

Appendix A - GA Methodology Description

Questions on Accounts 1588 & 1589¹

1. Please complete the Table below for principal adjustments on the DVA Continuity Schedule for Account 1588:

Table 1 - Reconciliation of Account 1588

	Principal Adjustments	Was the amount a "Principal Adjustment" in the previous year? (Y/N)
Balance December 31, 2018	\$(1,336,690)	
Reversals of Principal Adjustments - previous year		
1. Reversal of Cost of Power accrual from previous year		
2. Reversal of CT 1142 true-up from the previous year		
3. Unbilled to billed adjustment for the previous year		
4. Reversal of RPP vs. Non-RPP allocation		
Sub-Total Reversals from previous year (A):		
Principal Adjustments - current year		
5. Cost of power accrual for 2018 vs. Actual per IESO bill		
6. True-up of CT 1142 for 2018 consumption recorded in 2019 GL		
7. Unbilled accrued vs. billed for 2018 consumption		
8. True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption		

¹ MFR - All distributors must file the responses to the questions in Appendix A of the GA Analysis Workform.

9. Other		
Sub-Total Principal Adjustments for 2018 consumption (B)		
Total Principal Adjustments are shown for 2018 (A + B)		
Bal. For Disposition - 1588 (should match Total Claim column on DVA Continuity Schedule)	\$(1,336,690)	

2. In booking expense journal entries for Charge Type (CT) 1142 and CT 148 from the IESO invoice, please confirm which of the following approaches is used:

- a. CT 1142 is booked into Account 1588. CT 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively.

HHI Response: As per the February guidance, HHI confirms that it has implemented and is complying with the August 2019 Accounting guidance. HHI affirms that it is using Option A

- b. CT 148 is booked into Account 1589. The portion of CT 1142 equaling RPP minus HOEP for RPP consumption is booked into Account 1588. The portion of CT 1142 equaling GA RPP is credited into Account 1589.

HHI response: HHI was using this process in the past but confirms that it is no longer the case.

- c. If another approach is used, please explain it in detail.

HHI response: not applicable

- d. Was the approach described in response to the above questions used consistently for all years for which variances are proposed for disposition? If not, please discuss.

HHI response : not applicable

3. Questions on CT 1142

- a. Please describe how the initial RPP related GA is determined for settlement forms submitted by day 4 after the month-end (resulting in CT 1142 on the IESO invoice).

HHI Response: HHI takes the TOU revenues by class and divides by the RPP rate to get the amount of kWh. Then the kWh is multiplied by the final GA rate.

HHI is using the AQEW from Utilismart to perform the initial settlement form.

HHI estimates the power purchased as well and RPP and Non-RPP sales for the month that just ended. (EX: October 1st. Estimates September). So on the 4th day of the month, when we do your initial RPP settlement, all data used would be based on estimates. We use estimates for:

- **total wholesale volumes,**
From these kWh, HHI removes the embedded generation Kwh (Obtain through Utilismart portal) and GA Class A kWh (to get the estimated GA volume used for the initial Settlement submitted the 4th day following the estimated month).
- **Proportions for consumption volume for RPP and non-RPP,**
- **HHI utilizes estimates from previous billing (previous month and the same month the previous year, for kWh sales to obtain a split (estimated) percentage for RPP and non-RPP kWh. This % is then applied through the model to obtain kWh RPP and NON-RPP**
- **RPP volumes at each price point,**
- **Power price**
- **HHI uses GA 2nd estimate (because this is the best information available at the time, and eventually, it needs to be trued up to actual).**
- **Based on the above information, the initial settlement would be performed around the 4th day of the month.**

- b. Please describe the process for trueing up CT 1142 to actual RPP kWh, including which data is used for each TOU/Tier 1&2 prices, as well as the timing of the true-up.

HHI Response: HHI, at month-end access, the IESO portal to get the information relating to CT 1142 to obtain all adjustments made on the specific charges by IESO that are summarized on the Power Invoice. Those adjustments are considered to calculate the true-up.

The total for each class is added, and HHI also deducts the total for TCOP. This amount is claimed from IESO and credited to account 4707.

HHI response: Mid-month, HHI gets the actual Power invoice from IESO and Hydro One. HHI then performs the 1st True-Up using the exact kWh purchased for the Cost of Power as well as the precise Kwh for GA.

