


Greater Sudbury Hydro Inc. – 2019 Rates Application (EB-2018-0034)
OEB Staff Questions
January 30, 2019

Question #1

Ref: IRM Model, Tab 1

In Greater Sudbury Hydro's 2018 rates application (EB-2017-0042), the Group 1 DVA accounts balances as of December 31, 2016 were not disposed of since the balances did not exceed the pre-set disposition threshold. Therefore, the rate year associated with this disposition should be 2017, which was the last time the Group 1 accounts were disposed of. In tab 1 of the IRM model, Greater Sudbury Hydro selected 2018 as the rate year in which the Group 1 accounts were last cleared. Please confirm if the rate year should be corrected to 2017. – **Confirmed, yes it should be corrected to 2017.**

| | | |
|--|--|---|
| | Version | 2 |
| Utility Name | Greater Sudbury Hydro Inc. | |
| Assigned EB Number | EB-2018-0034 | |
| Name of Contact and Title | Tiija Luttrell CPA, CA Supervisor Regulatory Affairs | |
| Phone Number | 705-675-0514 | |
| Email Address | tiija.luttrell@gsuinc.ca | |
| We are applying for rates effective | Wednesday, May 1, 2019 + | |
| Rate-Setting Method | Price Cap IR | |
| Please indicate in which Rate Year the Group 1 accounts were last cleared ¹ | 2018  | |
| Please indicate the last Cost of Service Re-Basing Year | 2013 | |

Question #2

Ref: 2019 IRM Application, Tab 2 (LRAMVA Threshold) of LRAMVA workform 2009 Decision and Order, EB-2008-0230, pp. 7-8

Greater Sudbury Hydro applied for disposition of a debit balance of \$668,660 in lost revenues associated with new CDM program savings between 2012 and 2016 and carrying charges.

In the LRAMVA claim as filed, there are no forecast savings in 2012, and as a result, the full impact of lost revenues in 2012 is claimed. However, in the 2009 Decision and Order, EB-2008-0230, it appears that 2.618 GWh was quantified as the CDM manual adjustment to the 2009 load forecast.

- a) Please confirm whether the 2009 approved load forecast had in fact included 2.618 GWh to compensate for the reduction in CDM.

Not confirmed. The CDM adjustment made to the 2009 load forecast relate to verified CDM savings from 2006 and 2007 that were not reflected in GSHI's data (see EB-2008-0230 Supplementary Interrogatories, VECC-38 & VECC-40). This adjustment does not include 2008 and 2009 CDM activities that would form the basis of an LRAMVA threshold.

GSHI's 2009 load forecast does not include an adjustment to forecast lost revenues from CDM programs to compare against actual CDM lost revenues. The provision of including forecast CDM targets into load forecasts was added to the 2012 CDM Guidelines and does not appear in the 2008 CDM Guidelines that existed when the 2009 load forecast was produced. The absence of a 2012 threshold is consistent with calculations of the disposition of 2010 LRAM and 2011 LRAMVA in EB-2012-0126, which similarly did not consider an LRAMVA threshold.

Additionally, the referenced 2.618 GWh is a revision to 2006/2007 CDM adjustment used in the 2009 load forecast. The original figure 4.044 GWh (EB-2008-0230 GSHI Reply Argument, page 7) was reduced by the 2.618 GWh figure cited in the interrogatory (EB-2008-0230 Decision and Order, page 7), lowering the 2006/2007 CDM adjustment to 1.426 GWh.

- b) If a) is confirmed, please discuss the appropriateness of not applying 2.618 GWh as the forecast savings in 2012 to determine the 2012 lost revenue impacts. As is currently filed, the full impact of 2012 lost revenues is claimed as there are no forecasted savings for 2012.

See response to a) above. There were no forecasted savings for 2012.

Question #3

Ref: LRAMVA workform

- a) If Greater Sudbury Hydro made any changes to the LRAMVA work form as a result of its responses to question 2, please file an updated LRAMVA work form. There are no changes to the LRAMVA work form. See response to Question #2 a).

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

Not applicable.

