

Bluewater Power Distribution Corporation (Bluewater Power)
EB-2019-0021
Responses to OEB Staff Questions
January 17, 2020

Staff Question-1

Ref: Continuity Schedule – Account 1595 (2018), Account 1595 (2015) and Account 1595 (2016)

- a) In the continuity schedule, Bluewater Power entered principal and interest transaction amounts in Account 1595 (2018) in year 2018. OEB staff noted that there was no OEB-approved deferral and variance account disposition in Bluewater Power's 2018 rate application (EB-2017-0027). Please provide explanation for the transaction amounts in Account 1595 (2018) in 2018.

2018							
Opening Principal Amounts as of Jan 1, 2018	Transactions Debit / (Credit) during 2018	OEB-Approved Disposition during 2018	Principal Adjustments ¹ during 2018	Closing Principal Balance as of Dec 31, 2018	Opening Interest Amounts as of Jan 1, 2018	Interest Jan 1 to Dec 31, 2018	OEB
180,599	114,933			295,532	1,911	4,364	
(4,887)	(40,096)			(44,983)	(177)	(600)	
(2,246,252)	(381,457)			(2,627,709)	(33,267)	(45,456)	
0				0	0		
18,707	(62,695)			(43,988)	1,205	(363)	
164,857	5,177			170,034	2,490	1,933	
269,977	156,762			426,739	3,380	6,600	
265,701	(809,189)			(543,488)	(13,517)	(6,665)	
(552,483)	(484,479)			(1,036,962)	9,504	(6,468)	
0				0	0		
0				0	0		
15,295				15,295	(51,343)		
98,553	(12,334)			86,219	110,087	2,753	
(433,319)	524,499			91,180	(53,557)	(6,887)	
0	30,493			30,493	0	358	

Response: In Bluewater's 2018 IRM Decision (EB-2017-0027), the OEB directed Bluewater to record the OEB-approved tax sharing amount of \$30,493 DR into Account 1595 Sub-account Principal Balances Approved for Disposition. Bluewater presented the value in the Continuity Schedule for 2018, but selected 'No' for Account Disposition in Column BU. The value was presented in order to reconcile with the RRR balances in Column BV of the Continuity Schedule.

However, to improve the presentation of the continuity schedule, Bluewater will remove the amount presented in Account 1595 (2018) in 2018 until such time it is proposed for disposition.

- b) As noted in the continuity schedule and the manager's summary, Account 1595 (2015) and Account 1595 (2016) have immaterial balances of (\$396) and \$525. Bluewater Power states in the application that it is not requesting disposition of these accounts due to the immateriality. Please confirm whether or not Bluewater Power will write off these immaterial balances in Accounts 1595 (2015) and 1595 (2016).

Response: Bluewater confirms it has written off the immaterial balances in 2019.

Staff Question-2

Ref: Application, page 23
LRAMVA workform, tab 7

Preamble

On page 23 of the Application, the following descriptions were provided:

- (1) Adjustments to 2016 and 2017 energy savings are calculated as the difference between the verified 2016 and 2017 results in the March 2019 Participation and Cost Report and the 2016 and 2017 verified results from Bluewater's 2017 Final Verified Annual LDC CDM Program results.
- (2) The rate of persistence in each program's corresponding current year savings (savings in the year in which the adjustment is applied) is used to approximate persistence to 2018 for all programs, except the Smart Thermostat Program.
- (3) The average kW to kWh ratio of the program's historic savings are applied to the 2018 net incremental energy savings to approximate 2018 net incremental demand savings.

In Tab 7 of the LRAMVA workform, it appears that Bluewater Power calculated the energy savings (Table A) and demand savings (Table B) for the following programs in 2018.

Table A:

				2016	2017	2018
Save on Energy Retrofit Program	Commercial & Institutional	2016 Adj.	2018	10,978	11,074	12,050
Save on Energy Coupon Program	Residential	2017 Adj.	2018		4,057	3,255
Save on Energy Heating and Cooling Program	Residential	2017 Adj.	2018		36,976	36,976
Save on Energy Smart Thermostat Program	Commercial & Institutional	2017 Adj.	2018		7,411	7,411
Save on Energy Retrofit Program	Commercial & Institutional	2017 Adj.	2018		1,389,819	1,468,159

Table B:

Initiative	Sector	Conservation Resource Type	(Implementation) Year	Demand Savings at the End-User Level (kW)				
				2014	2015	2016	2017	2018
Save on Energy Heating and Cooling Program	Residential	EE	2018					66
Save on Energy Instant Discount Program	Residential	EE	2018					80
Save on Energy Smart Thermostat Program	Residential	EE	2018					
Save on Energy Retrofit Program	Commercial & Institutional	EE	2018					858
Save on Energy Small Business Lighting Program	Commercial & Institutional	EE	2018					2
Save on Energy Existing Building Commissioning	Commercial & Institutional	EE	2018					16
Instant Savings Program	Commercial & Institutional	EE	2018					55
Save on Energy Retrofit Program	Commercial & Institutional	2016 Adj.	2018			2	2	2
Save on Energy Coupon Program	Residential	2017 Adj.	2018				0	0
Save on Energy Heating and Cooling Program	Residential	2017 Adj.	2018				10	10
Save on Energy Smart Thermostat Program	Commercial & Institutional	2017 Adj.	2018					
Save on Energy Retrofit Program	Commercial & Institutional	2017 Adj.	2018				259	280

Questions:

- a) For statement (1), please discuss why Bluewater Power is calculating its adjustments from 2016 and 2017 programs based on the difference between the P&C report and the 2017 final verified results report. Please confirm that the distributor is claiming the full amount of the savings adjustments, as shown in the LRAMVA workform.

Response: Savings from certain 2016 and 2017 programs are greater in the P&C report than the 2017 final verified results report. This suggested that there were adjustments to the final verified savings figures in those years that were not specifically identified within the P&C report. The differences between verified figures according to the P&C report and the 2017 final verified results report were included in the LRAMVA workform to make savings from the workform consistent with the final figures in the P&C report. Bluewater is claiming the full persistence of those adjustments in 2018. For clarity, Bluewater is not claiming savings of the adjustments in 2016 or 2017 for those years.

- b) For statement (2), please confirm that the persistence of savings adjustments (from 2016 and 2017 programs) in 2018 have been estimated only for the above-noted programs referenced in Tables A and B. If there are additional programs that are not captured in Tables A and B, please clarify.

Response: Confirmed. All adjustments in Bluewater's LRAMVA workform are included in Table A.

- c) For statement (3), please provide the kW/kWh ratios used to estimate demand savings from verified energy savings for each 2018 program. In particular, please explain how the demand savings in the 2018 retrofit program were calculated. Please also confirm that the 2018 demand savings for all programs reflect the savings figures submitted by the distributor to the IESO.

Response: As the IESO no longer provides verified results, distributors must determine kW savings by some other method. The kW/kWh ratios used to estimate kW savings were calculated based on the kW/kWh ratios of recent years' savings. The method assumes the kW/kWh ratio in 2018 is sufficiently similar to the ratio in historic years and does not require additional assumptions and calculations that were previously done by the IESO.

Please note that 2018 kW savings are calculated formulaically within tab '7. Persistence Report' of the LRAMVA workform (ie. cells are not hardcoded).

Save on Energy Heating and Cooling Program

$$= (2016 \text{ kW savings} + 2016 \text{ kW savings adj.} + 2017 \text{ kW savings}) / \\ (2016 \text{ kWh savings} + 2016 \text{ kWh savings adj.} + 2017 \text{ kWh savings}) \\ = (176 + 658 + 149) / (595,981 + 2,592,647 + 513,769) \\ = 983 / 3,702,397 \\ = 0.00026550$$

Save on Energy Instant Discount Program

$$= 2017 \text{ kW savings} / 2017 \text{ kWh savings} \\ = 187 / 2,724,036 \\ = 0.00006865$$

Save on Energy Smart Thermostat Program

No prior-year savings. Allocated 100% Residential so kW not required.

Save on Energy Retrofit Program

$$= (2016 \text{ kW savings} + 2016 \text{ kW savings adj.} + 2017 \text{ kW savings}) / \\ (2016 \text{ kWh savings} + 2016 \text{ kWh savings adj.} + 2017 \text{ kWh savings}) \\ = (152 + 658 + 681) / (2,169,223 + 2,592,647 + 3,248,461)$$

$= 1,491 / 8,010,331$ $= 0.00018613$
<p>Save on Energy Small Business Lighting Program</p> $= (2016 \text{ kW savings} + 2016 \text{ kW savings adj.} + 2017 \text{ kW savings}) /$ $(2016 \text{ kWh savings} + 2016 \text{ kWh savings adj.} + 2017 \text{ kWh savings})$ $= (4 + 1 + 13) / (57,856 + 9,636 + 63,401)$ $= 18 / 130,893$ $= 0.00013752$
<p>Save on Energy Existing Building Commissioning Program</p> $= 2015 \text{ kW adj. savings} / 2015 \text{ kWh adj. savings}$ $= 16 / 60,323$ $= 0.00026524$
<p>Instant Savings Program</p> $= 2017 \text{ kW savings} / 2017 \text{ kWh savings}$ $= 81 / 519,685$ $= 0.00015586$

Bluewater also confirms that the 2018 demand savings for all programs reflect figures submitted by Bluewater. If the project fall under the prescriptive programs, then the information submitted by Bluewater contains the information regarding the quantity of each measure implemented, for which the kWh and kW are pre-determined. If the project is a custom program, then we provide information regarding the projected kWh and kW savings.