1st True-up after IESO & Hydro One invoice is received:

For the 1st true-up some elements for RPP settlement are actual (e.g., actual power price and actual GA price, total wholesale kWh paid for), but some are still estimated (split between RPP and non-RPP, and consumption at each RPP price)

We get the invoices from the IESO & Hydro One around the 16th of the month. HHI now has actual power price, actual GA price, and actual total wholesale volumes. The 1st true-up would be done on or around the 4th day of the following month. This true-up would be performed using the following actuals:

- **Total actual wholesale volumes,**
- **Actual power price,**
- **Actual GA price.**

2nd True-up after retail volumes are available (when billings have been completed at month-end):

When all retail data becomes available, We would be able to true-up everything to actuals. 2nd true-up of CT 1142 would be based on actual RPP revenue and Actual power and GA price:

- **Actual retail volume for RPP and non-RPP,**
- **Actual retail volumes at each RPP price, and RPP revenues at each price point,**
- **Actual consumption proportions for RPP and non-RPP,**
- **Actual energy price for RPP and non-RPP,**
- **Actual costs for energy and GA.**

Furthermore, since HHI bills monthly (1-30 days) we are in a position to true up this amount on the 4th day of the month.

In resume: End of September 2019

Initial settlement (estimate) done on the 4th day following the previous month 2019

- **1st True-up following invoice from IESO and Hydro One**
- **2nd true-up following the actual sales RPP and Non-RPP available the 30th day of the month following the estimated month.**
- **(EX: October for September estimate.)**
October 4th: 1st settlement based on estimates.
Nov 4th: TU # 1 and # 2. So as of November 4th, the month of September is complete.

c. Has CT 1142 been trued up for with the IESO for all of 2018?

HHI Response: Yes.

d. Which months from 2018 were trueed up in 2019?

HHI Response: December.

e. Were these true-ups recorded in the 2018 or 2019 balance in the General Ledger?

HHI Response: The true-ups were recorded in 2018.

f. Have all of 2018 related true-up been reflected in the applicant's DVA Continuity Schedule in this proceeding?

HHI Response: Yes.

4. Questions on CT 148

a. Please describe the process for the initial recording of CT 148 in the accounts (i.e., 1588 and 1589).

HHI Response: Prior to August 2019, HHI debits the amount for CT 148 from IESO and Hydro One power bill to account 4707.

Following August 2019, CT 1142 is booked into Account 4705(1588). CT 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 4705 (1588) and 4707 (1589), respectively.

b. Please describe the process for true-up of the GA related cost to ensure that the amounts reflected in Account 1588 are related to RPP GA costs and amounts in 1589 are related to only non-RPP GA costs.

HHI Response: Prior to August 2019, there is no GA amount for RPP in account 4705 (1588). GA is part of 4707 (1589) only.

As of Aug 2019 following the OEB guidelines, HHI will apply GA RPP to 4705 (1588) and NON-RPP to 4707 (1589).

c. What data is used to determine the non-RPP kWh volume that is multiplied with the actual GA per kWh rate (based on CT 148) for recording as the initial GA expense in Account 1589?

HHI Response: Prior to August 2019, HHI puts the full amount of GA charged by IESO and Hydro One in account 4707 and subtract the amount obtained in question 3 b.

Data used to determine the volume of RPP / non-RPP customers comes from the Billing stats exported directly from the billing system. Non-RPP customers' cycles are identified to identify the Non-RPP volume. RPP volume is determined by difference. Note that RPP customers are not billed GA as our control files are set to NEGATE GA to all RPP customers.

As of Aug 2019, following the OEB guidelines.

HHI estimates the power purchased as well and RPP and Non-RPP sales for the month that just ended. (EX: October 1st. Estimates September). So on the 4th day of the month, when we do your initial RPP settlement, all data used would be based on estimates. We use estimates for:

- **proportions for consumption volume for RPP and non-RPP,**
- **HHI utilizes estimates from previous billing (previous month and the same month the previous year, for kWh sales to obtain a split (estimated) percentage for RPP and non-RPP kWh. This % is then applied through the model to obtain kWh RPP.**

- d. Does the utility true up the initial recording of CT 148 in Accounts 1588 and 1589 based on estimated RPP/non-RPP consumption proportions to actuals based on actual RPP-non-RPP consumption proportions?

HHI Response: The initial recording of CT 148 is based on estimated RPP – non-RPP consumption proportions

- e. Please indicate which months from 2018 were trued up in 2019 for CT 148 proportions between RPP and non-RPP

HHI Response: December 2018 was trued-up in January 2019 but recorded in the proper year, 2018.

f. Were these true-ups recorded in the 2018 or 2019 balance in the General Ledger?

