EPCOR Electricity Distribution Ontario Inc.
EB-2019-0027

Staff Question-1

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

Account Descriptions	Account Number	2018 OEB-Approved Disposition during 2018	2018 OEB-Approved Disposition during 2018
Disposition and Recovery/Refund of Regulatory Balances (2013)[3]	1595	162,555	(21,581)
Disposition and Recovery/Refund of Regulatory Balances (2014)[3]	1595		

a) Please explain why the 2018 OEB-Approved disposition amounts for 1595-2013 do not match the disposition amounts approved in EB-2017-0034. The amounts approved were Principal $107,477 and Interest ($5,808).

EPCOR response: The rate model did not include lines for accounts related to 1595-2010 or 1595-2012. Consistent with the approach recommended by OEB staff in filing 2018-0025, these amounts were grouped together in the a relevant account (1595-2013). The totals of the amounts highlighted in yellow on the table below are what was reported in account 2013-1595. The total of all accounts in row BE match the OEB approved disposition (total can be seen in cell BE41).

Account Name	Account Number	Principal Balance ($) A	Interest Balance ($) B	Total Claim ($) C=A+B
LV Variance Account	1550	1,160,201	34,603	1,194,804
Smart Meter Entity Variance Charge	1551	-17,523	-596	-18,119
RSVA - Wholesale Market Service Charge	1580	-1,455,959	-49,321	-1,505,280
Variance WMS - Sub account CBR Class B	1580	67,204	2,140	69,345
RSVA - Retail Transmission Network Charge	1584	64,934	-128	64,806
RSVA - Retail Transmission Connection Charge	1586	159,277	3,684	162,961
RSVA – Power	1588	1,003,648	-54,825	948,823
RSVA - Global Adjustment	1589	375,566	70,778	446,344
Disposition and Recovery of Regulatory Balances (2010)	1595	48,738	2,564	51,302
Disposition and Recovery of Regulatory Balances (2012)	1595	6,370	-18,337	-11,967
Disposition and Recovery of Regulatory Balances (2013)	1595	107,447	-5,808	101,639
Disposition and Recovery of Regulatory Balances (2015)	1595	142,717	21,467	164,184
Totals for all Group 1 accounts		**1,662,620**	**6,221**	**1,668,842**

~~a)~~b) If the amounts entered are incorrect please update the continuity schedule, otherwise please explain.

EPCOR response: No adjustments are required.

Staff Question-2

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

		2018	
Account Descriptions	**Account Number**	**Transactions Debit / (Credit) during 2018**	**Interest Adjustments[1] during 2018**
Group 1 Accounts			
Disposition and Recovery/Refund of Regulatory Balances (2013)[3]	1595		803
Disposition and Recovery/Refund of Regulatory Balances (2014)[3]	1595		
Disposition and Recovery/Refund of Regulatory Balances (2015)[3]	1595		704
Disposition and Recovery/Refund of Regulatory Balances (2016)[3]	1595		
Disposition and Recovery/Refund of Regulatory Balances (2017)[3]	1595		
Disposition and Recovery/Refund of Regulatory Balances (2018)[3]	1595	1,188,733	
Disposition and Recovery/Refund of Regulatory Balances (2019)[3] *Not to be disposed of until a year after rate rider has expired and that balance has been audited*	1595		

a) Please explain the reason for the adjustments in column BK, for accounts 1595-2013 and 1595-2015.

EPCOR response: These immaterial adjustments are due to variances between the projected interest rates and the actual interests rates. These amounts are included to show the reconciliation between the financials and the disposition. These amounts will be written off of our financial books and will not be part of an application for disposition.

b) Please confirm there have been no adjustments to previously disposed of balances.

EPCOR response: Confirmed. They have been no adjustments to previously disposed of balances.

Staff Question-3

Ref: Rate Generator Model, Tab 3 – Continuity Schedule

OEB staff notes that there was a formula error in the IRM Rate Generator Model posted on the OEB's webpage.

On tab 3 the formula for cell BM41 is =Sum(BM39,BM40) - BM37. The last portion of the formula (i.e. – BM37) is an error.

OEB staff has made the necessary correction to the Rate Generator Model and provided it along with these questions.

Please confirm EPCOR's acceptance of the revised model.

EPCOR response: We confirm acceptance of the revised model. This version will be used for any required adjustments.

Staff Question-4

Ref: Rate Generator Model, Tab 6. Class A Consumption Data

3b Enter the number of rate classes in which there were customers who were Class A for the full year during the period the Account 1589 GA or Account 1580 CBR B balance accumulated. Enter the total Class A consumption in the rate class in the table

1

Clear All

Rate Classes with Class A Customers - Billing Determinants by Rate Class

	Rate Class		2018
Rate Class 1	GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kWh	60,963,707
		kW	117,163

The reported RRR amounts for class A consumption is 57,347,355 kWh and 117,163 kW. The amounts EPCOR entered in the IRM Rate Generator Model on Tab 6. Class A Consumption Data do not reconcile, please see screen shot above.

