**OEB Staff Follow-Up Questions**

**2020 Electricity Distribution Rates Application**

**Synergy North Corporation (****Synergy North)**

**EB-2019-0068**

**January 22, 2020**

**Ref: OEB Staff Question #8aii**

It states that the procedure in place for Kenora Hydro’s RPP-HOEP process did not require the same true-up procedures as the GA.

1. Please confirm that the initial estimate was based on billed revenue less associated NSLS for the month, excluding any impacts from unbilled revenue or consumption. If not confirmed, please clarify the basis of the initial estimate.
2. Please explain how this process is different from Kenora Hydro’s RPP GA process (where the original GA kWh is based on billed consumption and not adjusted calendar month consumption), and did not require the same true-up procedure.

**Synergy North Response:**

1. Synergy North confirms. Initial estimate was based on billed revenue less associated NSLS (without unbilled impacts) for the initial monthly filings.
2. Kenora Hydro’s original GA filings previously billed kWh on an estimated GA rate for the monthly GA claim. The billing system charges customers one rate for the calendar month for GA, each month this required to be trued up based on the unbilled adjusted kWh each calendar month, which was derived from the wholesale RPP kWh IT generated query each calendar month, and the actual GA pricing for the month, once known. The wholesale kWh times the actual GA rate was true-ed up quarterly for each calendar month.

The RPP-HOEP true-up did not require the same true-up method each month, other than accounting for the impact of unbilled claims in the shoulder months. Because the billing system loads an hourly HOEP, the actual cost is matched with the actual revenue on each bill. Using the billed data would result in the exact claims to the IESO, requiring no adjustments, other than the unbilled timing which had been accounted for in the annual unbilled adjustment mechanism.

**Ref: OEB Staff Question #8aii**

The true-up process for the GA seems to indicate that the consumption is trued-up to actual retail volumes from the billing system.

1. Please confirm if consumption is trued up to actual calendar month retail or wholesale volumes for each of the RPP-HOEP component and GA component of the RPP settlement claim.
2. The new accounting guidance bases RPP settlement claims on wholesale volumes (while using retail volumes to split volumes among the TOU and tiers). Please confirm if Synergy North’s 2019 RPP settlement process is consistent with the new accounting guidance. If not, please explain why not.
3. The August 17, 2019 *GA Analysis and 1595 Workform Questions and Answers* #2 (posted on the 2020 Electricity Distribution Rate Applications webpage) provides guidance on the use of wholesale versus retail volumes used in RPP settlements for historical years. If RPP settlements were done using retail volumes in the past, please explain whether Synergy North has considered this in its review of historical balances and what the conclusion was.

**Synergy North Response:**

1. For Kenora Hydro, the RPP-HOEP component is based on actual monthly volumes consumed by RPP customers (retail), adjusted for unbilled impacts.

Additionally, for Kenora Hydro, the GA component is initially based on actual volumes consumed by RPP customers(retail), with a true-up to monthly wholesale volumes and actual GA rate once known.

1. Synergy North’s confirms that the 2019 RPP settlement process is consistent with the new accounting guidance.
2. Historically, Thunder Bay Hydro used the wholesale volumes to calculate the final settlement true-ups for both GA and RPP-HOEP. The review of the methods for Thunder Bay concluded that the guidance on settlements was being performed as required.

Historically, Kenora Hydro GA settlements were being trued-up based on wholesale volumes, and followed the new guidance. For Kenora Hydro, the RPP-HOEP settlements were done based on retail volumes. The review of prior years RPP-HOEP settlements using wholesale volumes (as in the new guidance) vs retail volumes for 2017 and 2018 produced a difference of less than 1% of the claims for Kenora Hydro. Based on this, no correction of past RPP-HOEP claims was made for the difference between the two calculation methodologies (retail kWh vs wholesale kWh).

**Ref: OEB Staff Question #8b**

**Ref: Manager’s Summary, page 20**

Regarding the ($105,089):

1. In the table provided to calculate the ($105,089), please explain how the ($105,089) relates to the ($440,976) for “Jan. + Feb. Actuals Unbilled Belonging to 2017” and ($472,310) for “Jan + Feb less 2016 Unbilled”.
2. Please explain how the monthly claim amounts correlate to ($4,769,579) or ($4,874,668).
3. Please confirm that the ($105,089) is not included in the $39,768 shown as 2018 transactions in the DVA Continuity Schedule even though it was recorded in the GL in 2018.
4. On page 20 of the Manager’s Summary, it states that prior to 2017, there was no true-up mechanism in place for the RPP portion of the monthly IESO claim. Please confirm a true-up mechanism was implemented for the 2017 year-end, but there was an error in the true-up, which required the ($105,089) adjustment that was recorded in the GL in 2018. If not confirmed, please provide further background on the implementation of the true-up.

