**Chapleau Public Utilities Corporation (Chapleau Public Utilities)**

**EB-2019-0026**

**OEB Staff Questions**

**February 10, 2020**

OEB staff and CPUC held conference calls on February 4, February 7, and February 10, 2020. The questions below substantially reflect the discussions that took place during the calls. These questions are related to Account 1588 and Account 1589.

**Staff Question-5**

Ref: (1) Manager’s Summary, page 14 & 15

 (2) Addendum to Filing Requirements For Electricity Distribution Rate Applications - 2020 Rate Applications, page 12

**Preamble:**

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

Upon review of the new accounting guidance related to accounts 1588 and 1589 – Feb 21, 2019, CPUC, along with its accountants/auditors KPMG, confirm that it

complies with the new policies that have come in effect on August 31, 2019. CPUC does not report any adjustments as it uses actual numbers for accounts 1588 and 1589.

As part of its 2019 Cost of Service application, CPUC was asked by the OEB to complete an internal review of the balances in 1588 and 1589 going back to the last disposition which was in 2013. CPUC conducted its internal audit in September and October of 2019.

In performing its internal *[sic]* audit, CPUC was expected to used the new accounting guidance and used the OEB Illustrative Commodity Model to complete a review of each month for every year back to 2014 through 2019 (to date)…

At the above noted second reference, the OEB referenced the OEB‘s February 21, 2019 letter entitled *Accounting Guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment* as well as the related accounting guidance.

As per the above noted first reference, “CPUC is asking for disposition of its 1588 and 1589 balances on a final basis.”

OEB staff notes that Account 1588 and Account 1589 balances were not cleared in CPUC’s 2019 proceeding,[[1]](#footnote-1) due to concerns noted in that proceeding. The most recent year in which Accounts 1588 and 1589 were approved for disposition on a final basis related to 2013 balances in CPUC’s 2015 proceeding.[[2]](#footnote-2)

**Questions:**

1. Please confirm that CPUC is following the OEB’s new accounting guidance (including the timing of true-ups) both on a monthly basis and on a year-end basis. Yes we confirm.
2. CPUC indicated that the effective date of the alignment of its balances with the new accounting guidance was January 1, 2014. Please confirm. Yes we confirm.
3. CPUC indicated that the task of aligning the new accounting guidance was completed by October 31, 2019. Please confirm. Yes we confirm.

**Staff Question-6**

Ref: (1) Manager’s Summary, page 14

 (2) EB-2018-0087, June 6, 2019, Decision and Rate Order, page 6

**Preamble:**

At the above noted reference, CPUC stated the following:

Upon review of the new accounting guidance related to accounts 1588 and 1589 – Feb 21, 2019, CPUC, along with its accountants/auditors KPMG, confirm that it

complies with the new policies that have come in effect on August 31, 2019. CPUC does not report any adjustments as it uses actual numbers for accounts 1588 and 1589.

As part of its 2019 Cost of Service application, CPUC was asked by the OEB to complete an internal review of the balances in 1588 and 1589 going back to the last disposition which was in 2013. CPUC conducted its internal audit in September and October of 2019.

CPUC further indicated that as a result of its review, the following adjustments to Account 1588 and Account 1589 will be made in the year-end 2019 for 2018 balances:

DR 1588 $324,800.43 – Principal *[sic]*

DR 1588 $15,861.91 – Interest

CR 1589 $88,911.38 – Principal *[sic]*

CR 1589 $1,199.70 – Interest

At the above noted second reference, it was noted that in the 2019 CoS proceeding, the parties agreed that it is appropriate for CPUC to “request clearance of Account 1588 and Account 1589 at its next proceeding after its internal review has been completed and any changes to the balances should be explained when proposing disposition of these accounts.”

