Elexicon Energy – Veridian Rate Zone

EB-2019-0252

Follow-up Questions

Staff-18

Ref: Application, p. 19

Preamble:

Elexicon Energy noted that the increase in its RTSRs of 5-9% for all classes reflect the increase in UTRs effective July 1, 2019. With the update in 2020 UTRs effective December 17, 2019 (EB-2019-0043), it resulted in RTSR increases of 9-12% across all rate class.

Questions:

a. In addition to the price increase in UTRs that impact the increase in RTSRs, please discuss whether Elexicon Energy prepared any analysis to determine whether there are additional factors that may be of relevance causing the increases. If yes, please discuss your findings.

Response:
There are a number of factors (other than UTR increases) that may impact the RTSRs. These include:

- Differences in billing determinants for Wholesale vs. Retail transmission. Wholesale is based on aggregate totalized coincident demand peaks while Retail is either customer specific demand or consumption based. Total consumption changes will not necessarily align with demand changes which are measured at the highest monthly peak.
- Load transfers between stations are periodically required due to system maintenance or other factors which may result in a "double-billing" effect. For example, this occurs when load is transferred between a station that is embedded in Hydro One and one that is not, which causes the same load to impact peak demand (units) billed by both Hydro One and the IESO. In many cases these transfers are driven by external requirements (ie. Hydro One).
- Conservation and generation activities may have differing impacts on billing determinants at the Wholesale versus Retail level (demand vs. consumption)
- Gross Load Billing will also have an impact if it is billed at wholesale level but not approved in an LDC rate order for retail customer billing. This has not impacted Elexicon yet, however, it is expected to have an impact in the near future.

A high level review has been done to compare 2017 and 2018 data which was used for the 2019 and 2020 rate applications respectively for the resetting of RTSRs. The analysis assists in confirming the commentary provided in the application that UTR changes at the Wholesale level are the primary driver of the RTSR increase. In addition, it outlines that differences in billing determinants (units), are also a contributing factor.

Transmission Network	2019 Rate Application (2017 RRR)	2020 Rate Application (2018 RRR)	YOY Increase	Cost Weighting	YOY Weighted Increase
Billing Determinants					
Retail:					
Customer Classes - Billed kWh	1,263,303,486	1,346,802,965	6.6%	49.2%	3.3%
Customer Classes - Billed on kW	2,967,868	3,028,590	2.0%	50.8%	1.0%
				100.0%	4.3%
Wholesale :					
IESO kW (billing units)	2,378,652	2,546,841	7.1%	52.7%	3.7%
Hydro One kW (billing units)	2,459,108	2,638,901	7.3%	47.3%	3.5%
Total	4,837,760	5,185,742	7.2%	100.0%	7.2%
Average Rate Increase					
Retail					8.8%
Wholesale					6.0%

2.9%

The above analysis demonstrates that the RTSRs (Network) are primarily increasing due the rate changes at the provincial level for wholesale transmission network costs (6%). Approximately 2.9% increase on average is related to the differences in billing determinants (units) at the wholesale level vs retail (ie. 7.2% - 4.3%).

Transmission Connection	2019 Rate Application (2017 RRR)	2020 Rate Application (2018 RRR)	YOY Increase	Cost Weighting	YOY Weighted Increase
Billing Determinants					
Retail:					
Customer Classes - Billed kWh	1,263,303,486	1,346,802,965	6.6%	50.0%	3.3%
Customer Classes - Billed on kW	2,967,868	3,028,590	2.0%	50.0%	1.0%
				100.0%	4.3%
Wholesale :					
IESO kW (billing units)	3,104,782	3,384,197	9.0%	31.1%	2.8%
Hydro One kW (billing units)	4,266,810	4,605,841	7.9%	68.9%	5.5%
Total	7,371,592	7,990,038	8.4%	100.0%	8.4%
Average Rate Increase					
Retail					11.6%
Wholesale					7.2%

4.1%

The above analysis demonstrates that the RTSRs (Connections) are primarily increasing due to rate changes at the provincial level for wholesale transmission connection costs (7.2%). Approximately 4.1% of the overall increase on average is related to the differences in billing determinants (units) at the wholesale level vs retail (ie. 8.4% - 4.3%).

b. Please discuss whether Elexicon Energy has examined the changes in historical wholesale demand relative to retail demand, and whether this may cause increases to the RTSRs.

