricity load was transferred to one feeder, Hanover TS, on June 8th. This was requested by Hydro One to facilitate HONI's planned rebuild of the Palmerston TS. (HONI capital plan for rebuild of its Palmerston TS was to build a new TS next to the aging transformer substation. The "old" TS could be powered-up and used if required.)
- Event #3: There was a Loss of Supply to WNP's service territory at approx. 2pm on July 19th when a dump truck with a raised box struck and brought down Hydro One's powerlines. At the time of the accident, the powerlines were energized and being fed from Hanover TS. HONI requested all load be transferred from the Hanover TS to the "old" Palmerston TS on a temporary basis, therefore restoring power and enabling crews to work safely to make repairs to the damaged powerlines. All load was transferred from Hanover TS to Palmerston TS at approx. 4pm on July 19th 2017. Hydro One completed repairs and all load was transferred back to Hanover TS on July 20th at approx. 3pm.

In its 2016 Cost of Service rate application (EB-2015-0110), WNP did not account for "double-demand peak charging" charged by HONI when forecasting its Low Voltage Service Rates. The events listed above have resulted in WNP incurring higher HONI Transmission invoices than anticipated, hence the large recoverable balance as at December 31st 2017 in Account 1550 – LV Variance Account.

The illustration below contains two tables: Table 1 showing the actual HONI transmission invoices charged to WNP for the months when the 3 events listed above occurred; and Table 2 showing actual HONI transmission invoices charged to WNP for the same periods only 12 months earlier.

Table 1 Actual HONI Transmission Invoice				Table 2 Actual HONI Transmission Invoice - same period 12 months prior				Variance
Usage Month	Hanover TS Feed kW Demand (non-adjusted)	Palmerston TS Feed kW Demand (non-adjusted)	Total kW Demand	Usage Month	Hanover TS Feed kW Demand (non-adjusted)	Palmerston TS Feed kW Demand (non-adjusted)	Total kW Demand	Table 1 Total compared to Table 2 Total
Dec-16	9,623.25	5,003.08	14,626.33	Dec-15	9,005.70	0.00	9,005.70	
Jun-17	8,388.81	5,515.03	13,903.84	Jun-16	9,169.22	0.00	9,169.22	
Jul-17	8,363.97	7,511.29	15,875.26	Jul-16	9,086.47	0.00	9,086.47	75%
Usage Month	Charges (exc HST)	Charges (exc HST)	Total Charges (exc HST)	Usage Month	Charges (exc HST)	Charges (exc HST)	Total Charges (exc HST)	Table 1 Total compared to Table 2 Total
Dec-16	\$ 65,185.72	\$ 38,100.34	\$ 103,286.06	Dec-15	\$ 62,008.47	\$0.00	\$ 62,008.47	
Jun-17	\$ 55,612.59	\$ 41,462.29	\$ 97,074.88	Jun-16	\$ 62,110.21	\$0.00	\$ 62,110.21	
Jul-17	\$ 55,447.94	\$ 56,287.71	\$ 111,735.65	Jul-16	\$ 61,549.70	\$0.00	\$ 61,549.70	82%

Note:

- kW Demand is non-adjusted kW demand
- All charges includes Retail Tx Rate - Network, Retail Tx Rate Trans. Connection, Common ST Lines, Monthly Service Charge and Volumetric Rate Riders and excludes HST

The following observations can be drawn from the tables illustrated above:

- Table 1 and Table 2 show the kW demand for the Town of Mount Forest as billed by HONI. As noted in Table 2, the monthly kW demand is between 9,000kW and 10,000kW as expected.
- Because of the events that occurred in December 2016, June 2017 and July 2017 as described above, the load is 62%, 52% and 75% higher when compared to the months of December 2016, June 2016 and July 2016.
- WNP acknowledges there has been some load growth in the town of Mount Forest reaching a peak of 10,197 kW in January 2017 (Hanover TS = 3,445 kW and Palmerston TS = 6,752 kW); however the demand has not exceeded this amount unless there was an event as described previously.
- The unplanned events of June 2017 and July 2017 resulted in HONI Transmission invoices for these months being 56% and 82% higher when compared to the invoices of June 2016 and July 2016.