Please explain why they do not reconcile or update the Rate Generator Model.

EPCOR response: We interpreted 'billing determinates by rate class' to mean loss-adjusted. As a result, the numbers originally submitted included approved line-loss consumption. Based on the commentary in this question, we have revised the revised rate model provided to reconcile with the RRR filing and updated the manager's summary with the current rate impacts.

Staff Question-5

Ref: Rate Generator Model, Tab 20. Bill Impacts

Customer Class:	STREET LIGHTING SERVICE CLASSIFICATION
RPP / Non-RPP:	Non-RPP (Other)
Consumption	15,000 kWh
Demand	100 kW
Current Loss Factor	1.0710
Proposed/Approved Loss Factor	1.0710

	Current OEB-Approved			Proposed			Impact	
	Rate ($)	Volume	Charge ($)	Rate ($)	Volume	Charge ($)	$ Change	% Change
Monthly Service Charge	$ 3.76	1000	$ 3,760.00	$ 3.83	1000	$ 3,830.00	$ 70.00	1.86%
Distribution Volumetric Rate	$ 15.6773	100	$ 1,567.73	$ 15.9673	100	$ 1,596.73	$ 29.00	1.85%
Fixed Rate Riders	$ -	1000	$ -	$ -	1000	$ -	$ -	
Volumetric Rate Riders	-$ 0.5491	100	$ (54.91)	$ 23.3100	100	$ 2,331.00	$ 2,385.91	-4345.13%
Sub-Total A (excluding pass through)			**$ 5,272.82**			**$ 7,757.73**	**$ 2,484.91**	**47.13%**
Line Losses on Cost of Power	$ -	-	$ -	$ -	-	$ -	$ -	
Total Deferral/Variance Account Rate Riders	$ 0.8982	100	$ 89.82	$ 0.2524	100	$ 25.24	$ (64.58)	-71.90%
CBR Class B Rate Riders	$ 0.0442	100	$ 4.42	$ -	100	$ -	$ (4.42)	-100.00%
GA Rate Riders	$ 0.0060	15,000	$ 90.00	$ 0.0018	15,000	$ 27.00	$ (63.00)	-70.00%
Low Voltage Service Charge	$ 0.4031	100	$ 40.31	$ 0.4031	100	$ 40.31	$ -	0.00%
Smart Meter Entity Charge (if applicable)	$ -	1	$ -	$ -	1	$ -	$ -	
Additional Fixed Rate Riders	$ -	1	$ -	$ -	1	$ -	$ -	
Additional Volumetric Rate Riders		100	$ -	$ -	100	$ -	$ -	
Sub-Total B - Distribution (includes Sub-Total A)			**$ 5,497.37**			**$ 7,850.28**	**$ 2,352.91**	**42.80%**
RTSR - Network	$ 1.7722	100	$ 177.22	$ 1.8809	100	$ 188.09	$ 10.87	6.13% In t
RTSR - Connection and/or Line and Transformation Connection	$ 1.0174	100	$ 101.74	$ 1.1883	100	$ 118.83	$ 17.09	16.80% In t
Sub-Total C - Delivery (including Sub-Total B)			**$ 5,776.33**			**$ 8,157.20**	**$ 2,380.87**	**41.22%**
Wholesale Market Service Charge (WMSC)	$ 0.0034	16,065	$ 54.62	$ 0.0034	16,065	$ 54.62	$ -	0.00%
Rural and Remote Rate Protection (RRRP)	$ 0.0005	16,065	$ 8.03	$ 0.0005	16,065	$ 8.03	$ -	0.00%
Standard Supply Service Charge	$ 0.25	1000	$ 250.00	$ 0.25	1000	$ 250.00	$ -	0.00%
Average IESO Wholesale Market Price	$ 0.1101	16,065	$ 1,768.76	$ 0.1101	16,065	$ 1,768.76	$ -	0.00%
Total Bill on Average IESO Wholesale Market Price			**$ 7,857.74**			**$ 10,238.61**	**$ 2,380.87**	**30.30%**
HST	13%		$ 1,021.51	13%		$ 1,331.02	$ 309.51	30.30%
Total Bill on Average IESO Wholesale Market Price			**$ 8,879.25**			**$ 11,569.63**	**$ 2,690.38**	**30.30%**

Ref: Managers Summary, Page 26

- A Street lighting customer (using 100 kW demand and consuming 15,000 kWh per month with 1,000 connections) will see an increase of $2,353.03 (40.7%) in the total delivery component. The total monthly bill is expected to increase by $2,658.92 (29.9%). The main driver for this increase is due to the disposition of the LRAMVA balance which included multiple large street lighting conservation projects.

a. Has EPCOR considered requesting the LRAMVA rate rider disposition period be over 36 months for the street light rate class, in order to mitigate the bill impact of greater than 10%?

