Synergy North Corporation – Kenora District
2019 IRM Application (EB-2018-0046)
OEB Staff Questions
February 15, 2018

Staff-1

Ref: 2019 Annual IR Index, page 4

Synergy North indicates that Kenora Hydro maintained financial records during 2016 consistent with IFRS.

> Please confirm that Kenora Hydro also maintained financial records during 2017 consistent with IFRS.

Kenora Response:

Kenora Hydro maintained financial records during 2017 consistent with IFRS.

Staff-2

Ref: 2019 Annual IR Index – Appendix A GA Methodology Description

Synergy North indicates that the current month's RPP settlement filing is mainly comprised of the previous month's billing data, so the previous month's final GA rate is used in the calculation of the claim.

a) The IESO claim is also for the difference in the RPP price and HOEP. For the current month's claim, are the current or previous month's prices used for RPP and HOEP?

Kenora Response:

If the claim is made in the first four days of July for the June period, the actual RPP billed in June, and actual HOEP on that consumption, would have been used in the claim. The consumption may have occurred in previous months. The amounts used to calculate the claim would have been the true billed RPP revenue, and the actual HOEP applied by the system on that specific consumption. No estimations are done to submit the claim for the RPP-HOEP on a monthly basis with the IESO. The only months during the year where any estimation has been used to calculate the RPP-HOEP claim would be at year end to estimate the unbilled revenue adjustment required to report all consumption and HOEP to make IESO claims in the appropriate year.

b) If the current month prices are used, please explain why when the majority of the consumption data relates to the previous month, similar to the GA claim.

Kenora Response:

See response in 2a).

c) If the previous month prices are used, please confirm that a true up of the prices is completed as well as the true up for GA.

Kenora Response:

Yes, a true up of the RPP kWh, RPP Revenue, and RPP HOEP, as well as a final reconciliation of all of the GA kWh and GA claims for the year are all done at year end to ensure that all GA, RPP Revenue and HOEP cost is recorded in the correct year.

d) In the December 2017 IESO filing, consumption would mainly be November consumption and the November rates would have been used. Please confirm that the annual true up would true up consumption and rates to December consumption and rates.

Kenora Response:

The final annual true-up done in February each year, will take the billing system reports and will prorate the RPP consumption into month of use (which captures unbilled kWh and unbilled revenue into December), and will take the RPP revenue and associated HOEP for December is used to calculate any true-up required.

Staff-3

Ref: 2019 Annual IR Index – Appendix A GA Methodology Description

The GA claim recalculation uses the actual final GA rate charged to Synergy North.

Please explain where the actual final GA rate is obtained.

Kenora Response:

The actual final GA rate used is the actual GA rate is obtained by talking the full GA amount charged on Kenora's monthly IESO invoice, divided by the actual kWh purchased from the IESO report from their portal for that month. The $ /kWh of GA charged to Kenora is then compared to the actual final posted rate for that month to ensure there is no variance between the two amounts.

This method ensures that the actual GA rate we paid on each month's IESO invoice is used in the GA true-up.

Staff-4

Ref: 2019 Annual IR Index –GA Methodology Description OEB Questions on Accounts 1588 and 1589, Response 2a, 3b, and 3g

In response 2a, Synergy North states consumption and rate differences are trued up quarterly. Under response 3b, a description of the annual true up is provided. Under response 3g, it states that the majority of the true up is a result of Q4 and there are minor adjustments to Q2 and Q3.

a) Please clarify whether true ups are done on a quarterly basis or only on an annual basis.

Kenora Response:

GA true-ups are done on a quarterly basis, taking into account any required adjustments for the quarters that have been previously been filed. This is done each quarter. At year end, the entire year is reviewed for any errors or required adjustments to ensure accuracy and completeness. There may be some non-material adjustments required at year end relating to data from previously filed quarters.

b) If true ups are done on a quarterly basis, please describe any differences between the quarterly true up and the annual true up.

Kenora Response:

There would be no difference in the review procedures done on a quarterly or annual basis.

Staff-5

Ref: 2019 Annual IR Index – GA Methodology Description OEB Questions on Accounts 1588 and 1589, Response 3b

Synergy North indicates that a billing system query is run to determine the Non-RPP volume supplied to customers and also the unbilled adjusted kWh consumed.

a) Please confirm that this means billed non-RPP volume plus unbilled non-RPP volume.

