



2020 IRM Application
Response to OEB Staff Questions
EB-2019-0070

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Staff Question-1

Ref: Manager's Summary, page 16

It states that Wasaga Distribution is confident that after studying the new accounting guidance and reviewing Wasaga Distribution's 2017 balance that the balances are accurate and complete. The new accounting guidance was effective January 1, 2019 and to be implemented by August 31, 2019.

- a) Please confirm that Wasaga Distribution implemented the accounting guidance by August 31, 2019. If not, please explain when the accounting guidance was implemented.
- b) Please confirm that the accounting guidance was implemented retroactive to January 1, 2019. If not, please explain when the retroactive implementation will be completed.
- c) Please provide further details on the review that was completed, and any summary reports available (e.g. how the review was done).
- d) Please confirm that there are no systemic issues with the Wasaga Distribution's RPP settlement and related accounting processes noted during the review.
- e) If not confirmed, please explain the systemic issues, describe and quantify any adjustments identified and provide an assessment on the materiality of the adjustments.

Wasaga Distribution Response:

Wasaga Distribution is responding to parts a) to e) as follows:

Wasaga Distribution (WDI) did implement the accounting guidance by August 31, 2019; however, WDI was made to believe from OEB Staff WebEx that there would be revised instructions made available to LDC's that bill monthly. WDI is not aware of any revised instructions. WDI did make the accounting guidance retroactive to January 01, 2019. The review was completed based on WDI's actual consumption, our methodology of splitting Line 148 between Account 4705 and Account 4707. In completing the response to this Question WDI did become aware of two issues that do not cause material differences to the account balances in Account 1588 and Account 1589.

Issue One – WDI did not use the GA second estimate when submitting its data (Form 1598) to the IESO. WDI, moving forward will use this guideline.

Issue Two – When completing the variance adjustment between the GA first estimate between the final, WDI was putting this adjustment in the month in which it was paid instead of the month that it was appropriate to. WDI has responded to this issue in Question 4 below and feels that are strictly timing differences and are always corrected in the following month.

These issues will be corrected moving forward.

Staff Question-2

Ref: Manager's Summary, page 16

Appendix 4 and 5, GA Methodology Description

In response to 11a in Appendix 4 and 5 for 2017 and 2018, Wasaga Distribution indicated it uses the GA first estimate for RPP settlements. In response to 11d, true-ups are done on a quarterly basis. This approach is different than that described in the new accounting guidance, where GA second estimate is used for RPP settlements and true-ups are done on a monthly basis. Please confirm that Wasaga Distribution have revised these practices to be in line with the new accounting guidance for 2019 balances. If not, please further discuss, with consideration to the response provided in the above question (Staff-1).

Wasaga Distribution Response:

Wasaga Distribution indicated that customers are billed on 1st estimate and was describe as part of the overall GA process.

In response to Staff Question-1 WDI can confirm that the second estimate will be used for RPP settlements and that it has reviewed its' current practices and will be in accordance with the new accounting guidance.

WDI did not understand the question properly when answering Appendix 4 and Appendix 5 11d) for 2017 and 2018: WDI does complete the true-up on a monthly basis for RPP settlements.

Please refer to Staff Question -1 for more discussion.

Staff Question-3

**Ref: Tab 3, Rate Generator Model
2018 GA Analysis Workform**

Wasaga Distribution last disposed its 2017 balances on an interim basis. Per the instructions of the DVA Continuity Schedule, the closing 2017 balances should be inputted into the 2017 Adjustments columns (columns AV and BA). The 2018 transactions (column BD) should only reflect 2018 transactions in Wasaga Distribution's GL (separating out approved dispositions in column BE).

- a) Please revise the DVA Continuity Schedule.
- b) Please ensure that the "net change in principal balance in the GL" in the 2018 GA Analysis Workform agrees to the 2018 transactions in the DVA Continuity Schedule after the revision. Please revise the 2018 GA Analysis Workform as necessary.

Wasaga Distribution Response:

- a) WDI has revised Tab 3 and the new Rate Generator model will be submitted as a separate attachment entitled "WDI_2020_Rate_Generator_Model_20200206_v3."
- b) Wasaga Distribution can confirm that the 2018 GA Analysis Workform agrees to the 2018 transactions in the DVA Continuity Schedule after the revision. All necessary corrections have been made. A new GA Analysis Workform will be submitted as a separate attachment entitled "WDI_2020_GA_Analysis_Workform_20200206."

