EPCOR Electricity Distribution Ontario Inc. (EPCOR)
EB-2018-0025

OEB Staff-1

Ref: Tab 6.1a GA Allocation and Tab 6.2a CBR B_Allocation

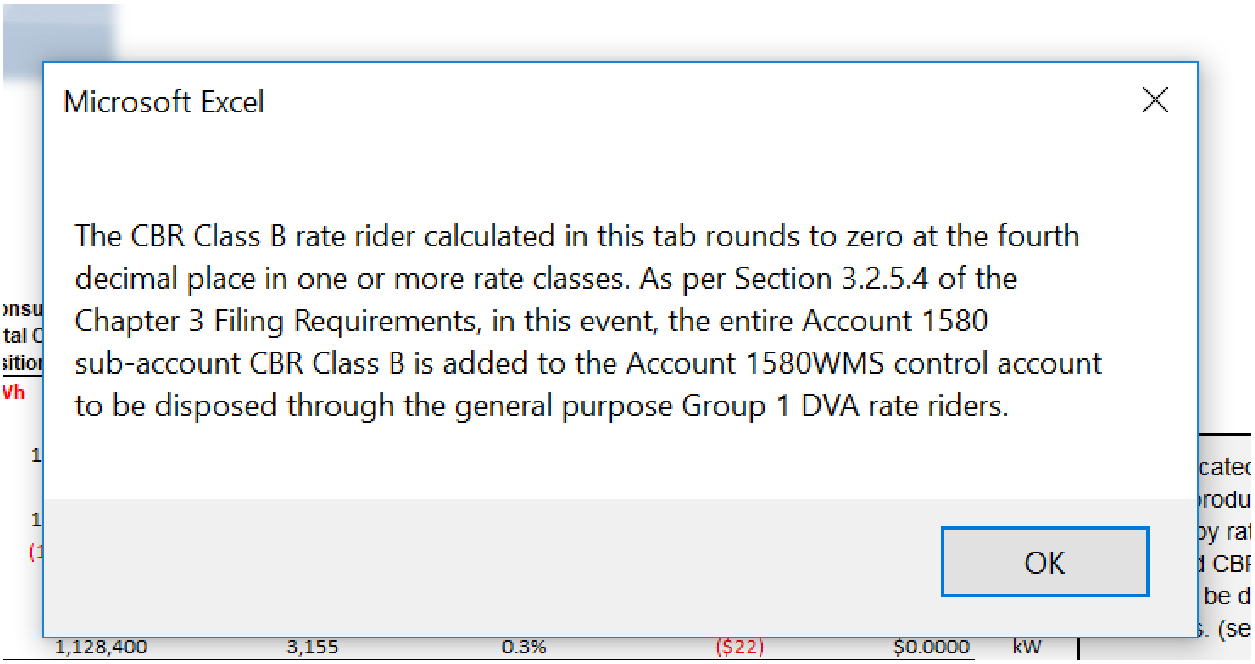
OEB staff has done a calculation for the kWh's entered in Tab 6.1a GA Allocation and Tab 6.2a CBR B_Allocation. Please review below and confirm EPCOR agrees with OEB staff's calculation, if not please explain why. OEB staff confirms Tab 6.1a GA Allocation is correct.

Validation of Data used in Class B GA and CBR Allocations				
Total metered volume Excl WMP	A		288,676,433	Source I22 of tab 4. Billing Det. for Def-Var
Non-RPP excl WMP	B		132,308,382	Source C22 of tab 6.1 GA
Class A Full year	C		34,170,403	Source E22 of tab 6.1 GA
Class A Full Part year:				
While Class A	D	9,490,405		=+F-E
While Class B	E	9,137,946		Source D21 of tab 6.1a GA Allocation
	F		18,628,351	Source G22 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		88,647,574	Input in D20 of 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		245,015,625	Input in D20 of tab 6.2a CBR_B Allocation

EPCOR Response: EPCOR agrees with the OEB staff's calculation. As a result, cell D20 on tab 6.2a of the rate generator has been updated with the correct value of $245,015,625.

OEB Staff-2

Ref: Tab 6.2a CBR_B Allocation and Tab 6.2 CBR B



The message above pops up on Tab 6.2 CBR B, therefore the amount in Account 1580 Variance WMS – Sub-account CBR Class B will roll up into Account 1580WMS control account. OEB staff will remove the kWh's entered in cell D20 of Tab 6.2a CBR B_Allocation, please confirm EPCOR agrees.

EPCOR Response: EPCOR confirms agreement with the adjustment.

