**Elexicon Energy Inc. – Whitby Rate Zone**

**EB-2020-0012**

**OEB Staff Questions**

**Staff Question – 1**

**Ref: Elexicon- Whitby’s 2020 IRM Decision and Order EB-2019-0130; Application, pages 11, 16 & 17**

Page 8 of Elexicon – Whitby’s 2020 IRM Decision and Order states that:

OEB finds that the implementation of the February 21, 2019 accounting guidance is mandatory. However, given the special circumstances of integrating the operations of the two merged distributors’ rate zones, OEB will approve an extension for the implementation of the accounting guidance to align with the implementation date of the new integrated CIS system.

On page 17 of this application, Elexicon – Whitby states that:

Elexicon’s project to integrate its legacy rate zone’s CIS systems was planned during 2020, however, the project has experienced some minor delays triggered by the COVID-19 environment which has affected the timing of coordinated activities with the IESO as the provincial MDMR. Elexicon still plans to have the CIS project completed later in 2020.

Elexicon- Whitby explains that “EW’s last disposition of Group 1 account balances was in the 2018 IRM application (EB-2017-0085 / EB-2017-70292) which was based on 2016 balances”.

OEB staff notes that Elexicon-Whitby had reviewed the historical balances in 2018 and four months in 2019 to compare its methodology to the OEB’s methodology in its 2020 IRM proceeding and it provides an excel spreadsheet for 2019’s full year review in the current application.

1. Please confirm whether or not Elexicon-Whitby expects further adjustments to any of the DVAs upon the implementation of the new integrated CIS system. If so, please provide the details.
2. Please explain why Elexicon-Whitby has not review the 2017 historical balances for Accounts 1588 and 1589 for the purpose of comparing the differences in methodologies, given the 2017 balances have not been disposed.

**Staff Question – 2**

**Ref: The OEB’s Q&As on the 1588 and 1589 dated Oct 31, 2019; Elexicon- Whitby’s 2020 IRM Decision and Order; Appendix J, Supplemental Evidence – 1588/1589 Accounting Guidance, pages 7 and 8**

Regarding the different method and process used by Elexicon-Whitby, Elexicon-Whitby’s 2020 IRM decision and order EB-2019-0130 states that “OEB finds that the implementation of the February 21, 2019 accounting guidance is mandatory”.[[1]](#footnote-1)

Q28 of the OEB’s 1588/1589 Q&As provides the expectations regarding the final disposition request of the 1588/1589 balances under the two situations:

1. Approved interim disposition or no disposition requested for historical balances:

If these utilities identified errors or discrepancies that materially affect the ending account balances, utilities may be guided by the materiality threshold in the subsequent question in determining whether adjustments to the account balances are required. Utilities should adjust their account balances (if necessary) prior to requesting final disposition.

1. No disposition of historical balances and concerns noted:

Utilities that did not receive approval for disposition of historical account balances due to concerns noted in the decision of their rate application 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.

Q29 of the OEB’s 1588/1589 Q&As provides the materiality threshold for the adjustments for the account 1588/1589 being 5% of the respective expense account (4705/4707). The Q29 states that “Adjustments should be fully explained in a rate application and treatment of these adjustments will be determined on a case-by-case basis”.

On page 8 of Appendix J, Elexicon-Whitby provides the 2018 adjustments for 1588 and 1589 and its assessment of the materiality as below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Balance per EW Method** | **Balance per OEB method** | **2018 Adjustment $** | **Materiality Threshold $** | **Conclusion** |
| **Account 1588** | ($126,266) | ($317,586) | $191,320 | $254,032 | Not material |
| **Account 1589** | ($364,515) | ($526,467) | $161,952 | $162,066 | Not material |

Elexicon-Whitby states that it falls into the scenario 1 provided in Q28 of the OEB’s 1588/1589 Q&As and states that “The review provided demonstrates that methodology outcome differences fall below the materiality threshold. As a result, there are no adjustments required for either Account 1588 or 1589 for historical balances related to the new accounting guidance”.

1. Please confirm that the 2018 adjustments for 1588 and 1589 should be both in a credit position which would increase the refunded amounts to the respective ratepayer groups.
2. Please provide the materiality threshold used in the former Whitby Hydro’s last cost of service application.
3. Please provide the rate impacts for the 2018 adjustments to the residential customers and GS< 50 customers (i.e. if including the 2018 adjustments, what would be the incremental rate impact to these customers).
4. Given that the 2018 adjustments are close to the materiality thresholds (particularly Account 1589), please explain what Elexicon-Whitby’s position would be with respect to recording these adjustments as principal adjustments in the DVA continuity schedule.

