**Westario Power’s 2021 IRM Application EB-2020-0062**

**Staff Questions**

**Staff Question-1**

**Ref: Tab 6. Class A Consumption Data in the IRM rate generator;**

OEB staff notes that there are three customers who had transitioned from Class B to Class A and consumption data was only provided in 2019. Any Class B customers wishing to transition to Class A would have had their peak demand factor assessed based on their demand in peak hours during the period prior to the transition (i.e. July 2018 to June 2019).

1. For the three customers that have transitioned from Class B to Class A, please complete the consumption data for the period prior to transition (i.e. July to December 2018). Information has been included on revised 2021 IRM Rate Generator Model.
2. Please fill out the consumption data for the three customers starting after the year the Account 1589 GA was disposed (i.e. 2016). If there is no consumption data, please confirm. This information has been included on the revised 2021 IRM Rate Generator Model
3. In light of any additional consumption data, please update the corresponding tabs accordingly. Tabs have been updated

**Staff Question-2**

**Ref: Tab GA 2016 in the GA Analysis Workform.**

OEB Staff notes that on Note 3 Westario Power has answered “No” to confirming that the same GA rate is used to bill all customer classes. There are no further details for this response.

1. Please provide an explanation as to why, in 2016, the same GA rate was not used to bill all customer classes. The same GA rate was used to bill all customers but the GA rate used for billing changed in June from using first estimate to using second estimate.

**Staff Question-3**

**Ref: Manger’s Summary, Section 8; GA Analysis Workform**

In Section 8 of the Manager’s Summary, Deferral and Variance Accounts, Westario Power states that:

 An OEB audit of Westario’s 1588 and 1589 account balances was completed for the years 2016–2018. There are prior period adjustments required for either of these accounts that were disposed of on an interim balance.

OEB staff notes that Westario Power did not fill in any adjustments in Note 7 Breakdown of Principal Adjustments included in last approved balance of the GA Analysis Workform.

1. Please fill in the adjustments in Note 7 of the GA Analysis Workform and also fill in the Note 8 for the principal adjustments that are required to be reversed as part of the current rate application. Note 7 has been completed. The adjustment requiring reversal has already been included in Note 8 (current year principal adjustment #4)

**Staff Question-4**

**Ref: The OEB’s Inspection Report issued in May 2020; Manger’s Summary, Section 8; Tab 3. Continuity Schedule in the IRM rate generator; Tab 3. Continuity Schedule in the 2020 IRM Rate Generator dated Dec 12, 2019**

The OEB’s Inspection Report observation 1 and 2 shows the adjustment tables for the RPP true-ups and GA true-ups as below:

**Table 1: The Adjustments in Account 1588 per Observation 1**



**Table 2: The Adjustments in Account 1589 per Observation 2**



For the adjustments in Account 1588 (i.e. Table 1 above), the Inspection Report states that:

 Staff notes that the above adjustment has been included on the Continuity schedule in principal adjustments to ensure accurate account balances are brought forward for disposition in WPI’s 2020 IRM rate application submitted.[[1]](#footnote-1)

For the adjustments in Account 1589 (i.e. Table 2 above), the Inspection Report states that:

 The proper adjustments in 2019 have been booked as shown below and included in the adjustments column of the Continuity schedule in WPI’s 2020 IRM rate application to correct the erroneous calculation of GA settlement with the IESO.[[2]](#footnote-2)

OEB staff notes that the 2018 principal ending balances for accounts 1588 and 1589, as presented in the 2021 Rate Generator Model in this application do not align with the 2018 principal ending balances in the 2020 IRM application (please see the attached excel spreadsheet for the detailed comparisons and the variances noted).

