



**Grimsby Power Incorporated**  
231 Roberts Road  
Grimsby, ON, L3M 5N2  
PH: 905.945.5437  
FX: 905.945.9933

August 28, 2019

**Delivered by RESS and Courier**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2019-0038**  
**Grimsby Power Incorporated – 2020 IRM**  
**Response to Incomplete Letter**

On August 22, 2019 Grimsby Power received a letter stating that the IRM application submitted August 12, 2019 did not provide enough supporting evidence to comply with the Ontario Energy Board's Filing Requirements.

Grimsby Power reviewed the letter in its entirety and respectfully submits further supporting evidence. An electronic copy of the supporting evidence has been submitted through RESS.

If additional information is required please contact me using the information provided below.

Regards,

Amy La Selva  
Regulatory & Customer Accounts Supervisor  
Grimsby Power Incorporated  
[amyl@grimsbypower.com](mailto:amyl@grimsbypower.com)  
905-945-5437 ext 258

## Chapter 3 Filing Requirement Reference (Pages 14 &15)

A distributor must support its Global Adjustment (GA) claims with a description of its settlement process with the IESO or host distributor. The description in the application does not include the following:

- The distributor's treatment of volumes related to embedded generation customers.
- The distributor's internal control tests, if any, in validating estimated and actual consumption figures used in its RPP settlement process and subsequent true-up adjustments.

### Grimsby Power Additional Information:

Grimsby Power's settlement process within the first four days of the month involves the use of estimated RPP consumption data. Our current process of estimation uses the prior month's kWh for RPP customers as an estimate. The current process is as follows:

1. The estimated RPP consumption is multiplied by the average weighted price.
2. The estimated RPP consumption is multiplied by the second estimate global adjustment.
3. The estimated RPP kWh's are split between the Time of Use period and Tier blocks and multiplied by their respective RPP rate.
4. The difference between the RPP values at the TOU and Tiered rates and the RPP values at the AWP plus Global Adjustment is submitted to the IESO for settlement under CT1142. Table 1 provided below shows and example of the process.

### Example of Settlement Process

Description	Rate	kWh
Regulated Energy First Tier kWh		250,000.00
Regulated Energy Secind Tier kWh		50,000.00
Regulated Energy Price On Peak		1,500,000.00
Regulated Energy Price Mid Peak		1,600,000.00
Regulated Energy Price Off Peak		5,300,000.00
<b>Total RPP kWh's</b>		<b>8,700,000.00</b>
<b>1. Estimated RPP kWh*Weighted Average Price</b>		<b>Cost</b>
Cost at the Weighted Average Energy Price - First Tier kWh	0.02900	\$ 7,250.00
Cost at the Weighted Average Energy Price - Second Tier kWh	0.02900	\$ 1,450.00
Cost at the Weighted Average Energy Price - On Peak kWh	0.02900	\$ 43,500.00
Cost at the Weighted Average Energy Price - Mid Peak kWh	0.02900	\$ 46,400.00
Cost at the Weighted Average Energy Price - Off Peak kWh	0.02900	\$ 153,700.00
<b>Total RPP Cost at Weighted Average Energy Price</b>		<b>\$ 252,300.00</b>
<b>2. Estimated RPP kWh*2nd Estimate Global Adjustment</b>		
Global Adjustment First Tier	0.07067	\$ 17,667.50
Global Adjustment Second Tier	0.07067	\$ 3,533.50
Global Adjustment On Peak	0.07067	\$ 106,005.00
Global Adjustment Mid Peak	0.07067	\$ 113,072.00
Global Adjustment Off Peak	0.07067	\$ 374,551.00
<b>Total RPP Global Adjustment</b>		<b>\$ 614,829.00</b>
<b>3. Estimated RPP kWh*RPP Rates</b>		
Cost at the Regulated Energy Price First Tier kWh	0.077	\$ 19,250.00
Cost at the Regulated Energy Price Secong Tier kWh	0.089	\$ 4,450.00
Cost at the Regulated Energy Price On Peak kWh	0.132	\$ 198,000.00
Cost at the Regulated Energy Price Mid Peak kWh	0.094	\$ 150,400.00
Cost at the Regulated Energy Price Off Peak kWh	0.065	\$ 344,500.00
<b>Total Cost at RPP Rates</b>		<b>\$ 716,600.00</b>
<b>4. Difference Between RPP kWh at RPP and AWP plus GA</b>		
Total Cost - RPP kWh at WAP Plus Global Adjustment		\$ 867,129.00
Revenue - RPP kWh at RPP rates		\$ 716,600.00
<b>Total Submitted to IESO for Settlement (CT1142)</b>		<b>\$ 150,529.00</b>