**Staff Question – 3**

**Ref: Elexicon\_Whitby RZ\_2020 Accounting Guidance 2019 Analysis\_Full Year Excel file**

Cells E30 and E42 of Tab 4 “Final RSVA balances” of the 2019 Analysis excel file provides the final RSVA balances for 2019 for Accounts 1588 and 1589 as below:

Account 1588’s 2019 final balance (Cell E30): ($591,428)

Account 1589’s 2019 final balance (Cell E42): $235,842

OEB staff notes that there are some discrepancies between the balances for 2019 from the DVA continuity schedule in Tab 3 of the 2021 IRM rate generator and the 2019 final balances per above in the 2019 Analysis excel file:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Account** | **Transactions Debit / (Credit) during 2019** | **Principal Adjustment during 2019** | **Sum of 2019 Transactions** | **Final RSVA Balance as per the 2019 Analysis File** | **Difference** |
|  | **A = Column BD of the continuity schedule** | **B = Column BF of the continuity schedule** | **C= A+B** | **D** | **E=C-D** |
| **1588** | (350,063) | (310,982) | (661,045) | (591,428) | (69,617) |
| **1589** | 423,335 | (188,482) | 234,853 | 235,842 | (989) |

1. Please explain the ($69,617) difference noted for Account 1588.

**Staff Question – 4**

**Ref: Elexicon\_Whitby RZ\_2020 Accounting Guidance 2019 Analysis\_Full Year Excel file**

Cell E15 on the Tab “EW Settlement Comparison” shows a figure of $438,787 for “Adjustment for OEB Accounting Guidance (UFE)”. The cell is linked to another file which was not provided to the OEB.

The Tab provides the settlement comparison between the EW method and OEB method for the cost of power account 4705 as below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cost of Energy (4705) | |  | EW Method | OEB Method |
|  | Net Energy Cost Settlement (IESO charge type 101) |  | 15,946,033 | 15,946,033 |
|  | FIT/MicroFit @ spot |  | 104,508 | 104,508 |
|  | RPP - actual differential - Billing from CIS Final (RPP - spot)\* |  | 34,948,191 |  |
|  | GA RPP Portion |  |  | 52,146,700 |
|  | 1598 Final Settlement |  |  | (17,637,296) |
|  | Adjustment for OEB Accounting Guidance (UFE) |  | (438,787) |  |

For the purpose of clearly showing the adjusting entry needed, OEB Staff has added a column (the middle column – “EW-Adjusted”) to break down the adjustment in the table below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cost of Energy (4705)** |  |  |  |  |
|  |  | **EW Method (Use Retail KWH for RPP settlements)** | **EW – Adjusted (use retail kWh for RPP settlements)** | **OEB Method (use wholesale volumes for RPP settlements)** |
| Net Energy Cost Settlement (IESO charge type 101) |  | 15,946,033 | 15,946,033 | 15,946,033 |
| FIT/MicroFit @ spot |  | 104,508 | 104,508 | 104,508 |
| RPP - actual differential - Billing from CIS Final (RPP - spot)\* |  | 34,948,191 | - |  |
| GA RPP Portion |  |  | 52,750,382 | 52,146,700 |
| 1598 Final Settlement |  |  | (17,802,219) | (17,637,296) |
| 1598 Adjustment to be submitted to the IEO |  |  | 164,923 |  |
| Adjustment of RPP GA UFE |  |  | (603,682) |  |
| Adjustment for OEB Accounting Guidance (UFE) |  | (438,787) |  |  |
| Total |  | 50,559,944 | 50,559,945 | 50,559,945 |

1. Please provide the file that is linked to cell E15.
2. Please confirm the accuracy of the added column in the above table by the OEB staff.
3. If 2) is confirmed, please confirm that Elexicon-Whitby is required to remit to the IESO $164,923 to true up the RPP settlement variances in 2019 because of the use of retail volumes instead of the wholesale volumes.
4. If so, please explain whether or not the utility has submitted this adjustment to the IESO and whether or not the utility has settled this amount with the IESO. Please provide the settlement month when the adjustment amount of $164,923 was included.
5. If not, please explain whether Elexicon-Whitby plans to settle this adjustment with the IESO (and please provide the plan details).

