Oshawa PUC Networks Inc. (Oshawa PUC)

2020 IRM Application

EB-2019-0062

Application Analysis

October 8, 2019

Oshawa Power's responses to OEB staff questions are found below in red.

Staff Question #1

Ref: Manager's Summary, page 13

It states that as of the submission date, no material adjustments were noted, and Oshawa PUC is confident its process is in line with the new accounting guidance as of August 31, 2019.

a) Please confirm that the applicant completed its review of historical balances in the context of the new Accounting Guidance.
    i. If completed, please provide further details on the review that was completed, and any summary reports available (e.g. how the review was done).

Please see attached document "Report on Review of New RSVA1598 and 1599 Accounting Guidance (Aug 2019)" which provides further details on the review that was completed.

    ii. If the review has not been completed, please provide a timeline for the completion of the review.

b) Please confirm that Oshawa PUC has implemented the new accounting guidance effective January 1, 2019 by August 31, 2019.

Yes, confirmed.

Staff Question #2

Ref: Appendix E – GA Methodology, Question 1

Regarding the table in question 1 for Account 1588,

a) Please refile this Account 1588 table for each of 2017 and 2018, revising i) the first row to "Net Change in Principal Balance in the GL (i.e. Transactions in the

Year)" and ii) the last row to "Adjusted Net Change in Principal Balance in the DVA Continuity Schedule (i.e. sum of Transactions During the Year and Principal Adjustments)".

Below are the revised Account 1588 tables for 2017 and 2018, updating the terminology for the first and last rows, as requested.

Reconciliation of Account 1588 - 2017

	Principal Adjustments	Was the amount a "Principal Adjustment" in the previous year? (Y/N)
Net Change in Principal Balance in the GL	$1,115,686	
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 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 2017 vs Actual per IESO bill		
6. True-up of CT 1142 for 2017 consumption recorded in 2018 GL		
7. Unbilled accrued vs. billed for 2017 consumption		
8. True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2017 consumption	$1,587,946	
9. Other		
Sub-Total Principal Adjustments for 2017 consumption (B)	$1,587,946	
Total Principal Adjustments shown for 2017 (A + B)	$1,587,946	
Adjusted Net Change in Principal Balance in the DVA Continuity Schedule	$2,703,632	

Reconciliation of Account 1588 - 2018

	Principal Adjustments	Was the amount a "Principal Adjustment" in the previous year? (Y/N)
Net Change in Principal Balance in the GL	($567,055)	
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 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	($2,969,517)	
9. Other		
Sub-Total Principal Adjustments for 2018 consumption (B)	($2,969,517)	
Total Principal Adjustments shown for 2018 (A + B)	($2,969,517)	
Adjusted Net Change in Principal Balance in the DVA Continuity Schedule	($3,536,572)	

b) If the revised table shows a material change in the assessment of the Account 1588 balance, please quantify and explain.
   i. If any principal adjustments for items 1 to 8 is identified, please explain the adjustment in consideration of page 23 of the Manager's Summary, which appears to indicate that all aspects of Accounts 1588 and 1589 are trued up to actuals at year-end in both the GL and the amounts requested for disposition.
   ii. If any principal adjustment for item 9 is identified, please explain the adjustment.

Pursuant to your questions below regarding the GA variance account, it was identified that a true-up between accounts 1588 and 1589 is required for the split between the global adjustment charges on the IESO invoice. More detail of this allocation is described in response to question #4.

Staff Question #3

Ref: Appendix E – GA Methodology, Question 12

In 12b, it states that actual billing data for non-RPP and RPP customers is used to divide the CT 148 in the true up process. The dollar amount calculated for non-RPP GA costs is moved to Account 1588.

a) Please confirm whether the actual billing data referenced in 12b is to mean all consumption in the month (billed and unbilled). If not confirmed
   i. Please explain what the billing data is referring to and why the true up is not to all billed and unbilled (i.e. total actual) consumption in the month.
   ii. Please quantify the true up of CT 148 based on total actual consumption (i.e. billed and unbilled) for Accounts 1588 and 1589 and revise the evidence as needed.

Actual billing data referenced in 12b refers to only billed consumption in a month. A report from our CIS system is used to calculate the GA split between RPP and non-RPP consumption in the month. This is a statistical report that shows consumption and dollars billed to each TOU customer group and Tier customer group.

The CIS system cannot run in a timely fashion on a monthly basis to produce an unbilled value. It requires a 6 week period for information to be available; as a result actual unbilled is trued-up for year-end only. At year end, actual unbilled is used to true-up balances in accounts 1588 and 1589.

As described above in question #2, an allocation between 1588 and 1589 is required to true-up the global adjustment split between RPP and non-RPP customers. This correction will be adjusted on tab “3. Continuity Schedule” in the IRM Rate Generator Model, and resulting rate riders requested. It is further described in response to question #4 below.

b) Please explain the reference in 12b stating that “the dollar amount calculated for non-RPP GA is moved to Account 1588. Specifically,
   i. Why is the amount calculated for non-RPP GA moved to Account 1588 if Oshawa PUC uses approach A under question 10 (CT 148 is pro-rated and booked into Account 1588 and 1589).

Oshawa PUC does use approach A under question 10. The wording used requires clarification. The dollar amount of CT 148 is split between RPP and non-RPP GA based on a statistical report and the respective portions are recorded to accounts 1588 and 1589.

ii. Please also explain why the non-RPP GA calculated from CT 148 is moved to Account 1588 and not Account 1589, which holds the GA variance for non-RPP customers.

