**Sioux Lookout Hydro Inc. – 2019 IRM Application (EB-2018-0066)**

**Response to OEB Staff Questions**

**January 25, 2018**

**Staff-1**

**Ref: GA Analysis Workform**

An amount of $41,892 was recorded in the 2016 GA Analysis Workform as reconciling item 2b. This item was described as “2016 estimated year end revenue associated with LTLT GA not billed until April 2017”.

1. Please confirm that this the estimated amount that was accrued in 2016 with respect to Long-term Load Transfers. If not, what was the amount accrued in 2016?
2. Please confirm that the actual amount of the LTLT GA associated with the above-referenced accrual was $41,304, as explained in reconciling item 3a of the 2017 GA Analysis Workform.
3. If the accrued amount in 2016 was $41,892 and the actual amount (recorded in 2017) was $41,304, please explain why the difference between actual and accrued Long-term Load Transfer revenue is not recorded (a debit adjustment of $588 in 2016).
4. If the Applicant agree with the statement in part c), please update the GA Analysis Workform in 2016 accordingly.
5. Please explain why the entry to reconciling item 3a is not a credit entry of $588, as this would represent the reversal of the differential between accrued and actual Long-term load transfer revenue pertaining to 2016 that flowed into the 2017 General Ledger.

**Response**

1. SLHI confirms that the $41,892 is the estimated amount that was accrued in 2016 with respect to Long-term Load Transfers.
2. SLHI confirms that the actual amount of the LTLT GA associated with the above-referenced accrual was $41,304 explained in reconciling item 3a of the 2017 GA Analysis Workform.
3. The difference between the actual and the accrued LTLT revenue is not recorded in 2016 because the LTLT kWhs are not reflected in Note 4 - Analysis of the Expected GA Amount. The kWhs for LTLT are not included in the table because the numbers pulled from our CIS, do not include the LTLT. The LTLT reconciliation is a manual yearly $ entry and would not be included in our monthly CIS revenue reports. Therefore, only the amount of LTLT GA recorded in SLHI’s G/L in the year are used to reconcile to the expected GA.
4. No update is required with respect to c). However, an adjustment was made to move the $41,892 from 2b to 3b.
5. See c) and d).

**Staff-2**

**Ref: GA Analysis Workform**

An amount of $19,719 was recorded in the 2017 GA Analysis Workform as reconciling item 3b. This item was described as “Actual 2017 billed in 2017 - LTLT customers acquired in April 2017”.

OEB staff notes that reconciling item 3b in the GA Analysis Workform represents the difference between revenues accrued from Long-term Load Transfers and the actual revenues associated with that period, which were billed in a subsequent year.

1. Please confirm that this item represents Long-term load transfers that occurred in 2017 and were billed in 2017.
2. If the circumstance in part a) is not confirmed, please indicate:
	1. Which fiscal period the long-term load transfer pertains to
	2. What was the amount of revenue that was accrued at year-end in the same period that the transfer occurred in
	3. What the actual billed GA revenue for that load transfer was
	4. Which fiscal year the actual GA revenue was recorded in
3. If these are, in fact, 2017-related billings recorded in the 2017 general ledger, please explain why this reconciling adjustment is needed, as it would already be reflected in the transactions for 2017.
4. Please remove this adjustment from the schedule of reconciling items if the circumstance in part a) above is confirmed. Otherwise, please explain the Applicant’s position for why this reconciling item is necessary.

**Response**

1. SLHI confirms that the $19,719 recorded in the 2017 GA Analysis Workform in 3b represents LTLT that occurred in 2017. SLHI acquired these customers in 2017 and started billing them commencing April 2017 and was therefore able to do a final reconciliation with Hydro One before the end of the year.
2. n/a
3. The reconciling adjustment is needed as explained in Staff-1 c). Our billing CIS does not track kWhs billed for LTLT customers. The LTLT settlement is done manually and only the $ are recorded in the general ledger., therefore the kWhs are not included in the expected GA calculation table and require the adjustment in the reconciling items.
4. Please see response above.

**Staff-3**

**Ref: GA Analysis Workform**

On the GA 2016 worksheet, the box in cell F25 was not checked. This is to confirm that the GA Rate used for unbilled revenue is the same as the one used for billed revenue in any particular month.

1. Can Sioux Lookout confirm that the GA Rate used for unbilled revenue is the same as the one used for billed revenue in any particular month.
2. If Sioux Lookout cannot confirm, please detail the GA rate used for unbilled revenue and the one used for billed revenue in each month. Please explain the cause of any differences.

**Response**

1. SLHI confirms that the GA Rate used for unbilled revenue is the same as the one used for billed revenue in any particular month. The box was not checked in error.
2. n/a

**Staff-4**

**Ref: 2019 Rate Generator Model; Tab 3 Continuity Schedule; Application Page 9 of 49**

The Applicant has identified that a ($303,376) principal adjustment for 2016 was recorded in Account 1588, with a corresponding $303,376 principal adjustment for 2016 in Account 1589.

1. Please indicate in which fiscal year this adjustment was actually journalized in the general ledger of the Applicant.
2. If these amounts were journalized to Account 1588 and 1589 in fiscal 2017, please explain why these adjustments are not being reflected as reversing entries in the 2017 principal adjustment column (meaning a debit adjustment of $303,376 would be recorded in Account 1588 and a credit adjustment in Account 1589 of the same amount).
3. If these amounts were journalized in the 2017 general ledger, and the Applicant agrees with the treatment proposed in part b), please include the reversing entries in column BF of Tab 3 of the 2019 Rate Generator Model. Otherwise, please explain the Applicant’s position for why these amounts should not be reversed from the 2017 transactions.