**Staff Question – 5**

**Ref: Elexicon\_Whitby RZ\_2020 Accounting Guidance 2019 Analysis\_Full Year Excel file**

In Tab “Whitby-2019” of the 2019 full year analysis excel file, Elexicon-Whitby has provided the following GA actual rates for the RPP and Non-RPP customers and explained that these rates are sourced from IESO invoices and adjusted for UFE.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | see split below |  | |  | | --- | |  | | *Sourced from IESO invoice* |  |  |
| 0.10803 | RPP - Class B GA actual | |  | *Actual Average GA rates - splits based on actual kWh sourced from CIS billing stats adjusted for UFE multipied by monthly actual GA rates* | | |
| 0.10789 | Non RPP - Class B GA actual | |  |

1. Please explain why the actual GA rate sourced from the IESO invoice for the RPP customers are different than the rate for the Non-RPP customers.
2. Elexicon-Whitby provides a note for the GA rate: “Actual Average GA rates - splits based on actual kWh sourced from CIS billing stats adjusted for UFE multiplied [sic] by monthly actual GA rates”. Please explain what it means and provide the calculations for the rates.

**Staff Question – 6**

**Ref: GA Analysis Workform**

OEB staff summarizes the principal adjustments related to the unbilled to actual revenue differences as per Tab “Principal Adjustments” of the GA Analysis Workform as below:

|  |  |  |
| --- | --- | --- |
|  | **Unbilled to Actual Revenue differences for 2018** | **Unbilled to Actual Revenue differences for 2019** |
| **Account 1588** | ($18,294) | ($41,319) |
| **Account 1589** | ($86,592) | ($165,515) |

1. Please explain why the 2019 adjustments for the unbilled to actual revenue differences for both 1588 and 1589 are much higher than the 2018 adjustments.

**Staff Question – 7**

**Ref: Rate Generator Model, Tab 3 – Continuity Schedule, cells AL23 and AL25**

The model shows a principle adjustment during 2017 of ($238,157) in Account 1580 for the RSVA – Wholesale Market Service Charge and an off-setting adjustment of $238,157 in 1580 Sub-Account 1580 Variance WMS – Sub-account CBR Class B.

1. Please explain the nature of these adjustments.

**Staff Question – 8**

**Ref: Rate Generator Model, Tab 3 – Continuity Schedule, cell BE36**

**Whitby Hydro Electric Corporation – 2019 Rate Application (EB- 2018-0079) Settlement Proposal**

Cell BE36 of the Rate Generator model shows an amount of ($406,958) for Account 1595(2019).

The OEB-approved settlement proposal for the 2019 rate year notes the following balances for disposition:

* LRAMVA debit balance of $346,347 ($336,629 in principal plus projected interest to the end of 2018)
* Tax sharing amount of $50,174, to be refunded to rate payers and that this portion of the tax savings amount be recorded in Account 1595 for future disposition, when sufficient balances have accumulated
* Interim disposition of the portion of the Account 1589 Global Adjustment balance related to the specific customers that transitioned from Class B to Class A on July 1, 2017 in the amount of $70,331

1. Please reconcile the amount transferred into Account 1595(2019) with the items approved for disposition as part of the settlement proposal (EB-2018-0079) and update the Rate Generator model, if necessary.

**Staff Question – 9**

**Ref: Rate Generator Model, Tab 6.2a CBR B\_Allocation,**

**Manager’s Summary, p. 14**

**Whitby Hydro Electric Corporation – 2019 Rate Application (EB- 2018-0079) Settlement Proposal**

On p. 14, Elexicon-Whitby noted that it requested and received approval to dispose of the share of the 2017 GA balance relating to those customers who had transitioned from Class B to Class A in 2017.

On p. 15 of the Manager’s Summary, Elexicon-Whitby noted that it adjusted its rate generator model as follows:

The eleven customers who transitioned from Class B to Class A in 2017 were reviewed to determine if they remained as Class A customers during the 2018 and 2019 periods.

* The ten customers who remained Class A up to the end of 2019, were not included in section 3a of Tab 6. Class A Consumption Data of the rate generator model. For section 3b, their full year consumption and demand was included in 2017 (as well as the 2018 and 2019 years).
* There was one customer who transitioned to Class A in 2017 but shifted back to Class B in 2018. This customer (Customer 7) was included in section 3a of Tab 6 of the rate generator model. However, for 2017 they were identified as Class A for the full year to avoid any duplication of costs being assigned to them for their 2017 consumption. For section 3b, their full year consumption and demand was included in 2017.

OEB staff notes Tab 6.2a of the Rate Generator model calculates the customer-specific CBR Class B for transitioning customers based on the consumption information provided in tab 6 – Class A Consumption Data. The Rate Generator shows a Class B consumption data of 10,112,630 (cellF23) for all Class B customers in 2017.