Staff Question-3

Ref: Application, pages 23 and 24

LRAMVA workform, tab 3 (2019 and 2020 IRM applications)

Preamble

In the current application, Bluewater Power provided detailed calculations of its rate class allocations for the 2018 ERII and Small Business Lighting programs.

In the previous application (EB-2018-0019), Bluewater Power provided detailed calculations of its rate class allocations for the 2016 and 2017 ERII, Small Business Lighting programs and Audit Funding.

Question:

- a) As the distributor seeks to claim the persistence of 2011 to 2017 savings in the current application, please confirm that the persistence of 2011 to 2017 savings has not changed.

Response: Bluewater confirms no changes to the original persistence allocations to rate classes for 2011 to 2017 were made in the model.

Staff Question-4

- a) If Bluewater Power made any changes to the LRAMVA work form as a result of its responses to the above LRAMVA questions, please file an updated LRAMVA work form, the revised LRAMVA balance requested for disposition, and a table summarizing the revised rate riders.

Response: No changes are required.

- b) Please confirm any changes to the LRAMVA workform in response to these LRAMVA questions in “Table A-2. Updates to LRAMVA Disposition (Tab 1-a)”.

Response: Not applicable.

Staff Question-5

Ref: Manager’s Summary, pp. 11-12

Bluewater Power has requested approval for the final disposition of its December 31, 2017 Group 1 DVA account balances, which were previously approved for disposition on an interim basis.

Bluewater Power indicates that final disposition of these balances is appropriate given the overall positive results of the OEB audit of the 2017 balances in accounts 1588 and 1589 and the OEB Staff’s acceptance of Bluewater Power’s settlement processes. In addition, Bluewater Power confirms that the process changes noted in the audit as well as other changes to comply with the OEB’s February 21, 2019 accounting guidance for accounts 1588 and 1589, are being met and fully implemented as of January 1, 2019.

- a) Is Bluewater Power also seeking final disposition of its December 31, 2018 Group 1 DVA balances as part of the current application? Please confirm.

Response: Yes, Bluewater is seeking final disposition of its December 31, 2018 Group 1 DVA balances as part of this application.

- b) With respect to the OEB’s February 21, 2019 accounting guidance for accounts 1588 and 1589, it is the OEB’s expectation that a utility will go back and assess

the impact of this new guidance on all historical balances that were disposed of on an interim basis or have yet to be disposed, and adjust these balances as needed such that they are also in compliance with the new accounting guidance. Once a utility confirms this to be the case, then the OEB will approve the final disposition of the related balances.

To that end, please confirm that Bluewater Power has assessed both its 2017 and 2018 balances of accounts 1588 and 1589 in the context of the OEB's February 21, 2019 accounting guidance and that all related material adjustments that resulted (if any) have been recorded as part of these balances?

Response: Bluewater confirms both 2017 and 2018 balances of accounts 1588 and 1589 are in accordance with the February 21, 2019 accounting guidance. No adjustments were required.

- c) If Bluewater Power is confirming that it has gone back to each settlement related to its 2017 and 2018 balances in accounts 1588 and 1589 and assessed them in the context of the OEB's February 21, 2019 accounting guidance, please explain the process that was used to do so and please indicate the amount of any adjustment to each balance that resulted (by year).

Response: The process that Bluewater used to confirm settlement was the subject of an extensive OEB audit. We have reviewed the February 21, 2019 guidance released immediately prior to the release of Bluewater's OEB Audit Findings Report and can confirm that there is nothing contained in the guidance that would result in any adjustments to the account balances in accounts 1588 and 1589 for either 2017 or 2018.

Staff Question-6

Ref: GA Analysis Workform

Cell C64 of the GA Analysis Workform must represent the actual transactions recorded during 2018 as presented in the DVA continuity schedule. Currently the balance in cell C64 does not agree to the transactions during 2018 per the DVA continuity schedule.

- a) Please explain why there would be a difference between the 2018 transactions as recorded in the continuity schedule and what is presented in cell C64 of the GA Analysis Workform.

Response: Cell C64 of the GA Workform was incorrect. The correct value is \$484,479 CR as presented in the DVA continuity schedule.