A typo was made in the explanation provided to the Board. The dollar amount of GA related to non-RPP customer is posted to account 1589.

Staff Question #4

Ref: Appendix D – GA Analysis Workform

Regarding the GA Analysis Workform:

a) The calculated loss factor is 12.28% for 2017 and 5.78% for 2018. Oshawa PUC's total loss factor for secondary metered customers <5,000 is 4.86%. There is a 7.42% difference for 2017. Please explain the difference, including how the calculated loss factor can change by 6.5% from 2017 to 2018. Please revise the evidence as needed.

Pursuant to your question, we revisited the calculation, and made the following revisions:

- In tab "GA 2017" a revision is needed to kwh provided in Note 4, Analysis of Expected GA Amount. Monthly kwh in column F "Non-RPP Class B including Loss Factor Billed Consumption (kwh), include losses on Class A customer consumption. Once removed, the total becomes 352,289,466 kwh, and the loss factor appears more reasonable at 5.48% when compared to approved loss factor of 4.86%, and appears more reasonable when compared to 2018 tab calculated loss factor of 6.19% (changed from 5.78% due to revision to actual unbilled consumption as explained in part b below).
- In tabs "GA 2017 and GA 2018" a revision was made to the unbilled kWh in months Jan to Nov (actuals used for December) to reflect the respective 2017 and 2018 estimated unbillled rate. And unbilled consumption was changed to actuals for yearend (ie, Dec 2016 and Dec 2017 and Dec 2018 Class B non-RPP actual unbilled kwh reported in both tabs).

b) Page 23 of the Manager's Summary indicates that at year-end, a true up entry is made to year-end GL balances and RRR filings to record actual unbilled sales volumes. This would imply that the true up entry is already included in the Account 1589 "transactions of the year" of $2,570,190 for 2017 and $2,691,427 for 2018. However, in the GA Analysis Workform, reconciling items 2a and 2b for unbilled to actual revenue differences are identified. Please explain whether unbilled to actual revenue differences are actually reconciling items. Please revise the evidence as needed.

Pursuant to your question, we revisited the calculation, and made the following revisions:

- A revision was made to the evidence provided for GA Analysis Workform for both years 2017 and 2018. Items 2a and 2b were removed, and unbilled consumption in the table in Note 4 was updated to actuals for yearend (ie, Dec 2016 and Dec 2017 and Dec 2018 Class B non-RPP actual unbilled kwh reported in both tabs).

c) In the 2017 and 2018 GA Analysis Workform, reconciling items 2a and 2b are for unbilled to actual revenue differences. However, in the explanation for these reconciling items, it states these are the "unbilled revenue balance".
   i. Please clarify if the amounts quantified are for unbilled to actual revenue differences or the year-end unbilled revenue balance.
   ii. If it is the year-end unbilled revenue balance, please revise the reconciling items to be equal to the unbilled to actual revenue difference for 2017 and 2018.

Please see revision made in part b above. Reconciling items 2a and 2b have been removed.

d) Per the OEB's letter Accounting Guidance related to Implementation of Fair Hydro Act, 2017, dated October 31, 2017, page 2 states

> "Invoice amounts from the IESO or a host distributor for GA Modifier claims and amounts credited to eligible customers should be recorded in sub-accounts of a clearing Accounts Payable or Accounts Receivable account, as applicable… GA Modifier-related transactions will not affect the amounts recorded in the distributors' Global Adjustment expenses, revenues or variance accounts."

   i. In the 2017 and 2018 GA Analysis Workform, Oshawa PUC identified reconciling item 9, for GA Modifier credits issued to customers of

($1,071,000) and ($5,400,000), respectively. Please explain why this would be reconciling items that affect Account 1589.

Oshawa PUC has been recording GA modifier credits provided to non-RPP customers in the GA expense account, and therefore impacting the GA variance account 1589. For this reason this is a reconciling item, and the principal balance of RSVA GA will be appropriately adjusted to remove the GA Modifier credits. This adjustment was made on the DVA continuity schedule in the IRM Rate Generator Model. Tab 3. Continuity Schedule, in row 29 for years 2017 and 2018, the following amounts have been removed respectively: $1,071,282 and $5,443,135. The carrying charges in both years have been adjusted, as well as the resulting rate rider being requested.

Oshawa will take the appropriate steps to correct the settlement of GA modifier credits with the IESO.

ii. In the 2018 GA Analysis Workform, Oshawa PUC identified reconciling item 4, for GA Modifier credits issued to Class A customers. Please explain why this would be a reconciling item that would affect Account 1589. Please explain why there is no similar reconciling item for 2017.