**Synergy North Response:**

1. In the table provided the $(105,089) is the resulting calculation of $(4,769,579) (as adjusted) - $(4,874,668) (as reported) for the year.

Additionally, The $(4,769,579) is the sum of Jan – Dec 2017, as is adjusted for the unbilled impacts.



1. See response in part a). The ($4,874,668) is what was claimed from the IESO for the year. The ($4,769,579) is the adjusted claim for the calendar year.
2. The $(105,089) is not included in the $39,768 adjustment in the 2018 transactions although it was recorded in 2018 in the general ledger.
3. To clarify, this resulted from an error in posting the unbilled revenue in the general ledger for 2017 RPP-HOEP claims. The $(105,089) adjustment to correct 2017 was recorded in the general ledger in 2018.

**Ref: OEB Staff Question #8e**

1. Please confirm that the statement on page 20 regarding the estimations is only referring to consumption and not the total claim.
2. Page 20 also states that a RPP pricing of the RPP settlement claims required a true-up and claim from the IESO. Please confirm that Synergy North used a different methodology in determining the RPP pricing than the new accounting guidance in that it used actual billed revenue minus actual billed HOEP, adjusted for unbilled impacts. If not, please explain what the statement means and why the RPP pricing would require a true-up.

**Synergy North Response:**

1. Synergy North confirms that in the true-up process, there are no estimations used for the claims for either consumption or price.
2. Synergy North is using the new accounting guidance. The RPP settlement claims require a true-up because initial claims do use an estimated kWh volume each month, based on historical data. Once actual wholesale volumes are known for Synergy North, the RPP claim requires a true-up to monthly consumption.

**Ref: OEB Staff Question 10c and e**

Response 10e indicates that Synergy North has revised its approach from B to A. Response 10c indicates that true-up analysis are done monthly, but submitted to the IESO on a quarterly basis.

1. Please confirm that the pro-ration of charge type 148 is trued up on a monthly basis and recorded on a monthly basis. If not, please explain the frequency of the true-ups.
2. The new accounting guidance contemplates monthly true-up submissions to the IESO as noted in Journal Entry #13 of the Illustrative Commodity Model attached to the new accounting guidance, where the true-up is reflected in the next month’s IESO invoice. Please explain whether Synergy North plans to perform and submit true-ups to the IESO on a monthly basis. If yes, please explain when this will be done. If no, please explain why not.

**Synergy North Response:**

1. Synergy North confirms that the Charge Type 148 is trued up on a monthly basis and recorded internally on a monthly basis.
2. Synergy North does not plan to submit true ups to the IESO on a monthly basis. Synergy North will continue to perform the settlement true up with the IESO on a quarterly basis in line with its quarterly financial statement process.

**Ref: OEB Staff Question 14b**

**Ref: Tab 3, IRM Rate Generator Model, DVA Continuity Schedule**

It states a “correcting” entry to correct the original error of $34,676 was made in 2017, but should not have been made as the amount would have reversed automatically.

1. Please confirm that the “correcting” entry was not reversed in 2017, and therefore, the 2017 balance in the GL was not correct. Please confirm that this is why principal adjustments to Accounts 1588 and 1589 are necessary in the DVA Continuity Schedule for 2017. If not, please explain why there are principal adjustments made to Accounts 1588 and 1589 in 2017.
2. Please confirm that the reversal of the “correcting” entry was recorded in the 2018 GL. If not, please explain why not and when it was recorded in the GL.
3. Typically, the transactions column in the DVA Continuity Schedule is the same as the activity in the GL for the year (excluding any approved dispositions as that is shown separately on the DVA Continuity Schedule). Principal adjustments are then made to adjust the transactions to the appropriate amount that should be requested for disposition. It appears that the 2018 transactions for Accounts 1588 and 1589 have already netted out the reversal of the 2017 principal adjustments. Please revise the DVA Continuity Schedule so that the transactions columns reflect the activity recorded in the GL for the year and any principal adjustments are shown separately. Please also revise the GA Analysis Workform accordingly, including completing the “Principal Adjustment on DVA Continuity Schedule” column as well.