OEB staff is able to locate the audit adjustments for Account 1589 in the GA Analysis Workform but cannot map the audit adjustments for Account 1588 to the Principal Adjustments of the respective years on the DVA continuity schedule. The following table illustrates the differences between the audit adjustments per the OEB’s Inspection Report and the principal adjustments on the DVA continuity schedule for Account 1588:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | **2016** | **2017** | **2018** | **Total** |
| **Principal Adjustments during the Year (per the DVA continuity schedule)** |  (915,936) |  2,020,965  |  (48,067) |   |
| **Audit adjustments (per Observation 1)** |  (1,045,254) |  (1,458,142) |  2,083,184  |
| **Difference** |  129,318  |  3,479,107  |  (2,131,251) |  1,477,174  |

1. Please explain the variances of the 2018 ending principal balances for accounts 1588 and 1589 in the 2021 Rate Generator Model as compared to the 2018 ending principal balances for accounts 1588 and 1589, as presented in the 2020 IRM application.

The difference in principal balances between the schedules all relates to the principal adjustments column. The 2021 schedule didn’t include all of the adjustments that went in and out through the periods. The 2021 schedule and GA Analysis workform have now been updated to include all of the adjustments period by period.

1. Please provide a breakdown of the principal adjustments for the years 2016 to 2018 on the DVA continuity schedule for Account 1588, provide the explanation for each of the adjustments and map the audit adjustments to the applicable principal adjustments in the respective years.

This information has now been included on the GA Analysis Workform.

1. Please explain the differences noted in the table above.

The Principal Adjustments column of the continuity schedule includes all adjustments required to the 1588 account. The Audit Adjustments in Observation 1 of the OEB’s Inspection Report summarizes only the correction required with the IESO as a result of differences in the monthly RPP variance settlement filings. These amounts are included in the Principal Adjustments column but the principal adjustments column also includes other adjustments.

**Staff Question – 5**

**Ref: GA Analysis Workform; the OEB’s Inspection Report issued in May 2020**

Given that the OEB’s Inspection Report scope is from January 1, 2016 to December 31, 2018 for Account 1588 and Account 1589 and the Inspection Report is issued in May 2020, OEB staff does not expect any other material adjustments related to Account 1589 included in the principal adjustments on the DVA continuity schedule. In addition, OEB staff does not expect any prior period adjustments in 2019 for Account 1588 and Account 1589 because any prior year adjustments should be booked in the respective years, given that the 2016 to 2018 balances were not disposed of on a final basis in the 2020 IRM decision and order.

Per the review of the GA Analysis Workform, OEB staff was able to match the audit adjustments in the OEB’s Inspection Report (specifically, Observation 2 and Observation 3) to some of the principal adjustments on the GA Analysis Workform for Account 1589. However, OEB staff notes that the principal adjustments on the DVA continuity schedule for Account 1589 include more than the audit adjustments. OEB staff summarizes the following adjustments, that were included in the principal adjustments column of that year on the DVA continuity schedule, but cannot be matched to the OEB’s Inspection Report:

1. 2017 GA Analysis Workform: Reconciling item #8 of $(490,510); Explanation provided: GA True-up entry made in the year with incorrect amount - reconciling amount to reverse its effects
2. 2018 GA Analysis Workform: Reconciling item #8 of $1,088,342; Explanation provided: GA True-up entry made in the year with incorrect amount - reconciling amount to reverse its effects
3. 2018 GA Analysis Workform: Reconciliation item #10 of $544,564; Explanation provided: IESO Invoice correction related to 2017. Amount for 2017 included in 1588 True-up
4. 2019 GA Analysis Workform: Reconciliation item #1a of $1,601,616 for CT148 True-up of GA Charges based on Actual Non-RPP volumes – prior year

In addition, OEB staff notes that a credit adjustment of $1,601,616 was recorded in the 2019 principal adjustments for Account 1588.

1. Please explain the nature of the first four principal adjustments listed above (a to d)and explain how these adjustments are tied to the OEB’s Inspection Report.

