**Waterloo North**

**Additional Questions for Account 1588 and Account 1589**

Oct 4, 2019

1. Ref: Application, page 7

OEB staff notes that Waterloo North’s 2017 Group 1 DVAs were disposed on an interim basis in its 2019 IRM decision and order EB-2018-0074.

On page 7 of the application, Waterloo North stated that

 WNH is proposing a one-year disposition period in the repayment of its Group 1

 Deferral and Variance Account Balances at December 31, 2018. This disposition

 period is in accordance with the Board’s EDDVAR Report default disposition period of one year for deferral and variance accounts.

OEB staff notes that Waterloo North made additional true-up adjustment of $794,379 on the 2017 interim disposed balance of Account 1588.

1. Please confirm that Waterloo North is requesting the final disposition of 2017 and 2018 DVA balances in this application.

Yes, WNH is requesting that these balances be finalized.

1. Please clarify that Waterloo North is requesting the additional true-up adjustment for 2017 to be included in 2018 balance of Account 1588 for the disposition.
2. If so, please quantify the rate impact if the 2017 additional true-up adjustment were disposed based on the last year’s billing determinants.



1. Ref: Application, page 8

In Waterloo North’s 2019 IRM decision and order, the OEB stated that

 the OEB finds that Waterloo North Hydro’s credit balance of $1,105,779 of account 1588 RSVA power is somewhat high for a distributor of its size. The OEB expects Waterloo North Hydro to perform an internal review to determine the operational reasons for this balance and report its findings back to the OEB with its next rate application.

On page 8 of the application, Waterloo North stated that

 WNH completed a review of this account in 2019. Due to the current process for

 settlement it was determined that there is a price variance that had not been trued up with the IESO in 2017 and 2018. This will be resolved for 2019 and future years due to the transition to the new 1588/1589 account rules set out by the OEB.

1. Please confirm that Waterloo North has not completed the review based on the new accounting guidance for Accounts 1588 and 1589 that was issued in February 2019.

The adjustments calculated for 2017 and 2018 are based on the new accounting guidance for Accounts 1588 and 1589 that was issued in February 2019 but after the fact. WNH compared the original methodology to the new methodology to determine the adjustments. WNH has begun using the new methodology in real time for September 2019 settlement.

1. Please provide the details of the “price variance that had not been trued up with the IESO in 2017 and 2018” and the reasons why the price variance has not been trued up with the IESO.

This comment relates to the adjustments discussed in this application of $794,379 for 2017 and $(298,392) for 2018.WNH plans to make these adjustments with the IESO upon approval of this IRM application.

1. Please provide the timing when a complete review with respect to the new accounting guidance for accounts 1588 and 1589.

As noted above, the new accounting guidance for accounts 1588 and 1589 have begun to be implemented starting with September 2019 settlement. January to August 2019 will be trued-up for yearend.

1. Ref: GA Analysis Workform

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.

1. Please file the 2017 GA Workform(s) accordingly, using the template titled “GA Analysis Workform” on the OEB’s 2020 EDR webpage.[[1]](#footnote-1)

See attached.

1. Please quantify and explain whether the 2017 GA Workform(s) filed in this proceeding are different than the one filed in 2019 IRM proceeding.

There are no differences between the 2017 GA Workform filed in this proceeding from the 2019 IRM proceeding.

1. Ref: IRM rate generator – Tab 3. DVA continuity schedule

Distributors must complete the DVA Continuity Schedule, Tab 3, as part of the IRM Generator Model. The DVA balances need to be updated to reflect the opening January 1 DVA balances in this schedule as the closing December 31 balances approved on a final basis in a prior proceeding, instead of more recent closing December 31 balances.[[2]](#footnote-2)

OEB staff notes that Waterloo North filed the 2017 ending balance in the Tab 3. DVA continuity schedule as the opening balances while the 2017 DVAs were interim approved for disposition in its 2019 IRM decision and order.

1. Please refile the DVA Continuity Schedule by populating additional columns in Tab 3.

See attached.