**Response**

1. The $(313,376) principal adjustment was actually journalized in 2017, but was revised in 2016 for RRR filings.
2. It is SLHI’s view that no reversing entry is needed.
3. These amounts should not be reversed since they were not recorded twice. The correction was journalized in 2017 but reflected in the 2016 RRR filings (no journal entry was made in 2016). There was no effect to the financial statements since the amounts offset each other.

**Staff-5**

**Ref: 2019 Rate Generator Model; Tab 3 Continuity Schedule**

The principal balances being requested for disposition for 2016-2017 in Account 1588 total $682,883. OEB staff notes that this represents an unusually high amount for a distributor the size of the Applicant. OEB staff further notes that the closing balance of Account 1588 in a given year, after truing up for unbilled revenue and RPP settlement amounts should primarily consist of the revenue differences between the Applicant’s approved total loss factor and the actual system losses.

1. Is the Applicant able to provide a reconciliation of what the principal balance of $682,883 in Account 1588 as of December 31, 2017 is comprised of?
2. Please prepare an analysis that quantifies the impact on Account 1588 as a result of differences between actual system losses versus billings based on the approved total loss factor for the period of 2016-2017.

**Response**

1. Below is the reconciliation of the principal balance of $(682,883) in Account 1588 as of December 31, 2017 to the best of SLHI’s ability:



The $(168,974) is the amount of the true up from Form 1598 for RPP Settlement which was not included in the 2015 RSVA Disposition.

1. Below is a table which sets out the impact on account 1588 as a result of differences between actual system losses versus billings based on the approved total loss factor for 2016 and 2017:



**Staff-6**

**Ref: Tab 4. Billing Det. For Def-Var**

The Box was not checked confirming the accuracy of the data provided.

1. Can Sioux Lookout confirm the accuracy data on this worksheet?
2. If Sioux Lookout cannot confirm the accuracy of the data on this worksheet, please explain any concerns Sioux Lookout has with the data.
3. Please provide values Sioux Lookout believes to be correct for instances where these do not match the data provided.
4. To the extent possible, please provide a reconciliation identifying the cause of any differences.

**Response:**

1. SLHI confirms the Billing Data is accurate in Tab 4. The box was left unchecked in error.
2. n/a

**Staff-7**

**Ref: Application Page 34 of 49 – Estimating Non-RPP GA Paid**

OEB staff is of the following understanding with respect to the Applicant’s process of recording GA expenses to USoA account 4707 and 4705 (and ultimately to Accounts 1588 and 1589):

The Applicant multiplies the Non-RPP kWh consumed in a target month (with the approved loss factor uplift applied) by the actual posted GA rate for a particular month and records this amount to Account 4707. The Applicant then deducts the Non-RPP GA amounts previously calculated from the total GA Charges rendered from Hydro One to determine the RPP GA amount and records this in Account 4705.

1. Please confirm that the above describes the Applicant’s process. If not, please clarify OEB staff’s understanding of the circumstances.
2. If the above is confirmed, OEB staff is of the view that, under this method, any prior period billing adjustments embedded in the GA charges from Hydro One (and not reflected in the posted GA rate) for a particular month are being entirely attributed to RPP customers.

Please confirm that the Applicant agrees with this statement. Otherwise, please explain the Applicant’s position for why this would not be the case.

1. Please provide an analysis that compares what the GA expense entries recorded in Accounts 1588 and 1589 would have been for 2016 and 2017 if the Applicant utilized the following approach to determine RPP and non-RPP proportions:
	1. Obtain the Non-RPP kWh consumed (without any loss factor applied).
	2. Obtain the RPP kWh consumed (without any loss factor applied).
	3. Divide the Non-RPP kWh by the total amounts obtained in steps (i) and (ii).
	4. Divide the RPP kWh by the total amounts obtained in steps (i) and (ii).
	5. Multiply the proportional share of Non-RPP consumption obtained in Step 3 by the total GA expense billed by Hydro One and record this amount as the Non-RPP GA.
	6. Multiply the proportional share of the RPP consumption obtained in Step 4 by the total GA expense billed by Hydro One and record this amount as the RPP GA.
2. Please compare the amounts calculated in part c) above with the amounts actually recorded in Accounts 1588 and 1589. If the difference is material, please record a principal adjustment in 2016 and 2017 for these differences in Tab 3 of the Rate Generator Model, as well as in the 2016 and 2017 GA Analysis Workform, as necessary.

Response:

1. The process described is mostly correct. The only difference is that SLHI uses the actual GA rate charged by Hydro One and posts this amount to 4707. In most cases this is the same as the actual GA rate posted by the IESO.
2. SLHI does not agree and is of the view that any prior billing adjustments are captured since the rate charged by Hydro One is used and allocated to both Non-RPP and RPP customers.
3. Below is the analysis comparing the current method vs the proposed proportionate method to split Non-RPP and RPP:



1. SLHI does not agree with the proportionate method proposed by the OEB. This method does not take into consideration actual line losses billed to Non-RPP and RPP customers, but assumes they are all the same. There are some customers in Non-RPP (i.e primary metered) that are billed a different line loss factor. Also, the current method (using uplifted kWhs) more closely reflects how the GA Analysis workform calculates the expected GA for Non-RPP customers, since it uses uplifted kWhs as well. If SLHI were to adjust the principal balances in accounts 1588 and 1589 based on the proportionate method then the amounts in account 1589 would be materially different from the expected GA variance from the GA Analysis workform.