OEB Staff-3

Ref: Tabs 4 and 5 of LRAMVA Work Form (current LRAMVA in 2019 IRM)
Tabs 4 and 5 of LRAMVA Work Form (previous LRAMVA in 2018 IRM)

In the current LRAMVA application filed for 2016 lost revenues, EPCOR Electricity Distribution has claimed the following persisting savings amounts in the GS<50 kW class from 2011 to 2015:

2011 persistence in 2016: 183,473 kWh

2012 persistence in 2016: 553,023 kWh

2013 persistence in 2016: 700,543 kWh

2014 persistence in 2016: 886,424 kWh

2015 persistence in 2016: 621,911 kWh

In the 2018 IRM application, the persisting savings amounts in the GS<50 kW class from 2011 to 2015 were as follows:

2011 persistence in 2016: 232,534 kWh

2012 persistence in 2016: 1,201,088 kWh

2013 persistence in 2016: 1,189,278 kWh

2014 persistence in 2016: 1,085,614 kWh

2015 persistence in 2016: 933,254 kWh

a. Please clarify the reason for the change in historical persistence amounts claimed from 2011 to 2015 into 2016.
b. Are additional persistence adjustment amounts included? If yes, please highlight the additional savings amounts in the relevant tables in Tabs 4 and 5 of the LRAMVA workform to indicate what changed from the 2018 IRM and the current application.
c. Please discuss the appropriateness of claiming additional savings persistence from 2011 to 2014 period.

EPCOR Response:

(Note: The savings amounts above have been mislabeled. The first data set represents the approved values from 2017-0034 and the second represents what was originally submitted in v2 of 2018-0025. Numbers have been aligned with the first data set, highlighted in yellow, for clarity.)

2011-2014 persistence: An allocation error between classes was made in the retrofit program. An updated version has been prepared which has corrected the error. These amounts should not have changed from year to year and have been adjusted in a revised workbook submission.

2015 persistence: Two adjustments of the 2015 verified savings occurred, due to rebasing in the lighting programs (after disposition in 2017-0034). As a result, the persistent savings related to 2016 were reduced. These adjustments are reflected in a revised workbook submission.

	Disposed Amount	Adjusted Amount	Variance
Equipment Replacement	801,847	693,222	-108,625
Direct Install Lighting and Water Heating	200,345	153,970	-46,375

Revision have been noted in tab 1-a. Summary of Changes of the revised workbook.

OEB Staff-4

Ref: Tab 6 of LRAMVA Work Form

In Tab 6, it appears that projected interest to the end of Q2 2019 has been included in the LRAMVA amount.

Please revise Table 6-a to ensure that projected carrying charges up to May 1, 2019 is included in the LRAMVA claim.

EPCOR Response: The workform has been revised to make this change.

OEB Staff-5

If EPCOR Electricity Distribution 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.

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

EPCOR Response: An updated workform has been prepared. The changes noted in response to questions OEB Staff-3 & OEB Staff-4 has been added to tab “1-a. Summary of Changes”.

As a result of these changes, an updated rate model has also been included with this submission. 2018_0025_IRM-Rate-Generator-Model_EPCOR_v3.

OEB Staff - 6

Ref: GA Analysis Workform

Under Note 4 of the GA Analysis Workform, Class B Non-RPP monthly consumption totals are calculated by inputting the current month's billed consumption (Column F), subtracting the prior month's closing unbilled consumption (Column G), and adding the current month's closing unbilled consumption (Column H). EPCOR's 2017 GA Analysis Workform includes data only for column H, and some of the data includes negative numbers.

a) Please explain what the figures in column H represent.

EPCOR Response: The figures in column H represent the net change in unbilled revenue from billed amounts to metered consumption for each month.

The value is presented as a net value due to the methodology required to determine accurate metered data. EPCOR. EPCOR bills residential and GS<50 customers (RPP & non-RPP) on a cyclical basis (typically 28 or 35 days). As a result, billing periods often overlap a two month timeframe (January 12-February 8). In order to best determine metered data (as opposed to billed data), consumption during these periods, values are prorated evenly over the number of days in each month.

In the example above, assuming 1000kWh of consumption:

January 12-31 = 20 days – 714kWh
February 1-8 = 8 days – 286 kWh

As a result of this allocation method, the amount of unbilled revenue cannot properly be split out between previous month deduction and current month addition. Instead the value represents the variance between what was actually billed and what was calculated to be consumed.

b) Please repopulate the GA Analysis Workform to include the unbilled consumption from the prior and current months (Column G and H, respectively). Alternatively, if the Workform been populated in such a way that Column I presents the actual kWh consumed each month (billed or unbilled), please explain.

EPCOR Response: Column I has been populated in a way that presents the actual kWh calculated to be consumed each month (using the methodology explained in point (a) above).

EPCOR is aware of the added complexity that cyclical billing creates in the reconciliation process and is currently developing plans to migrate to a calendar month billing process to improve this (anticipated launch of January 2020).

OEB Staff - 7

Ref: Application; Section 8. Global Adjustment ("GA") Page 15

EPCOR has indicated that, to determine the proportional percentages of RPP and Non-RPP consumption, the following calculation is used (Where A is the RPP consumption for conventional meters and B is the consumption for Smart Meters):

Power Purchased: (RPP) (A + B) / Total System Load

Charges GA: (Non-RPP) Total System Load – (A + B) / Total System Load

a) Please confirm that the denominator (Total System Load) does not include any Class A consumption. In addition, please explain how Total System Load is determined to ensure that no Class A consumption is included.