1. Ref: Application, Attachment B, GA Analysis Workform & Appendix A Responses

Waterloo North provided the table for Account 1588 reconciliation without providing the first line item as below:

 The purpose of the table is to reconcile the Principal balance at end of the year in the GL to the principal balance on the continuity schedule (cell BG 28).

1. Please refile the table for 2017 and 2018 respectively using the table below:

|  |  |  |
| --- | --- | --- |
| **Reconciliation of Account 1588 - 2018** |  |  |
|  |  |  |
|  |  **Principal Adjustments**  | **Was the amount a "Principal Adjustment" in the previous year? (Y/N)** |
| **Principal Balance December 31, 2018 in the GL** |   |   |
| **Reversals of Principal Adjustments - previous year**  |
| 1. Reversal of Cost of Power accrual from previous year
 |  |  |
| 1. Reversal of CT 1142 true-up from the previous year
 |  |  |
| 1. Unbilled to billed adjustment for previous year
 |  |  |
| 1. Reversal of RPP vs. Non-RPP allocation
 |  |  |
| **Sub-Total Reversals from previous year (A):** |   |   |
|  |  |   |
| **Principal Adjustments - current year**  |
| 1. Cost of power accrual for 2018 vs Actual per IESO bill
 |  |   |
| 1. True-up of CT 1142 for 2018 consumption recorded in 2019 GL
 |  |   |
| 1. Unbilled accrued vs. billed for 2018 consumption
 |  |   |
| 1. True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption
 |  |   |
| 1. Other
 |  |  |
| **Sub-Total Principal Adjustments for 2018 consumption (B)** |   |   |
| **Total Principal Adjustments shown for 2018 (A + B)** |   |   |
| **Principal Balance for 1588 (Cell BG28) on DVA Continuity Schedule** |   |   |
|  |  |  |

1. Ref: Response to Staff Question 1; Response to Staff Question 3

In responding to staff question 1 c) about why the RPP true-up does not impact Account 1589 Global Adjustment, Waterloo North stated that

WNH has been settling GA on usage which is different from how WNH has been settling on RPP (billed). Therefore, GA price and usage had always been trued-up for 1589 the month following the settlement submission.

In responding to staff question 3, Waterloo North confirmed that the GA expense that was recorded in Account 1589 is using the method as below:

 CT 148 on the IESO invoice – RPP portion of GA that is submitted on the IESO RPP claim form

1. Please confirm whether or not Waterloo North has reconciled the CT 148 GA expense with the RPP portion of the GA that was trued up for volumes and prices and the Non-RPP portion of the GA that was trued up for volumes and prices for 2017 and 2018.

Yes, this is reconciled monthly. See below. There are no variances.



1. If not, please prepare and provide the reconciliation for 2017 and 2018 using the table below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2018 | RPP portion of GA (trued up) | Non-RPP portion of GA (trued up) | Total calculated GA  | CT 148 GA per the IESO Invoice  | Difference |
|  | A | B | C=A+B | D | E=C-D |
| January |  |  |  |  |  |
| ….. |  |  |  |  |  |
| December |  |  |  |  |  |

Please also prepare the 2017 reconciliation using the same format.

Please explain if the column E has differences for any of the months in the year.

1. Ref: 2017 RPP Settlement True-up V5 excel file

OEB staff notes that the 2017 true-up file comprises of the RPP true-up amounts from April 2017 to December 2017.

1. Please confirm that the Actual HOEP for all RPP tiers in each month (cells C18 to C22) are the final prices for energy consumed in the month.

Yes, WNH confirms that the prices are final.

1. Please explain why the 2017 true-up only included the months from April 2017.

In mid-March 2017 WNH moved to a new Customer Information System. Prior to this change WNH did not have actual values by calendar month which is what was used for truing up April to December 2017 and all of 2018 using the new billing system.

