**Niagara-on-the-Lake Hydro Inc. (Niagara-on-the-Lake Hydro)**

**EB-2019-0056**

**OEB Staff Questions**

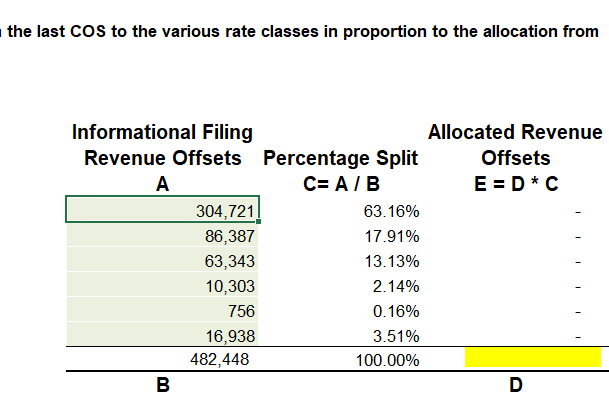
**November 25, 2019**

**Please see responses below in blue**

**Staff Question-1**

**Ref: Revenue to Cost Ratio Adjustment Model**

1. Tab 7 of the Revenue to Cost Ratio (R/C Ratio) Adjustment Model is to allocate the revenue offsets to each rate class. Niagara-on-the-Lake Hydro has not entered the total miscellaneous revenue amount in cell F47 of Tab 7. As a result, the allocated revenue offset amounts are not captured in the calculations of this model. Please enter the total miscellaneous revenue amount in cell F47 and update later tabs of the R/C Ratio Model and Tab 16 of the IRM Model.



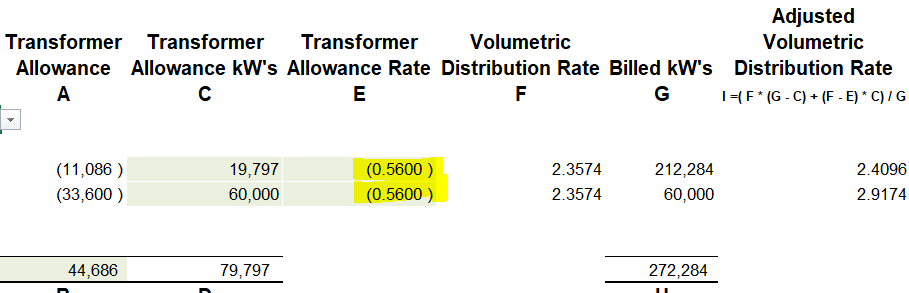
**NOTL Hydro Response**

Changes reflected in the ‘2020\_IRM\_Revenue\_Cost\_Ratio\_Adjustment\_Model\_NOTLH V2’ and ‘2020\_IRM\_Rate\_Generator\_Model\_NOTLH\_Revised\_20191125’ submitted with these responses.

1. Tab 8 of the R/C Ratio Model is to remove the transformer allowance from volumetric rates. By removing the transformer allowance from the distribution revenue, the adjusted volumetric rates (column marked with I) should be lower than the volumetric rates from tariff (column marked with F). Therefore, the transformer allowance rates entered in this tab should be with positive signs. Please correct the signs of the transformer allowance rates entered in Tab 8 and update later tabs of the R/C Ratio Model and Tab 16 of the IRM Model.

**NOTL Hydro Response**

Changes reflected in the ‘2020\_IRM\_Revenue\_Cost\_Ratio\_Adjustment\_Model\_NOTLH V2’ and ‘2020\_IRM\_Rate\_Generator\_Model\_NOTLH\_Revised\_20191125’ submitted with these responses.



**Staff Question-2**

**Ref: Rate Generator Model – Tab 3 Continuity Schedule – Account 1595 (2015) and Account 1595 (2016)**

In the continuity schedule, Niagara-on-the-Lake Hydro entered principle adjustment and interest adjustment amounts in Account 1595 (2015) and Account 1595 (2016) in the year of 2018. Please provide explanation for the four adjustment amounts.