1. Please confirm that Elexicon addressed transitioning customers in 2017 for the purpose of clearing GA balances Class A only in its 2019 settlement (EB-2018-0079).
2. If so, please state if and how Class B consumption data for these customers has been considered in the calculation of the remaining CBR Class B balance for 2017
3. Please provide a breakdown of the Class B consumption data.

**Staff Question – 10**

**Ref: Rate Generator Model, Tab 18 – Additional Rates**

Please explain the offsetting rate rider entries for the Sentinel class on Tab 18.

**Staff Question – 11**

**Ref: Manager’s Summary, pp. 22-23**

**Rate Generator Model, Tab 9 – Shared Tax Rate Rider and Tab 18 – Additional Rates**

The Rate Generator model calculated a shared tax savings amount of ($50,172) and the model produced rate riders for each rate class on tab 9 of the model.

In its manager’s summary, Elexicon-Whitby shows the following table:



Elexicon-Whitby further notes that: “the overall difference between the intended shared savings and the calculated disposition is 4%. The calculated disposition for most rate classes produces reasonable results; however, the GS < 50kW class shows a significant variance of 84% between the calculated disposition and the intended shared savings. On a smaller scale, the USL class shows a difference of 22% and the difference for Residential is -7%.”

Elexicon-Whitby further notes that the Appendix B in the OEB’s Filing Requirements state that “rate riders that do not produce the intended results, can be addressed through alternative approaches”.

1. Under Elexicon-Whitby’s proposal, the tax sharing amounts would not be returned until 2025, when the residual amounts in Account 1595 (2021) will be eligible for disposition, given the OEB’s updated requirements in Appendix A of the Filing Requirements.[[2]](#footnote-2) Please comment on whether Elexicon-Whitby has considered the extended delay, and intergenerational inequities, in the return of these amounts to customers when proposing to transfer these amounts to Account 1595.
2. Please confirm that Elexicon-Whitby has based its determination that the intended results would not be produced primarily on the percentage deviations between calculated and allocated amounts for each rate class.
3. Please confirm that, on an absolute dollar basis, the deviations between calculated and allocated amounts of shared tax savings are not considered by Elexicon-Whitby to be material (the largest of which is $4,016 in the GS > 50 class).
4. Does Elexicon-Whitby take a firm position with respect to proposing to transfer the shared tax savings amounts to Account 1595 in this proceeding? Please explain.

**Staff Question – 12**

**Ref: Tab 8 of LRAMVA Workform (Streetlighting)**

**Appendix A – LRAMVA Disposition, Application, p. 7**

Elexicon-Whitby has confirmed that savings are calculated on existing lights which have been retrofitted and attributable to the city’s participation in the IESO program. However, the street light savings achieved in 2017 and 2018 appear to be double-counted, as both the demand and energy savings are claimed in the LRAMVA.

1. Please confirm that the street light savings achieved from the 2015 to 2018 period do not include savings due to natural replacements that were done outside of the city’s participation in saveOnEnergy CDM program.
2. As shown in Table 3 of Appendix A, the energy savings associated with streetlighting (in kWh) were netted out of the 2015 and 2016 saveOnEnergy retrofit programs. Please quantify the energy savings related to street lighting upgrades from the 2017 and 2018 saveOnEnergy retrofit programs.
3. Please explain why the energy savings associated with street light savings were not deducted from the 2017 retrofit program (total savings of 4,297,254 kWh) and from the 2018 retrofit program (total savings of 5,192,386 kWh) and the appropriateness of not doing so.
4. If the energy related savings from street lighting upgrades are included in the 2017 and 2018 retrofit programs, please clarify how there is no double-counting of street lighting savings in the LRAMVA for 2017 and 2018.
5. For 2017/18, please clarify the specific reference for the 2018 net-to-gross ratio of 89.18% and the rationale for using this assumption, as it is higher than previous years’ net-to-gross adjustments of 76.77% in 2015 and 60.98% in 2016.

**Staff Question – 13**

**Ref: LRAMVA Workform, Tab 1-a**

1. If Elexicon-Whitby made any changes to the LRAMVA Workform as a result of its responses to the above LRAMVA question, please file an updated LRAMVA Workform, and confirm the relevant updates to the LRAMVA balance requested for disposition, the disposition period, and the revised rate riders.
2. Please record any changes to the LRAMVA Workform in response to the above LRAMVA question in “Table A-2. Updates to LRAMVA Disposition (Tab 1-a)”.

1. EB-2019-0130, Page 8. [↑](#footnote-ref-1)
2. Filing Requirements For Electricity Distribution Rate Applications, Chapter 3, issued May 14, 2020, Appendix A [↑](#footnote-ref-2)