

Elexicon Energy Inc. – Whitby Rate Zone
EB-2019-0130
OEB Staff Questions

Staff Question #1

Re: IRM Model – Sheet 2. Current Tariff Schedule

Cell BC9 on Sheet 2 was not completed.

Please confirm the accuracy of the tariff sheet by selecting Yes or No.

Response:

Elexicon Energy Inc. – Whitby Rate Zone (“EW”) confirms the accuracy of the Current Tariff Schedule in Sheet 2. of the IRM model. An updated version of the Rate Generator Model is being submitted with the interrogatory responses to reflect the completion of cell BC9 on Sheet 2 {*Elexicon_Whitby RZ_2020_IRM-Rate-Generator-Model_20190812 IRR_20191018*}.

Staff Question #2

Re: IRM Model - Sheet 4. Billing Det. For Def-Var

The LRAM balance in cell S23 was not matching the value on the continuity schedule (sheet 3). Staff added \$0.70 to the residential class (cell S17) to remove the non-matching error on sheet 4.

Please review the LRAM balances on Sheet 4 and confirm the balances for each class.

Response:

EW confirms the balances for each class after the adjustment to cell S17. Subsequent changes have been made to the disposition request as per IRR#8 below. EW has confirmed that the LRAM balance in cell S23 matches the value on the continuity schedule to reflect these changes.

Staff Question #3

Re: IRM Model - Sheet 9. Shared Tax – Rate Rider

For the sentinel lighting class, the rebased kW amount entered is 87 kW. However, the rebased kW amount noted in Whitby’s case, EB-2009-0274 settlement agreement, is 120 kW.

Please confirm the rebased kW for the sentinel lighting class.

Response:

EW confirms that the rebased kW for the sentinel lighting class is 120 kW. This was a keying error. An updated version of the Rate Generator Model is being submitted to reflect this correction.

Staff Question #4

Ref: January to April 2019 Comparative Analysis using OEB Accounting Guidance and Elexicon-Whitby Methodology & RRR 2.1.1 filing for the same period

- a) Please confirm that the analysis provided was for the first quarter of 2019 (i.e. for the consumption period from January 1 to March 31, 2019).

Response:

The analysis provided was for the period of January – April 2019 to align with the effective date setups in our billing system which facilitates the analysis.

- b) If affirmative to part a), please explain the difference between the GA variance accumulated in the first quarter of 2019, i.e. a credit of \$102,271 and the “Net Accruals Dr Cr this Period” for a debit of \$144,588, reported under RRR 2.1.1. for Account 1589.

Response:

As indicated in the response to 4(a), the 2019 analysis period does not represent the first quarter of 2019. As a result, a comparison to the RRR 2.1.1 submission is not applicable.

In reviewing the 2019 analysis file, EW noted that during the conversion of the 2019 analysis working file to the final version submitted, the 2019 GA 1st estimate (blended rate) was not updated correctly. The 2019 analysis file included the 2018 GA 1st estimate blended rate instead of the 2019 blended rate. A revised version of the 2019 analysis file has been included with the interrogatory responses to reflect the corrected rate. {*Elexicon_ Whitby RZ_ 2020_Accounting Guidance 2019 Analysis_20190812 IRR_20191018*}. The correction impacts the GA revenue and 1589 balance equally for both the EW method and OEB method. As a result, there continues to be no difference between the outcomes of the two methodologies for the 2019 analysis.

As per the revised 2019 analysis file, the 1589 Variance balance is a credit of \$930,243. EW is able to reconcile this amount back to its General Ledger transactions for the period Jan 2019 - Apr 2019 after taking in to consideration the GA cost true up (CT 148 true up) and the unbilled revenue estimate to actual revenue adjustments. The reconciliation has been provided as a new tab in the revised Excel file for the 2019 Analysis. For ease of reference, the reconciliation has been included below.