**NOTL Hydro Response**

1595 – 2015 adjustments in 2018

Principal adjustment of $21,372 - $18,568.66 from 2016 rate rider was posted to 2015 account instead of 2016 account in error. $2,803.21 was applied to principal account but should have been applied to interest on net principal.

Interest adjustment of ($2,673) - $112.28 from 2016 rate rider was posted to 2015 account instead of 2016 account in error. ($2,785.22) impact to interest if the $2,803.21 above was applied to the interest account in May 2016 - difference of $17.99 posted to interest expense in 2018

1595 – 2016 adjustments in 2018

Principal adjustment of ($18,569) - $18,568.66 from 2016 rate rider was posted to 2015 account instead of 2016 account in error.

Interest adjustment of ($112) - $112.28 from 2016 rate rider was posted to 2015 account instead of 2016 account in error.

**Staff Question-3**

**Ref: 2018 Class A Consumption**

As noted in the Manager’s Summary and Tab 6 of the Rate Generator Model, Niagara-on-the-Lake Hydro had five customers transitioned between Class A and Class B in 2018. OEB staff calculated the total 2018 Class A consumption of these five customers to be 11,633,411 kWh using the data entered in Table 3a in Tab 6. However, Table Note 2 of the GA Analysis Workform shows that Niagara-on-the-Lake Hydro reported total Class A consumption of 18,134,723 kWh for 2018.

1. Please confirm whether or not Niagara-on-the-Lake Hydro had no full-year Class A customers in 2018 and all the Class A consumption was from the five Class A/B transition customers.
2. Please provide explanation for the discrepancy in Class A consumption data described above.

**NOTL Hydro Response**

1. Confirmed – NOTL Hydro did not have any full year Class A customers in 2018.
2. The amount reported in Note 2 of the GA Analysis workform of 18,134,723 kWh for Class A customers for 2018 is correct. The kWh and kW for customers 2 – 5 in tab 6 of the IRM model were transposed in error. These amounts have been corrected in the ‘2020\_IRM\_Rate\_Generator\_Model\_NOTLH\_Revised\_20191125’ submitted with these responses.

**Staff Question-4**

**Ref: GA Analysis Workform, Appendix A, pages 2 and 12**

Under #2, Niagara-on-the-Lake Hydro indicated it uses approach B. Under #4b, it states that this method ensures that the difference between the approved loses and actual losses are shared between RPP and non-RPP customers.

1. Please confirm that Niagara-on-the-Lake Hydro is using approach B as it believes that it ensures that the difference between approved losses and actual loses are shared between RPP and non-RPP customers.
2. If not confirmed, please explain why approach A (the approach in accordance with the new accounting guidance) is not used.
3. If confirmed, please explain how approach B will better allocate the loss difference between RPP and non-RPP customers in comparison to approach A.
4. If confirmed, please quantify the difference that would be recorded in Accounts 1588 and 1589 between the two approaches.

**NOTL Hydro Response**

1. Confirmed – NOTL Hydro is using approach B. The response noted in 4b is in reference to prorating the actual GA based on actual consumption to ensure the difference in losses is equally allocated between RPP on non-RPP customers. This would be the same under approach A or B.
2. n/a
3. The portion of GA related to RPP customers is initially booked based on the estimate submitted to the IESO by the fourth business day. This amount is later trued-up to actual GA for RPP customers which is calculated as follows.

RPP kWhs / Total Class B kWhs x Total Actual Class B GA. The end result is the same as under approach A.

1. The end result is the same as under approach A

**Staff Question-5**

**Ref: Manager’s Summary, page 20**

**Ref: GA Analysis Workform, Appendix A, page 14**

On page 20 of the Manager’s Summary, it states that there is variance of $78,553 between the RRR and DVA Continuity schedule balance for Account 1589 due to the difference in estimate to actual generation submitted to the IESO in 2019 for 2016 and January to April 2017.

