

EPCOR Electricity Distribution Ontario Inc.
February 19, 2020
EB-2019-0027

Preamble:

On January 17, 2020 EPCOR submitted responses to staff questions regarding application EB-2019-0027. After review and analysis, OEB staff returned to EPCOR with a series of follow-up questions and held several conference calls. In order to provide clarity to the events and revisions to the application, this document is intended to address and summarize the discussion.

EPCOR has also submitted a revised rate generator (including continuity schedule) and LRAMVA work form along with other documents referenced in this summary.

LRAMVA

EB_2019-0027_EPCOR_LRAMVA_WORKFORM_v3 has been revised with two changes:

1. The 2018 net-to-gross ratio for the Save on Energy retrofit program was calculated incorrectly (numerator and denominator were inverted). This has been corrected on the revised work form (and as applicable on the rate generator continuity schedule).
2. Table 1-b on v2 of the LRAMVA work form included some values applicable to 2019 on the front summary page. These values were removed to ensure consistency with the Table 1-a.

These revisions have been included on tab 1-a. Summary of Changes on v3 of the work form.

EPCOR submitted a claim of **\$295,263** on v2 of the LRAMVA work form. Due to the changes identified above, the claim has been reduced to **\$289,166** as part of v3.

CONTINUITY SCHEDULE

Further discussion between OEB and EPCOR staff led to a revision to the RSVA continuity schedule included as part of the IRM rate generator for the RSVA Power (1588) and RSVA Global Adjustment (1589) accounts. The table below summarizes the variances in the Total Claim on the RSVA continuity schedule:

Account Description	Account	Revised	Original Submission/Jan 17 Response to OEB Staff Questions	Variance
LV Variance Account	1550	\$414,424	\$414,424	\$0
Smart Metering Entity Charge Variance Account	1551	(19,505)	(19,505)	0
RSVA - Wholesale Market Service Charge	1580	(7,511)	(7,511)	0
Variance WMS – Sub-account CBR Class A	1580	0	0	0
Variance WMS – Sub-account CBR Class B	1580	(4,822)	(4,822)	0
RSVA - Retail Transmission Network Charge	1584	54,347	54,347	0
RSVA - Retail Transmission Connection Charge	1586	18,223	18,223	0
RSVA - Power	1588	80,776	(252,900)	333,676
RSVA - Global Adjustment	1589	(82,023)	149,131	(231,154)
Total Group 1 Balance		\$453,908	\$351,387	\$102,521

The final requested amounts for disposition are based on the 'Revised' column.

An error occurred when EPCOR was requested to revise the originally submitted continuity schedule as OEB staff clarified that interim disposal of RSVA balances does not apply to the instruction table found on tab '1. Information Sheet'.

1. Select the last Cost of Service rebasing year	2013
2. Select the year that the balances of Accounts 1588 and 1589 were last approved for disposition (e.g. If 2017 balances were approved for disposition in the 2019 rate application, select 2017)	2016
3. Select the year that the balances of the remaining Group 1 DVAs were last approved for disposition	2016

On the original submission, EPCOR interpreted this as 2017 (due to the approved interim disposal of 2018-0025) and was asked to correct this to 2016. In doing so, there was an error made on the continuity schedule. The variance amounts highlighted on the table above are the principal adjustments that occurred during 2017 (including carrying charges).

This current submission (v3) has corrected the continuity schedule and also provided a revised reconciliation of both accounts 1588 and 1589. More information can be found on the attachment EB_2019-0027_1588_1589_Summary_v3.

1588 - RSVA POWER

OEB staff question 11 asked for additional clarity on account 1588 for both 2017 and 2018. While these results are also reconciled on excel workbook EB_2019-0027_1588_1589_Summary_v3, they are also included below for reference.

OEB and EPCOR staff had a discussion on February 14th to ensure understanding and accuracy of the principle adjustments and balances being requested for disposal as there were question about the opening of the 2018 balance and numbers included on the interrogatory responses did not provide sufficient clarity. In order to remedy this, EPCOR staff prepared a revised reconciliation report to show the account activity from both the perspective of the RSVA continuity schedule and the general ledger (GL)/RRR reporting. The final version of the chart is included below (and in the above referenced excel). The excel version also contains a mapping to the RSVA continuity schedule used for the revised submission.

