

**ERTH Power Corporation (ERTH Power)**  
**EB-2019-0033**  
**OEB Staff Follow-up Questions**  
**February 13, 2020**

**Follow-up Question-1**

**Ref: OEB Staff Questions 1 a) and 2 a), Main Rate Zone**

- a) Please confirm the 2018 year-end total balance (principal and interest) in the control Account 1580 is a credit of \$2,031,356 (including 1580 sub-account balances) in the GL. And the 2018 year-end total balance in the Account 1580 Sub-account CBR Class B is a debit of \$100,321 in the GL. If not, please provide explanation.
- **ERTH Power confirms the balances above. Approvals for 2016 and 2017 balances were not transacted until early in 2019 and as such the principal disposition of -\$1,892,391 was not yet in the general ledger and as such the control account seems high. Once the prior year approvals are removed from the control account the amount being requested is more reasonable with a total claim of -\$168,798.**
  - **ERTH Power notes that the same issue is impacting CBR class B balances and the amount requested for disposition after prior period recoveries is -\$2,215.**
- b) In response to Staff Question 1 a), ERTH Power adjusted the principal and interest amounts in Account 1595 (2016) in year 2017 in the continuity schedule. In response to Staff Question 2 a), ERTH Power revised the Rate Rider Amounts in cells G13 and G14 in the GA Workform.

As a result of the updates, the Carrying Charges in column I and the Total residual balance per continuity schedule (J16) will need to be updated. Please update these cells in the GA Workform.

G	H	I	J	K
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	Rate Rider Amounts Collected/(Returned)	Residual Balances Pertaining to Principal and Carrying Charges Approved for Disposition	Carrying Charges Recorded on Net Principal Account Balances	Total Residual Balances	Collections/Returns Variance (%)
4	\$434,179	\$33,125	\$1,471	\$34,596	7.1%
9	\$3,089,871	-\$436,102	\$8,352	-\$427,750	-16.4%
3	\$3,524,050	-\$402,977	\$9,823	-\$393,154	-12.9%
Total residual balance per continuity schedule:				-\$391,232	
Difference (any variance should be explained):				\$1,922	

red to actual figures.

No
Yes
Yes
No
No
No

- ERTH Power has updated the balances and corrected in the 1595 workform.

c) After the changes are made in part a) above, if there is any difference shown in cell J17, please review the balances reported in the continuity schedule and GA Workform and provide explanation for the difference.

- ERTH Power notes that no changes were required with respect to the questions posed in part a) above.

## Follow-up Question-2

Ref: OEB Staff Question 1 b), Main Rate Zone

In response to Staff Question 1 b), ERTH Power confirmed that it does not request disposition of the residual balances in Accounts 1595 (2014) and 1595 (2016). Please confirm whether ERTH Power will write off the immaterial residual balances in the two accounts, given that the residual balances in the two 1595 accounts were disposed of in previous rate proceeding.

- ERTH Power confirms the balances will be written off as they were disposed of in a previous rate proceedings.

### Follow-up Question-3

#### Ref: OEB Staff Question 4, Goderich Rate Zone

In response to Staff Question 4, ERTH Power noted that there are variances created between RRR and continuity schedule of -\$107,074 for Account 1595 (2017) and \$107,074 for Account 1595 (2018). ERTH Power confirmed that the variances were caused by putting the 2018 balance in 1595 (2017) in the RRR 2.1.7 when it should have been entered under 1595 (2018). OEB staff suggests ERTH Power to file a RRR data revision to correct this error in RRR 2.1.7 filing.

- **ERTH Power will file a data revision request to correct this error.**

### Follow-up Question-4

#### Ref: OEB Staff Question 15e, Goderich Rate Zone

ERTH indicated that the 2018 RRR results may have minor inconsistencies in the GA Analysis Workform.

- a) Please indicate what each of the consumption lines in Note 2 should have been.
  - **Goderich class B was filed as 19,643,820 kWh's and should have been 21,436,893 kWh's based upon actual consumption and not billed.**
- b) Please recalculate the loss factor on the GA Analysis Workform using the revised consumption in Note 2. Please explain any variance greater than 1%.
  - **The loss factor calculated using the above kWh of 21,436,893 in cell D18 of the GA Analysis Workform results in a variance of 0.989%.**

### Follow-up Question-5

#### Ref: GA Analysis Workform and Appendix A, Goderich Rate Zone

In Appendix A, #4e and f, it states that December 2018 was trued up in 2019 and recorded in the 2018 General Ledger and has been reflected on the DVA Continuity Schedule.