Response:
Please see response to a. above.

Staff-19

Ref: Clarification on Staff-11 c, f

Preamble:

In response to Staff's questions, Elexicon Energy provided the following:

(1) The methodology used to forecast collection notices in 2019 is not consistent with the methodology from the 2014 COS; and therefore the volumes associated with reduced revenue are much lower than prior years.
(2) There are continued collection efforts, but they only represent a subset of total number of collections (disconnection) notices issued and do not reflect the volume of additional or replacement collection activities/notices implemented during the winter moratorium.
(3) Table G-2 shows an initial forecast of 3,729 based on actual notices that were charged from January to June 2019.
(4) Elexicon Energy provided an actual figure of 12,000 disconnection notices issued total. Elexicon Energy noted that it will issue additional volumes of reminder notices to be compliant with the DSC effective March 1, 2020.

Questions:

a. Please confirm that Elexicon Energy intends on disposing of $1,301,854 as lost revenues through Account 1508 for 2019 (i.e. $1,143,711 and $111,857) as part of a future IRM application or a stand-alone application.

Response:
Elexicon assumes that the amount of $1,301,854 referenced in this question may be a typo. Elexicon does not intend to dispose of $1,301,854 as lost revenue through Account 1508 for 2019. As indicated in response to Staff 11 (d)(ii), the lost revenues projected for 2019 are calculated as $1,031,854 which represents:

Approved Collection of Account Revenue	$1,143,711
Less: Actual Collection of Account Revenue	($ 111,857)
Total Lost Revenue – 2019	$1,031,854

This is to ensure that the 2019 revenues recorded (actual revenue plus lost revenue) are capped at the Collection of Account Revenue amount approved in EV's last cost of service application.

b. Please confirm that $1,143,711 will be recorded annually in 2020-2029 as actual collection of account revenues are zero.

Response:
Confirmed.

c. As the prudence of account balances is reviewed when disposed, and as Group 2 account disposition is normally not included in an IRM application, please clarify whether Elexicon Energy prefers to dispose of the account balances during an IRM (over a stand-alone application) or is maintaining the option to do both (as noted in the Draft Accounting Order).

Response:
It is EV's preference to dispose of the account balances as part of an annual IRM application for the following reasons:

- Combining all disposition and rate related updates in a single application facilitates the ability to provide a more complete picture of bill impacts to customers and key stakeholders
- Increased process efficiencies for both the OEB and EV by utilizing a single application (vs. separate applications)

The option of disposing in a stand-alone application was included in EV's application to acknowledge that most Group 2 dispositions are not included in an IRM application per the OEB's filing requirements.

d. If annual disposition of Account 1508 is not approved by the OEB through an IRM application, please discuss whether applying for disposition of these account balances through a stand-alone application is the next preferred option. Please clarify why Elexicon Energy believes it is appropriate to retain both options in the Draft Accounting Order.

Response:
If annual disposition of Account 1508 is not permitted by the OEB through an IRM application, then EV would either:

- Apply for disposition through a stand-alone application which would be filed annually. As Elexicon is in the early stage of a ten year cost of service deferral period, delaying disposition for such a significant amount of time would not be in the best interest of customers as it would lead to future bill shock and cause inter-generational inequities for customers. A more paced approach to disposition would be EV's preference as indicated in the application which indicates annual disposition of this account.

- For future years (ie. 2020-2029), the proposed amount of lost revenue is a fixed amount ($1,143,711) equal to the amount approved in the last cost of service. An efficient option would be to establish a rate rider with a sunset date attached to the timing of the period prior to re-basing rates. This would be done through a stand-alone application.

e. Please discuss the expected year-over-year bill impact of incorporating this amount for annual disposition, as part of an IRM application versus a stand-alone application.

Response:
EV has indicated that it plans on requesting disposition annually regardless of whether it would be as part of an annual IRM or an annual stand-alone application. As a result, there would be no difference in comparing the year-over-year-bill impacts as they would be the same under either scenario.

On the other hand, if the balance was not disposed until the next cost of service, a much larger bill impact would occur which would result in bill shock and inter-generational inequities. Specifically, if the disposition was delayed for 5 or 10 years, the impact to a residential customer's bill would be approximately $2.50 or $5.00 per month respectively in the year of disposition, as compared to $0.50/month if disposed of annually.

f. Given the requirement to issue additional volumes of reminder notices, effective March 1, 2020 (i.e. response to Staff-11 c, ii), please indicate whether there are any possible changes to its collection account practices to limit collection cost activities (as it is noted that cost savings are already hard to achieve).