In conclusion, the large recoverable balance as at December 31st 2017 in Account 1550 – LV Variance Account is a consequence of WNP being “double-peak demand billed” by HONI due to events beyond the control of WNP (with the exception of when the new 2nd line 44kV feeder was energized on December 23rd 2016.)

Staff Question-4

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

OEB staff notes a typographical error in column AZ of the above reference for Account 1551 – Smart Metering Entity Charge Variance Account. Wellington North Power has entered an OEB-approved interest disposition amount of \$257. OEB staff notes that Wellington North Power's 2016 cost of service application shows an amount of \$157 approved by the OEB. Please make the necessary correction to the model as provided in Staff Question-2.

Wellington North Power Inc. Response:

WNP has updated the Continuity Schedule in the latest IRM Rate Generator model to correct the "*OEB-Approved Disposition during 2016*" interest amount to \$157.

WNP has filed an updated version of the 2019 IRM Rate Generator on the OEB's web portal to reflect the change noted above.

Staff Question-5

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

Ref: 2016 Cost of Service Application, EB-2015-0110, RRWF

OEB staff is unable to reconcile the Taxable Capital amount entered of \$8,265,840. OEB staff notes the Total Rate Base approved in Wellington North Power's previous cost of service application was \$9,452,221.

OEB staff is also unable to reconcile the Corporate Tax Rate entered on tab 8 to Wellington North Power's previous OEB-approved RRWF.

Please provide references for the above noted inputs. If any changes are required, please make them to the Rate Generator Model as provided in Staff Question-2.

Wellington North Power Inc. Response:

WNP has updated worksheet "8. STS Tax Change" in the latest IRM Rate Generator model to show the Total Rate Base of \$9,452,221 as approved in the Applicant's 2016 Cost of Service rate application (EB-2015-0110)³.

WNP has also changed the Corporate Tax Rate to 0% in worksheet "8. STS Tax Change" in the latest IRM Rate Generator model to reflect the rate included in the Applicant's approved 2016 Cost of Service rate application (EB-2015-0110)⁴.

WNP has filed an updated version of the 2019 IRM Rate Generator on the OEB's web portal to reflect the change noted above.

³ 2016 Cost of Service Rate application, EB_2015-0110: Revenue Requirement Workform V6, worksheet "4. Rate Base" Total Rate Base consisting of Net Fixed Assets of \$8,265,840 plus Allowance for Working Capital of \$1,186,382

⁴ 2016 Cost of Service Rate application, EB_2015-0110: Revenue Requirement Workform V6, worksheets "3. Data Input sheet" and "6.Taxes_PILS"

Staff Question-6

Ref: Account 1595 Workform, Account 1595 (2014)

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

Please explain why the total residual balance in the Account 1595 Workform for 2014 of \$29,994 does not match the residual balance in this account shown in the continuity schedule of \$31,109. If any changes are required, please make the necessary corrections and file any revised models.

Wellington North Power Inc. Response:

In the Account 1595 Workform for 2014, the total residual balance of \$29,994 (cell J15) is the principal balance and carrying charges as December 31st 2017. This amount reconciles to the balances reported in the Continuity Schedule for the period ending 2017 (i.e. principal balance of \$43,193 [cell BG33] plus closing interest charges of -\$13,200 (cell BL33)).

In the Continuity Schedule, the amount \$31,109 (cell BT33) includes the principal and interest amount as at December 31st 2017 plus projected interest for the following periods:

○ January 1 2018 to December 31, 2018:	\$804
○ January 1, 2019 to April 30, 2019:	\$312
<hr/>	
Total Projected interest on 2017 balance:	\$1,116

In the Account 1595 Workform for 2014, the residual balance of \$29,994 does not include the projected interest amounts as shown above.

In WNP's opinion, no changes are required to either the Account 1595 Workform – 2014 or the Continuity Schedule contained in the IRM Rate Generator model.