**Questions:**

1. Please confirm that regarding CPUC’s statement above that it did “not report any adjustments as it uses actual numbers for accounts 1588 and 1589”, CPUC meant that when it went back and analysed its data effective January 1, 2014 and forward, it used actual numbers. Actual numbers were used for true-ups as CPUC has access to billing information on a timely basis, as well as it leaves its general ledger open long enough on a monthly basis. As a result, CPUC does not need to do a 2nd true-up and the 1st true-up is enough for settlement purposes with the IESO. Yes we confirm.
2. Please confirm that the adjusting journal entry noted above needs to be revised to reflect an updated number for the Account 1589 balance in 2015, as described in more detail in a question below. Yes we confirm that the journal entry needs to be revised as per below.

DR 1588 $324,800.43 – Principal

DR 1588 $15,861.91 – Interest

CR 1589 $107,851.20 – Principal

CR 1589 $2,342.68 – Interest

1. Please provide an explanation for the adjusting journal entry, at a high level, including the identification of any systemic issues. With the turnover in staff it was difficult to analyze exactly how the process was done in the past. I did see that true ups were completed using the 2nd GA Estimate Rate vs the Actual GA Rate and also and in some instances, they may have not been a true to actual kWhs.

Please confirm that there are no remaining systemic issues with the RPP settlement or related accounting processes for Group 1 DVAs that have been identified from the review of the new accounting guidance, retroactive back to January 1, 2014. Yes we confirm.

**Staff Question-7**

Ref: (1) Manager’s Summary, page 14

(2) Appendix A GA Methodology Description Questions on Accounts 1588 & 1589, page 23 of Manager’s Summary

**Preamble:**

At the above noted first reference, indicated that as a result of its review, the following adjustments to Account 1588 and Account 1589 will be made in the year-end 2019 for 2018 balances:

DR 1588 $324,800.43 – Principal *[sic]*

DR 1588 $15,861.91 – Interest

CR 1589 $88,911.38 – Principal *[sic]*

CR 1589 $1,199.70 – Interest

At the above noted second reference, CPUC stated the following:

Going back to 2015, CPUC determine that there were errors in calculating true ups. The net basis is an immaterial amount and will be trued up with the IESO in 2019 and will be reflected in the 2019 financial statements.

**Questions:**

1. Please confirm that what CPUC meant by its true-up adjustments being “an immaterial amount”, it meant that going back to January 1, 2015, it recalculated its settlements with the IESO to be a refund from the IESO of approximately $22k, which may be “immaterial”. Yes we confirm.
2. Please confirm the refund from the IESO of approximately $22k covered the period January 1, 2015 to August 31, 2019, and state when this amount was settled with the IESO. Yes we confirm and it was settled with the IESO in December 2019 for the IESO November 2019 settlement period.
3. Please provide a high level summary of the drivers of the $22k refund, including how it relates to CPUC’s adjusting journal entry. Some true ups in the past were completed using the 2nd GA Estimate Rate vs the Actual GA Rate and also in some instances they may have not been a true to actual kWhs. In determining the refund amount, I took each month from Jan 2015 through Aug 2019 and used the OEB Commodity Model to determine what the actual true up amount should have been. The difference between the actual true up versus the true up that we had reported resulted in an accumulation of the IESO owing us.
4. Please confirm that CPUC did not ask the IESO to refund an additional amount of $13k which covered the period January 1, 2014 to December 31, 2014. Please provide the rationale for not requesting a refund from the IESO and provide a high level summary of the drivers of the additional $13k amount, including how it relates to CPUC’s adjusting journal entry.

Regarding the rationale, it is OEB staff’s understanding is that in part of the 2014 calendar year, CPUC used some RPP kWh in settlements which may not exactly match the consumption in the same periods. This issue goes back a long period of time (e.g. 2014) and cannot be fully substantiated and cannot be fully explained due to CPUC staff turnover. As a result, CPUC will leave the 2014 balance as is. Please confirm OEB staff’s understanding. Yes we confirm.