EPCOR Response: EPCOR confirms that the denominator amount doesn't not include any Class A consumption.

"Total System Load" is determined by exporting the monthly delivered consumption as measured by our wholesale metering points, removing Class A customers consumption and adding in generation amounts.

b) Please explain how Class A consumption is accounted for when determining the amounts in A and B above (conventional and smart meter consumption, respectively).

EPCOR Response: EPCOR currently has five Class A customers. Class A consumption is excluded from these amounts as metered data is available on a customer detail basis for interval metered customers using our ODS tool UtiliSmart Settlement Manager.

c) If Class A consumption has erroneously been included in any of the elements identified above, please prepare an analysis that calculates what the appropriate true-up of Charge Type (CT) 1142 and CT 148 would be and record these differences as 2017 principal adjustments in Tab 3 of the Rate Generator Model.

EPCOR Response: No Class A consumption has been included and as a result, no adjustments are required.

OEB Staff - 8

Ref: IRM Rate Generator Model, Tab 3 (re: Accounts 1588 and 1589)

Ref: Appendix A – GA Methodology Description

Ref: EB-2017-0034 Interrogatory Responses "Response toStaff GA Questions Collus Round 2 - CPS responses.docx" filed 2018-02-09

EPCOR stated that, in conjunction with its 2018 Rate Application (EB-2017-0034), principal adjustments in 2016 (Column AV in Tab 3 of the Rate Generator Model) were approved for disposition. These adjustments include a debit entry of $6,820,710 in Account 1588 and a credit entry of ($5,455,543) in Account 1589. EPCOR further stated that:

"These changes above were included as a result of the special purpose audit of the balances in its RSVA – Power and RSVA – GA accounts and were included in the 2017 financial statement balances. There is no reversal required."

In the 2018 Rate Application (EB-2017-0034), in responses to Interrogatory Question 9 c) filed on February 9, 2018 EPCOR stated:

"The entries for the billing error were recorded in the general ledger on December 31, 2016. The billing error exceeds materiality for the purposes of our audit and therefore the auditors required an adjusting entry to our 2016 balances and the restatement of the balance sheet. This was done in combination with the other auditor required restatement for 2016 related to the Power and Global Adjustment audit."

a) Please confirm that these adjusting journal entries were reflected in the restated 2016 financial statement balances.

EPCOR Response: Confirmed. These entries were reflected in the restated 2016 financial statement balances.

b) Please confirm that if the Rate Generator Model was repopulated for 2016 based on the restated 2016 financial statements, the amounts in the 2016 principal adjustments (Column AV) would instead be reflected in the 2016 transactions for the year (Column AT).

EPCOR Response: Confirmed. If the rate generator model was repopulated, those adjustments would be reflected in the 2016 transaction column. The adjustments have remained in column AV for consistency with the 2017-0034 rate application.

c) Please confirm that these adjusting journal entries are <u>not</u> reflected in the 2017 transactions (Column BD of Tab 3 of the 2019 Rate Generator Model), and hence, why a reversing entry is not required to remove those adjustments from 2017 transactions.

EPCOR Response: Confirmed. These are not reflected in the 2017 transactions column and as such, a reversing entry is not required.

d) If any of the above are not confirmed, please provide further explanation to clarify why reversing entries are not required for the 2016 Principal Adjustments.

EPCOR Response: N/A as questions 8a-8c were confirmed.

OEB Staff - 9

Ref: IRM Rate Generator Model, Tab 3 (re: LV Variance Account 1550)

OEB staff notes that the balance of EPCOR's USoA account 1550 is significant. The amount being requested for disposition is $538,661. These balances represent the principal and interest transactions during 2017 plus forecasted interest to April 30, 2019.

a. Please provide an explanation for the large size of the account balance.

EPCOR Response:

This account is used to record the net of:

i) the amount charged by a host distributor to an embedded distributor for transmission or low voltage services, Account 4750, including accruals AND

ii) the amount billed to the embedded distributor's customers based on the embedded distributor's approved LV rate(s) in, Account 4075, including accruals.

Since 2014, the low voltage service rates have remained consistent while the Hydro One Common ST lines charge has increased by 77% which has contributed to a higher annual request for disposition. 2017 results are consistent with 2016.

b. Please provide a quantitative analysis for amounts paid and amounts collected through base distribution rates (or other means) that reconciles this large balance, if practicable.

	2014	2015	2016	2017	Variance
Amounts Paid	670,066	813,249	1,000,761	959,150	*43%*
Amounts Collected	(441,788)	(427,349)	(432,331)	(420,489)	*-5%*
Net	228,278	385,900	568,430	538,661	*136%*