Staff Question-4

Ref: Tab 3, Rate Generator Model

Account 1588 transactions for 2018 appears to be (\$228,907) after removing the opening balance from the transactions shown in the DVA Continuity Schedule. Typically, large balances are not expected for Account 1588 as it should only hold the difference between actual and approved line losses. Please explain the high 2018 transactions for Account 1588 in consideration of line losses.

Wasaga Distribution Response:

Wasaga Distribution confirms that 1588 would typically be the difference between actual and approved line losses. However, Wasaga Distribution true-up and records in the general ledger the final GA rate with the IESO the month following the consumption period for RPP Customers.

With respect to 2018, this had resulted in Wasaga Distribution recovering ~\$105k overpayment from December 2017 in January 2018 and Wasaga Distribution underpaying ~\$195k in December 2018. This resulted in an understatement of the Cost of Power by ~\$300k that is subsequently reflected in the 1588 Variance for 2018.

It should be noted that these over/under payments are strictly timing differences and are always corrected in the following month (in the month of December – the following year).

The remaining nonmaterial differences would include adjustments and consideration for line losses.

Staff Question-5

Ref: Appendix 4 and 5, GA Methodology Description

- a) In the 2017 Account 1588 reconciliation, the 2017 balance is (\$310,857). This agrees to the 2018 Account 1588 balance in the DVA Continuity Schedule. Please explain what is the correct 2017 Account 1588 balance and revise the evidence as needed.
- b) In the 2018 Account 1588 reconciliation, the 2018 balance is (\$228,906). Please confirm that this is the 2018 transactions and provide the Account 1588 2018 balance.

Wasaga Distribution Response:

- a) Wasaga Distribution inadvertently included the wrong amounts in Appendix 4. The principal closing balance for December 31, 2017 adjusted for disposition during 2018 is \$(81,950.99) Wasaga Distribution has corrected and resubmitted the evidence as part of these interrogatory responses.
- b) That \$228,906 is the net change and Wasaga Distribution can confirm that this is correct balance as can be seen in the Rate Generator Model Tab 3, Row 28, Column BO. Please refer to Staff Question-4 response for further clarification. WDI does not need to resubmit 2018 Appendix 5 as the balance is correct.

Staff Question-6

Ref: Appendix 4 and 5, GA Methodology Description

12b for 2017 and 2018 states that Wasaga Distribution does not find it necessary to true-up the GA related expenses because actual volumes from billing data are used to determine the split between RPP and non-RPP when posting GA costs.

- a) Wasaga Distribution bills on a calendar month basis. Please explain the timing of when actual consumption from the billing data is available after the month-end.
- b) Please confirm that when Wasaga Distribution receives the IESO invoice for the prior month and proceeds to split charge type 148 between Accounts 1588 and 1589, actual consumption data from the billing system for the prior month is available and is used for the pro-ration.
- c) If actual consumption from the prior month is not available yet, please explain why there is no need for a true-up. Please quantify true-ups for 2017 and 2018 balances as needed.

Wasaga Distribution Response:

- a) Wasaga Distribution billing data is available once all billing for the month-end is complete. Wasaga Distribution processes bills during the 3rd and 4th week following month-end.
- b) Yes, Wasaga Distribution can confirm that once the IESO invoice is received and billing data is available actual consumption data is used for the pro-ration.
- c) With respect to 12b and in reference to CT 148. Wasaga Distribution misunderstood the initial question. Wasaga Distribution does true-up to the final GA rate using actual consumption and splits actuals between 1588 and 1589.

Staff Question-7

Ref: 2018 GA Analysis Workform

The loss factor calculated on the GA Analysis Workform is 1.0043. Wasaga Distribution's loss factor for secondary metered customer <5,000 kWh is 1.0802. There is a 0.0759 difference. Please explain the difference and revise the GA Analysis Workform as needed.

Wasaga Distribution Response:

Wasaga Distribution has corrected Section F of the GA Analysis Workform for 2018. Wasaga Distribution inadvertently included Non-RPP Excluding Losses in this section. The GA Workform has been revised and resubmitted as:

"WDI 2020_GA_Analysis_Workform_20200206."

Staff Question-8

Ref: Section 12, LRAMVA, Page 17

Wasaga Distribution indicates it has a small principal balance of (\$2,338.75) and interest balance of (\$31.60) remaining from the previous disposal and that it has incorporated these balances into its current LRAMVA disposition request.