EPCOR response: We have considered providing an extended time frame to mitigate the bill impact as it would be beneficial to the customer. The issue with this deferral is that there will likely be another disposal in our next IRM application due to the persistence savings of these projects (and in perpetuity until our next Cost of Service filing planned for 2023). This application has included a submission for 2017 and 2018 which has increased the impact. After further internal discussion, we have modified the disposition period to 24 months to mitigate the impact.

Is ECPOR's street lighting customer aware of the large increase to their bill and if they are aware are they comfortable with such a large increase?

EPCOR response: We had discussions with our largest municipality on this subject. They were familiar with the concept of LRAMVA disposal, and although this is a large increase, was built in the original business case of the project.

b. If EPCOR believes that a rate mitigation proposal is not required for the street light class, please discuss why that would be appropriate.

EPCOR response: As per the response in question 5a), we have adjusted our rate application to include a 24 month disposition in order to provide some rate relief due to the inclusion of two years disposal on our application. The LRAMVA work form/rate generator and management summaries have been updated.

Staff Question-6

Ref: Tab 3 of LRAMVA workform

For the residential distribution rate, it includes a tax sharing rate rider. It appears to be calculated by dividing the tax sharing amount by average consumption per customer.

- In 2016 and 2017, the tax sharing rate riders (per kWh) was derived by dividing $0.11 by 750 kWh.
- In 2018, the tax sharing rate rider (per kWh) was calculated by dividing $0.11 by 690 kWh.

Please provide the basis for using 690 kWh, instead of 750 kWh, as the average consumption per customer in 2018.

EPCOR response: This rate rider is a fixed charge. As a result, it should not have been included on the distribution rates table as a decrease in usage would have no impact on the distribution revenue collected. It has been removed and an updated workform included with this submission.

Staff Question-7

Ref: Tab 5 of LRAMVA workform (2017 and 2018 savings)

2019 Participation and Cost Report, dated April 15, 2019

OEB staff notes there are several program savings included in the LRAMVA workform, which are higher than the amounts included in the 2019 Participation and Cost Report. These programs include:

- 2017 Coupon Program
- 2017 Heating and Cooling Program (savings adjustments)
- 2018 Heating and Cooling Program

a. Please confirm whether EPCOR is claiming lost revenues up to December 31, 2018. If there are exclusions, please discuss.

EPCOR response: EPCOR is claiming lost revenues up to December 31, 2018.

b. Please explain why the energy savings (for the above noted programs) in the LRAMVA workform are not consistent with the program savings included in the 2019 Participation and Cost Report.

EPCOR response:

- 2017 Coupon Program - The total amount included in the 2017 Coupon Program section on the LRAMVA Workform is comprised of both the Coupon Program and the Instant Discount Program. The total of these two programs on the Participation and Cost Report are consistent with the LRAMVA workform. The Instant Discount Program was not included on the workform template.

- 2017 Heating and Cooling Program (savings adjustments) - The total amount included in the 2017 Heating and Cooling Program adjustments section on the LRAMVA Workform includes both the Heating and Cooling Coupon Program and the Thermostat Rebate Program. The total of these two programs on the Participation and Cost Report are consistent with the LRAMVA workform. The Thermostat Rebate Program was not included on the workform template.

- 2018 Heating and Cooling Program - Similar to the above point, the total amount included in the 2017 Heating and Cooling Program adjustments section on the LRAMVA Workform includes both the Heating and Cooling Coupon Program and the Thermostat Rebate Program. The total of these two programs on the Participation and Cost Report are consistent with the LRAMVA workform. The Thermostat Rebate Program was not included on the workform template.

c. Please provide the calculations showing the rate class allocations of the Retrofit Program savings in 2017 and 2018.

EPCOR response: Rate Class allocations were determined based on the Net Energy Savings (kWh) for each respective program. The source for 2017 data was the verified results. The source for 2018 data was the IESO provided project report.

Staff Question-8

Ref: Tab 1-a of LRAMVA workform

a. Please provide required documentation (such as detailed project level data) in support of the 2018 demand savings included in the LRAMVA workform.

EPCOR response: See accompanying document ***EB_2019-0027_2018_EPCOR_CDM_projects***. This document was provided by the IESO.

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

EPCOR response: Revised as per the response to Staff Question-6 which has impacted the residential customer values.

Revised LRAMVA Balance Requested for Disposition:

	1st Submission	Revised	Variance
Residential	$122,564	**$120,639**	($1,925)
GS<50 kW	$81,323	**$81,323**	$0
GS>50 kW	$15,579	**$15,579**	$0
Streetlights	$77,841	**$77,841**	$0
USL	($119)	**($119)**	$0
Total	**$297,188**	**$295,263**	**($1,925)**

Revised LRAMVA Rate Riders:

	Unit	1st Submission	Revised	Variance
Residential	kWh	$0.0010	**$0.0005**	($0.0005)
GS<50 kW	kWh	$0.0017	**$0.0009**	($0.0008)
GS>50 kW	kW	$0.0491	**$0.0246**	($0.0245)
Streetlights	kW	$22.9823	**$11.4911**	($11.4912)
USL	kWh	($0.0003)	**($0.0001)**	$0.0002

c. Please confirm any changes to the LRAMVA workform in response to these LRAMVA interrogatories in "Table A-2. Updates to LRAMVA Disposition (Tab 1-a)".