GA Analysis Workform Questions

Staff Question-7

Ref: Application – 11.8.1 Deferral and Variance Account Analysis

Ref: Application 11.8.6 Settlement Process with the IESO

In the explanation of variances between the closing December 31, 2017 Reporting and Record-Keeping Requirements (RRR) balances and what is being reported by Wellington North Power in the 2019 Rate Generator Model, Wellington North Power explains that an amount of \$91,250 (variance in Account 1588) was identified as an under-recovery with respect to RPP Settlement with the IESO. This amount was discovered as a result of an annual reconciliation that occurred after the 2017 year-end and posted in the 2018 financial year.

Further, Wellington North Power also explains that the Net System Load Shape is estimated for the purposes of the Form 1598 Submission and that the estimated RPP kWh are “based on the most current month RPP billing stats as a proxy”.

- (a) Does Wellington North Power have a process in place to true-up the consumption amounts for the purposes of RPP Settlement on a monthly basis, rather than on an annual basis? If so, please describe this process, including how the nature and timing of the data that is used to determine the actual RPP consumption totals for a settlement month (including each TOU/Tier category's kWh) differs from the data used to estimate consumption when submitting Form 1598 on day four following a settlement month.
 - (b) Please explain how the annual reconciliation process differs from the monthly consumption true-up process (if one exists) and why the annual reconciliation process identified consumption differences that were not realized by the monthly true-up process.
 - (c) Please explain whether the annual reconciliation process was also performed for the 2015 and 2016 fiscal years. If so, please provide the quantum of the adjustments calculated for those years. If one was not performed, please prepare the same analysis for those years, or alternatively, explain why this reconciliation would not be required for those periods.
 - (d) Please explain why the information discovered in the annual reconciliation would not affect the RPP and Non-RPP percentage split that was used in 2017 to allocate Charge Type 148 – Global Adjustment between Accounts 1588 and 1589.
 - (e) If an adjustment is needed to the Charge Type 148 allocations as a result of the information discovered in the annual reconciliation, please recalculate the Charge Type 148 allocations for all affected periods (any months affected between 2015 and 2017) and record those differences as principal adjustments in the Rate Generator Model and GA Analysis Workform, as necessary.
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Wellington North Power Inc. Response:

- a) No, WNP does not perform a monthly true-up process for consumption.
- b) The annual reconciliation process involves extracting the actual billed consumption data for the whole year for each RPP/TOU customer account and comparing the billed energy volume to the settlement energy volume.

As detailed in the LDC's Application, section 11.8.6 "Settlement Process with the IESO", under the monthly settlement process, the consumption submission is based on taking the settlement period's Net System Load Shape (NSLS) and applying the most current RPP billing statistics to derive the TOU and Tiered rates. The annual reconciliation process looks at what was actually billed by TOU and Tiered buckets (i.e. On-Peak, Mid-Peak and Off-Peak as well as Tier 1 and Tier 2) and compares it to the IESO monthly submitted data.

- c) The applicant confirms that the annual reconciliation process was also performed for the 2015 and 2016 fiscal years. The results are summarized in the tables below:

2015		
	kWh Variance	Settlement Variance
Regulated Price Plan – 1 st Tier	3,062	\$42.38
Regulated Price Plan – 2 nd Tier	25,396	(\$1,333.59)
TOU – Off-Peak	1,893,459	\$773.66
TOU – Mid-Peak	204,474	(\$15,317.02)
TOU – On-Peak	218,526	(\$23,089.89)

Note: Negative value = LDC to pay IESO; Positive value = IESO to pay LDC.

2016		
	kWh Variance	Settlement Variance
Regulated Price Plan – 1 st Tier	23	(\$140.53)
Regulated Price Plan – 2 nd Tier	(12,534)	(\$1,259.35)
TOU – Off-Peak	327,968	3,574.62
TOU – Mid-Peak	16,338	(\$1,575.42)
TOU – On-Peak	22,611	(\$7,876.81)

Note: Negative value = LDC to pay IESO; Positive value = IESO to pay LDC.

- d) The Annual reconciliation only calculates the GA amounts owed for RPP consumption. There are always variances on which TOU category consumption is allocated to and these are

reconciled in the annual calculation. The variation between the estimated GA rate and the actual GA rate is calculated monthly.