Kenora Response:

Yes. The billing query pro-rates and allocates the consumption into each month of use. Any unbilled kWh (billed in subsequent months) are drawn back into the month of use by the system, giving consumption for each month. Each month will be a portion of any billed kWh used in that given month plus an accrual for kWh used in that month but not billed until subsequent month(s).

b) If not, please clarify what the adjustment to unbilled is.

Kenora Response:

N/A.

Staff-6

Ref: 2019 Annual IR Index – GA Methodology Description OEB Questions on Accounts 1588 and 1589, Responses 2f and 3g

Under response 2f, Synergy North states that the true up for Account 1589 is a credit $304,795. In response 3g, the annual true up for Account 1589 is a debit of the same amount.

a) Please clarify if the true up is a debit or credit.

Kenora Response:

The Q4 True-up calculation resulted in a receivable to Kenora Hydro from the IESO of $304,795.79. This amount was recorded as a credit to the GA Expense account. This would have the result of being a credit to the RSVA account at year end. The response under 2f) of the original filing should have been that this impacted the 1589 with a Credit.

b) Please confirm the correct amount has been included in the credit $42,790 of transactions for the year in the GL.

Kenora Response:

Kenora confirms that the CR to the expense is included in the $(42,790) total.

GA Expenses for year	$ 4,110,925
GA true-up	$ (304,795) Credit to Expense => Ultimate Credit to 1598
Total GA Expense	$ 3,806,130
GA Revenue for year	$ 3,814,243
Variance [Rev – Exp]	$ (8,114)
+ Error Correction	$ (34,676)
Total Change in RSVA	$ (42,790)

Staff-7

Ref: 2019 Annual IR Index – GA Methodology Description OEB Questions on Accounts 1588 and 1589, Response 2f

Synergy North indicates that the true up for Account 1588 is a debit of $95,710. Total transactions in 2017 including the true up is $103,016 ($137,692-$34,676). Therefore, transactions before the true up would have been $7,306. Typically, the true up is expected to decrease the balance in the Account 1588, however, the true up has increased the balance up in the account in Synergy North's case.

Please explain why.

Kenora Response:

RSVA Power Account 1588									
2017									
Revenue for year					**Expense for Year**				
Revenue for the Year			(6,535,231)		Power Purchased				1,558,850
					Fixed Rate Settlement				4,778,957
Unbilled Revenue Adjustment					Year End RPP Claim True up				
Reverse Year End 2016 Gross Unbilled	884,399				=> DR Power expense				95,710
Record Year End 2017 Gross Unbilled	(679,671)								
Impact on Total Revenue	204,728		204,728						
Revenue Before Variance Adjustment			**(6,330,503)**		**Expense Before Variance Adjustment**				**6,433,517**
				Resulting in					
				Variance Activity					
Annual Expenses Greater than Annual Revenue				$ 103,014	=> CR Power Expense				
				34,676	Noted Allocation Error between Power and GA Acccounts				
				$ 137,690	**Total DR change in RSVA**				

The unbilled revenue reversed from year end 2016 is a debit to revenue of $884,399.

The unbilled revenue recorded at year end 2017 of $(679,671) includes all revenue billed subsequent to year end, including all gross RPP revenue.

The DR to expense of $95,710 (=> DR to 1588) is the true-up from the RPP settlements for the year, additional power expense was recorded at year end.

The final entry of CR to power expense of $(103,014) recorded the difference between total annual revenue and total annual expense, after unbilled impacts. This would have been the final credit to 1588.

Staff-8

Ref: GA Analysis Workform – Notes and Comments

Synergy North states that the billing report prorates the bills by day each month and provides only the final number for kWh as adjusted for unbilled for that month.

a) Please explain how the proration of the consumption is calculated and for which month the consumption relates to.

Kenora Response:

The billing system produces a report on demand, which lists by customer account the kWh in columns by month. For this report, the billing system has done an analysis on each account and it has reported kWh each month by prorating, based on the on the billing dates, the consumption between the start and end date of the meter reads on each bill. As an example, if there are 30 days in a billing for a customer who is billed in July, and based on the meter read dates, 15 days are for June and 15 days are for July, the consumption billed in July will be equally prorated between those two months. Half of the billed consumption in July will show in the June column and half will be reported in the July column. This is the process for every month, including any billed subsequent to year end. The report is generated once all bill runs with any December use have been billed, thereby ensuring all kWh reported belong to the appropriate year.

b) Please explain how the final number for kWh as adjusted for unbilled is calculated based on the prorated consumption per day.
   i. Please explain how this calculation will approximate the actual consumption in the month.