**Staff Question-8**

Ref: (1) Revised Manager’s Summary, December 17, 2019, Manager’s Summary, page 14 & 15

(2) 2020 IRM Rate Generator Model, Tab 3, November 25, 2019

(3) EB-2018-0087, 2019 CoS DVA Continuity Schedule Interrogatory Response, April 8, 2019

(4) EB-2018-0087, 2019 CoS DVA Continuity Schedule Settlement Agreement, May 22, 2019

**Preamble:**

OEB staff has prepared Table 1 below which summarizes the changes in Account 1588 and Account 1589 balances between the 2020 IRM proceeding and the 2019 CoS proceeding. OEB staff has relied on the underlying sources for the following columns:

“A” 2020 IRM DVA Continuity Schedule, November 25, 2019 (above noted second reference)

“B” 2019 CoS IR Response DVA Continuity Schedule, Interrogatory Response, April 8, 2019 (above noted third reference)

“D” Account 1588 and Account 1589 Adjusting Journal Entry as per Revised 2020 IRM Application December 17, 2019, pages 14 & 15 (above noted first reference)

OEB staff notes that since Account 1588 and Account 1589 were not cleared in the 2019 CoS proceeding, the amounts relating to these accounts are $0 in the 2019 CoS settlement agreement DVA Continuity Schedule (above noted fourth reference). Regarding balances filed in the 2019 CoS proceeding, OEB staff has instead worked from the Account 1588 and Account 1589 balances filed as part of the interrogatory response in the 2019 CoS proceeding (above noted third reference).

Table 1 below summarizes the differences and information required from CPUC.

**OEB Staff Table 1 – Discrepancies in Account 1588 and Account 1589 Balances –**

**2020 IRM Proceeding and 2019 CoS Proceeding**



**Questions:**

1. Please confirm whether CPUC is in agreement with OEB staff’s calculations in the above noted OEB Staff Table 1. Yes we confirm but Chapleau has made further changes in table as shown below.
2. Please confirm that OEB Staff Table 1 needs to be revised to reflect an updated number for the Account 1589 balance in 2015, as described in more detail in a question below. Yes we confirm.
3. Please confirm that column “B” represents the principal and interest amounts recorded in the general ledger for each respective year. Yes we confirm.
4. Please confirm that column “A” includes adjustments to amounts recorded in the general ledger for each respective year (as shown in column “B”), generated as a result of CPUC’s review of these historical balances (2014 to 2019) to align with the new accounting guidance. Yes we confirm and we confirm that column C represents the adjustments made to the GL balances and confirm that column D of table 1 journal entry as been updated from journal entry in the version including in the manager summary filed Dec 17, 2019, page 14 and page 15. The change in journal entry resulted primarily from the change noted in staff question 10.
5. Please complete the cells that are shown as “TBD”. For the cells shown as “TBD” in column B, please also insert the general ledger balances. Please see the new OEB staff table 1 below which CPUC as revised, including populated cells previously noted as TBD.



1. After completing these cells shown as “TBD”, please explain at a high level the differences shown in column C and column E. There is no difference after updating the table.
2. Please restate the 2020 IRM DVA Continuity Schedule to reflect the original general ledger balance in the “Transactions” columns and the difference between the original general ledger balance and the restated amounts in the “Principal Adjustments” columns. Completed and will be uploaded with changes. We confirm that the transactions columns exclude OEB dispositions and we confirm that the OEB approved amounts in 2014 and 2015 were correctly recorded in the GL and no further adjustments are required.
3. Please confirm that the amounts shown in the “Principal Adjustments” columns are restatements and do not reflect timing differences. Please confirm that these “Principal Adjustments” will not need to be reversed in subsequent periods, as they are not timing differences. Yes we confirm.

**Staff Question-9**

Ref: (1) Appendix A GA Methodology Description Questions on Accounts 1588 & 1589, page 22 of Manager’s Summary

**Preamble:**

Regarding the file “GA-Analysis-Workform-Instructions-20190715.docx”, “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”.