RSVA - Power - Reconciliation	Continuity Schedule	GL/RRR	Variance
Dec 31, 2016 Balance	1,003,648	1,003,648	(0)
2017 Transactions	(475,562)	(475,562)	-
True-up of CT 1142 for 2017 consumption recorded in 2018 GL	99,572	-	(99,572)
True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2017 consumption	224,501	-	(224,501)
Dec 31, 2017 Balance	852,158	528,085	(324,073)
POSTINGS IN 2018			
2018 OEB Approved Disposition	(1,003,648)	(1,003,648)	-
True-up of CT 1142 for 2017 consumption recorded in 2018 GL	99,572	99,572	-
True-up of CT 148 based on actual 2017 consumption	224,501	224,501	-
True-up of CT 148 based on actual 2016 consumption	(256,790)	(256,790)	-
Other 2018 Transactions	(102,912)	(102,912)	-
2018 PRINCIPAL ADJUSTMENTS			
Removal of true-up of CT 1142 for 2017 consumption recorded in 2018 GL	(99,572)		99,572
Reversal of true-up of CT 148 based on actual 2017 consumption	(224,501)		224,501
Reversal of true-up of CT 148 based on actual 2016 consumption	256,790		(256,790)
Cost of power accrual for 2018 vs Actual per IESO bill	36,438		(36,438)
True-up of CT 1142 for 2018 consumption recorded in 2019 GL	(36,304)		36,304
Unbilled accrued vs. billed for 2018 consumption	(172,558)		172,558
True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption	356,187		(356,187)
Total Principal Adjustments during 2018	116,480		
Dec 31 2018 Balance	(70,640)	(511,192)	(440,553)
2019 OEB Approved Disposition	(151,490)		
Closing Principal Balances as of Dec 31, 2018 Adjusted for Disposition during 2019	80,850		
2019 Adjustment Postings			
Reversal		256,790	
Reversal	(36,438)	36,438	
Reversal	36,304	(36,304)	
Reversal	172,558	(172,558)	
Reversal	(356,187)	356,187	
2019 OEB Approved Disposition		(151,490)	

1588 - 2017 Principal Adjustments

The 2017 RSVA continuity schedule includes two principal adjustments for account 1588 related to the final RPP reconciliation for 2017 consumption. These entries were posted in the GL in 2018:

True-up of CT 1142 for 2017 consumption recorded in 2018 GL:	\$99,572
True-up of CT 148 based on actual 2017 consumption:	\$224,501

1588 -2018 Principal Adjustments

In 2018, EPCOR made a journal entry in account 1588 - RSVA Power related to prior year adjustments as part of the RPP reconciliation:

True-up of CT 1142 for 2017 consumption recorded in 2018 GL:	\$99,572
True-up of CT 148 based on actual 2017 consumption:	\$224,501
True-up of CT 148 based on actual 2016 consumption:	(\$256,790)

As these values do not apply to the 2018 disposition amounts, EPCOR proposed principal adjustments for both 2017 and 2018 to properly account for this. Initial discussion with OEB staff did not provide sufficient assurance of the proper debit/credit posting of the amounts so EPCOR expanded the reconciliation to include the initial entries posted in the GL. After agreement was reached, the following offsetting postings were included as part of the 2018 principal adjustments on the RSVA continuity schedule:

Reversal of CT 1142 true-up from the previous year:	(\$99,572)
Reversal of true-up of CT 148 based on actual 2017 consumption:	(\$224,501)
Reversal of true-up of CT 148 based on actual 2016 consumption:	\$256,790

In 2018, EPCOR modified its month end closing process (as further financial statement consolidation with its parent entity was required) resulting in additional accrued year-end amounts. Historically, EPCOR was able to keep accounting periods open until actuals became available. The variance between the two amounts are posted in the GL following year (2019) but are applicable to 2018 and are also 2018 principal adjustments:

Cost of power accrual for 2018 vs Actual per IESO bill:	\$36,438
True-up of CT 1142 for 2018 consumption recorded in 2019 GL:	(\$36,304)
Unbilled accrued vs. billed for 2018 consumption:	(\$172,558)

One final 2018 principal adjustment was required to account for the Q4 RPP reconciliation that was completed and posted in 2019:

True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption:
\$356,187

The sum of the 2018 1588 principal adjustments is **\$116,480**.

