



BY EMAIL

August 23, 2019

Heather Dowling  
Centre Wellington Hydro Ltd.  
730 Gartshore St.  
P.O. Box 217  
Fergus ON N1M 2W8  
[hdowling@cwhydro.ca](mailto:hdowling@cwhydro.ca)

Dear Ms. Dowling:

**Re: EB-2019-0025 – Centre Wellington Hydro Ltd. - Application for 2020 Rates**

A preliminary review of the application has identified that certain sections of the evidence supporting the application do not comply with the Ontario Energy Board's Filing Requirements<sup>1</sup> for incentive rate-setting applications and/or the associated spreadsheets, models and workforms. As a result, the Ontario Energy Board (OEB) is unable to process Centre Wellington Hydro Ltd.'s (Centre Wellington Hydro) application at this time. The OEB will commence processing the application after the noted information is filed.

The missing information includes:

Chapter 3 Filing Requirement Reference (page #)	Description
Page 15	Distributors must complete the Global Adjustment (GA) Analysis Workform for each applicable fiscal year subsequent to the most recent year in which Accounts 1588 and 1589 were approved for disposition on a final basis by the OEB.

<sup>1</sup> Chapter 3 of the *Filing Requirements for Electricity Distribution Applications Rate Applications*, dated July 12, 2018 and the Addendum to Filing Requirements For Electricity Distribution Rate Applications - 2020 Rate Applications, dated July 15, 2019

	<p>Although Centre Wellington Hydro has provided a GA Analysis Workform for 2018 balances, it also needs to provide a GA Analysis Workform for 2017 balances, including explanations of reconciling items. 2017 balances were approved on an interim basis in Centre Wellington Hydro's 2019 proceeding.<sup>2</sup> The most recent year in which Accounts 1588 and 1589 were approved for disposition on a final basis related to 2016 balances in Centre Wellington Hydro's 2018 proceeding.<sup>3</sup></p> <p>The Deferral and Variance Account (DVA) Continuity Schedule, Tab 3, provided by Centre Wellington Hydro needs to be updated to reflect the opening DVA balances in this schedule as the closing December 31, 2016 balances, instead of the closing December 31, 2017 balances. This update needs to be done as the 2017 balances were cleared on an interim basis and will be reviewed in this proceeding. As a result, additional columns in Tab 3 will need to be populated.</p> <p><b>CWH Response:</b> CWH has submitted the 2017 GA Analysis with this response. It is noted that the 2017 GA Analysis Workform is the same file that was filed with CWH's 2019 IRM (EB-2018-0023) as no adjustments have been made.</p> <p>CWH has made the changes to the Deferral and Variance Account (DVA) Continuity Schedule, Tab 3 as instructed by the OEB regarding the closing balances for December 31, 2016.</p>
<p>Addendum Pages 12-13</p>	<p>On February 21, 2019, the OEB issued its letter entitled <i>Accounting Guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment</i> as well as the related accounting guidance. The accounting guidance is effective January 1, 2019 and is to be implemented by August 31, 2019. Distributors are expected to consider the accounting guidance in the context of historical balances that have yet to be disposed on a final basis (including the 2018 balances that may be requested for disposition in this rate application). In their 2020 applications, distributors are to provide a status update on the implementation of the new accounting guidance, a review of historical balances, results of the review, and any adjustments made to account balances.</p> <p>The OEB set out its expectations for final disposition requests of commodity pass-through account balances as noted in the Addendum.</p> <p>In its pre-filed evidence,<sup>4</sup> Centre Wellington Hydro stated that it is confident that after studying the new accounting guidance and reviewing historical balances, no adjustments are required to the balances. Centre Wellington Hydro also stated that the balances approved on an interim basis in its 2019 proceeding<sup>5</sup> are accurate and complete and should be deemed final disposition.</p>

Centre Wellington Hydro indicated that the results of its review yielded immaterial differences in Account 1588 and Account 1589 balances from using a reconciliation methodology which uses billing volume, instead of wholesale volume. However, Centre Wellington Hydro did not provide much detail regarding its overall process of reviewing the historical Account 1588 and Account 1589 balances.<sup>6</sup> Centre Wellington Hydro needs to provide more detail regarding its review process.

**CWH Response:**

CWH is currently in the process of updating CWH's methodology in order to comply with the new accounting guidance effective January 1, 2019. CWH will continue to use the actual percentage of RPP and Non-RPP of the total energy billing volume on a monthly basis to allocate the GA on the actual basis. CWH will also review and confirm the accuracy of this percentage used annually.

CWH has reviewed the historical account balances of accounts 1588 and 1589 for the years 2017 and 2018 by comparing the difference between the RPP Wholesale volume and the RPP Settlement volume.

The difference for 2017 is **-3,231.60 kWh**, which is **-0.002%** of the annual Power kWh of 141,326,912.95 kWh; for 2018 the difference is **269,754.82 kWh**, which is **0.183%** of the annual Power kWh of 147,184,704.96 kWh. Both years are lower than 0.5% of the annual Cost of Power threshold as per the *OEB's Guidance, Q&A's for Accounting Guidance on Accounts 1588 and 1589, Q29*. CWH's 2017 balance was disposed of on an interim basis in CWH's 2019 IRM application.

CWH is of the view that no adjustments are required for 2018 and the balance approved on an interim basis in its 2019 proceeding are accurate and complete and should be deemed final disposition.

	2017	2018
holesale RPP volume	65,015,730.38	69,120,304.09
F-1598 reconciliation	65,018,961.98	68,850,549.27
<b>Difference kWh</b>	<b>(3,231.60)</b>	<b>269,754.82</b>
RRR 2.1.5 A	144,450,430.80	150,180,981.61
Wholesale Market Participant	3,123,517.85	2,996,276.66
RRR 2.1.5 A exclude WSM	141,326,912.95	147,184,704.95
<b>%</b>	<b>(0.002)</b>	<b>0.183</b>

The OEB expects that Centre Wellington Hydro will file the above listed required information as soon as possible.

If any of the information that is identified as missing is located in sections other than those identified in the Filing Requirements, or if any of the information is not applicable in your circumstances, please provide an explanation when re-filing the application.

Any questions relating to this letter should be directed to Vince Mazzone, Advisor, at 416-544-5159 or [vince.mazzone@oeb.ca](mailto:vince.mazzone@oeb.ca). The OEB's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Christine E. Long  
Registrar  
Office of the Registrar

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<sup>2</sup> EB-2018-0023

<sup>3</sup> EB-2017-0032

<sup>4</sup> Application, Pages 16-18

<sup>5</sup> EB-2018-0023

<sup>6</sup> For example, Centre Wellington Hydro has not provided detail regarding its process of reviewing the section "Accounting Guidance related to Embedded Generation Settlement" outlined in the February 21, 2019 *Accounting Guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment*.