- a) In Appendix A #4b, it states that no true-up of CT 148 is usually required as ERTH Power-Goderich Rate Zone waits until it has actual data to record the amounts in the proper account. Please explain why there was a true-up for December 201, when no true-ups are normally required.
  - **There was a \$1,995 adjustment in the continuity schedule due to a minor true up for cancel and rebills that occurred in the timeframe.**

- a) In Appendix A #3b, it indicates that all billings occur and CT 1142 is trued up in the second month following usage consumption. For the consumption in December 2018, it appears that the second true up would be performed in March 2019, when all actual data is known. Please confirm if this is the case, if not, please explain when the second true-up is performed.
- i. If the above is confirmed, please explain how ERTH Power-Goderich Rate Zone would have all the actual RPP/non-RPP consumption by mid-January 2019 to pro-rate CT 148 on the December 2018 IESO invoice when it is received.
  - ii. If not confirmed, please provide the approximate date of when December 2018 consumption billings would be complete and why a true-up is not required for the 2018 year-end.
    - **This is not the case as the data is known by mid January after the IESO invoice for December 2018 is received. Therefore the adjustment is made on the January invoice received in February and accrued to December 2018.**

#### **Follow-up Question-6**

**Ref: OEB Staff Question 9, Main Rate Zone**

ERTH Power- Main Rate Zone has revised the net transactions plus principal adjustments to be \$1,051,413 for Account 1588. Typically, large balances are not expected for Account 1588 as it should only hold the difference between actual and approved line losses. Account 1588 is approximately 19% of cost of power in 2018. Also, from 2016 to 2018, Account 1588 ranged from \$230k to \$380k. Please further investigate the balance and explain why it is so high.

- **ERTH Power has completed a detailed review of the balances and determined all of the figures are accurate and that the amount requested of \$1,051,413 is approximately 4.22% of the \$24,903,679 which is the line losses of the LDC and as such we are unable to determine the reference to 19% of cost of power.**

#### **Follow-up Question-7**

**Ref: OEB Staff Question 11b, Main Rate Zone**

**Ref: GA Analysis Workform, Appendix A**

It states that the CT 148 true-up of (\$255,899) was recorded in the general ledger in 2019. In the GA Analysis Workform, Appendix A #4ei, it states that the 2018 true-ups were recorded in the 2018 general ledger.

- a) Please confirm that the statement GA Analysis Workform, Appendix A is incorrect.
- **ERTH Power confirms that the statement in the GA Analysis Workform is incorrect.**
- b) In the GA Analysis Workform, Appendix A, #5c, it indicates that in the 2019 rate application, there was a reversal of \$1,299,176 for the CT 148 true-up principal adjustment included in the 2016 balance disposed in the 2018 rate application. There was no similar principal adjustment for the CT 148 true-up in the 2017 balance disposed in the 2019 rate application. It appears that there is a principal adjustment for the CT 148 true-up in the 2018 balance requested for disposition in the current rate application. Please confirm that ERTH Power-Main Rate Zone's practices for recording CT 148 true-ups have changed year-over-year.
- **ERTH Power's practice for recording CT 148 true-ups have not changed year over year.**
  - **The reversal of \$1,299,176 was not a CT 148 true up in the 2019 IRM application it was a correction of an error.**

#### Follow-up Question-8

Ref: OEB Staff Question 12, Main Rate Zone

- c) A revised reconciliation for Account 1588 was provided. The CT 1142 true-up has been revised from (\$185,178) to (\$477,284). Please explain the reason for the revision.
- **ERTH Power realized the debit adjustment \$662,462.27 CT 1142 true up accrued in the 2019 IRM application needed to be removed from the calculation of its 2018 CT 1142 accrual in this application. The \$185,178 was a debit entry not a credit so the difference in the two is a credit of \$477,284.**

#### Follow-up Question-9

Ref: OEB Staff Question 13b, Main Rate Zone

In the 2018 GA Analysis Workform, there is a reconciling item for (\$160,749), which is the corresponding amount to the (\$225,889) in Account 1588. This is an adjustment to accrue an overbilling of Class B GA.

- a) Please explain whether the (\$160,749) are actually two adjustments that net to (\$160,749) – one for the CT 148 true-up, and one for the overbilling of Class B revenue.