Question #4

Ref: IRM Model, Tab 3

In the continuity schedule for 2016, Greater Sudbury Hydro has input an interest adjustment for Account 1589 as highlighted below. Please explain this adjustment.

| Account Descriptions | Account Number | Principal Balance as of Dec 31, 2016 | Interest Amounts as of Jan 1, 2016 | Interest Jan 1 to Dec 31, 2016 | OEB-Approved Disposition during 2016 | Interest Adjustments ¹ during 2016 |
|--|----------------|--------------------------------------|------------------------------------|--------------------------------|--------------------------------------|---|
| Group 1 Accounts | | | | | | |
| LV Variance Account | 1550 | 322,938 | 2,646 | 2,720 | 3,089 | |
| Smart Metering Entity Charge Variance Account | 1551 | (19,491) | (1,077) | (173) | (341) | |
| RSVA - Wholesale Market Service Charge ⁵ | 1580 | (2,384,421) | (84,113) | (27,091) | (86,167) | |
| Variance WMS – Sub-account CBR Class A ⁵ | 1580 | 0 | 0 | | | |
| Variance WMS – Sub-account CBR Class B ⁵ | 1580 | (77,605) | 0 | | | |
| RSVA - Retail Transmission Network Charge | 1584 | (235,713) | 15,385 | (1,945) | 16,374 | |
| RSVA - Retail Transmission Connection Charge | 1586 | 74,199 | 43,102 | 5,819 | 47,019 | |
| RSVA - Power ⁴ | 1588 | (79,145) | (1,673) | (1,550) | (787) | |
| RSVA - Global Adjustment ⁴ | 1589 | (36,728) | 25,660 | (56,699) | 29,242 | 65,973 |
| Disposition and Recovery/Refund of Regulatory Balances (2012) ³ | 1595 | 0 | (1,280) | (17) | (1,297) | |

As part of IRs with Board staff while preparing the 2018 rate year IRM, GSH answered this question. That response is included here for your convenience:

“in looking closely at the interest calculation for 1588 and 1589, I have discovered an issue with our internal continuity spreadsheet for 2016 year-end, which caused an incorrect final year-end adjusting entry to the interest in account 1589 (pertaining to 2016 & therefore not yet disposed of). The adjustment required is to debit the 1589 Global Adjustment deferral interest account by \$65,972.66. For the purpose of maintaining an accurate balance continuity I have recorded the transaction in our 2017 general ledger and reflected it as an adjustment in the “Interest Adjustments during 2016” column. In the revised 2018 IRM model, the “Variance in RRR vs. 2016 Balance” column now has a variance of \$65,973 which is this adjustment.”

This adjustment was recorded in the 2017 general ledger but pertained to 2016 so in the IRM continuity is being shown in 2016. If Board staff prefer this adjustment show in the 2017 year in order to have in-year balances agree to RRR-reported figures, our continuity can be changed to accommodate this. Please let us know.

Question #5

Ref. Attachment 4, Question 2

This question requests certain information regarding the recording and true-up of the monthly CT 1142 charge from the IESO related to its RPP settlements.

- a) Please confirm whether OEB staff's understanding of Greater Sudbury Hydro's IESO settlement process is correct. The initial RPP settlement with the IESO for a given month uses estimates for RPP consumption, the GA rate, and the WAP. On a quarterly basis, Greater Sudbury Hydro will true up each of these estimated components of the IESO settlement, to actual. If any of the above is not correct, please clarify as needed. - GSHI confirms OEB Staff's understanding is correct.
- b) Greater Sudbury Hydro has indicated in its responses to question 2 that it has true'd up its IESO settlements for Q4 of 2017 as part of its February 2018 settlement and accrued these true-ups as part of its December 31, 2017 balance as presented in the DVA continuity schedule. In the response to 2f, Greater Sudbury Hydro has quantified the net true-up for Q4 2017. Since the GA RPP gets recorded in account 1589 it means a portion of CT 1142 gets credited to account 1589, and the portion related to RPP-HOEP gets recorded in account 1588. With respect to the Q4 true-up, please breakdown the total net true up provided in 2f between the portion that got recorded to account 1588 (and indicate whether debit or credit) and the portion that was recorded to account 1589 (and indicate whether debit or credit). If the true-up was only recorded to one account, please explain why that would be appropriate. - The \$196,927.72 (DR 1588, CR Payable to IESO) amount was the true up calculated pertaining to RPP customers only, so this pertained to account 1588 only. This amount represents the difference that needed to be flowed between GSHI and the IESO. However, as part of the above true-up calculation, GSH determines the global adjustment amount that pertains to RPP customers. A quarterly re-class entry between 1588 and 1589 for global adjustment is booked at the same time. For Q4 2017, this amount was \$1,548,159 (DR 1588, CR 1589).