EPCOR response: Included as requested.

Staff Question-9

Ref: (1) Chapter 3 of the Filing Requirements for Electricity Distribution Applications Rate Applications, dated July 12, 2018, page 15

Preamble:

At the above noted first reference, it is stated that distributors must complete the GA Analysis Workform for each applicable fiscal year subsequent to the most recent year in which Accounts 1588 and 1589 were approved for disposition on a final basis by the OEB.

Questions:

a) Although EPCOR has provided a GA Analysis Workform for 2018 balances, it also needs to provide a GA Analysis Workform for 2017 balances, including explanations of reconciling items. 2017 balances were approved on an interim basis in EPCOR's 2019 proceeding.[1] The most recent year in which Accounts 1588 and 1589 were approved for disposition on a final basis related to 2016 balances in EPCOR's 2018 proceeding.[2] (OEB staff also notes that EPCOR was formally known as Collus PowerStream Corp. in its 2018 proceeding.)

   i) Please provide a revised 2017 GA Analysis Workform.

   ii) Alternatively, please confirm that the OEB can rely on the 2017 GA Analysis Workform filed on November 16, 2018 in EPCOR's 2019 proceeding.[3] If confirmed, please file this spreadsheet on the record of the current proceeding.

EPCOR response: 2019_0027_GA Analysis Workform - 2017 Disposal has been filed along with this response. It is the same workform as described in point ii) above.

b) The Deferral and Variance Account (DVA) Continuity Schedule, Tab 3, provided by EPCOR needs to be updated to reflect the opening DVA balances in this schedule as the closing December 31, 2016 balances, instead of the closing December 31, 2017 balances. This update needs to be done as the 2017 balances were cleared on an interim basis and will be reviewed in this

[1] EB-2018-0025
[2] EB-2017-0034
[3] EB-2018-0025

proceeding. As a result, additional columns in Tab 3 will need to be populated. Please refile the DVA Continuity Schedule accordingly.

EPCOR response: An updated schedule has been filed as requested.

Staff Question-10

Ref: (1) Manager's Summary, page 22
(2) Manager's Summary, page 24
(3) Addendum to Filing Requirements For Electricity Distribution Rate Applications - 2020 Rate Applications, dated July 15, 2019, page 12 & 13

Preamble:

At the above noted first reference, EPCOR noted that in its 2017 proceeding decision and rate order,[4] the OEB mandated a special purpose audit of its balances in Account 1588 and Account 1589. EPCOR also stated the following:

> As a result of the special purpose audit, EPCOR spent extensive time reviewing and validating its process for both the IESO RPP settlement as well as the final reconciliation process. This resulted in the implementation of processes that are well aligned with the OEB accounting guidance.

At the above noted second reference, EPCOR is requesting to receive final approval on the balances that were cleared on an interim basis in its 2019 proceeding, without any modifications.

At the above noted third reference, the following is indicated:

> On February 21, 2019, the OEB issued its letter entitled *Accounting Guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment* as well as the related accounting guidance. The accounting guidance is effective January 1, 2019 and is to be implemented by August 31, 2019. Distributors are expected to consider the accounting guidance in the context of historical balances that have yet to be disposed on a final basis (including the 2018 balances that may be requested for disposition in this rate application). In this application, distributors are to provide a status update on the implementation of the new accounting guidance, a review of historical balances, results of the review, and any adjustments made to account balances…
>
> …Some utilities may have received approval for interim disposition of historical account balances or did not request disposition of account balances in the 2019 rate application due to the threshold test. If these utilities have reviewed the balances in the context of the new accounting guidance and are confident that

[4] EB-2016-0064, March 30, 2017

there are no systemic issues with their RPP settlement and related accounting processes, such utilities may request final disposition of account balances. If these utilities identified errors or discrepancies that materially affect the ending account balances, utilities should adjust their account balances prior to requesting final disposition…

… Adjustments to account balances will be considered on a case by case basis. Utilities should provide a detailed discussion on any adjustments made, including the reason for an adjustment, how the adjustment was quantified and the journal entries to adjust the balances.

Questions:

- Please describe further what EPCOR means by its processes being "well aligned with the OEB accounting guidance." If there are any aspects that are not fully aligned with this new guidance, please explain.

EPCOR response: The word 'well' has been removed from the management summary.

- Please confirm that EPCOR has completed its review of the new Accounting Guidance and any required changes to the accounting for Account 1588 and Account 1589 have been implemented related to its 2017 and 2018 historical balances.