Pursuant to your question, we revisited the calculation, and made the following revisions:

- As per the explanation provided for i) above, GA modifier payments to non-RPP customers have been recorded in GA expense accounts. These are removed as reconciling item #9.
- Item 4 reconciling adjustment has been removed.
- Reconciling item #10 has been identified as allocation differences were noted between RPP and non-RPP global adjustment in both years 2017 and 2018. The monthly determination of RPP GA to be charged on the IESO invoice is based off billed data reports for the particular month (ie. Jan billing report used as proxy for Jan GA charge from IESO). This then determines the allocation of the IESO GA charge between RPP and non-RPP classes. The non-RPP amount is the total Class B GA Charge (charge type 148) less the RPP amount determined as above. A reconciling credit amount of $1,587,946 in 2017, and a reconciling debit amount of $2,969,517 in 2018 were identified to RSVA GA (1589) account. These amounts should be allocated to RSVA Power (1588) as it is a correcting adjustment to the monthly determination of RPP GA as submitted to the IESO via the 1598 Settlement process. Going forward, Oshawa will make this adjustment annually at the end of the year.

e) In the DVA Continuity Schedule, 2017 Transactions is $2,570,190 and the OEB Approved Disposition during 2017 is ($634,996). In the 2017 GA Analysis Workform, the “Net Change in Principal Balance in the GL (i.e. Transactions in the Year)” agree to the $2,570,190 transactions amount in the DVA Continuity Schedule, which excludes the amount approved for disposition. Therefore, there should be no reconciling item 10 in the 2017 GA Analysis Workform for ($634,000). Please explain why reconciling item 10 was identified and revise the evidence as needed.

As noted above, a revision was made to the GA Analysis Workform for both years 2017 and 2018. The reconciling item pertaining to approved disposition was removed.

Staff Question #5

Ref: IRM Rate Generator, Tab 1 – Information Sheet

The last rebasing year was entered as 2014. However, a Custom IR application was made for 2015.

a) Please confirm that 2015 should have been selected, or explain why 2014 is correct.

Under our Custom IR Application, Oshawa PUC rebased in 2015, with all years 2015 to 2019 being test years. For this reason, year 2019 is selected as the last rebasing year.

Staff Question #6

Ref: IRM Rate Generator, Tab 8 – STS – Tax Change

The entries on this worksheet all reconcile to the 2015 Revenue Requirement Work Form.

a) Please confirm that Oshawa PUC’s current rates are underpinned by a 2018 test year from its Custom IR Application, as reflected in its 2018 Revenue Requirement Work Form.

Oshawa PUC’s current 2019 rates are underpinned by the 2019 test year from our Custom IR Application.

b) Please explain why the entries on this worksheet do not reconcile to the 2018 Revenue Requirement Work From.

Oshawa PUC has refiled the IRM Rate Generator Model to update tab “8. STS – Tax Change” with 2019 RRWF data, as 2019 was the last rebasing year from our Custom IR Application.

Please see updated IRM Rate Generator Model saved as “EB-2019-0062_2020-IRM-Rate-Generator-Model_20191014.xlsx”

Row 48 of tab 8 ‘Sharing of Tax Amount (50%) changed from $29,346 to $30,841; an increase of $1,495.

For ease of reference, an extract from Tab 8 is reproduced below.

Ontario Energy Board

Incentive Rate-setting Mechanism Rate Generator for 2020 Filers

Summary - Sharing of Tax Change Forecast Amounts

	2019	2020
OEB-Approved Rate Base	$ 131,745,000	$ 131,745,000
OEB-Approved Regulatory Taxable Income	$ 1,590,000	$ 1,590,000
Federal General Rate		15.0%
Federal Small Business Rate		9.0%
Federal Small Business Rate (calculated effective rate)[1,2]		15.0%
Ontario General Rate		11.5%
Ontario Small Business Rate		3.5%
Ontario Small Business Rate (calculated effective rate)[1,2]		11.5%
Federal Small Business Limit		$ 500,000
Ontario Small Business Limit		$ 500,000
Federal Taxes Payable		$ 238,500
Provincial Taxes Payable		$ 182,850
Federal Effective Tax Rate		15.0%
Provincial Effective Tax Rate		11.5%
Combined Effective Tax Rate	24.3%	26.5%
Total Income Taxes Payable	$ 386,370	$ 421,350
OEB-Approved Total Tax Credits (enter as positive number)	$ 30,000	$ 30,000
Income Tax Provision	$ 356,370	$ 391,350
Grossed-up Income Taxes	$ 470,766	$ 532,449
Incremental Grossed-up Tax Amount		$ 61,683
Sharing of Tax Amount (50%)		**$ 30,841**

Staff Question #7

Ref: Manager's Summary, pages 30-34
Appendix F – Draft Accounting Order

On page 34 of the Manager's Summary, it states that Oshawa PUC is seeking approval for the cumulative lost revenue at the end of 2018 for this rate application. Table 23 shows the cumulative loss at the end of 2018 to be $132,436 for the period from 2015 to 2018. This is made up of differences in the Collection charge and the Reconnection charge.

In the draft accounting order, it indicates that the account is to be established to recover the lost revenue associated with the waiving of the Collection of Account charge for residential customers starting from January 1, 2019.

a) Please clarify the proposed effective date of the account and explain why Oshawa PUC has proposed the particular date. Please revise the draft accounting order as needed.
    i. Please explain Oshawa PUC's views on rate retroactivity if this account were approved effective January 1, 2019 or earlier.

   We are proposing January 1, 2019 as the effective date of the deferral account to capture the cumulative claim for the periods identified on page 31 of the current rate application up to and including December 31, 2018.

   An effective date of January 1, 2019 allows us to record the amount of the cumulative variance reported under audited financial results, the latest of which is 2018.

   In our current application for 2020 rates, we are seeking to collect the cumulative variance for lost revenue through to December 31, 2018 in the amount of $132,436, plus interest.

   Oshawa plans to record lost revenues to the deferral account continuously for periods impacted by the Moratorium and related regulated changes beginning on January 1, 2019 and ending upon the next rebasing year, scheduled for January 1, 2021. Disposition of the balance in the deferral will take place in each of Oshawa's interim rate applications during this timeframe.