- Please clarify if the residual principal balance and interest amount are credit or debit amounts.
- Please explain how the residual balance of (\$2,370.35) was derived and show all calculations.
- Please discuss if Wasaga Distribution has considered disposing of the residual balance in the 1595 (2020) sub-account, considering the residual balance is related to a previous year and should only be cleared once.

Wasaga Distribution Response:

- The residual principle and interest amounts are a credit and is monies owed to our customers.
- The residual balance was derived from rounding of the approved rates for disposition and from the difference in metered data and estimates.

In addition, there is ~\$180 non-material post approval adjustments made to the interest calculations that make up the overall difference of \$2,370 (\$2,550 + \$180)

The summary calculations are shown as follows:

| Rate Class | Approved Rate | Billed kWh (May-April) | Billed KW | LRAMVA Collection | LRAMVA Disposition | Residual Balance |
|------------------------|---------------|------------------------|-----------|-------------------|--------------------|------------------|
| Residential | 0.0001 | 90,591,494 | | 9,059 | 6,058 | - 3,001 |
| General Service < 50kW | 0.0003 | 17,329,028 | | 5,199 | 4,965 | - 234 |
| General Service >50 kW | 0.2367 | | 49,141 | 11,632 | 12,317 | 685 |
| Total | | | | 25,890 | 23,339 | 2,550 |

- Wasaga Distribution had considered disposing of the residual balance in the 1595 (2020) sub-account. However, considering that these monies are from a previous LRAMVA disposition, and the amount is in nature immaterial. WDI felt that this would be the most appropriate approach.

Staff Question-9

**Ref: LRAMVA Workform, Tab 2, Table 2-b and 2-c, 2016 LRAMVA Threshold
EB-2015-0107, Settlement Proposal, February 24, 2016, Load Forecast CDM
Adjustment - Table 18, Page 29**

Wasaga Distribution has included the LRAMVA threshold from its 2016 COS application (EB-2015-0107).

- a) Please reconcile the LRAMVA threshold values included within Tables 2-b and 2-c of the LRAMVA workform filed in this application with Table 18 of the 2016 COS Settlement Proposal.
- b) Please discuss any variations and the supporting rationale for any differences.

Wasaga Distribution Response:

- a) Table 2-a. LRAMVA CDM Adjustment values were filed and supported in the 2012 COS (EB-2011-0103) Section 3.

Table 2-b. LRAMVA CDM Adjustment values were filed and documented in the 2016 COS (EB-2015-0107). Table 26.

With respect to Table 18 of the 2016 COS Settlement Proposal. 2006 - 2014 CDM Program Adjustments were used as part of the methodology adopted in forecasting the 2016 load. 2015 – 2016 CDM Programs are different from Table 28 (LRAMVA Baseline); with 2016 calculated savings applied at 100%. As agreed, upon as part of the Settlement Proposal.

- b) If WDI was to apply the difference of 50% for 2016 CDM savings and applied that as the LRAVA Baseline. WDI would need to collect ~\$71k or an additional \$14k or 25% more from disposition.

An updated LRAMVA model has been submitted. WDI is not proposing any changes at this moment.

Staff Question-10

Ref: Rate Generator Model, Tab 20

The total bill impact for the General Service 50 to 4,999 KW Service Class is greater than 10%. In addition, the RTSR rate changes for all rate classes exceed 4% from the previous year. As indicated in Tab 20, an explanation should be provided in the application if this is the case.

- Please confirm that the bill impacts are correct and, if so, please explain whether Wasaga Distribution plans to implement a rate mitigation proposal for the GS 50 to 4,999 KW Service Class.
- Please explain the cause for the RTSR rate increases by rate class, and quantify the reasons for the increase.