Reconciliation of Global Adjustment (1589) - Jan -Apr 2019 to General Ledger (GL)

	GA - Revenue	
GL activity	6,980,735	
Dec 2018 unbilled to actual revenue adjustments	(18,294)	
Apr 2019 unbilled to actual revenue adjustments	85,634	
Adjusted GL activity	7,048,075	
GA - Class B Non-RPP Revenue Comparison Analysis*		7,048,075

	GA - Cost (4707)	
GL activity	8,489,695	
GA Cost True Up (CT 148)	(512,351)	
Adjusted GL activity	7,977,344	
GA - Class B Cost per Comparison Analysis*		7,978,318

Variance Account Impact (1589)	(929,269)	(930,243)
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* per 2019 Analysis - WH Settlement Comparison tab

Staff Question #5**Ref: DVA Continuity Schedule for 2019, Column “Principal Disposition during 2019 – Instructed by OEB” – CELL BM29**

- a. Please confirm that the amount of \$70,331 in the reference cell consists of both principle and interest.
- b. If affirmative to (a), please separate the principle and interest amounts in cells BM29 and BN29. The principle and interest amounts should be based on the proportion of principle and interest approved in the 2019 Settlement Agreement.

Response

As per the settlement agreement, the \$70,331 is the principal amount only which is consistent with EW previously approved request.

The Parties agree that the calculated amount will be disposed of through the reclassified Class A/B Global Adjustment Charge over a one-year period from January 1 2019 to December 31, 2019 with a one-time settlement or through 12 equal adjustments to bills; whichever method is preferred by the customers. The balance pertaining to the new Class A customers of the GA account shall be transferred to the applicable principal sub-account of Account 1595.

Staff Question #6

Ref: Tab 3 of LRAMVA work form, Table 3

In the LRAMVA work form, Elexicon has included two rate riders as part of the distribution rates used for its lost revenue calculation:

- Rate Rider for Disposition of Account 1576 - effective until December 31, 2017
- Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017 LRAMVA) - effective until December 31, 2017

The 2012 CDM Guidelines state that the LRAMVA calculation does not include any volumetric rate riders or adders that are subject to their own true-up process. However, volumetric rate riders for tax sharing or foregone revenues should be included.

EW included the two rate riders as part of the lost revenue calculation for LRAMVA. Both of these rate riders were included in the OEB's Subtotal A of the Bill Impact model and have been interpreted by EW to be distribution-specific and therefore applicable to the lost revenue calculations.

The following questions relate to Account 1576:

- a. Please discuss why Elexicon has included the rate rider for Account 1576 in distribution rates as part of its LRAMVA calculation.

Response:

As stated above, the 1576 rate rider was included in the OEB's subtotal A of the Bill Impact model and has been interpreted by EW to be distribution-specific. In addition, disposition of Account 1576 rate riders are not generally eligible for true-up. This was confirmed by an OEB Industry Relations response on August 2, 2016 which stated,

"...Please note there is no true-up of Account 1576, and no carrying charges should be applied to this account. "

However, upon further review, EW notes that Account 1576 disposition in the 2017 rate application was made on an interim basis. Based on discussions with Board Staff (and as confirmed by the August 2, 2016 Industry Relations email response), it was determined that residual balances ie. any difference between actual amounts provided to customers (through the rate rider), and the approved amount, should be maintained in Account 1576 and added to the Account 1576 balance for consideration in a final disposition. Specifically, Industry Relations stated,

"...This residual interim balance, together with your final amount for Account 1576 (net of interim amount already disposed) should be proposed for disposition at your next cost of service."

As the approach outlined provides the same outcome as a “true-up”, it should be considered on an equivalent basis. EW followed this approach for all interim dispositions of Account 1576. On this basis, EW proposes that it is more appropriate to remove the Account 1576 rate rider (interim disposition 2017) from the LRAMVA calculation.

- b. Please indicate the total amount attributable to the Account 1576 rate rider that is being returned to customers through the LRAMVA.

Response:

The account 1576 rate rider is a credit. Removing the credit from the distribution rate calculation would increase the claim from \$454,808 to \$481,929. Therefore, the principal amount being returned to customers through the LRAMVA is \$27,121.

- c. Please provide supporting documentation (i.e. accounting order or past decisions) that confirms the rate rider(s) for Account 1576 are permitted to be included in the LRAMVA balance.