   Oshawa is not requesting a retroactive rate.

b) Per the Manager's Summary, Oshawa PUC is seeking approval to recover losses from the Collection charge and Reconnection charge. The draft accounting order only references the Collection of Account charge. Please clarify if Oshawa PUC is proposing to record amounts related to the Reconnection charge in the account as well. If yes, please revise the draft accounting order to reflect this.

Please refer to revised Appendix F attached below.

c) Please clarify how lost revenues recorded in the account is to be calculated:
   i. If Oshawa PUC is proposing to record exactly $132,436 in the account only, please explain why differences in 2015 and 2016 are relevant when the charges were not waived until 2017.

   Oshawa's actual Collection and Reconnection Charges were $339,287, or 38%, higher than the amounts sought in the OEB-Approved rate application (EB-2014-0101) for the years 2015 and 2016 combined.

   Since the Moratorium was introduced, this trend reversed and total Collection and Reconnection Charges for 2017 and 2018 were $471,723 (51%) less than the equivalent OEB-Approved amounts for those years.

   The underlying principal for seeking the deferral account, from Oshawa's perspective, is to allow Oshawa to recover lost revenue resulting from new regulations enacted during the period since its last rebasing. However, Oshawa is proposing to offset these losses with gains achieved during the same period.

   Oshawa believes it is reasonable to consider the "over-earnings" from 2015 and 2016 when determining lost revenues, although an argument could be made that Oshawa retain the amount.

   ii. Table 23 calculates loss revenue to be the difference between actual revenues and that approved in Oshawa PUC's 2015 Custom IR application. Please confirm that Oshawa PUC is proposing to record this difference in the account, so that total net recovery from actual Connection and Reconnection charges, as well as lost revenues recorded in the account will equal the approved revenue offset.

   Confirmed.

   iii. If yes to part ii, please explain why Oshawa PUC is not proposing to base the lost revenue on the number of collection notices issued/reconnections performed and capping it at approved revenue offsets.

   The revenue reflects the level of activity occurring throughout the period as the applicable rates underpinning revenue did not change. Oshawa believes the trend over the period reflects the impact of the changes in regulations; that is, any change in activity and revenue unrelated to the Moratorium and related changes to regulations is believed to be immaterial.

Oshawa could make an argument that the trend for “overearnings” be used to estimate lost revenues. However, Oshawa has taken the approach to base lost revenues on OEB-Approved amounts, described above, to mitigate the actual revenue impact from changes to regulations on its ratepayers.

iv. Please revise the draft accounting order to include a description of how loss revenue is to be calculated

Please refer to revised Appendix F attached below.

Staff Question #8

Ref: Manager’s Summary, pages 30-34
The following are differences noted in the approved i) total Specific Service Charge, ii) Connection Charge and iii) Reconnection Charge between the Revenue Requirement Workform[1] and Appendix 2-H[2] from Oshawa PUC’s 2015 Custom IR and 2018 Mid-term Update applications and the current application in Table 21.

Approved Total Specific Service Charges

	2015	**2016**	**2017**	**2018**	**2019**
EB-2014-0101 and EB-2017-0069 - RRWF (Data Input Sheet)	748,000	893,000	989,000	783,000	821,000
EB-2014-0101 - Appendix 2-H	801,258	814,159	827,331	849,199	871,736
Current Application - Table 21	801,258	814,159	827,331	842,953	858,945

Approved Connection Charge

	2015	**2016**	**2017**	**2018**	**2019**
EB-2014-0101 - Appendix 2-H	42,012	42,789	43,582	44,899	46,256
Current Application - Table 21	348,912	355,364	361,951	369,763	377,759
Difference	(306,900)	(312,575)	(318,369)	(324,864)	(331,503)

Approved Reconnection Charge

	2015	**2016**	**2017**	**2018**	**2019**
EB-2014-0101 - Appendix 2-H	15,080	15,359	15,644	16,116	16,604

[1] Filed under EB-2014-0101, dated Nov. 23, 2015 and EB-2017-0069, dated Jan. 22, 2018
[2] Filed under EB-2014-0101, dated Dec. 7, 2015

Current Application - Table 21	92,712	94,426	96,177	98,253	100,377
Difference	(77,632)	(79,067)	(80,533)	(82,137)	(83,773)

a) The footnote on page 30 of the Manager's Summary indicates that Table 21 has been adjusted to correct allocation errors in the original Appendix 2-H.
   i. Please explain the adjustment to the allocation of Table 21.

The following tables compare the corrected line items with those included as evidence in the final version of Appendix 2-H included in support of Oshawa's rate application – (EB-2014-0101); OPUCN_Chapter2_Appendicies_for 2015 to 2019_RUN_6_20171207.