Kenora Response:

As explain in 8a), this billing system report prorates based on number of days in each bill, and based on the dates will prorate the consumption to the correct month of use, including the last month of the year which includes unbilled kWh pulled back into December.

Staff-9

Ref: 2019 Rate Generator Model – Tab 3 Continuity Schedule

There is a reallocation of $34,676 between Accounts 1588 and 1589 for a posting error.

a) Please provide further details on what the posting error was and how it was identified.

Kenora Response:

The error was noted when completing the GA Analysis Workform. There was an unexplained difference in the working paper, and on review of the detailed GL activity, the error was noted.

The original error was made when accumulating the monthly revenues from the GL for use in the monthly variance account GL posting. One of the revenue lines for GA was accidentally included as an amount for Power revenue instead of GA revenue. This meant that the GA and Power RSVA accounts were both incorrect at that month end by that amount. Originally, at year end audit, this error in posting was noted by the auditors and I corrected in the RSVA accounts at that time. When completing this Rate application GA working papers, I looked for an unexplained variance in the working paper for 2017. I noted that the reversal I had made was impacting the final GA balance expected in the Model. I then realized that because the mechanism to calculate the required RSVA monthly GL adjustment reverses all prior month and takes the cumulative revenues and expenses 'fresh' each month, this noted "error" by the auditor should not have been corrected in the GL in 2017. The routine process of posting cumulative differences between revenue and expenses each month would mean that this error would have already corrected itself with calculating and posting the RSVA accounts in the next month. The cumulative GA revenue and cumulative Power revenue were both correctly picked up and included in the corresponding variance calculations in the next month.

Staff-10

Ref: 2019 Rate Generator Model – Tab 3 Continuity Schedule
2018 Rate Generator Model – Tab 3 Continuity Schedule

An amount of -$11,399 was recorded as a principal adjustment during 2015 to account 1580 – Variance WMS – Sub-account CBR Class B. This resulted in a 2016 opening balance of the same amount. In the 2018 Rate Generator Model, this transaction does not exist, and the 2016 opening balance was zero. The 2018 model includes principal transactions for 2016 which were approved for disposition in 2018.

A variance of $11,399 exists between the calculated value for 1580 – Variance WMS – Sub-account CBR Class B on this worksheet and the RRR. In addition, a variance of -$11,399 exists between the calculated value for 1580 – RSVA – Wholesale Market Service Charge on this worksheet and the RRR.

a) Please explain the cause of the 2015 principal adjustment, and why this was not disposed in 2018.

Kenora Response:

This was an input error into the model. The balances are as follows and have been updated in the IRM model.

The Dec 2017 RRR filing did not allow breakout of the WMS Class B balance. The total for both WMS + WMS Class B is $(604,475), as was filed in 2017. This model came pre-populated with the total WMS + Class B of $(604,475) plus has also included a balance in the WMS Class B of $(11,399) at Cell BU25. This Prepopulated number from the OEB is incorrect, as the total WMS as reported in the 2017 RRR is $(604,475) which includes the Class B. In an effort to balance column BV, I was attempting to break out the balance in the Class B by altering the opening 2015 amount, before I realized the prepopulated error in BU. There was no pre-20161 balance, there is no adjustment to principal and no additional amounts were or have to be recovered for this 1580 account.

2.1.7 RRR	
As of Dec 31, 2017	Variance RRR vs. 2017 Balance *(Principal + Interest)*
0	0
3,671	0
(604,475)	(11,399)
0	0
(11,399)	0
72,746	0

The ‘variance’ here is only the result of the OEB pre-populating the WMS of $(604,475) which included Class B of $(11,399), plus the pre-populating Class B total of $(11,399). The pre-populated WMS should be reduced by the $(11,399), otherwise it is double counted in those pre-populated figures.

b) Please explain the cause of the variances between the values computed in the 2019 Rate Generator Model and the RRR for the CBR sub-account.

Kenora Response:

See explanation and corrections above.