The Global Adjustment as calculated above (RPP consumption \* second estimate GA) is used as the RPP portion of GA and booked to 4705. The RPP portion of global adjustment is subtracted from the total global adjustment paid to the IESO and that figure is the Non RPP GA and is booked to 4707.

Grimsby Power uses consumption data for the purposes of settlement and apportioning GA to RPP and Non RPP customers. Consumption data includes volumes received from embedded generators and the IESO.

To expand on Grimsby Power's true up process, when actual consumption is known for RPP customers the process detailed above is performed again using actual RPP consumption instead of the estimated kWh, final posted GA rate instead of the second estimate and actual weighted average price as per the IESO invoice instead of the initial estimate. The difference between the first calculation and the second true up calculation is submitted to the IESO.

To validate the estimated and actual consumption figures used in its initial RPP settlement and subsequent true up adjustments Grimsby Power performs the following:

- Comparison of IESO wholesale kWh compared to kWh sold
- Monthly review of actual kWh used for settlement by customer type
- Third party auditor review of regulatory account balances

### **Chapter 3 Filing Requirement Reference (Pages 15)**

Distributors must complete the 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.

Although Grimsby Power 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 Grimsby Power's 2019 proceeding. The most recent year in which Accounts 1588 and 1589 were approved for disposition on a final basis related to 2016 balances in Grimsby Power's 2018 proceeding.

The Deferral and Variance Account (DVA) Continuity Schedule, Tab 3, provided by Grimsby Power 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.

#### **Grimsby Power Additional Information:**

Grimsby Power has provided a GA Analysis Workform that includes 2017 and 2018 tabs.

Grimsby Power has also provided an updated rate generator model with Tab 3 updated to include December 31, 2016 balances.

### Chapter 3 Filing Requirement Reference Addendum Pages 12-13

On February 21, 2019, the OEB issued its letter entitled *Accounting Guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment* 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.

The OEB set out its expectations for final disposition requests of commodity pass-through account balances as noted in the Addendum.

In its pre-filed evidence, Grimsby Power stated that historical balances still need to be reviewed for 2017 and 2018. Grimsby Power stated that it will complete its review of Account 1588 and Account 1589 taking into consideration the new accounting guidance and make any adjustments required during 2019. Grimsby Power noted that after the review is complete it will request that the disposition of Account 1588 and Account 1589 be on a final basis.

However, in contrast, Grimsby Power's 2020 DVA Continuity Schedule, 2020 proposed tariff sheet, and 2020 proposed bill impacts include DVA rate riders that clear Account 1588 and Account 1589.

#### Grimsby Power Additional Information:

To clarify Grimsby Power is requesting the disposition of account 1588 and 1589 on an interim basis until such time as all balances are reviewed in consideration of the new guidance provided. The current settlement process for Grimsby Power, as noted above and in the application, uses estimated consumption to calculate costs and revenues. The true up then uses actual consumption to calculate costs and revenues. Grimsby Power is currently changing its process to model that of the illustrative example provided by OEB staff. Grimsby Power does not believe there are any systemic issues related to the RPP settlement and accounting related process but needs time to go back through 2017 and 2018 transactions to verify.