Response:

As outlined in 6a), EW’s Account 1576 interim disposition rate riders are not supportable for inclusion in the LRAMVA calculation on the basis that they are subject to their own independent true-up process.

However, for future clarity, any Account 1576 rate riders approved for final disposition should be considered for the LRAMVA calculation. This is supported by the following:

- 1) Account 1576 is a distribution based charge.

In the Filing Requirements for Electricity Distribution Rate Applications – 2017 Edition for 2018 Rate Applications – Chapter 2 Cost of Service, dated July 20 2017; page 53, there is a footnote (#23) which states:

²³ Examples of distribution-specific charges include: Group 2 Deferral and Variance Accounts including balances in accounts 1575/1576, ACM and ICM rate riders

- 2) Account 1576 final disposition does not have its own independent true-up process. This was confirmed by an OEB Industry Relations response on August 2, 2016 (see (d) for further details).

- d. Please discuss whether the rate rider for Account 1576 is subject to its own true-up process. If it is not subject to its own true-up process, please provide

reference to the accounting order or past decision(s) to show that Account 1576 does not get trued up through Accounts 1508 or 1595.

Response:

Please see the response below that EW received from Industry Relations confirming that there is no true up to Account 1576.

Initial enquiry: "Whitby Hydro filed an application during 2015 and received approval for an interim disposition of account 1576 (rate rider effective January 1, 2016). We had a brief discussion on the disposition entries with Raj several months ago and were advised that although this is only an interim disposition, we should be using the same entries that would occur at final disposition (reference APH Guideline March 2015 Q#6).

We would like to confirm our intended accounting treatment of the "true-up" ie. difference between the approved interim disposition amount and the actual amount credited to the customer. We are proposing that the full amount of the "true-up" be included in account 1576 and as such rolled into any future/final 1576 disposition request. A copy of sample journal entries to help clarify is attached.

Sample Entries for Interim Disposition of 1576

Closing balance in 1576 - 2014	(500,000)
WACC	(175,000)
	(675,000)
Disposition period (# years)	1
Actual amount credited to customers through billing	(700,000)
Difference between approved and actual billing	(25,000)
Dr. 4080 - Dist Serv Revenue	700,000
Cr. 1100 - Accts Receivable	700,000
To record rate riders refunded (this is through billings)	

Our accounting entries:

Dr. Account 1576	500,000
Cr. 5705 Depreciation Exp	500,000
Record amortization of refund of Account 1576	
Dr. 4305 Regulatory Debits	500,000
Cr. 4080 Dist Service Rev	500,000
Record only the return component in dist revenues	

Additional Entry for true-up of difference between approved and actual billing

Dr. Account 1576	25,000
Cr. 4080 Dist Service Rev	25,000
Record true-up in 1576 until final disposition	
(note this is done only for interim disposition - no true-up is done at final disposition)	

Please confirm agreement with this approach or advise if there is an alternate approach that we should be using."

Industry Relations Response:

Whitby received OEB's approval to dispose of its Account 1576 on an interim basis in 2016. Your question is on the treatment of the amount that was over-refunded to customers.

As discussed over the phone, the over-refunded portion would be recorded in Account

1576. In your example, \$25,000 would remain in Account 1576. This residual interim balance, together with your final amount for Account 1576 (net of interim amount already disposed) should be proposed for disposition at your next cost of service. Please note there is no true-up of Account 1576, and no carrying charges should be applied to this account.

The following questions relate to Account 1568:

- e. Please confirm that the rate rider for Account 1568 is disposed of through Account 1595.

Response:

This is to confirm that the LRAMVA amount approved for disposition is moved from Account 1568 to Account 1595(20xx) for recovery via rate rider.

- f. Please indicate the total amount attributable to the 2017 LRAMVA-Account 1568 rate rider that is being collected from customers through the LRAMVA.

Response:

The total principal amount attributable to the 2017 LRAMVA-Account 1568 rate rider that is being collected from customers through the LRAMVA is \$29,739.

- g. Please indicate whether Elexicon has recovered the balance from the 2017 LRAMVA-Account 1568 rate rider, as this was approved to be effective only until December 31, 2017.
 - i. If yes, please discuss why Elexicon has included the 2017 LRAMVA rider as part of this application.