HHI Response: The true-up was recorded in 2018

g. Are all true-ups for 2018 consumption reflected in the DVA Continuity Schedule?

HHI Response: Yes

5. Questions regarding principal adjustments and reversals on the DVA Continuity Schedule:

Questions on Principal Adjustments - Accounts 1588 and 1589

a. Did the applicant have principal adjustments in its 2019 rate proceeding, which were approved for disposition?

HHI Response: Yes, dispositions were approved in the 2019 rate proceeding. EB-2018-0040

b. If yes, please provide a break-down of the total amount of principal adjustments that were approved (e.g., true-up of unbilled, true-up of CT 1142, true-up of CT 148, etc.) for each of Accounts 1588 and 1589.

HHI Response: Please see EB-2018-0040

c. Has the applicant reversed the adjustment approved in 2019 rates in its current proposed amount for disposition?

HHI Response: Yes. A journal entry was made to record the dispositions approved by OEB.

6. NB: only the principal adjustments amounts that were disposed of in the previous proceeding should be reversed in this proceeding. For example, if no amount related to unbilled to billed adjustment for 2018 consumption was included in 2019 proceeding, this amount should not be included as a "reversal" from the previous year.

a. Please confirm that the allocation of charge type 148 has been trued up to actual proportion of RPP/non-RPP consumption in the GL.

HHI Response: Yes

Staff Question-7

Ref: Application, pp. 13-14

Pre-amble

At the above reference, Hydro Hawkesbury confirms that it is in compliance with the OEB's February 21, 2019 accounting guidance related to Accounts 1588 and 1589 and that no adjustments were required as a result of the implementation of this accounting guidance.

Questions

- a. As a result of confirming that it has implemented the OEB's February 21, 2019 accounting guidance, please confirm whether Hydro Hawkesbury is seeking final (as opposed to interim) disposition of its 2018 audited Group 1 DVA account balances as part of the current proceeding.

HHI Response: HHI is seeking final disposition of its 2018 audited Group 1 DVA account balances as part of the current proceeding.

- b. Please confirm whether Hydro Hawkesbury is also seeking final disposition related to its December 31, 2017 audited Group 1 DVA account balances, which were approved for disposition by the OEB on an interim basis as part of Hydro Hawkesbury's 2019 IRM application.

HHI Response: HHI is seeking final disposition of its December 31, 2017 audited Group 1 DVA account balances, which were approved for disposition by the OEB on an interim basis as part of Hydro Hawkesbury's 2019 IRM application.

- c. In regards to the implementation of the OEB's February 21, 2019 accounting guidance, please confirm that Hydro Hawkesbury has assessed this new accounting guidance against each RPP settlement it had completed in both 2017 and 2018, and that no adjustments were required as a result.

HHI Response: HHI has assessed this new accounting guidance against each RPP settlement it had completed in both 2017 and 2018, and no adjustments were required as a result.

- d. Hydro Hawkesbury indicates that it did not report any adjustments related to the implementation of the OEB's February 21, 2019 accounting guidance because it settles using actual numbers. In the context of the OEB's February 21, 2019 guidance, it prescribes that a utility settle its consumption for a particular month on the fourth day of the following month (i.e. December consumption is settled on January 4th) using best available data.
- i. Is Hydro Hawkesbury confirming that actual consumption quantities are available for RPP settlement purposes by the fourth day of the following month (i.e. actual December consumption is available by January 4th)?

HHI response: NO

- ii. If the response above is no, then please explain how Hydro Hawkesbury is confirming that it has implemented the OEB's February 21, 2019 accounting guidance when it has not complied with the prescribed accounting for RPP settlements.

HHI Response: The actuals RPP consumption are available on the 4th day of the following month. EX: September 2019 actual RPP are available on November 1st, 2019. This being said HHI performs the 1st true up (following actual invoices from H1 and IESO and the 2nd true up following the actuals RPP sales on November 4th 2019)

- e. In the response provided to question 2 of the *Appendix A – GA Methodology Description*, Hydro Hawkesbury indicates that it follows methodology b) with respect to recording CT 148 (i.e. CT 148 is booked into Account 1589, the portion of CT 1142 equaling RPP – HOEP for RPP consumption is booked into account 1588, and the portion of CT 1142 equaling GA RPP is credited into Account 1589).

- i. In the context of the OEB's February 21, 2019 accounting guidance, please explain how Hydro Hawkesbury is confirming that it is in compliance with this guidance when the guidance prescribes the use of methodology a) from question 2 of the *Appendix A – GA Methodology Description*.