- e) There is no adjustment to the division of GA between RPP and non-RPP customers which results from the annual reconciliation.

Staff Question-8
Ref: GA Analysis Workform

Please answer the following to help clarify the reconciling item of \$500,430 in 2017 for the adjustment to the cumulative unbilled revenue entry (Please note that, although Wellington North Power has provided a copy of its general ledger for Accounts 1588 and 1589 from 2015 to 2017, OEB staff's intent is to gain a better understanding of the methodology for how these figures are calculated and what they represent).

- (a) Please confirm that journal entries to correct all unbilled revenue misallocations (from 2015 to 2017) between Accounts 1588 and 1589 were recorded in 2017. If this is not the case, please indicate when the correcting journal entries were made to the general ledger.
 - (b) The amounts of (\$221,740) for 2015 and \$58,474 for 2016 were identified as the GA unbilled misallocations between Account 1588 and 1589. The sum of these amounts is (\$163,266). Assuming that these corrections were journalized in 2017 (as inquired in part a) above), please explain why the reconciling item for 2017 is not just the reversals of these two entries, being \$163,266.
 - (c) Please confirm that of the \$500,430 reconciling item in 2017, \$163,266 of this amount is represented by the reversal of the 2015 and 2016 entries made to the general ledger in 2017.
 - (d) If the answer to part c) is confirmed, please explain what the remaining amount of \$337,164 represents.
 - (e) Was the amount of \$337,164, discussed above, an adjustment that was journalized into Wellington North Power's general ledger in 2017 or 2018?
 - (f) If the answer to part e) is 2017, please explain why a reconciling adjustment in the GA Analysis Workform is needed for 2017, as this would already be reflected in the 2017 transactions for the year. If the answer to part e) is 2018, please explain why a debit of \$337,164 in Account 1589 is not required in the principal adjustments column in 2017 in the Rate Generator Model, in order to adjust the 2017 transactions that were not corrected until 2018.
 - (g) If a principal adjustment is required in 2017 to Account 1589, please confirm that a credit adjustment of the same amount is required in the principal adjustments column for Account 1588. If not, please explain why this adjustment would not affect Account 1588.
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Wellington North Power Inc. Response:

- a) We confirm that the correcting entries between accounts 1588 and 1589 were recorded in 2017

- b) The assessment provided is correct to Jan 1, 2017, however the correction was not posted until Jun 30, 2017 when the method of calculation was corrected. Therefore the transfer between 1588 and 1589 also must include the correction amounts for the first 6 months.
- c) WNP confirms that \$163,266 of the \$500,430 is represented by the reversal of the 2015 and 2016 entries made to the general ledger in 2017.
- d) When the changes were made in 2017, there were a couple of iterations for the calculations, including during GA Workform questions for the 2018 IRM. The \$337,164 is comprised of the change in GA unbilled between Jan 1 and June 30, 2017 of \$95,264.63 and an offsetting adjustment of \$241,899.68 which took place in 2018.
- e) The amount was entered into the accounts in 2017, but the adjustment to that amount was entered in 2018.
- f) The original change was made June 30, 2017 and modifications were made later as a result of the questions from OEB staff. The end result was that not all the required re-calculations were included in the 2017 numbers. The Excel file "GA Workform Data Adjustments-2019-01-18" contains a tab labelled "Unbilled Calculations" which continues the calculation of the unbilled changes until Jun 30, 2017. Of the 337,164, \$241,900 was adjusted between 1588 and 1589 in 2018 and the remaining \$95,264 was the adjustment between the beginning of 2017 and June 30, 2017 when the process was corrected. The previously itemized Excel also contains the calculation for an adjustment for load losses in the "Losses" tab. This adjustment was added to the GA workform. With the responses WNP has resubmitted the GA Workform, Rate Generator Model and supporting files.
- g) All of the adjustments which are required to correct the issue with the recording of unbilled values has a net effect of zero. Any entry on the 1589 account requires a reciprocal entry to the 1588 account.