Question #6

Ref. Attachment 4, Question 3

The questions request certain information regarding the recording of the monthly CT 148 charge from the IESO.

- a) In the 3a, it is not clear from that response whether Greater Sudbury Hydro waits for the actual Global Adjustments charge (CT 148) on the monthly IESO invoice to come in before it records any amounts in its G/L with respect to CT 148? Or does Greater Sudbury Hydro initially estimate the monthly global adjustments charge in advance of receiving the invoice and then true it up once the actual CT 148 IESO invoice comes in. Please explain. - The actual global adjustment charge CT 148 is debited entirely to account 1589 by using the actual charge from the invoice. The global adjustment cost pertaining to RPP customers is credited to 1589 and debited to 1588 based on

the initial IESO submission and true up quarterly and adjusted as described in response to 5b above.

- b) In regards to response 3g, if Greater Sudbury Hydro initially records all of CT 148 to account 1589, as stated in its response to question 1, then it is not clear as to why there would be a true-up adjustment that reclassifies global adjustment costs between accounts 1588 and 1589 when Greater Sudbury Hydro does not record any global adjustment costs (CT 148) to account 1588 in the first place. Please explain the nature of the adjustment that is recorded in response 3g and why it is necessary. - Initially, the entire actual cost of global adjustment from the IESO invoice is recorded as a debit to account 1589. When we prepare our initial submission to the IESO, we are using estimates for global adjustment pertaining to RPP customers. Therefore, based on the initial submission to the IESO we credit 1589 for the estimated global adjustment and debit 1588 for the estimated global adjustment. This records the estimated RPP global adjustment cost in account 1588, and pulls it out of 1589. It is therefore necessary to re-class between 1588 and 1589 when we complete the true up because we are adjusting our initial estimates to actual.

Question #7

Ref. 2016 and 2017 GA Analysis Workforms, Note 4 and Note 5

- a) In Note 4 of both the 2016 and 2017 GA Analysis Workforms, please confirm that the balances presented in column F of the table represent actual consumption billed for each particular month (actual consumption means the billing for consumption that was consumed in that particular month only and contains no overlap of months) - GSHI confirms the balances in column F of the table represent actual consumption billed for each particular month.
- b) Does Greater Sudbury Hydro estimate and record unbilled GA Revenue for the month of December? If no, please explain why Greater Sudbury Hydro does not need to accrue for unbilled GA Revenue for December. - GSHI does accrue unbilled global adjustment revenue for the month of December. However it is not an estimate. Our year-end unbilled entry is booked based on actuals, once all of the consumption for December is billed. The entry is booked mid-February of the next year, and accrued to December before closing the GL for the year.
- c) If the above is yes, then has Greater Sudbury Hydro compared its unbilled GA Revenue accrual for December 2017 consumption, with the actual revenue that ended up being billed in January 2018 (related to December 2017)? - N/A – as discussed in 7b) above – it is not an estimate.
- d) If the above is yes, please indicate what that delta is. If Greater Sudbury Hydro has not done the comparison, then please quantify as part of its response to this question. - N/A – as discussed in 7b) above – it is not an estimate.

Question #8

Ref. 2016 and 2017 GA Analysis Workform, Note 5

Please confirm that for Greater Sudbury Hydro's December 2017 class A consumption, the utility has accrued the related GA cost and GA revenue on the basis (i.e. GA revenue = GA cost) to ensure that no amounts related to class A customers is being picked up in account 1589. If they do not equal, please quantify what the delta between the two is. - GSHI confirms that no amounts related to class A customers is being picked up in account 1589.