EPCOR response: EPCOR confirms that it has completed its review of the new Accounting Guidance and any required changes to the accounting for Account 1588 and Account 1589 have been implemented related to its 2017 and 2018 historical balances.

- Please confirm that the new accounting guidance was implemented retroactive to January 1, 2017 and that this task was completed by August 31, 2019. If this is not the case, please explain.

EPCOR response: EPCOR confirms that the new accounting guidance was implemented retroactive to January 1, 2017 and that this task was completed by August 31, 2019.

- Please confirm that there are no systemic issues with EPCOR's RPP settlement and related accounting processes related to its 2017 and 2018 historical balances.

EPCOR response: EPCOR confirms that there are no systemic issues with our RPP settlement and related accounting processes related to its 2017 and 2018 historical balances.

- If there are issues, please explain whether adjustments to Group 1 DVA balances that have yet to be disposed on a final basis have been quantified, including balances that have been cleared in on an interim basis or not cleared at all in a prior proceeding.

N/A

- If adjustments have not been quantified, please provide a timeline as to when the applicant expects any discrepancies to be resolved.

EPCOR response: EPCOR completed a review of 2017 and 2018 balances and determined that variance amounts were not material.

If material adjustments were identified, for each adjustment please provide the following:

i. Quantification and nature of the adjustment
ii. The period in which the adjustment relates to (i.e. in relation to the flow of kWh)
iii. Detailed explanation of the adjustment, including how it was identified, the reason for the adjustment, the impact to each of Accounts 1588 and 1589.
iv. Show how it has been included as a principal adjustment to Account 1589 in the GA Analysis Workform and Account 1588 in Appendix A GA Methodology Description Questions on Accounts 1588 & 1589, Question 1
v. Describe the steps taken to include these adjustments in the DVA Continuity Schedule and balances requested for disposition in this proceeding. Please also provide the cells in the DVA Continuity Schedule where these adjustments were made.

- Please provide further details on the review of 2017 and 2018 balances that was completed, and any summary reports available (e.g. how the review was done).

- Please provide further details on the review of 2017 and 2018 balances that was completed, and any summary reports available (e.g. how the review was done).

EPCOR Response: Referencing, EB-2019-0027 - Section 9. OEB Accounting Guidance, this reconciliation completed using a two step process:

Step 1 - Initial posting and First True-up
Step 2 - Second True-up

Step 1 - Initial posting and First True-up

Using the OEB provided Illustrative-Commodity-Model, EPCOR prepared comparative cases to ensure that the IESO submitted results were consistent with the values that were calculated (specifically using data for Settlement & 1st TU/RPP Settlement & 1st TU sheets). Once it was verified that the calculation methods were completed the same way as our current model, we built out a calculation worksheet for all months in 2017 & 2018 to verify the calculations for each month. Based on this, it was determined that the results are consistent with expected amounts in account 1142.

Step 2 - Second True-up

- Overview

EPCOR's reconciliation process historically involved taking the actual billed RPP consumption, compared with the preliminary IESO settlement and recalculating the RPP variance. In addition, the Global Adjustment/Power allocation would be revised and an adjustment would be posted in the quarter following the settlement period. The adjustment would be calculated using billed consumption as a percentage of the IESO invoiced volumes.

The OEB guidance varies slightly from this process and as a result, EPCOR has revised the methodology accordingly in 2019. Instead of using the actual billed amounts as the numerator of the GA/Power allocation, billed RPP consumption is calculated as a percentage of total billed consumption and that percentage is applied to actual wholesale volumes.

Note: The explanation below is using 2018 values, but 2017 was completed using the same methodology.

- RPP Wholesale Volumes Determination:

In order to compare the data and determine if there were material variances, submitted/reconciled RPP values were compared with total billed amounts. In 2019, EPCOR completed a project with the Town of Collingwood to digitize communication of water meter readings which has resulted in the implementation of calendar month as of January 2020. As a result, consumption amounts for all years up to and including 2019 were prorated based on the number of days in each billing cycle (consistent with RRR filings).

In 2018 annual billings were 99.8% of the total delivered amounts (including both wholesale and distributor loss adjustments.

To calculate the RPP amounts to be used in the final true-up (wholesale volumes), the amount of billed RPP consumption was calculated as a % of the total billed amounts (less class A). This resulted in slightly different RPP vs. Non-RPP splits to be used:

2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Originally Submitted	69.9%	69.6%	68.8%	62.6%	67.1%	68.5%	66.3%	66.6%	65.8%	65.5%	67.6%	70.1%	**67.5%**
OEB Guidance	69.8%	69.6%	69.0%	65.6%	65.8%	66.3%	67.2%	67.4%	65.3%	65.4%	67.9%	70.0%	**67.6%**

- 2nd True Up RPP Revenue Calculation:

In order to determine the allocation of ON-OFF-MID/TIER 1-TIER 2 allocations, actual billed volumes were used and multiplied by the above percentages of wholesale volumes. These allocations were multiplied by the RPP rates applicable to each month in order to calculate the final revenue amounts.

