

February 18, 2020

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: Welland Hydro-Electric System Corp.
2020 Incentive Rate-Setting Application
EB-2019-0072**

Please accept the attached letter as an amendment to Welland Hydro's request for disposition of Group 1 balances as previously filed in the 2020 IRM rate application dated October 30, 2019.

Yours very truly,



Jennifer Dionne

In the 2019 IRM Decision and Rate Order (EB-2018-0075) the Board approved disposition of Group 1 variance accounts related to 2017 on an interim basis. In Welland Hydro's 2020 IRM rate application (EB-2019-0072) Welland Hydro requested that 2017 balances be deemed final and requested disposition of its Group 1 2018 balances on a final basis. Welland Hydro is requesting to amend its 2020 IRM rate application to withdraw its request to deem 2017 balances final and to request disposition of 2018 Group 1 balances on an interim basis.

Welland Hydro has completed a thorough review of Accounts 1588 and 1589 for the 2018 and 2019 years. Welland Hydro has applied the updated accounting guidance provided by the OEB to 2018 and 2019 and has determined that there are no systemic issues with settlement procedures with the IESO. Welland Hydro has identified issues with its unbilled power revenue accruals for December 2017 and December 2018. Welland Hydro has made process improvements in 2017 and 2018 however these improvements focused primarily on unbilled GA revenue. December 2017 and December 2018 unbilled GA revenue was based on actuals and December 2017 and December 2018 power revenue was based on estimates.

Welland Hydro has made a significant effort to improve its unbilled revenue for both GA and power. Welland Hydro has purchased a new RSVA Manager software from Utilismart that will provide unbilled revenue accruals based on actual meter reads beginning with December 2019 unbilled revenue. This will significantly improve the accuracy of unbilled revenue and variance account balances. Welland Hydro has also implemented changes in its billing system to allow additional verifications against the unbilled reports produced by the new software.

During its detailed review of 2018 and 2019 Welland Hydro identified that December 2017 unbilled power revenue was understated by \$423,871 and December 2018 unbilled power revenue was understated by \$258,268. Welland Hydro is unable to determine the impact of unbilled to actual power revenue differences prior to December 2017.

The following table shows the impact of the unbilled revenue differences to 2017 and 2018 principal power transactions and to the percentage of total cost of power expense.

	2017	2018
Account 1588 - Principal Transactions as Reported	- 130,412	- 353,751
Adjust December 2017 unbilled power revenue	- 423,871	423,871
Adjust December 2018 unbilled power revenue	-	- 258,268
Revised Principal Transactions	- 554,283	- 188,148
Account 4705 - RRR 2.1.7	22,156,613	23,449,529
Revised % of Total Cost of Power Expense	-2.50%	-0.80%

Unbilled revenue is a reversing entry which creates a timing issue only. Although the table above shows a high percentage of total cost of power expense at -2.5% for 2017, it is excluding the impact that December 2016 unbilled power revenue differences would have on the balance as the beginning unbilled impact is unknown. Welland Hydro is unable to determine the difference between unbilled and actual power revenue for December 2016. As demonstrated in the table above, if unbilled revenue for

December 2017 and December 2018 is corrected, Welland Hydro is within the 1% threshold for the percentage of total cost of power expense for 2018.

Welland Hydro has recorded the 2018 unbilled revenue to actual difference of \$(258,268) as a principal adjustment on Schedule 3 of the DVA Continuity Schedule of the 2020 IRM rate generator. Welland Hydro did not make a principal adjustment to the 2017 year as this would reverse in 2018 and have no cumulative impact on ending 2018 balances. Welland Hydro is requesting disposition of 2018 Group 1 balances on an interim basis in the 2020 IRM rate application. Welland Hydro will evaluate the results of the 2019 year and request disposition of 2017, 2018 and 2019 on a final basis in the 2021 IRM rate application. During 2019 Welland Hydro converted all remaining GS > 50 customers to mist meters. As a result, December 2019 unbilled revenue for the GS > 50 customer class will be based on actuals. During 2020 Welland Hydro will be reviewing other customer classes for a transition to calendar monthly billing as a continued effort to improve the accuracy of its unbilled revenue.