Question #9

Ref. 2016 GA Analysis Workform, Note 5

- a) The sum of cell C62 and C73 must equal the Transaction debit / (credit) during 2016 as presented in the DVA continuity schedule. As currently presented it does not. Therefore, please adjust accordingly.
(Note that you do not need to present the approved disposition during the year in the GA Analysis Workform. Instead, C62 should just be populated with the balance in the "Transactions debit / (credit) during 2016" column of the DVA continuity schedule.) - GSHI has corrected the GA Analysis workform for both 2016 and 2017 and is no longer reflecting the disposition.
- b) Please provide the calculation used to quantify adjustment 7 in Note 5 of the 2016 GA Analysis Workform. - Please see workbook included with response "Support for Loss Factor Analysis" – 2016 tab.
- c) Please explain the nature of adjustment 9 and why it should be presented as a debit in the reconciliation in Note 5. Was this amount accrued as part of the 2015 DVA balances that were approved for disposition by the OEB?

When we adjust the GA Analysis Workform for Board staff's request in question 9 a) above, then this adjustment is no longer presented as a debit in the reconciliation in Note 5. This amount does not need to be presented as a debit in the reconciliation.

This amount (\$440,807.52) was adjusted between accounts 1588 and 1589 subsequent to finalization of 2015 DVA balances but before disposition of those balances as part of the OEB approved disposition for 2015 DVA balances. So yes, this re-class between 1588 and 1589 was accrued as part of the 2015 DVA balances that were approved for disposition. As part of IRs in that year, GSH provided significant information to support this re-class entry. GSH has attached the supporting documentation provided as part of those IRs. (Please see "Manager's Summary – 2017 Rates – True Up Desc and Cover Letter")

In the IRM continuity schedule for 2019 rates, the \$440,807.52 is correctly reflected in cells AJ29 and AJ28 (the \$440k re-class is showed in transactions in the 2015 year). Therefore the opening

balances for 2016 in the continuity are also accurate, and GSH can further confirm that the transaction totals for 2016 are accurate (ie: they appropriately are not impacted by the \$440k re-class entry that was recorded in 2015). The model is correctly reflecting all transactions.

Question #10

Ref. 2017 GA Analysis Workform, Note 5

- a) Please provide the calculation used to quantify adjustment 7 in Note 5 of the 2016 GA Analysis Workform. - Please see workbook included with response "Support for Loss Factor Analysis" – 2017 tab.
- b) Greater Sudbury Hydro refers to differences between the IESO posted GA and the GA rate per the IESO invoice as the source of a reconciling item in Note 5. Please explain what the differences between the IESO invoice and the posted rate relate to. Please further explain how Greater Sudbury Hydro quantified the impact of this difference and provide the calculation. Finally, please also explain why presenting the adjustment as a credit balance in the reconciliation is appropriate. - GSHI compared the actual Global Adjustment paid per the monthly IESO invoice to the total amount of kWh's purchased to calculate the rate paid. GSHI compared this to the posted rate (and the rate used in the GA Workform) and determined the differences between the two. GSHI then applied that difference (calculated per kWh) to the consumption billed to Non-RPP customers in the year. This adjustment is immaterial and does not impact the unresolved difference percentage threshold even if omitted entirely.

Question #11

Ref. DVA Continuity Schedule, Account 1588

Greater Sudbury Hydro is seeking disposition of approximately \$438K (credit) in account 1588. Given that Account 1588 accumulates the variance between the RPP revenue and the cost of energy and gets settled directly with the IESO on a monthly basis, the expectation is that any remaining amounts in account 1588 would be relatively small and close to zero (primarily comprised of the difference between amounts billed at the approved total loss factor versus actual system losses for the year). Based on the above expectation, please explain what comprises the balance in account 1588 as at December 31, 2017 (or confirm that it is in fact only the accumulation of the loss factor differences for the two years that remains in this account). - GSHI confirms the balance in account 1588 is only the accumulation of the difference between billed loss factor and actual experienced system loss factor.