**Synergy North Response:**

1. Synergy North confirms that the error was not reversed in the general ledger in 2017. The error was not discovered until after the 2017 year was closed. For this reason the correction is reflected in the Continuity Schedule in 2017.
2. Synergy North confirms the reversal of the “correcting” entry was recorded in the 2018 general ledger.
3. Synergy North would like to clarify that the adjustment in the general ledger belonging to 2017 was shown in the 2018 Principal adjustment column. The Continuity Schedule has been updated to show both the adjustments in the 2017 year. The GA Analysis Work form tables as presented below have also been corrected.

Kenora Rate Zone:

|  |  |  |
| --- | --- | --- |
| **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 2017 **Balance December 31, 2017** | (139,765) |  |
| **Reversals of Principal Adjustments - previous year** | | |
| 1. Reversal of Cost of Power accrual from previous year |  |  |
| 1. Reversal of CT 1142 true-up from the previous year |  |  |
| 1. Unbilled to billed adjustment for previous year |  |  |
| 1. Reversal of RPP vs. Non-RPP allocation |  |  |
| **Sub-Total Reversals from previous year (A):** |  |  |
|  |  |  |
| **Principal Adjustments - current year** | | |
| 1. Cost of power accrual for 2017 vs Actual per IESO bill |  |  |
| 1. True-up of CT 1142 for 2017 consumption recorded in 2018 GL |  |  |
| 1. Unbilled accrued vs. billed for 2017 consumption |  |  |
| 1. True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2017 consumption |  |  |
| 1. Other = Correcting of posting between GA and Power | (34,676) |  |
| 1. Other = RPP – HOEP adjustment for posting error | (105,089) |  |
| **Sub-Total Principal Adjustments for 2017 consumption (B)** | (139,765) |  |
| **Total Principal Adjustments shown for 2018 (A + B)** | (139,765) |  |
| **Bal. For Disposition - 1588 (should match Total Claim column on DVA Continuity Schedule** | (139,765) |  |
|  |  |  |

Kenora Rate Zone:

|  |  |  |
| --- | --- | --- |
| **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 2018 | 0 |  |
| **Reversals of Principal Adjustments - previous year** | | |
| 1. Reversal of Cost of Power accrual from previous year |  |  |
| 1. Reversal of CT 1142 true-up from the previous year |  |  |
| 1. Unbilled to billed adjustment for previous year |  |  |
| 1. Reversal of RPP vs. Non-RPP allocation |  |  |
| **Sub-Total Reversals from previous year (A):** |  |  |
|  |  |  |
| **Principal Adjustments - current year** | | |
| 1. Cost of power accrual for 2018 vs Actual per IESO bill |  |  |
| 1. True-up of CT 1142 for 2018 consumption recorded in 2019 GL |  |  |
| 1. Unbilled accrued vs. billed for 2018 consumption |  |  |
| 1. True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption |  |  |
| 1. Other | 0 |  |
| **Sub-Total Principal Adjustments for 2018 consumption (B)** | 0 |  |
| **Total Principal Adjustments shown for 2018 (A + B)** | 0 |  |
| **Bal. For Disposition - 1588 (should match Total Claim column on DVA Continuity Schedule** | 0 |  |

**Ref: OEB Staff Question 12a**

**Ref: IRM Rate Generator Model, Tab 4 – Billing Det. For Def-Var and GA Analysis Work form, Thunder Bay Rate Zone**

Synergy North stated that it will require a RRR revision to its year end record to allocate the kWh between RPP and Non-RPP customer pricing categories. As a result, Synergy North asked OEB staff to update the IRM Rate Generator Tab 4 “Billing Det. For Def-Var” column E as well as the GA Analysis Workform Tab “GA 2018”.

OEB staff has made the requested revisions.

1. Please confirm the accuracy of the revised Rate Generator and GA Analysis
2. Workform for the Thunder Bay rate zone.

**Synergy North Response:**

1. Synergy North confirms that the Rate Generator for Thunder Bay rate zone is corrected properly on tab 4. Billing Det. For Def – Var.
2. Synergy North confirms that the GA Analysis Work form for Thunder Bay rate zone is corrected.

**Ref: OEB Staff Question 1**

**Ref: IRM Rate Generator Mode, Tab 11 – RTSR UTR & Sub-Tx, Thunder Bay and Kenora Rate Zones**

OEB staff has updated Tab 11, Column L for the UTRs and Sub-Tx rates effective January 1, 2020 as follows:



Please confirm that Synergy North accepts the revised models for these adjustments.

**Synergy North Response:**

Synergy North confirms that it accepts the update of RTSR rates in both Kenora and Thunder Bay Rate Generator models.