- 2nd True Up RPP Cost of Power and Global Adjustment Calculation:

The final WAP cost of power rate for each month was calculated by taking the total billed cost of power divided by the total billed kWh. This calculated a kWh rate that was multiplied by the volumes explained above.

Global adjustment was calculated using the actual GA paid per kWh.

- 2nd True Up Final Variance Determination:

The final variance was calculated using the amounts explained above. The adjusted wholesale RPP revenue was subtracted from the adjusted wholesale RPP cost resulting in a final variance. This final annual variance was compared with the previously calculated amounts, which was submitted in Table 9.2 Revised RPP Settlement of the Management Summary. It has been included below for reference.

The Final RPP variance is captured in account 1588 RSVA - Power. The Global Adjustment and Power Allocation are reflected in 1588 RSVA - Power and 1589 - Global Adjustment. As these adjusted values are immaterial compared to amounts previously filed and approved on an interim basis, EPCOR is requesting final disposition of the balances as originally approved on an interim basis in application 2018-0025.

	Historical	OEB Guidance	Variance
2017			
Final RPP Variance ($MM)	**(3,291)**	**(3,292)**	**0.05%**
Global Adjustment ($MM)	**16,768**	**16,763**	**-0.03%**
Power Allocation ($MM)	**9,704**	**9,709**	**0.05%**
	26,471	26,471	
2018			
Final RPP Variance ($MM)	**(5,791)**	**(5,792)**	**0.01%**
Global Adjustment ($MM)	**16,289**	**16,292**	**0.02%**
Power Allocation ($MM)	**7,860**	**7,857**	**-0.04%**
	24,149	24,149	

Staff Question-11

Ref: (1) GA-Analysis-Workform-Instructions-20190715.docx
(2) Manager's Summary, page 16 Table 7.2

Preamble:

At the above noted first reference, Appendix A GA Methodology Description Questions on Accounts 1588 & 1589 (or page 15 of the document), the table in Question 1 for Account 1588 requests the "Balance December 31, 2018".

At the above noted second reference, EPCOR has provided an analysis of its 2018 Account 1588 balance.

Questions:

a) It appears that the first line of this table does not represent the Account 1588 general ledger balance as at December 31, 2018. Please update and explain.

b) It appears that the last line of this table does not represent the closing principal Account 1588 balance as at December 31, 2018 in the DVA continuity schedule (cell BG28). Please update and explain.

EPCOR response: For (a) & (b), a revised table has been provided below. The variance was due to the inclusion of interest amounts in order to match column BT on the continuity schedule. The final balance now matches column BO on the continuity schedule.

	Principal Adjustments	Principal Adjustment in the previous year?
Balance December 31, 2018	-359,702	
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	-99,572	Y
3. Unbilled to billed adjustment for previous year		
4. Reversal of RPP vs. Non-RPP allocation	32,289	Y
Sub-Total Reversals from previous year (A):	-67,283	
Principal Adjustments - current year		
5. Cost of power accrual for 2018 vs Actual per IESO bill	36,438	N
6. True-up of CT 1142 for 2018 consumption recorded in 2019 GL	-36,304	N
7. Unbilled accrued vs. billed for 2018 consumption	-172,558	N
8. True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption	356,187	
9. Other		
Sub-Total Principal Adjustments for 2018 consumption (B)	183,763	
Total Principal Adjustments shown for 2018 (A + B)	116,480	
Bal. For Disposition - 1588 (should match Total Claim column on DVA Continuity Schedule	-243,222	

c) Please explain any differences between (i) and (ii), considering any OEB-approved dispositions that occurred in the year.

EPCOR response: The variance from the original RRR GL balance is due to the inclusion of ($1,003,648) in approved balance for disposition during 2019 on the continuity schedule.

d) Please also repeat steps (i), (ii), and (iii) for Account 1588 balances as at December 31, 2017.

	Principal Adjustments	Principal Adjustment in the previous year?
Balance December 31, 2017	-475,562	
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	99,572	Y
3. Unbilled to billed adjustment for previous year		
4. Reversal of RPP vs. Non-RPP allocation		
Sub-Total Reversals from previous year (A):	99,572	
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	224,501	N
9. Other		
Sub-Total Principal Adjustments for 2017 consumption (B)	224,501	
Total Principal Adjustments shown for 2017 (A + B)	324,072	
Bal. For Disposition - 1588 (should match Total Claim column on DVA Continuity Schedule	-151,490	

e) If the revised table shows a material change in the assessment of the Account 1588 balance, please quantify and explain.

EPCOR response: No revision required.

f) Please also file a similar table relating to 2017 balances for Account 1588.

EPCOR response: No revision required.