- b) If the above is due to an error, then please update the GA Analysis Workdrom accordingly such that it is consistent with what is presented in the DVA continuity schedule.

Response: Bluewater has updated the GA Workform balance in Cell C64 to be \$484,479 CR.

Staff Question-7

Ref: GA Analysis Workform

In Note 5 of the GA Analysis Workform Bluewater Power has presented a reconciling adjustment of \$441,991 in adjustment 9.

- a) Please provide further details as to what this adjustment pertains to and how it was calculated.

Response: During the summer of 2018, Bluewater Power completely rebuilt its unbilled revenue query. This was done in conjunction with the OEB's effort to have more reliable data and controls underlying the balances in accounts 1588 and 1589. This issue and our revised unbilled revenue query was noted during the OEB audit of these accounts.

The former unbilled revenue calculation completed at the end of 2017 (and previous years) was based on a more manual method of estimating unbilled revenue. The new unbilled revenue calculation is more precise as we are now able to use a specially built SAP query which derives its results from actual invoice data and actual consumption. If this query was used at the end of 2017, then the Global Adjustment unbilled revenue result would have been \$441,991 higher.

The total 2018 Global Adjustment revenue is calculated by reversing the 2017 year end accrual, adding the 2018 billings and adding the 2018 year end accrual. Theoretically, if a higher 2017 year end accrual amount was reversed in 2018, then the total 2018 revenue would have been lower by that amount. Since the 2018 net change in principal balance in account 1589 was \$484,479 CR, then this net change would have been \$441,991 lower, resulting in a net balance of \$42,488 CR in Account 1589.

This difference of \$441,991 is intended to show the effect of the transition to a more reliable unbilled revenue calculation at the end of 2018 (versus 2017 year end). The

new calculation has been implemented on an ongoing basis, but the transition represents a one-time impact.

- b) It is not clear as to why Bluewater Power is not proposing to reflect this adjustment as a principal adjustment to the December 31, 2019 balance in account 1589. Please explain.

Response: There is no adjustment to be made in 2019. This is a permanent difference between the 2017 and 2018 year ends from moving to a new and more reliable unbilled revenue estimation calculation. This has the one-time effect of increasing the credit balance in account 1589 in 2018 which will ultimately be returned to ratepayers.

Staff Question-8

Ref: Appendix A GA Methodology Description

As part of the response provided to question 13 in the Appendix A GA Methodology Description, Bluewater Power confirms that there were principal adjustments recorded of \$194,130 to account 1588 and \$370,860 to account 1589 as part of the December 31, 2017 Group 1 DVA interim disposition that was approved in its 2019 IRM application. Bluewater Power further indicates that these principal adjustments do not need to be reversed for regulatory purposes.

- a) Please indicate in what period these adjustments were actually recorded in Bluewater Power's G/L (i.e. were these adjustments recorded in Bluewater's G/L during 2018)?

Response: The adjustments noted above were recorded in 2017 and included in the balances as of December 31, 2017.

- b) If the response above indicates that they were recorded in Bluewater Power's G/L during 2018, then they would need to be reversed out of the 2018 transactions during the year for regulatory purposes. Those amounts have already been disposed of as part of the 2017 disposition and therefore including them in the 2018 transactions for the year will double count them for regulatory purposes. On this basis please update the DVA continuity schedule to record principal adjustments that remove these amounts from the 2018 transactions for the year.

Response: Not applicable per the response to 8 (a).

Staff Question-9

Ref: DVA Continuity Schedule, Account 1588

Bluewater Power is seeking disposition of credit \$846,792 in account 1588 as at December 31, 2018.

The balance appears to be unusually high for a utility that is the size of Bluewater Power. Given that most amounts that are recorded to this account are settled directly with the IESO, the expectation is that the ending balance of this account will be very low and close to zero (the ending balance comprising primarily of line losses). To that end, please explain what comprises the balance in account 1588 as at December 31, 2018.

Response: The balance in account 1588 of \$846,792 CR includes a one-time unbilled revenue difference of \$789,552 CR. Please see response to question 7(a) for the full explanation of the change to the unbilled revenue calculation during 2018, which resulted in the permanent difference between the 2017 year end and 2018 year end.

If the new unbilled revenue SAP query was used at the end of 2017, then the COP unbilled revenue result would have been \$789,552 higher. Thus, the resulting balance in account 1588 at the end of 2018 would have been \$789,552 lower, resulting in a \$57,240 CR balance. This level would have been more reflective of the expectation of the balance in that account at year end. The balance we have submitted for recovery reflects the transition and is a one-time impact. The result is a credit in the account that will ultimately be returned to ratepayers.