Account 4235 - Specific Service Charges

	2011 Actual	2011 Actual[2]	2012 Board Approved	2012 Actual	2013 Actual	Bridge Year 2014	Test Year 2015	Test Year 2016	Test Year 2017	Test Year 2018	Test Year 2019
Reporting Basis	**CGAAP**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**
Collection Charge	295,202	295,202	416,500	355,938	366,650	491,277	348,912	355,364	361,951	369,763	377,759
Set-up Charge	229,260	229,260	246,280	219,060	237,990	226,012	235,276	239,626	244,068	249,336	254,728
Reconnect Charge	93,715	93,715	99,500	91,133	85,598	77,785	92,712	94,426	96,177	98,253	100,377
Credit Check Charge	7,552	7,552	8,900	6,738	6,705	4,297	7,197	7,330	7,466	7,627	7,792
NSF Charge	12,335	12,335	16,000	10,420	6,679	7,331	10,090	10,277	10,467	10,693	10,925
Enhancement Revenue	28,120	28,120	11,000	62,934	48,958	38,254	46,671	46,671	46,671	46,671	46,671
Retail Fixed & Variable charges	77,386	77,386	78,900	77,067	62,839	50,276	56,555	56,555	56,555	56,555	56,555
Other	4,506	4,506	63,206	4,871	1,861	1,073	3,844	3,909	3,976	4,056	4,137
Total	748,076	748,076	940,286	828,161	817,279	896,305	801,258	814,159	827,331	842,953	858,945

Account 4235 - Specific Service Charges

	2011 Actual	2011 Actual[2]	2012 Board Approved	2012 Actual	2013 Actual	Bridge Year 2014	Test Year 2015	Test Year 2016	Test Year 2017	Test Year 2018	Test Year 2019
Reporting Basis	**CGAAP**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**
Collection Charge	42,932	42,932	49,500	36,608	43,012	39,936	42,012	42,789	43,582	44,523	45,486
Set-up Charge	106,045	106,045	109,230	104,158	97,693	90,150	105,551	107,502	109,495	111,858	114,277
Reconnect Charge	15,883	15,883	21,500	16,217	11,890	10,267	15,080	15,359	15,644	15,982	16,327
Credit Check Charge	257,212	257,212	371,750	323,362	324,748	451,958	310,357	316,095	321,954	328,903	336,016
NSF Charge	1,824	1,824	2,000	1,894	1,342	1,188	1,735	1,767	1,799	1,838	1,878
Enhancement Revenue	35	35	150	40	88	0	56	57	58	59	60
Retail Fixed & Variable charges	0	0	58,206	0	0	0	0	0	0	0	0
Other	324,144	324,144	327,950	345,883	338,507	302,805	326,467	330,589	334,798	339,790	344,900
Total	748,076	748,076	940,286	828,161	817,279	896,305	801,258	814,159	827,331	842,953	858,945

First, note the totals agree to the Specific Service Charges included in response to part (ii) below.

The final Appendix 2-H filed in accordance with our 2015 rate application, and as adjusted per the 2018 mid-term update, included errors made to the sub-components included in the total Specific Service Charges – Account 4235.

During the rate application process, the Appendix 2-H file was corrupted and resulted in differences to the sub-components. However, the total Specific Service Charges were correct as approved under the OEB's Decision and Order.

The following table – (EB-2014-0101); OPUCN_Chapter2_Appendicies_for 2015 to 2019_RUN_1_20150129, was filed as the original Appendix 2-H that accompanied Oshawa's 2015 rate application.

Prior to adjustments through the application process, this table more accurately lists the sub-component details for Specific Service Charges – Account 4235, based upon historical trends and other supporting evidence.

Account 4235 - Specific Service Charges

	2011 Actual	2011 Actual[2]	2012 Board Approved	2012 Actual	2013 Actual	Bridge Year 2014	Test Year 2015	Test Year 2016	Test Year 2017	Test Year 2018	Test Year 2019
Reporting Basis	**CGAAP**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**
Collection Charge	295,202	295,202	416,500	355,938	366,650	342,451	353,766	365,455	377,531	390,005	402,891
Set-up Charge	229,260	229,260	246,280	219,060	237,990	230,919	238,549	246,431	254,574	262,985	271,675
Reconnect Charge	93,715	93,715	99,500	91,133	85,598	90,995	94,002	97,108	100,317	103,631	107,055
Credit Check Charge	7,552	7,552	8,900	6,738	6,705	7,064	7,297	7,539	7,788	8,045	8,311
NSF Charge	12,335	12,335	16,000	10,420	6,679	9,903	10,231	10,569	10,918	11,279	11,651
Enhancement Revenue	28,120	28,120	11,000	62,934	48,958	46,671	46,671	46,671	46,671	46,671	46,671
Retail Fixed & Variable charges	77,386	77,386	78,900	77,067	62,839	56,555	56,555	56,555	56,555	56,555	56,555
Other	4,506	4,506	63,206	4,871	1,861	3,778	3,893	4,012	4,135	4,261	4,392
Total	748,076	748,076	940,286	828,161	817,279	788,337	810,965	834,340	858,487	883,432	909,201

This went unnoticed until we filed the current application and the first table above reflects the corrected sub-account distribution.

ii. Please explain the differences noted in the tables above for the three charges between the 2015 Custom IR proceeding and the current application.

The tables below are copied from Appendix 2-H Schedules. The first table is from EB-2017-0069, which was the mid-term update to the 2015 Custom IR application – EB-2014-0101 that follows as the second table.

There were minor adjustments approved during the 2018 and 2019 update resulting from updated information in the mid-term application. Table 21 from the current application was generated from EB-2014-0101 as updated and approved for EB-2017-0069.