Wasaga Distribution Response:

- Wasaga Distribution can confirm that the total bill impact for the General Service 50 to 4,999 KW Service Class is less than 10%. Ref: Table 7 of 2020 IRAM Rate Application. Wasaga Distribution does not plan to implement a rate mitigation proposal for this customer class.
- The following tables breakdown the RTSR rate increases by rate class compared to the proposed RTSR rate and previously approved RTSR rate (EB-2018-0073)

Table 1: RTSR Network Comparison

| RTSR Network | 2019-IRM Proposed [A] | 2020 IRM Proposed [B] | Annual Increase [C] = [B]/[A]-1 |
|---|-----------------------------|-----------------------------|------------------------------------|
| Residential Service Classification | 622,452 | 741,770 | 19.2% |
| General Service Less Than 50 kW Service Classification | 108,033 | 122,156 | 13.1% |
| General Service 50 To 4,999 kW Service Classification | 133,851 | 135,401 | 1.2% |
| Unmetered Scattered Load Service Classification | 943 | 1,064 | 12.8% |
| Street Lighting Service Classification | 4,119 | 4,485 | 8.9% |
| Total | 869,400 | 1,004,877 | 15.6% |

The 15.6% overall annual increase can be attributed to the 3.1% increase in the network rate and the 12% (compounded) increase in year over year units billed.

Table 2: RTSR Connection Comparison

| RTSR Connection | 2019-IRM Proposed [A] | 2020 IRM Proposed [B] | Annual Increase [C] = [B]/[A]-1 |
|---|-----------------------------|-----------------------------|------------------------------------|
| Residential Service Classification | 362,949 | 485,415 | 33.7% |
| General Service Less Than 50 kW Service Classification | 61,550 | 77,657 | 26.2% |
| General Service 50 To 4,999 kW Service Classification | 71,085 | 81,728 | 15.0% |
| Unmetered Scattered Load Service Classification | 537 | 677 | 25.9% |
| Street Lighting Service Classification | 2,242 | 2,775 | 23.8% |
| Total | 498,363 | 648,252 | 30.1% |

The 30.1% overall annual increase can be attributed to the 13.1% increase in the network rate and 15% (compounded) increase in year over year units billed.

As a seasonal destination Wasaga Distribution can experience fluctuations due to seasonal weather demands. 2020 IRM proposed RTSR using 2018 Hydro One monthly billed peak demand by charge (units billed). Wasaga Distribution experienced a significant spike in peak demand (this included peaking over long weekends/holidays) due to unseasonal weather.

By comparison, the units billed for the RTSR Network dropped to 275,377 kW in 2019 from 305,295 kW in 2018 and the units billed for the RTSR Connection dropped to 295,392 kW in 2019 from 328,146 in 2018. This represents an ~10% decrease in units billed.

Wasaga Distribution is not proposing a change to the proposed RSTR charges and is suggesting the appropriate approach is being consistent with past practices.

All of which is respectfully submitted.

Appendix 4

GA Methodology Description

Questions on Accounts 1588 & 1589¹

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

Reconciliation of Account 1588 - 2017

| | Principal Adjustments | Was the amount a "Principal Adjustment" in the previous year? (Y/N) |
|---|-----------------------|---|
| Balance December 31, 2017 | -81,950.99 | |
| Reversals of Principal Adjustments - previous year | | |
| 1. Reversal of Cost of Power accrual from previous year | 0 | |
| 2. Reversal of CT 1142 true-up from the previous year | 0 | |
| 3. Unbilled to billed adjustment for previous year | 0 | |
| 4. Reversal of RPP vs. Non-RPP allocation | 0 | |
| Sub-Total Reversals from previous year (A): | 0 | |
| Principal Adjustments - current year | | |
| 5. Cost of power accrual for 2018 vs Actual per IESO bill | 0 | |
| 6. True-up of CT 1142 for 2018 consumption recorded in 2019 GL | 0 | |
| 7. Unbilled accrued vs. billed for 2018 consumption | 0 | |
| 8. True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption | 0 | |
| 9. Other | 0 | |
| Sub-Total Principal Adjustments for 2018 consumption (B) | 0 | |
| Total Principal Adjustments shown for 2018 (A + B) | 0 | |

¹In all references in the questions relating to amounts booked to accounts 1588 and 1589, amounts are not booked directly to accounts USoA 1588 and 1589 relating to power purchase transactions, but are rather booked to the cost of power USoA 4705 Power Purchased, and 4707, Charges – Global Adjustment, respectively. However, accounts 1588 and 1589 are impacted the same way as account 4705 and 4707 are for cost of power transactions.



| | | |
|--|------------|--|
| Bal. For Disposition - 1588 (should match Total Claim column on DVA Continuity Schedule | -81,950.99 | |
|--|------------|--|

The only adjustment that was made to this balance was the \$551,637 that was approved for disposition that was approved during 2018. The balance of **\$(81,950.99)** agrees with the amount on Line 28, Column BM on Tab 3 of the WDI's IRM Rate Generator.