1. Please provide the true-up amounts from January to March 2017 if applicable.

As noted above, the data in WNH’s previous Customer Information System was stored by billing period. Therefore, WNH did not have actual values by calendar month to true-up to. As WNH is unable to access this data, WNH would not be able to true-up these values using the same methodology used for April to December of 2017 and 2018. WNH could determine a pro-rated amount for these months however this would largely be an estimate and this process would take a substantial amount of time to calculate. Also the billing during this time period was bi-monthly for RPP and monthly for non-RPP which would further complicate the estimate. WNH’s preference would be true up the amounts noted in this application using the new Customer Information System data and not attempt to calculate an estimate for January to March 2017 1588 as this has already been cleared with customers in 2019 and likely would not be significantly large. The new accounting methodology should resolve any issues with 1588 on a go forward basis.

1. Please provide a complete pricing information for the estimated HOEP and GA for the RPP tiers (Cells C7 to D11) for each month of 2017 in the excel file.

See attached.

1. Please explain the large variance from the off-peak class from Tab “Total True up” below:

|  |
| --- |
| New True Up  |
|   |  True- Up Total  |
|  Tier 1  |  133,896.19  |
|  Tier 2  |  49,592.03  |
|  Off Peak  |  1,025,564.85  |
|  Mid Peak  |  135,059.13  |
|  On Peak  | - 150,831.04  |
|   |   |
|   |  1,193,281.16  |

In the 2017 RPP Settlement True-up V5 file, it is demonstrated that there were large variances in October and November 2017 between estimated RPP settlement and actual RPP settlement which caused the overall annual variance noted above. The October accrual for non-RPP GA was much lower than actual which was trued-up in November. This caused RPP settlement to require large adjustments in both of these months specifically for TOU Off-Peak (decrease in October and increase in November). The variance for this price group is the largest because of two factors: 1) The majority of the usage occurs in TOU Off-Peak (approx. 55%) and 2) When the GA accrual is off, the TOU Off-Peak sees the biggest impact because it is the furthest RPP price (0.065) from the GA rate (0.097).

1. Ref: 2018 RPP Settlement True-up V4 excel file

OEB staff notes that the original pricing information for the RPP settlement submitted was not provided for each month of 2018.

1. Please provide a complete pricing information for the estimated HOEP and GA for the RPP tiers (Cells C7 to D11) for each month of 2018 in the excel file.

See attached.

1. Please confirm that the Actual HOEP for all RPP tiers in each month (cells C18 to C22) are the final prices for energy consumed in the month.

WNH confirms that these are final prices.

1. Ref: 2020 IRM Rate Generator – Tab. 3 DVA continuity schedule; 2019 IRM Rate Generator – Tab. 3 DVA continuity schedule

Based on the tab 3 of the 2020 and 2019 IRM Rate Generator excel files, OEB staff compiled a table as follows for the net transactions in Account 1588:

|  |
| --- |
| **Account 1588 RSVA Power - Net Transaction in the Year** |
|   | **Transaction Debit**  | **RPP True-up adjustment** | **The Transaction debit after booking the true-up** |
|  | a | b | C= a+b |
| **2018** |  369,541  |  (298,382.24) |  71,159  |
| **2017** |  (1,477,345) |  1,193,281  |  (284,064) |

1. Please confirm the accuracy of the above table.

WNH confirms the accuracy of the table above.

1. Please update the table if not correct.

Not applicable.

1. Please fill out the attached excel file (Attachment A) for the analytical review of the transaction debt after true-up for Account 1588 in 2017.

See attached. As noted in question 7 WNH moved to a new Customer Information System in March 2017. April to December data has been included in this response. This demonstrates that $91,817 is the Total UFE Variance expected in Account 1588. The remaining amount $192,247 is assumed to be a mixture of RPP price variance from January to March as well as a loss factor variance which is the reason for the large percentage of unexplained difference. Also as noted above it would be WNH’s preference to monitor this variance on a go forward basis under the new accounting guidelines.

1. https://www.oeb.ca/industry/applications-oeb/electricity-distribution-rates/2020-electricity-distribution-rate [↑](#footnote-ref-1)
2. For example, if the most recent year in which Accounts 1588 and 1589 were approved for disposition on a final basis related to 2016 balances in a 2018 proceeding, the DVA Continuity Schedule, Tab 3, 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. [↑](#footnote-ref-2)