Specific Service Charges	801,258	814,159	827,331	842,953	858,945
Late Payment Charges	286,274	291,567	296,971	303,381	309,942
Other Distribution Revenues	332,765	336,450	341,298	346,395	351,202
Other Income and Expenses	(101,184)	30,166	113,049	(108,002)	(85,977)
Total	1,319,113	1,472,342	1,578,649	1,384,728	1,434,111

Specific Service Charges	801,258	814,159	827,331	849,199	871,736
Late Payment Charges	286,274	291,567	296,971	305,943	315,190
Other Distribution Revenues	332,765	336,450	341,298	348,300	355,082
Other Income and Expenses	(101,184)	30,166	113,049	(108,002)	(85,977)
Total	1,319,113	1,472,342	1,578,649	1,395,440	1,456,032

The following table is a summary of total revenue offsets (thousands) from the RRWF from EB-2014-0101 as updated for EB-2017-0069. Comparing the table below to first table below confirms that the total revenue offsets used in the various schedules and applications were consistent. However, there were errors made in the sub-component details for the various line items contributing to the totals. These errors are explained in response to part (i).

Source	***2015***	***2016***	***2017***	***2018***	***2019***
RRWF, EB- 2014-0101	1,319	1,472	1,579	1,395	1,456
RRWF, EB- 2017-0069	1,319	1,472	1,579	1,385	1,434

b) Please explain why the approved charges as outlined in Table 21 should be used in Table 23's calculation of lost revenue instead of the approved charges from Oshawa PUC's 2015 Custom IR proceeding.

   i. Please discuss the materiality eligibility criteria using the approved charges from Oshawa PUC's 2015 Custom IR proceeding as the basis to calculate loss revenue.

The OEB approves Other Revenue Offsets based upon the Universal System of Accounts including Account 4235 – Specific Service Charges. As per responses to part a), the amount approved for Account 4235 has been used accordingly. However, for the purpose of determining lost revenues related to the Moratorium and related regulatory changes, Oshawa found it necessary to make corrections to certain supporting schedules that, while accurate in the early application filing stages, were corrupted in later versions.

The nature and explanation for the adjustments are explained above.

c) Oshawa PUC issued approximately 20,000 notices in 2016 ($606,809/$30 per notice) and 17,000 notices in 2015 ($501,317/$30 per notice). Please explain why it issued such a high number of notices for a utility with about 54,000 residential customers.

The following table summarizes the activity for Collection Charges:

	2015	**2016**
Number of Notices	16,710	20,227
Number of Customers Receiving Notices	6,516	7,504
Percent of Customers Receiving 1 Notice/Year	15%	14%
Percent of Customers Receiving 2 to 5 Notices/Year	62%	61%
Percent of Customers Receiving >5 Notices/Year	23%	25%

The trend is for the majority of customers (85% in 2015/86%in 2016) who receive notices for non-payment receive more than one per year.

d) Please provide a calculation of the number of reconnections performed in 2015 and 2016.

The number of reconnections performed in 2015 and 2016 were 821 and 790, respectively.

Staff Question #9

Ref: Manager's Summary, pages 30-34

a) Please further explain the prudence eligibility criteria in requesting to establish a new account.

Based upon the analysis supporting Oshawa's request for the deferral account, it has established that the impact of the Moratorium and related regulated changes has resulted in real losses to revenue that would otherwise have been collected in rates had the regulations been in place when Oshawa filed its last rebasing application.

The methodology used to calculate the lost revenue included "overearnings" that Oshawa is proposing to apply in an effort to mitigate losses that could otherwise have been included in its application.

Further, as explained below, Oshawa has not received any tangible cost savings from its collection activity.

b) Please describe any cost savings resulting from collection and reconnection activities that may now be avoided (e.g. related to winter disconnection/reconnection ban).
   i. Please quantify the annual cost savings by activity.

There has been no material savings in costs associated with collections. In an effort to minimize the impact of the Moratorium and related regulated changes on Bad Debt Expense, Oshawa has implemented additional steps to replace the effect of charging for notices of non-payment and its right to exercise disconnection in the event payment was not rendered.

These incremental steps involve a more extensive communication program whereby outbound calls, more frequent mailings of reminder notices and, hand-delivered notices and requests for payment have been employed. Additionally, Oshawa has increased the use of third-party collection agencies who have the tools to communicate with customers more extensively than Oshawa staff and can influence customer credit ratings to encourage payment of bills that are in arrears. The cost of these changes replaced any potential for direct savings from the Moratorium.

Staff Question #10

Ref: Manager's Summary, pages 30-34
Please provide the following information on Oshawa PUC's ROE.

	2017	**2018**
Deemed ROE	9.19%	9.00%
ROE reported in RRR	7.62%	7.93%
ROE recalculated to include lost revenues*	- no change in ROE reported. Lost revenue impact in 2018	8.22%

*ROE recalculated in a scenario where Oshawa PUC was able to continue to charge the Collection of Account charge

Staff Question #11

Ref: Tab 8 of LRAMVA workform

Oshawa PUC did not provide detailed level data in the template format outlined in Tab 8 of the version 4 LRAMVA workform to substantiate that actual demand savings of 10,721 kW were achieved.

The Addendum to the Filing Requirements (section 3.2.6) notes that distributors should provide the detailed monthly breakdown of billed demand over the period of the street light upgrades.

a) Please confirm that 10,721 kW of savings represent street light upgrades undertaken as part of the municipality's participation in the saveOnEnergy retrofit program in 2015.

Yes, confirmed. 10,721 kW represents the savings from the City's participation in the retrofit program in 2015, assuming you are referring to the IESO Conservation First Framework from 2015 to 2020.

b) Please confirm that the street light upgrades represent only incremental savings attributed to the municipality's participation in the IESO's CDM program. Please remove the savings attributable to other non-IESO programs, if any.