Adjustment a) and b) relate to attempted true-ups of GA charges between accounts 1588 and 1589. The adjustments were recorded in those years but there was errors in calculating the balances. Therefore the impacts of the entries needed to be reversed out and that is why they are included as principal adjustments. The observation report does not specifically mention the amounts of the adjustments but does bring them up in Observation 2 saying that “WPI did not accurately perform true-up of Class B Global Adjustment (GA) charges (IESO CT 148) between RPP and non-RPP customers”. The last paragraph of section 2.1 also says “The proper adjustments in 2019 have been booked as shown below and included in the adjustments column of the continuity schedule in WPI’s 2020 IRM rate application to correct the erroneous calculation of GA settlement with the IESO”.

Adjustment c) is not mentioned in the OEB’s Inspection report. This was a billing error on the IESO’s July 2017 invoice to Westario Power. Westario was overbilled by $544,654. The 2017 true-up for this amount was included in the $2,075,109 adjustment that was reviewed by the OEB and included in the Observation 2 of the Inspection report. In 2018 when the IESO refunded Westario this money it was allocated to 1589 in error. Since the 2017 true-up treated the refund as if it was all allocated to 1588 the allocation of this refund should have gone to account 1589. An entry was made in 2020 to reallocate this balance from 1588 to 1589. This adjustment needs to be included as without it the balance balances of both 1588 and 1589 would be misstated by not being consistent with the adjustment outlined in Observation 2.

Adjustment d) was a 2019 adjustment and the scope of the audit was 2016 to 2018 so this amount is not mentioned in the report. The $1,601,616 is a combination of 2016’s true-up of $915,936 (OEB report Observation 2), 2017’s true-up of $(2,075,109) (OEB report Observation 2), 2017’s incorrect posting of $(490,510) (Discussed above in adjustment a) section), 2018’s true-up of $(1,040,275) (OEB report observation 2), and 2018’s incorrect posting of $1,088,342 (discussed above in adjustment b) section)

1. If these adjustments cannot be tied to the OEB’s Inspection Report, please explain why there is a need for these adjustments.
2. Please explain why there is a need for the additional CT148 adjustment of $1,601,616 that was booked in 2019 related to the prior year in Account 1588 and Account 1589.

This adjustment reflects that the entry was made to record the prior period true-ups in 2019. See response to part 1) of Staff Question 5 above. Without this entry the adjustments calculated for the prior periods would not be recorded.

1. Please provide the supporting calculation/evidence for the $1,601,616 adjustment.

See response to part 1) of Staff Question 5 above

**Staff Question – 6**

**Ref: Tab 3. DVA Continuity Schedule; RRR 2.1.7**

The expected closing balance in Account 1588 in any given year is expected to be minimal, representing only the difference between approved and actual system losses on the cost of power. OEB staff has calculated each years’ Account 1588 net transactions (including the principal adjustments) as a percentage of the associated Account 4705 Cost of Power transactions as reported in RRR 2.1.7:

|  |  |  |  |
| --- | --- | --- | --- |
|   | **2016 Total Transactions + Principal Adjustments** | **2017 Total Transactions + Principal Adjustments** | **2018 Total Transactions + Principal Adjustments** |
| **Account 1588** |  17,805  |  324,911  |  176,287  |
| **RRR Account 4705 Cost of Power purchases**  |  30,730,142  |  23,401,325  |  22,977,534  |
| **%** | 0.1% | 1.4% | 0.8% |

1. Please confirm the calculations in the above table.

The Calculations in the above table are correct except for a small difference in 2017. The Transactions plus adjustments should be 322,888, the difference is small so there is no change to the % after rounding to the nearest 0.1%.

1. Please explain why the percentage in 2017 is 1.4%, which is substantially greater than in the other two years.

When completing its 1588/1589 audit Westario analyzed these accounts in detail to determine all adjustments that were required. Westario’s analysis and recalculation of the 1588 account during the audit did not uncover any additional items that would require an adjustment. While the 1588 variance is larger than 2016 and 2018 Westario is confident that is has the correct 1588 closing balance for all periods.

1. The OEB’s Inspection Report dated May 2020, page 5. [↑](#footnote-ref-1)
2. The OEB’s Inspection Report dated May 2020, page 6. [↑](#footnote-ref-2)