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December 15, 2016

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

Board File EB-2016-0072

**Re: Application for Distribution Rates Effective May 1, 2017
Revision of Incentive Regulation Mechanism Submission**

Dear Ms. Walli:

Greater Sudbury Hydro Inc (“GSHi”) is writing to inform the Board of its intent to revise its application for distribution rates effective May 1, 2017 under the Fourth Generation Incentive Regulation Mechanism (“Rate Application”) as filed on November 7th, 2016.

GSHi noted in its Manager’s Summary that it intended to revise its application for an adjustment to the 2015 year-end balances.

During 2016 GSHi performed a review of its methodology used for the IESO true-up, and in turn how the balances in accounts 1588 & 1589 are derived. With the goal of improving the accuracy of the balances in these accounts, GSHi identified that some changes were required to the methodology used. GSHi has applied the new methodology to the 2015 year-end numbers and an adjustment has been quantified, with revised numbers submitted as part of this revision to the filing. A description of the newly designed true up process is included below.

Should you have any questions or require further information, please contact the undersigned.

Yours Truly,

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IESO TRUE UP PROCESS

OVERVIEW

PROVIDING CONSUMPTION ESTIMATES TO IESO / TRUE UP PROCESS

As previously communicated to the OEB, during 2016 GSHI identified that some changes were required to its processes relating to the accounting for OEB account 1588, account 1589 and the IESO RPP true up.

GSHI's revised true up methodology closely follows the examples of Article 490 from the Accounting Procedures Handbook.

By the 4th business day of each month, GSHI submits its filing for the initial RPP true up to the IESO for the previous consumption month. GSHI uses the amount posted in its billing system in a given month for the inputs required for this filing. For example, the filing for November 2016 will utilize the billed consumption, billed amount, system-calculated WAP and system-calculated Global Adjustment pertaining to the electricity that was actually billed in the month. These figures will calculate a preliminary true-up amount for the month of November that will flow on line 142 of the IESO invoice.

GSHI's new methodology intends to true up these initial submissions on a quarterly basis. Under this new method, the submission to the IESO for the February 2017 settlement month would include a true up for Q4 2016 (covering the months of October, November and December 2016). Quarterly true-ups will consistently be submitted 2-months lagging the end of a given quarter.

To quantify the final RPP true up value, it is necessary to determine an accurate consumption split between RPP and non-RPP customers. GSHI starts by querying from its billing system a report that lists all electricity bills issued for a given month. This report details the consumption dates covered by each bill, the total kWh and other pertinent information (RPP \$ billed, RPP/non-RPP customer status). GSHI prorates the consumption for each individual bill into the appropriate month (ie: a bill for 800kwh total consumption with 15 days of consumption in each of November and December will have 400kwh allocated to each respective month). With every bill prorated in this manner, GSHI is able to determine the total kWh billed to RPP and non-RPP customers pertaining to a given consumption month. The total RPP dollars billed to customers are prorated into monthly buckets in the same manner.

With proper monthly cut-off of total kWh billed to RPP and non-RPP customers, it is possible to determine the percentage split of the portion of purchases pertaining to RPP customers. This percentage is applied to the total kWh, cost of commodity and cost of global adjustment purchased by GSHI from its energy suppliers (IESO, HONI, generation, etc) for the month being trued up.

Given all the data now available, GSHI calculates the following:

- 1 1) How much GSHI paid for the commodity that pertains to RPP customers.
2 2) How much GSHI paid for the GA that pertains to RPP customers.
3 3) How much GSHI collected from RPP customers pertaining to the kWh GSHI purchased
4 from its energy suppliers (calculated by dividing the prorated RPP \$ total by the
5 prorated kWh total and multiplying this value by the RPP kWh purchased by GSHI).

6 Part 1) and 2) above are summed and compared to part 3). The difference between the two
7 values is the final true-up amount, and is the value that should have been paid to/received from
8 the IESO for the given consumption month. This value is compared to the initially submitted
9 estimate, and the difference between the initially submitted estimate and this value is trued up
10 on a quarterly basis.

11 GSHI was careful to closely follow the example in Article 490 of the Accounting Procedures
12 Handbook for this portion of the calculation in order to ensure that any inefficiency in GSHI's
13 billing loss factor is appropriately captured in account 1588, and the appropriate amount is
14 ultimately being trued up with the IESO.

15 **DEFERRAL AND VARIANCE ACCOUNTS**

16 GSHI revised Sheet 3 of the Rate Generator model titled "Continuity Schedule". GSHI notes that
17 two new variances now exist in column BV of this sheet - \$(229,038) for account 1588 – RSVA
18 Power and \$374,835 for account 1589 – RSVA Global Adjustment. These variances represent
19 adjustments to the 2015 year-end balances and are a result of the revised methodology as
20 described above being applied retrospectively.

21 Also impacting the balances/variances is the adjustment for the interest incurred on the two
22 accounts for the year. The support for how this interest was re-calculated and adjusted is
23 included as Appendix A in this document.

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1 The adjustments recorded are as follows:

<u>Account</u>	<u>Account Desc</u>	<u>Debit</u>	<u>Credit</u>
500-0000-172-03-06	Global Adjustment Deferral	-	440,807.52
500-0000-171-01-03	Commodity Deferral	440,807.52	-
Re-class to adjust balance in 1589 to correct amount as of December 31, 2015			
<u>Account</u>	<u>Account Desc</u>	<u>Debit</u>	<u>Credit</u>
500-0000-171-01-03	Commodity Deferral	-	133,884.00
500-0000-300-01-01	Payable/receivable to/from IESO	133,884.00	-
Adjust due to/from IESO for calendar 2015.			
<u>Account</u>	<u>Account Desc</u>	<u>Debit</u>	<u>Credit</u>
500-4405-909-09-09	Regulatory Interest Revenue	77,885.99	
500-0000-171-01-04	Commodity Deferral (INTEREST)		77,885.99
500-6035-664-09-05	Regulatory Interest Expense		65,972.60
500-0000-172-03-07	Global Adjustment Deferral (INTEREST)	65,972.60	
Adjust YE interest balances for accounts 1588 and 1589 as of December 31, 2015.			

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