Response:
EV will continue to review its collection practices however, it is primarily focused on ensuring compliance with the upcoming requirements for reminder (overdue) notices effective March 1, 2020. Elexicon still has separate CIS systems and processes for its legacy LDCs and collection processes are yet to be integrated.

If reminder notices by phone or email are an option, this may be of assistance however, mailing is fully expected to be required since customers do not always provide updated phone numbers or emails.

During the winter moratorium, EV believes that collection activities continue to be very important.   Engaging customers to communicate with EV during the winter moratorium is generally found to be more difficult since the customer does not face possible disconnection during this timeframe. The disconnection notices have always been an important tool to motivate customers to respond to EV's collection related outreach. As a result, a significant volume of various collection activities continue to be required.

EV notes that during the winter moratorium it is estimated that more than 20,000 collection notices (non-disconnect) were provided to customers during the 2019 winter moratorium to supplement other on-going collection efforts.

Staff-20

Ref: 2020 IRM Rate Generator (January 15, 2020) - attachment

Preamble:

OEB staff made the following updates to the 2020 IRM application:

- RTSRs – updated with the 2020 UTRs and Hydro One Sub-transmission rates
- Price Cap Inflation factor – updated with the most current 2% value
- RPP TOU price – updated with Nov 1, 2019 TOU rates

Question:

a. Please confirm that Elexicon Energy is in agreement with the following updates in the rate generator, and that the customer bill impacts are correct.

Response:
Elexicon Energy has reviewed the updates OEB staff made to the 2020 IRM Rate Generator model (January 15, 2020). Elexicon Energy is in agreement with the updates and subsequent customer bill impacts.

Staff-21

Ref: (1) Staff-5
(2) EB-2018-0072, Staff-2

Preamble:

At the above noted first reference, Elexicon Energy provided a breakdown of the Account 1588 2017 transactions and principal adjustments.

At the above noted second reference, Elexicon Energy provided an explanation of the Account 1588 2017 amounts. Elexicon Energy included numbers in the above noted second reference that were not included in the above noted first reference.

Questions:

a) Please reconcile the table provided at the above noted first reference to the explanation and numbers provided at the above noted second reference.

Response:
The numbers provided in the above noted second reference (EB-2018-0072 Staff 2) are as follows:

The 1588 December 2017 balance is comprised of the following:

1. 2016 Unbilled understated and adjusted in 2017 $1,580,623 (credit in 2017)
    a. $720,335 (difference in loss portion not included in unbilled) See question 1b) iii) Veridian response.
    b. $860,288 (difference related to proration and consumption estimate)

2. 2017 Unbilled understated and adjusted in 2018 $769,739 (debit in 2017)
    a. $614,326 (difference in loss portion not included in unbilled) See question 1b) iii) Veridian response.
    b. $155,413 (difference related to proration and consumption estimate)

3. 2016 true up accrual overstated and adjusted in 2017 $127 (debit in 2017)

4. 2016 LTLT overstated and adjusted in 2017 $6,378 (debit in 2017)

5. Unresolved difference of $(350,527) due to difference in billing proration of period and consumption for all power. The difference is 0.25% of the total Power billed.

Item #5 was an unresolved difference due to proration so no adjustment was necessary.

As noted above, items #1, #3 and #4 were adjusted in 2017. None of these had been previously recorded as Principal Adjustments on the continuity schedule. The 2017 1588 account balance included these transactions.

Item #2 (2017 unbilled to billed revenue adjustment) was the only adjustment in 2018. In order to reflect this in the continuity schedule, the amount of $(769,739) was included in account 1588 as a *Principal Adjustments during 2017.*

The table provided in the above noted Staff-5 identified the 2017 principal adjustments on the DVA Continuity Schedule for Account 1588. The only principal adjustment was the $(769,739) above.

b) After performing this reconciliation, if any further adjustments are required to any of the 2017 and 2018 Account 1588 and Account 1589 balances in this proceeding, please explain.

Response:
No further adjustments are required to any of the 2017 and 2018 Account 1588 and Account 1589 balances in this proceeding