1589 - RSVA GLOBAL ADJUSTMENT

EPCOR completed the same reconciliation exercise for the RSVA -1589 Global Adjustment variance account. The table below highlights the differences between the continuity schedule and GL/RRR filing for 2017 and 2018.

RSVA - Global Adjustment - Reconciliation	Continuity Schedule	GL/RRR	Variance
Dec 31, 2016 Balance	375,566	375,566	-
2017 Transactions	575,610	575,610	(0)
True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2017 consumption	(224,501)	-	-
Dec 31, 2017 Balance	726,676	951,177	224,501
POSTINGS IN 2018			
2018 OEB Approved Disposition	(375,566)	(375,566)	-
True-up of CT 148 based on actual 2017 consumption	(224,501)	(224,501)	-
True-up of CT 148 based on actual 2016 consumption	256,790	256,790	-
Other 2018 Transactions	39,408	39,408	-
2018 PRINCIPAL ADJUSTMENTS			
Reversal of true-up of CT 148 based on actual 2017 consumption	224,501		(224,501)
Reversal of true-up of CT 148 based on actual 2016 consumption	(256,790)		256,790
True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption	(356,187)	-	356,187
Add current year end unbilled to actual revenue differences	208,594	-	(208,594)
GA Accrual vs. Actual	19,922	-	(19,922)
Total Principal Adjustments during 2018	(159,960)		
Dec 31 2018 Balance	262,847	647,308	384,461
2019 OEB Approved Disposition	351,110		
Closing Principal Balances as of Dec 31, 2018 Adjusted for Disposition during 2019	(88,263)		
2019 Adjustment Postings			
Reversal		(256,790)	
Reversal	356,187	(356,187)	
Reversal	(208,594)	208,594	
Reversal	(19,922)	19,922	
2019 OEB Approved Disposition		351,110	

1589 - 2017 Principal Adjustments

The 2017 RSVA continuity schedule a principal adjustment for account 1589 related to the final RPP reconciliation for 2017 consumption. These entries were posted in the GL in 2018:

True-up of CT 148 based on actual 2017 consumption: **(\$224,501)**

1589 -2018 Principal Adjustments

During 2018, two additional entries were made in the general ledger to the GLOBAL ADJUSTMENT account (included in the total Transactions Debit / (Credit) during 2018):

True-up of CT 148 based on actual 2017 consumption: **(\$224,501)**

True-up of CT 148 based on actual 2016 consumption: **\$ 256,790**

As a result, principal adjustment amounts were required to remove the impact of these transactions:

Reversal of true-up of CT 148 based on actual 2017 consumption: **\$224,501**

Reversal of true-up of CT 148 based on actual 2016 consumption: **(\$256,790)**

Consistent with account 1588 above, EPCOR modified its month end closing process (as further financial statement consolidation with its parent entity was required) resulting in additional accrued year-end amounts. Historically, EPCOR was able to keep accounting periods open until actuals became available. The variance between the two amounts are posted in the GL following year (2019) but are applicable to 2018 and are also 2018 principal adjustments.

Current year end unbilled to actual revenue differences: **\$208,594**

Global adjustment accrual vs. Actual: **\$19,922**

Offsetting the 1588 entry, one final 2018 principal adjustment was required to account for the Q4 RPP reconciliation that was completed and posted in 2019:

True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption: **(\$356,187)**

The sum of the 2018 1589 principal adjustments is **(\$159,960)**.

Retro-Active Rate Making Adjustment

The \$256,790 amount recorded in 2018 general ledger this related to a true-up of 2016 consumption. This amount was recorded as a credit to account 1588 and a debit to account 1589 in the 2018 general ledger. The impact of this journal entry was not included in the December 31, 2016 balance cleared on a final basis in the 2018-0025 IRM proceeding.

Although these amounts were included in the 2018 general ledger, they need to be excluded from the 2018 balances requested for disposition. The 2018 general ledger entry was made to adjust balances related to 2016 consumption. This entry needs to be reversed otherwise this entry would be effectively adjusting December 31, 2016 balances that were cleared on a final basis on the 2018-0025 IRM proceeding. Therefore to remove the impact of retro-active ratemaking, there needs to be a 2018 principal adjustment in the DVA continuity schedule to reverse the amounts recorded in the 2018 general ledger.

Accordingly, there is 2018 principal adjustment of a debit to 1588 of \$256,790 and a credit to 1589 of \$256,790.