Staff Question-12

Ref: (1) 2018 GA Analysis Workform
(2) EB-2018-0025 OEB Staff - 6

Preamble:

Under Note 4 of the GA Analysis Workform, Class B Non-RPP monthly consumption totals are calculated by inputting the current month's billed consumption (Column F), subtracting the prior month's closing unbilled consumption (Column G), and adding the current month's closing unbilled consumption (Column H). EPCOR's 2017 GA Analysis Workform includes data only for column H, and some of the data includes negative numbers.

At the above noted second reference, EPCOR explained that the figures in column H represent the net change in unbilled revenue from billed amounts to metered consumption for each month. EPCOR further stated that the amount of unbilled revenue cannot properly be split out between previous month deduction and current month addition. Instead the value represents the variance between what was actually billed and what was calculated to be consumed. EPCOR also stated that Column I has been populated in a way that presents the actual kWh calculated to be consumed each month.

Question:

a) Can EPCOR's explanation regarding the figures in column H and column I in the prior proceeding be applied to explain the amounts in column H and column I in the current proceeding 2018 GA Analysis Workform? Please explain.

EPCOR response: EPCOR confirms that the explanation regarding the figures in column H and column I in the prior proceeding be applied to explain the amounts in column H and column I in the current proceeding 2018 GA Analysis Workform. This process is expected to be used until 2020 as in 2019, EPCOR completed a project with the Town of Collingwood to digitize communication of water meter readings resulting in the implementation of calendar month as of January 2020.

Staff Question-13

Ref: (1) Manager's Summary, page 19
(2) 2020 IRM Rate Generator Model, Tab 3, October 15, 2019
(3) Manager's Summary, page 16 Table 7.2
(4) 2018 GA Analysis Workform

Preamble:

At the above noted first reference, EPCOR stated the following:

> EPCOR records unbilled revenue in the accounting system monthly and reverses it in the subsequent month. Unbilled energy revenue is based on an assessment of electricity distribution services supplied to customers between the date of the last meter reading and the period ending date. The components of a customer's most recent bill are divided by the number of days in the billing period. Then the estimated daily revenue is multiplied by the remaining days to month-end.
>
> Prior to December 2018, the estimation technique was not used for the final month of the year. Instead, the monthly unbilled amounts for December were recorded based on actual consumption. The billing system was set-up for a rate change on January 1 with no actual change to the rates occurring. This allowed the billing system to split bills processed in January and February of the subsequent year between revenue earned before and after December 31st. Therefore, exactly correct unbilled consumption and dollars was posted for the year.
>
> However, effective December 31, 2018 this technique could no longer be used for year-end cut-off accuracy. The estimation technique has been used for December 2018, just like all the other months of the year. EPCOR can no longer wait for subsequent year-end actual billing information to come in during January and February because of a much quicker year-end close set by the new parent company. A comparison of the accrual for unbilled revenue verses the actual billings subsequent to year-end is completed to assess the accuracy of the process.
> EPCOR is currently investigating a technique to use actual smart meter data for the unbilled revenue accrual in the future to improve accuracy.

At the above noted second reference, EPCOR has inserted a 2018 Account 1588 principal adjustment of $116,480 (cell BF28) into the 2020 DVA Continuity Schedule.

EPCOR has inserted a 2018 Account 1589 principal adjustment of a credit of $159,960 (cell BF29) into the 2020 DVA Continuity Schedule.

At the above noted third reference, EPCOR recorded an Account 1588 credit amount of $172,558 relating to 2018 balances which is described as "Unbilled accrued vs. billed for 2018 consumption." This amount is incorporated into the $116,480 principal adjustment at the above noted second reference.

At the above noted fourth reference, EPCOR recorded an Account 1589 amount of $208,594 relating to 2018 balances which is described as the "GA portion of Dec 2019 unbilled revenue was under accrued by 208k." This amount is incorporated into the $159,960 credit principal adjustment at the above noted second reference.

Questions:

a) Please confirm that the Account 1589 amount of $208,594 and the Account 1588 credit amount of $172,558 relating to 2018 balances have been recorded as principal adjustments due to the change in recording unbilled revenue effective December 31, 2018. If this is not the case, please explain.

EPCOR response: EPCOR confirms that the Account 1589 amount of $208,594 and the Account 1588 credit amount of $172,558 relating to 2018 balances have been recorded as principal adjustments due to the change in recording unbilled revenue effective December 31, 2018

b) Please confirm that a related adjustment for 2017 is not required because in the past the amounts recorded in the general ledger and the DVA Continuity Schedule reflected the actual amounts billed (i.e. reflecting actual consumption), instead of an estimated unbilled revenue amount. If this is not the case, please explain.

EPCOR response: EPCOR confirms that this statement is accurate.