Yes, confirmed. No other savings attributable to other non-IESO programs was included in the City's streetlight savings.

c) Please confirm whether the energy savings from street light upgrades in the 2015 saveOnEnergy retrofit program have been removed.

The upgrade of the streetlights took place over a period of time that began in 2016 and completed by the end of 2017, as per the Conservation First Framework (part a).

d) Please confirm that Oshawa PUC received reports from the municipality that validates the number and type of bulbs replaced or retrofitted through the IESO program.

Yes, confirmed. Oshawa PUC received reports from the City that validated the number and type of bulbs replaced through the IESO streetlighting program.

e) Please explain why detailed calculations to support the 10,721 kW street light savings were not provided in Tab 8 of the LRAMVA workform (i.e. pre- and post-billed demand by type of bulb and number of bulbs retrofitted or replaced). Please provide a monthly breakdown of the data, in accordance with the requirements in the Addendum in section 3.2.6. If a breakdown of the savings cannot be provided, please explain.

Oshawa PUC identified a total of 12,678 light bulbs to be replaced as oer a third party audit independent study. The savings upon which were determined to be 10,721 kW. The replacement began in October 2016 and was completed by the end of 2017. The 10,721 kW was used as the basis for adjusting the streetlight rates which confirms the demand savings. These savings were ultimately carried through to the end rate calculation for streetlights.

For this reason, the actual demand savings were kept equal to the demand threshold used in the load forecast, and no recovery or deficiency will be claimed from the Municipality.

The demand savings figure of 10,721 kW is the threshold amount that was forecasted as savings from streetlights. Of the total threshold of 12,166,667 kwh, 3,846,487 kwh represent forecasted savings from streetlights. Using the conversion factor from the mid-term COS application update, 3,846,487 kwh * 0.28% = 10,721 kW.

Conversion rate of 0.28% is taken from mid-term update Weather Normalization Regression Model, tab Chart II, cell E167.

Staff Question #12

Ref: Tab 2 of LRAMVA workform
EB-2014-0101, Weather Normalization Regression Model, Tab “Rate Class Energy Model” Draft Rate Order, Run 6, dated November 23, 2015
EB-2014-0101, Chapter 2 Appendices for 2015 to 2019, dated December 7, 2015

In Tab 2 of the LRAMVA workform, Oshawa PUC indicated that a LRAMVA threshold of 12,166,667 kWh was approved in the 2015 Custom IR Settlement Agreement throughout the 2015-2019 period.

However, it appears that the Weather Normalization Regression Model used in the 2015 Custom IR application shows different CDM adjustments applied against the 2015-2019 load forecasts.

a) Please confirm whether there was explicit approval of the LRAMVA threshold of 12,166,667 kWh in the Settlement Agreement from 2015 to 2019. If yes, please provide the precise reference from the Settlement Agreement and rate class breakdown of the LRAMVA threshold from the applicable documents or rate model(s).
For ease of reference, an extract from Tab 2 of the LRAMVA workform is re-produced below:

Table 2-a. LRAMVA Threshold 2015

Please provide the LRAMVA threshold approved in the cost of service (COS) application, which is used as the comparator against actual savings in the period of the LRAMVA claim. The LRAMVA threshold should generally be consistent with the annualized sav
a manual update is required to reflect a different allocation of forecast savings that was approved by the OEB, please note the changes and provide rationale for the change in Tab 1-a.

	Total	Residential	GS<50 kW	GS 50 to 999 kW (I1 & I4)	GS 1,000 to 4,999 kW (I2)	Large Use (I3)	Street Lighting	USL	Sentinel Lights
		kWh	kWh	kW	kW	kW	kW	kWh	kW
kWh	12,166,667	3,834,791	1,008,700	2,505,248	612,170	338,528	3,846,487	20,523	220
kW	19,168			6,328	1,352	766	10,721		1
Summary		3,834,791	1,008,700	6,328	1,352	766	10,721	20,523	1

Years Included in Threshold: 2015
Source of Threshold: EB-2017-0069 Settlement Agreement, Appendix 2-I

There was no settlement agreement for Oshawa PUC's Custom IR Application for 2015 to 2019. The OEB issued a decision on rates based on filed documents, which included Chapter 2 Appendices on record as "OPUCN_Chapter2_Appendices_for 2015 to 2019_RUN_1.xlsx". Tab "APP.2-I LF_CDM_WF" part of Chapter 2 appendices includes the yearly threshold breakdown for CDM savings. The OEB's decision did not require any changes to Appendix 2-I. Rate class breakdowns were done using the CDM savings noted in the EB-2014-0101 Weather Normalization Regression Model.

b) Please confirm the level of CDM embedded in each of the 2015 to 2019 load forecasts by showing the load before and after the CDM adjustment. Specifically, were the CDM adjustments shown below (i.e. Weather Normalization Regression Model, Tab "Rate Class Energy Model", column "Total Billed") applied against the load forecasts from 2015 to 2019? If not, please explain and show references.
For ease of reference, an extract from Tab "Rate Class Energy Model" of the Weather Normalization Regression Model is re-produced below:

	Total Billed	Residential	GS<50	GS>50	Large User	I2	Streetlights	Sentinels	USL
2015	11,722,371	4,981,200	1,361,536	3,417,802	438,373	828,353	667,134	353	27,620
2016	24,125,693	9,064,408	2,458,649	6,158,769	798,215	1,495,094	4,100,036	616	49,905
2017	31,796,619	12,376,487	3,331,319	8,327,091	1,090,557	2,024,761	4,577,938	807	67,659
2018	42,113,261	17,145,054	4,579,516	11,422,898	1,511,681	2,782,037	4,577,938	1,073	93,064
2019	56,197,152	23,684,778	6,277,863	15,626,015	2,089,590	3,811,895	4,577,938	1,422	127,653

Source: Tab "Rate Class Energy Model", rows 94 to 98

Yes, the CDM adjustment from the extract above were applied against the load forecasts from 2015 to 2019.