1. Of the $78,553 variance, please confirm that $42,891 is due to the adjustment for January to April 2017.
   1. Per Appendix A of the GA Analysis Workform, Account 1589 principal adjustment in the 2019 rate application included a principal adjustment of $42,891 for January to April 2017 generation estimate to actual differences. Please confirm that this adjustment was recorded in the GL in 2019 and therefore, is not a reconciling item in the 2018 GA Analysis Workform and is not a reversing principal adjustment in the 2018 balance. If not, please explain why this is not a reconciling item in the 2018 GA Analysis Workform and a reversal in 2018.
2. Please confirm that the remaining variance is due to the 2016 difference in estimated to actual generation. If not, please explain what the remaining variance pertained to.
   1. Please explain the year in which the 2016 difference in estimated to actual generation was recorded in the GL and in the DVA Continuity Schedule.
3. Please discuss the impact to Accounts 1588 and 1589 when Niagara-on-the-Lake settled the adjustment with the IESO in 2019.

**NOTL Hydro Response**

1. Confirmed and the adjustment was recorded in the GL in 2019
2. Confirmed and the adjustment was recorded in the GL in 2019 and was included in the DVA schedule in 2016.
3. The entire amount was recorded in account 1589. The initial impact of the variance was reflected in account 1589 as well.

**Staff Question-6**

**Ref: Manager’s Summary, pages 38-39**

**Ref: GA Analysis Workform**

Niagara-on-the-Lake Hydro adjusted its billing schedule so that all customers are billed the calendar month in the month following consumption.

1. Please indicate when the adjustment to the billing schedule occurred.
2. In the GA Analysis Workform, the adjusted net change in the principal balance in the GL is ($37,894), please explain whether this balance accumulated prior to the change in billing schedule. If not, please explain what this balance pertains to.
3. Please confirm that going forward, Account 1589 is still expected to have a balance equal to the difference in approved and actual losses for non-RPP customers.

**NOTL Hydro Response**

1. The adjustments to the billing schedule were phased in over several months concluding in July 2018.
2. The balance would have accumulated both before and after the billing schedule changes.
3. Confirmed

**Staff Question-7**

**Ref: Manager’s Summary, page 40**

Niagara-on-the-Lake Hydro tested the new process by comparing the results to those achieved using the template issued by the OEB and the differences were not material. Please explain what the differences were due to.

**NOTL Hydro Response**

NOTL Hydro compared results from the new process to the results from the OEB template for April 2019. The end result was a difference of $384 or 0.07% in the initial settlement amount and a difference of $766 or 0.16% in the final settlement calculation. Due to the insignificant amount of the variance NOTL Hydro did not investigate to determine the differences.

**Staff Question-8**

**Ref: Manager’s Summary, page 40**

Niagara-on-the-Lake Hydro has considered the new accounting guidance for 2017 and 2018 balances and confirms there are no systemic issues with the account balances. Please provide further details on the review that was completed, and any summary reports available (e.g. how the review was done).

**NOTL Hydro Response**

NOTL Hydro is confident that there are no systemic issues with the account balances based on the data available for 2017 and 2018. The process used to true-up accounts in those years was based on actual data for RPP customers from the billing system. In cases where the bill dates were not for a calendar month (final bills, first bills, manual read meters) the consumption by month was prorated based on the number of days in each month during the billing period. The true-ups were based on actual RPP prices, Weighted Average Price (WAP) and GA rate.

The only difference identified between the 2017 and 2018 true-ups and the revised method adopted by NOTL Hydro was the allocation of the difference between actual losses and approved losses. The impact to accounts 1588 and 1589 was $39k for 2017 and $8k for 2018. The combined impact to account 1588 for both years is approximately $47k. Since, account 1588 is recovered/returned from all customers, the estimated split would be approximately 60% RPP and 40% non-RPP, therefore the net impact to RPP and non-RPP customers would be approximately 60% x $47k or $28k. The annual amounts as well as the combined amount are less than NOTL Hydro’s materiality threshold of $50k. The total GA for Class B customers was $20.6m in 2017 and $18.7m in 2018.