- i. If yes, please separate out the two adjustments on the GA Analysis Workform.
- ii. If yes, please explain why the overbilling adjustment would be both a reconciling item and a principal adjustment. A reconciling item would mean that this overbilling is a reason for the difference between the calculated expected GA balance (which would not include the overbilling) and the balance in the general ledger. A principal adjustment would be needed if the overbilling was not recorded in the general ledger.
- iii. If no, please further explain how the (\$160,749) correlates to the (\$225,889) and why it would both be a reconciling item and principal adjustment.
  - **The adjustments are for one adjustment for the overbilling of Class B however the correction needed to be allocated between RPP and Non RPP splits as per the normal course of business. The two are not offsetting entries they are two separate allocation of one adjustment of \$386,638 allocated between RPP and Non-RPP customers.**
- iv. Please indicate the year the overbilling was recorded in the general ledger.
  - **The overbilling was recorded in the general ledger in 2019.**
- v. The overbilling was due to incorrect amounts submitted for Class A consumption in 2018. Please explain whether the related RPP settlement true-up have been corrected for this. If yes, when was the correction submitted to the IESO and recorded in the general ledger. If no, please explain when the correction will be done.
  - **The RPP settlement true up was completed correctly it was the 1598 class A data that was filed inaccurately and as such there was no further need to change the RPP settlement true up.**
  - **This error was not corrected with the IESO until January of 2020 and has been accrued in ERTH Power's 2019 GL.**

### Follow-up Question-10

#### Ref: OEB Staff Question 13a, Main Rate Zone

In the revised 2018 GA Analysis Workform, there is a (\$356,972) reconciling item for differences in actual system loss and billed total loss factor. Please provide the calculation for this reconciling item.

- **The following table details the calculation.**

Calculation for Differences in System Losses and Billed TLF's	
2012 COS Loss Factor	1.04510
2017 Actual Loss Factor for 2017	1.01690
Loss Factor Difference	0.0282
GA Billed to Non-RPP Customers \$	12,658,591
Loss Factor Difference in \$	<u>\$ 356,972</u>

### Follow-up Question-11

#### Ref: OEB Staff Question 16, Goderich and Main Rate Zone

#### Ref: Description of Settlement Process with the IESO

On February 21, 2019, the OEB issued its letter entitled *Accounting Guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment*, as well as the related accounting guidance. The accounting guidance is effective January 1, 2019 and is to be implemented by August 31, 2019. Distributors are expected to consider the accounting guidance in the context of historical balances that have yet to be disposed on a final basis (including the 2018 balances that may be requested for disposition in this rate application). In the Description of Settlement Process with the IESO, it indicates that ERTH Power has implemented the new accounting guidance in 2019.

- For both rate zones, please indicate whether the new accounting guidance was implemented by August 31, 2019.
  - If not, please explain when it was fully implemented.
  - If yes, please confirm that it was implemented retroactive to January 1, 2019. If not, please explain why not.
  - **The new accounting guidance was implemented by August of 2019**

- **Unfortunately ERTH Power does not have consumption data by month available for 2019 in order to complete the monthly adjustments required by the new accounting guidance back to January 1<sup>st</sup>.**
- **ERTH power Main bills its customer on cycle data and as such would need to implement monthly rate changes in its billing system in order to isolate the monthly consumption needed to complete the transactions.**
- **ERTH Power Goderich bills its customers on a monthly basis and as such the required adjustments will be made on a monthly basis back to January 1<sup>st</sup> of 2019.**

b) ERTH Power's 2018 audited figures did not have the new accounting guidance applied to them and adjustments were made to ensure the amount requested for disposition as part of this application adhered to the new procedures. In the Addendum to Chapter 3 Filing Requirements, page 13 states "Utilities that did not receive approval for disposition of historical account balances due to concerns noted should apply the accounting guidance to those balances as well as the 2018 balance and adjust the balances as necessary, prior to requesting final disposition." ERTH Power – Goderich Rate Zone did not receive approval for disposition of historical balances due to an audit as a result of concerns on the accounts. Please explain whether the expected balance under the new accounting guidance was calculated using the OEB's Illustrative Model to determine the appropriate adjustments. If not, why not.

- **ERTH Power Goderich rate zone bills all of its customers on a monthly basis and each month the revenues are accrued to month previous and as a result the adjustments required within the continuity schedule filed in the IRM accomplish the intent of the OEB's guidance.**
- **As a result of the OEB audit there were changes to accounting procedures applied to these balances and corrections made.**

c) In the Addendum to Chapter 3 Filing Requirements, page 13 states "Some utilities may have received approval for interim disposition of historical account balances or did not request disposition of account balances in the 2019 rate application due to the threshold test. If these utilities have reviewed the balances in the context of the new accounting guidance and are confident that there are no systemic issues with their RPP settlement and related accounting processes, such utilities may request final disposition of account balances." Please explain whether the 2016 and 2017



balances disposed on an interim basis for the Main Rate Zone has been reviewed in the context of the new accounting guidance.