Staff Question-14

Ref: (1) EB-2018-0025 2019 IRM Rate Generator Model, Tab 3, March 28, 2019
(2) 2020 IRM Rate Generator Model, Tab 3, October 15, 2019

Questions:

a) OEB staff notes that the December 31, 2017 Account 1588 balance in the current proceeding is $528,085, whereas in the 2019 IRM proceeding DVA Continuity Schedule this balance was $852,158, reflecting a difference of $324,073. $324,072 was shown as a 2017 principal adjustment in the 2019 IRM proceeding, but it is unclear how this adjustment was reflected in the 2020 IRM proceeding. Please explain, and include any adjustments to the 2020 DVA Continuity Schedule, if required.

b) OEB staff notes that the December 31, 2017 Account 1589 balance in the current proceeding is $951,177, whereas in the 2019 IRM proceeding DVA Continuity Schedule this balance was $726,676, reflecting a difference of ($224,501). ($224,501) was shown as a 2017 principal adjustment in the 2019 IRM proceeding, but it is unclear how this adjustment was reflected in the 2020 IRM proceeding. Please explain, and include any adjustments to the 2020 DVA Continuity Schedule, if required.

EPCOR response: For both (a) and (b), 2017 amounts were approved for disposition, but on an interim basis. EPCOR's original rate generator submission selected 2017 as the year that the balances of Accounts 1588 and 1589 were last approved for disposition as a result. Because of this, the section for adjustments was not able to be populated on the work form. Based on the query in staff question 9b, this has been adjusted to 2016 and the amounts corrected. The values being applied for disposition have not changed, but the values on the continuity schedule have been updated to be consistent with the 2018-0025.

Staff Question-15

Ref: (1) Manager's Summary, page 16 Table 7.2
(2) EB-2018-0025 Tab 3, 2019 IRM Rate Generator Model, March 28, 2019
(3) 2020 IRM Rate Generator Model, Tab 3, October 15, 2019
(4) Appendix A GA Methodology Description Questions on Accounts 1588 & 1589, page 21

Preamble:

At the above noted first reference, EPCOR has recorded a net reversing amount of a credit of $67,283 relating to 2017 balances in the calculation of the claimed Account 1588 balance in this proceeding relating to 2018 balances. However, OEB staff notes that $324,072 was recorded as an Account 1588 2017 principal adjustment in cell BF28 at the second above noted reference.

OEB staff notes that at the above noted third reference, EPCOR has recorded an Account 1588 2018 principal adjustment of $116,480 (cell BF28) which reconciles to the calculated net Account 1588 2018 principal adjustments (i.e. also including a reversal of 2017 amounts) at the first noted reference.

At the above noted fourth reference, EPCOR has provided a breakdown 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 in its 2019 proceeding. This breakdown is provided below:

		CT148	CT1142	Total
RSVA - Power	1588	224,501	99,572	324,072
RSVA - Global Adjustment	1589	(224,501)	0	(224,501)

CT148 - adjustment for GA/Power allocation of RPP reconciliation related to 2017 posted in 2018.
CT1142 - adjustment for 2017 RPP variance related, posted in 2018.

At the above noted fourth reference, EPCOR also stated that "the amounts related to 2017 have been reversed in the current proposed amount for disposition."

Question:

a) Regarding Account 1588 2017 principal adjustments, please explain why a credit of $67,283 is recorded at the first above noted reference (which would have been a debit amount of $67,283 in the 2017 principal adjustment) and $324,072 at the second above noted reference. In EPCOR's explanation, please also consider EPCOR's above statement that "the amounts related to 2017 have been reversed in the current proposed amount for disposition," as well as the above noted breakdown provided by EPCOR.

EPCOR response: The adjustment posted in 2018 of $32,289 (credit) is comprised of two values:

A debit reversal of $224,501 related to 2017
A credit reversal of $256,790 related to 2016.

Several adjustments were required as part of the special purpose audit in 2017. This included an RPP GA/Power adjustment for 2016 and 2017, both of which were posted in 2018.

Staff Question-16

Ref: (1) 2018 GA Analysis Workform
(2) 2017 GA Analysis Workform
(3) EB-2018-0025 Tab 3, 2019 IRM Rate Generator Model, March 28, 2019

Preamble:

At the above noted first reference, EPCOR has recorded a net reversing amount of a credit of $32,289 relating to 2017 balances in the calculation of the claimed Account 1589 balance in this proceeding relating to 2018 balances. However, OEB staff notes that a credit balance of $224,501 was recorded as an Account 1589 2017 principal adjustment in the GA Analysis Workform, as well as in the 2019 IRM Rate Generator Model.

Question:

a) Please explain why a credit of $32,289 is recorded at the first above noted reference and a credit of $224,501 is recorded at the second and third above noted references.

EPCOR response: Consistent with Staff Question 15, the adjustment posted in 2018 of $32,289 (credit) is comprised of two values:

A debit reversal of $224,501 related to 2017
A credit reversal of $256,790 related to 2016.

Several adjustments were required as part of the special purpose audit in 2017. This included an RPP GA/Power adjustment for 2016 and 2017, both of which were posted in 2018.