HHI'S response: As per the February guidance's, since August 2019 HHI complies with the OEB'S accounting guidance's. The process we use is as follows:

Initial Settlement for CT 1142:

HHI estimates the power purchased as well and RPP and Non-RPP sales for the month that just ended. (EX: October 1st. Estimates September). So on the 4th day of the month, when we do your initial RPP settlement, all data used would be based on estimates. We use estimates for:

- **total wholesale volumes,**
- **proportions for consumption volume for RPP and non-RPP,**
- **RPP volumes at each price point,**
- **Power price**

HHI uses GA 2nd estimate (because this is the best information available at the time, and eventually it needs to be trued up to actual).

Based on the above information, the initial settlement would be performed around the 4th day of the month.

1st True-up after IESO & Hydro One invoice is received:

For the 1st true-up some elements for RPP settlement are actual (e.g. actual power price and actual GA price, total wholesale kWh paid for) but some are estimated (split between RPP and non-RPP, and consumption at each RPP price)

We get the invoices from the IESO & Hydro One around the 16th of the month. HHI now have actual power price, actual GA price, and actual total wholesale volumes. The 1st true-up would be

done on or around the 4th day of the following month. This true up would be performed using the following actuals:

- Total actual wholesale volumes,
- Actual power price,
- Actual GA price.

Since actual proportions for RPP and non-RPP are not available yet, you would perform 1st true-up of CT 1142 using the following estimates:

Estimated total RPP volumes (based on Estimated proportion of RPP to non-RPP),

Estimated proportion of RPP at each price point.

This true up occurs when the actual power invoices are received mid-month. We true up this on the 4th day of the following month (EX: November 4th)

2nd True-up after retail volumes are available (when billings have been completed):

When all retail data becomes available, you would be able to true-up everything to actuals. 2nd true-up of CT 1142 would be based on actual RPP revenue and Actual power and GA price:

- Actual retail volume for RPP and non-RPP,
- Actual retail volumes at each RPP price, and RPP revenues at each price point,
- Actual consumption proportions for RPP and non-RPP,
- Actual energy price for RPP and non-RPP,
- Actual costs for energy and GA.

Since HHI bills monthly (1-30 day) we are in a position to true up this amount on the 4th day of the month.

In resume: End of September 2019

Initial settlement (estimate for September 2019) done on October 4th 2019

- **1st True up following October 15th invoice for the month of September will be done November 4th, 2019**
- **2nd true-up following the actual sales RPP and Non-RPP data for September is also done on November 4th.**
- **The process starts over again as we do our October initial Settlement on November 4th.**
- **Item 2 and 3 above will be performed on December 4th, 2019.**

Explanation of variances in account 1588 in the amount of 1.4M.

At the beginning of 2018, Hydro Hawkesbury Inc. (HHI) questioned the way it was doing certain journal entries. The first item questioned was the adjustment on form 1598. The power bill dated February is for January consumption. The adjustment CT 1142 on that invoice is based on December consumption. To try to have more accurate numbers, HHI decided to consider CT 1142 in the month on which it was based. Because of this one-time revision to its accounting process, there were 13 CT 1142 accounted for in 2018 (instead of 12 months worth). The CT 1142 based on December 2017 consumption was \$714,965.67.

A second change was regarding the revenues billed to clients. HHI has a billing software (Harris) and an accounting software (ACCPAC / SAGE). At the end of each month, a journal entry is made in ACCPAC / SAGE to consider the transactions made in Harris. Revenues were recorded in the month when they were billed and at the end of the year, an accrual for unbilled revenues was recorded. HHI decided at the beginning of 2018 to record the revenues in the month of consumption with a debit to unbilled income. The following month, the second part of the entry is made to affect the balance sheet accounts (bank, receivables, HST, etc.) and a credit to unbilled income. The unbilled income goes back to zero. GA charged to clients was coded to a balance sheet account. Another entry was done to transfer this amount to a revenue account. When the unbilled income entry was done at the end of 2017, only income accounts were considered. The GA charged to clients was not considered because it was coded as a balance sheet account. With its revised method, HHI had 13 months of GA revenues in 2018. The GA charged with December 2017 consumption was \$500,574.69.

A few more changes were also made. While completing its GA Analysis Form, HHI realized that those amounts should have been accounted for in account 1588, not 1589. The 2 adjustments described above account for the majority of the \$1.4 million adjustment made between 1588 and 1589.