- Please discuss the results of the review and whether there were any systemic issues noted.
- **ERTH Power is confident there are no systemic issues with the RPP settlement and related accounting processes.**
- **ERTH Power annually ensures that it has accrued all true ups adjustments and accruals to the correct year in the disposition of its balances.**
- **ERTH Power notes that it has adjusted corrections in the balances disposed of historically in order to ensure that customers are only paying or receiving the true variances annually.**

d) Regarding disposition of the Accounts 1588 and 1589

- Please indicate whether interim or final disposition is requested for the Goderich Rate Zone 2015 to 2018 balances
- **ERTH Power notes that the balances for Goderich Rate Zone on an Interim Basis.**
- Please indicate whether final disposition is requested for the Main Rate Zone for 2016 to 2017 balances
- **ERTH Power requests interim disposition for 2016 and 2017 balances for the Main Rate Zone.**
- Please indicate whether interim or final disposition is requested for the Main Rate Zone for 2018 balances.
- **ERTH Power requests interim disposition of its Main Rate Zone balances for 2018.**

LRAMVA - Main Rate Zone

**Follow-up Question-12**

**Ref: OEB Staff Question 20 d)**

In Tab 5 of the LRAMVA, it appears that the energy savings from the 2015 and 2018 street lighting projects are not excluded from the retrofit program. Specifically the sign on the kWh savings are positive, and not negative. Please confirm whether an adjustment needs to be made.

RESPONSE:

The values should be negative. An updated LRAMVA workform is attached.

**Follow-up Question-13**

**Ref: OEB Staff Question 21 b)**

- a) Please clarify what is being captured as lost revenues from implementing the CHP project when either the maximum facility or grid peaks (used in lost revenue calculations) may occur when the CHP is off.
- b) Based on the data submitted in Tab 8 of the LRAMVA workform, please identify the monthly facility and grid peak(s) where the CHP is not running.
- c) Please discuss why this methodology is more appropriate to capture lost revenues impacts from implementing the CHP project.
- d) If Erie Thames removes the instances of when the CHP project is off, please quantify the lost revenue impact from the CHP project and impact on total LRAMVA.

**RESPONSE:**

- a) If the hour with the highest demand in the month occurs when the CHP is off, there would be no impact on revenues in that month as when the CHP is off, the facility demand and the grid demand are the same.
- b) Tab 9 shows four months in 2017 when the monthly peak occurred when the CHP was not running: January, May, June and August. The monthly peak demand in kilowatts in those months was 42,639; 44,654; 45,645 and 53,437 respectively. No loss of revenue was claimed.
- c) The methodology captures the actual impact on revenues since it considers what the impact would have been without the CHP (the maximum hourly facility peak in each month) and what it was with the CHP (the maximum hourly grid peak in each month). This methodology uses actual metered data to determine the lost revenue. In contrast, the IESO 2017 final report shows the impact of this project as yielding 17,265,066 kWh of savings (LDC Progress tab, Cell CR21) and zero kW of peak demand

- savings (LDC Progress tab, Cell DR21). The IESO report estimates the impact on system peak demand, not the facility peak demand. The estimate of zero is inferior to the actual impact as determined from meter readings.
- d) No lost revenues have been claimed for when the CHP project is off.

#### Follow-up Question-14

Ref: OEB Staff Question 22 c)

- a) For the 2018 retrofit program, please explain where 509,451 kWh of unverified savings comes from. OEB staff notes that this savings figure is not identified on the 2019 Participation and Cost Report. Please file the supporting documentation (detailed project level savings data) in excel format to validate this figure.
- b) Please explain why these additional savings should be eligible for recovery in the LRAMVA claim.

#### RESPONSE

- a) Staff 22c asked where the unverified savings for the Retrofit program in 2017 of 509,451 kWh came from as it does not appear in the 2019 P&C report, already filed as “ERTH Power\_2020 IRM\_Participation and Cost Report\_Erie Thames Powerlines\_20191105”. That value was from the December 2018 P&C report, where it appears at cell BA15 on the LDC Progress tab. As noted in the earlier response, the workform submitted in January 2020 updated the values to the April 2019 P&C report, which shows a value for unverified 2017 retrofit savings of 593,860 kWh, which appears at cell BB15 of the April 2019 P&C report on the “LDC Progress” tab.

Unfortunately, the 2020 persistence value of 590,923 kWh was inadvertently entered into cell D497 of Tab 5 (from cell CF15 on the LDC Progress tab), rather than the first year energy savings of 593,860. This has been corrected in the updated LRAMVA workform.

- b) These additional savings are identified by the IESO as having been realized in the Participation and Cost report so should be eligible for recovery.

#### Follow-up Question-15

- a) Please re-file any update(s) to the LRAMVA workform and re-confirm the bill impact change (if any) for the Main RZ.
- b) Please highlight all changes made and identify the change(s) in Tab 1-a of the revised LRAMVA workform.

#### RESPONSE

- a) An updated LRAMVA workform has been filed. Bill impacts will be updated when IRM model is refiled reflecting all changes from IRs.
- b) Changes made are identified on Tab 1-a of the workform.