Response:

Yes, EW has recovered the balance from the 2017 LRAMVA rate rider which expired December 31 2017. EW originally included the rate rider as part of this LRAMVA calculation because it is a distribution specific rate rider. Distribution specific rate riders are generally considered appropriate for inclusion in LRAMVA calculations. However, upon further review, EW agrees that due to the transfer of approved LRAMVA disposition to Account 1595, it becomes subject to its own true-up process which makes it ineligible for inclusion in the LRAMVA calculation.

- ii. If no, please explain why the 2017 LRAMVA rider was not implemented by December 31, 2017 as ordered by the OEB.

Response:

N/A

- h. Please file a revised LRAMVA workform that removes the 2017 LRAMVA-Account 1568 rate rider from the LRAMVA calculation in this application.

Response:

The revised LRAMVA workform that removed the 2017 LRAMVA rate rider has been included as part of the interrogatory responses {*Elexicon_Whitby RZ_2020_LRAMVA_Work_Form_3.0_20190812 IRR#6h_20191018*}

Staff Question 7

Ref: Tab 5 of LRAMVA workform

Elexicon is recovering the persistence of streetlight savings based on upgrades undertaken as part of the Town of Whitby's participation in the saveOnEnergy retrofit program. Elexicon has reduced 2015 and 2016 saveOnEnergy retrofit program by the kWh portions from street light upgrades, but it did not appear to do so for 2017.

- a. Please explain why Elexicon did not remove the associated kWh savings from the saveOnEnergy retrofit program in 2017.

Response:

The IESO included the calculated kilowatt hours (kWh) of energy savings from the street lighting project in EW's 2015 and 2016 results but no corresponding kW savings. Since the LRAMVA workform only allows for one set of rate allocation %'s, the estimated kWh savings for street lighting needed to be removed in order to produce the correct allocations for all customers classes to be used in the LRAMVA calculations. There were no kWh energy savings from the street lighting project in EW's 2017 results so no adjustments were necessary.

- b. Please quantify the kWh from the street light upgrades undertaken in the 2017 saveOnEnergy retrofit program to confirm materiality.

Response:

See response to (a) above.

Staff Question 8

- a. If Elexicon made any changes to the LRAMVA work form as a result of its responses to the above LRAMVA questions, please file an updated LRAMVA work form, the revised LRAMVA balance requested for disposition, and a table summarizing the revised rate riders.

- b. Please confirm any changes to the LRAMVA work form in response to these LRAMVA questions in “Table A-2. Updates to LRAMVA Disposition (Tab 2)”.

Response (a) and (b):

As a result of the responses to the above LRAMVA questions, EW is including an updated LRAMVA work form as part of the interrogatory responses. {*Elexicon_Whitby RZ_2020_LRAMVA_Work_Form_3.0_20190812 IRR#8_20191018*} The update includes the removal of the following LRAMVA amounts:

- \$27,121 credit Account 1576 (2017) rate rider per Response 6 (a) and (b)
- \$29,739 debit LRAMVA (2017) rate rider per Response 6 (f) and (g)

This results in a revised LRAMVA disposition request of \$452,191.

The table below summarizes the revised rate riders. Changes to the work form have been documented in Table A-2 of the work form (sheet 1-a. Summary of Changes)

LRAMVA Rate Riders - Original submission

Customer Class	Volume	Original Request	Rate Rider	per
Residential	367,139,763	214,636	\$ 0.0006	kWh
GS<50 kW	90,248,206	39,226	\$ 0.0004	kWh
GS 50-4,999 kW	964,589	140,748	\$ 0.1459	kW
Streetlighting	9,791	60,198	\$ 6.1483	kW
		454,808		

LRAMVA Rate Riders - Revised submission

Customer Class	Volume	Revised Request	Rate Rider	per
Residential	367,139,763	197,251	\$ 0.0005	kWh
GS<50 kW	90,248,206	40,717	\$ 0.0005	kWh
GS 50-4,999 kW	964,589	153,627	\$ 0.1593	kW
Streetlighting	9,791	60,596	\$ 6.1889	kW
		452,191		