The load forecast only covered years 2015 to 2019, and did not include the final year of CDM 2020. At the end of 2020, the load forecast would show 73,000,000 kWh of CDM savings, our utility target for the Conservation First Framework. 73 million kWh divided by 6 years = 12.166 million kWh/year of savings to achieve.

For illustrative purposes, year 2020 has been added onto the load forecast below. Streetlight savings are shown on a cumulative basis, which is comparable to the other rate classes.

The savings for rate classes other than streetlights was determined by first removing cumulative savings for streetlights from the total 73 million kWh target. Then allocating the remaining kWh savings to the other classes on the same proportion which was used in the load forecast in the Weather Normalization Regression Model.

CDM	Residential	GS<50	GS>50	Large User	I2	Streetlights (adj for cumulative)	Sentinels	USL	Total (Cumulative)
2015	4,981,200	1,361,536	3,417,802	438,373	828,353	667,134	353	27,620	11,722,371
2016	9,064,408	2,458,649	6,158,769	798,215	1,495,094	4,767,170	616	49,905	24,792,826
2017	12,376,487	3,331,319	8,327,091	1,090,557	2,024,761	9,345,107	807	67,659	36,563,789
2018	17,145,054	4,579,516	11,422,898	1,511,681	2,782,037	13,923,045	1,073	93,064	51,458,368
2019	23,684,778	6,277,863	15,626,015	2,089,590	3,811,895	18,500,982	1,422	127,653	70,120,197
2020	22,905,612	6,071,338	15,111,961	2,020,848	3,686,493	23,078,920	1,375	123,454	73,000,000

c) Please explain why a fixed LRAMVA threshold of 12,166,667 kWh would more appropriately reflect the level of CDM embedded in the 2015 to 2019 load forecasts, as the data in the Weather Normalization Regression Model showed otherwise.

Fixed threshold for LRAMVA was used as per interpretation of instruction in LRAMVA Workform, tab 2.LRAMVA Threshold which states: “Please provide the LRAMVA threshold approved in the cost of service (COS) application, which is used as the comparator against actual savings in the period of the LRAMVA claim. The LRAMVA threshold should generally be consistent with the annualized savings targets developed from Appendix 2-I.”

It was Oshawa PUC’s understanding that the forecast submitted as part of Appendix 2-I should be used as the threshold. The fixed threshold does not take into consideration the timing of the CDM programs, however, the load forecast appropriately reflected the timing of the CDM programs. Better information related to the timing of CDM programs savings was used for the Weather Normalization Regression Model load forecast and ultimately built into rates.

Staff Question #13

a) If Oshawa PUC 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.

No revisions to the LRAMVA work form were made as a result to responses above.

b) Please confirm any changes to the LRAMVA workform in response to these LRAMVA questions in "Table A-2. Updates to LRAMVA Disposition (Tab 2)."

No revisions to the LRAMVA work form were made.

Appendix F (Revised) – Request for Deferral Account

Draft Accounting Order

Account 1508 – Other Regulatory Assets - Sub-Account Lost Revenue

– Collection of Account Charges

Oshawa Power shall establish a new deferral account: Account 1508 – Other Regulatory Assets - Sub-account Lost Revenue – Collection of Account and Reconnection Charges. This account is to be established to recover the lost revenue associated with:

1. The OEB's decision to prohibit the disconnection of residential customers by reason of non-payment – EB-2017-0101 (Moratorium);
2. The waiving of the Collection of Account charge for residential customers from January 1, 2019 – April 30, 2019; and
3. The elimination of the Collection of Account charge for all customers from July 1, 2019 to the rate effective date of Oshawa Power's next rebasing application.

Lost Revenue – Collection of Account and Reconnection Charges will be based upon the difference between actual Collection and Reconnection Charges, and the amounts approved by the OEB since Oshawa's latest rebasing period. This calculation will remain in effect until Oshawa's nest rebasing year.

The lost revenues associated with the Moratorium and elimination of the Collection of Account Charge will be recorded in the Sub-account for future recovery from rate payers and will be disposed of at Oshawa Power's next rebasing application. The new deferral account will be discontinued after Oshawa Power's next rebasing. Carrying charges will be applied to this Sub-account and will be calculated at the OEB's prescribed interest rates.

The journal entries to be recorded are identified below:

DR 1508 Other Regulatory Assets - Sub-Account Lost Revenue – Collection of Account and Reconnection Charges - Principal

CR 4235 Miscellaneous Services Revenue

To record the lost revenue associated with the Moratorium and elimination of the Collection of Account Charge.

DR 1508 Other Regulatory Assets - Sub-Account Lost Revenue – Collection of Account and Reconnection Charges – Carrying Charges

CR 4405 Interest Income

To record carrying charges on the principal balance in the Sub-Account Lost Revenue –Collection of Account Charges.