**Question:**

1. Please restate the Account 1588 table to show for each year, the original general ledger balance in the first row, the difference between the original general ledger balance and the restated amounts in the second row, and the restated amounts in the last row. Completed, please see table below.



**Staff Question-10**

Ref: (1) 2015 GA Analysis Workform, November 25, 2019, cell C62

(2) 2020 IRM Rate Generator Model, Tab 3, November 25, 2019, cell Z29

**Preamble:**

Regarding the “Net Change in Principal Balance in the GL”, on the 2015 GA Analysis Workform (above noted first reference), CPUC has shown an amount of $10,652. On the 2020 DVA Continuity Schedule (above noted second reference), CPUC has shown an amount of $29,592.

**Question:**

1. Please confirm that the correct number for 2015 for Account 1589 should be $10,652 and CPUC will update the evidence accordingly. Yes we confirm.

**Staff Question-11**

**Ref:** (1) 2020 IRM Rate Generator Model, Tab 3, November 25, 2019, cell P28

(2) Reporting and Record Keeping Requirements (RRR) 2.1.7

 (3) Addendum to Filing Requirements For Electricity Distribution Rate Applications - 2020 Rate Applications, July 15, 2019, page 18

**Preamble:**

OEB staff has prepared the following table based on data provided at the above noted first reference and second reference. OEB staff notes that the percentage of the sum of Account 1588 2014 principal transactions plus adjustments, divided by 2014 cost of power is high at 2.3%.

**OEB Staff Table 2 – Analysis of Large 2014 Balance in Account 1588**



At the above noted third reference, the OEB described its expectations regarding material discrepancies for Account 1589.[[3]](#footnote-3) Although this reference relates to Account 1589, OEB staff has used the same materiality threshold of +/- 1% in analyzing the Account 1588 balance.

**Questions:**

1. Please confirm whether CPUC is in agreement with OEB staff’s calculations in the above noted OEB Staff Table 2. Yes we confirm.
2. Please confirm that the rationale for the high computed ratio of 2.3% noted in OEB Staff Table 2, may be based on OEB staff’s understanding – please confirm. OEB staff’s understanding is that part of the large balance driven in the 2014 calendar year is due to CPUC using some RPP kWh in settlements which may not exactly match the consumption in the same periods. This issue goes back a long period of time (e.g. 2014) and cannot be fully substantiated and cannot be fully explained due to CPUC staff turnover. As a result, CPUC will leave the 2014 balance as is. Yes we confirm. This issue has been mitigated from Aug 1, 2014 forward due changes in billing RPP customers to a monthly calendar basis.

**Staff Question-12**

Ref: (1) 2014 GA Analysis Workform, November 25, 2019

1. 2015 GA Analysis Workform, November 25, 2019

(3) 2016 GA Analysis Workform, November 25, 2019

(4) RRR 2.1.5.4

**Preamble:**

OEB staff has prepared the following table based on comparing data provided at the above noted first, second, and third references to the data reflected at the fourth reference.

OEB staff notes that there are consumption differences between the kWh data listed in the 2014, 2015, and 2016 GA Analysis Workforms when compared to the RRR 2.1.5.4.

**OEB Staff Table 3 – Consumption Differences in 2014, 2015, and 2016**

**GA Analysis Workforms**



**Questions:**

1. Please confirm whether CPUC is in agreement with OEB staff’s calculations in the above noted OEB Staff Table 3. Yes we confirm.
2. Please confirm that the data used in the 2014, 2015, and 2016 GA Analysis Workforms do not reflect the RRR 2.1.5.4 data, but reflect data from CPUC’s billing system. Please confirm that due to CPUC staff turnover, the differences between the RRR data and the data from the billing system could not be explained, and CPUC will instead use the data from its billing system in the GA Analysis Workforms for the period 2014, 2015, and 2016. Yes we confirm that that after discussion with the OEB staff it was agreed we use the billing system data.

**Staff Question-13**

Ref: (1) Accounting-Guidance-on-Accounts-1588-1589-QA-20190711, Q6

(2) Accounting-Guidance-on-Accounts-1588-1589-QA-20190711, Q30

(3) Manager’s Summary, page 19

(5) 2014, 2015, 2016, 2017, and 2018 GA Analysis Workforms, November 25, 2019

**Preamble:**

At the above noted first reference, the OEB stated that distributors should use the best data available for recording unbilled revenues. Whether a distributor records unbilled revenue at year end based on estimates as a journal entry would depend on a utility’s timing and practices. The key is that any estimated revenue is ultimately trued up to actuals.

At the above noted second reference, the OEB stated that not truing up estimated revenues to actuals and not truing up RPP settlements would fall in the category of systemic issues. The OEB noted that distributors must assess whether these issues have resulted in material errors or discrepancies.

At the above noted third reference, CPUC references a “billed-to-actual variance” for both Account 1588 and Account 1589.

**Questions:**

1. Please confirm that CPUC leaves its general ledger open long enough at year-end to make actual accruals. For example, the unbilled amounts accrued in the general ledger at year-end incorporate the actual post year-end billings made in a subsequent year (e.g. 2019) and actual true-ups that reflect the consumption for the previous calendar year (e.g. 2018). Yes we confirm
2. If this is the case, please confirm that there is no need for CPUC to true up estimated revenues to actuals, as actuals are being used. Yes we confirm

## Staff Question-14

Ref: (1) Appendix A GA Methodology Description Questions on Accounts 1588 & 1589, page 23 of Manager’s Summary

**Preamble:**

At the above-noted reference, CPUC stated that in booking expense journal entries for Charge Type (CT) 1142 and CT 148 from the IESO invoice, it utilizes approach “b.” In approach “b” CT 148 is booked into Account 1589. The portion of CT 1142 equaling RPP minus HOEP for RPP consumption is booked into Account 1588. The portion of CT 1142 equaling GA RPP is credited into Account 1589.

**Question:**

1. Please confirm that CPUC meant that is using approach “a”, and not approach “b”. Approach “a” is consistent with the OEB’s methodology. Yes we confirm.

## Staff Question-15

Ref: (1) Accounting-Guidance-on-Accounts-1588-1589-QA-20190711, Q22

 (2) Manager’s Summary, page 17

**Preamble:**

At the above-noted first reference, the OEB confirmed that the total volumes used in the RPP settlement process are based on wholesale volumes. The OEB noted that the IESO invoice is based on wholesale volumes, therefore, the RPP settlement is also to be completed based on wholesale volumes. However, the OEB stated that the proportions between the tiers and time of use periods are based on retail volumes.

At the above-noted second reference, CPUC makes a reference to wholesale metering data.

**Question:**

1. Please confirm that CPUC has reflected the above noted OEB requirements in its settlement processes, as part of its exercise to restate balances from January 1, 2014 and forward. Yes we confirm.

**Staff Question-16**

Ref:(1) Manager’s Summary, page 17

(2) Accounting-Guidance-on-Accounts-1588-1589-QA-20190711, Q20

**Preamble:**

At the above noted first reference, CPUC stated that “once the actual GA rate is known, an adjustment is made to true-up in the following month.”

At the above noted second reference, the OEB confirmed that the GA price used for RPP settlements should be the invoiced GA price. However, the OEB noted that the invoiced GA price should generally equal the posted price, except in some circumstances.

**Question:**

1. Please confirm that CPUC performs its final RPP settlements based on the invoiced GA price, versus the final posted GA rate, as part of its exercise to restate balances from January 1, 2014 and forward. Yes we confirm.
1. EB-2018-0087 [↑](#footnote-ref-1)
2. EB-2014-0063 [↑](#footnote-ref-2)
3. Unexplained discrepancies should be calculated separately for each calendar year and any unexplained discrepancy for each year greater than +/- 1% of total annual IESO GA charges will be considered material. [↑](#footnote-ref-3)