Kingston Hydro Corporation

OEB Staff Questions

EB-2020-0034

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**Staff Question -1**

**Ref: 2019 IRM Decision and Order EB-2018-0047; Kingston Hydro’s Response to Incomplete Letter, Page 2**

In Kingston Hydro’s 2019 IRM Decision and Order EB-2018-0047, the OEB expressed concerns over the balances in Kingston Hydro’s commodity accounts and ordered a regulatory audit by OEB’s Audit and Investigations unit of Kingston Hydro’s processes regarding RPP settlement claims and true-ups of claims with the IESO.

In its response to the OEB’s incomplete letter, Kingston Hydro states that Kingston Hydro is not requesting final disposition for any balances that have been previously disposed of on an interim basis.

OEB staff notes that Kingston Hydro has requested the disposition of Group 1 DVA balances and the OEB-ordered audit has not been completed at this time.

1. Please clarify whether Kingston Hydro is requesting the disposition of 2019 Group 1 balances as at interim basis in this application. If not, please explain the appropriateness of a final disposition of the balances that may not be accurate.

**Staff Question -2**

**Ref: Kingston Hydro’s Response to Incomplete Letter, pages 1 & 2; GA Analysis Workform Tab. Principal Adjustments**

In explaining the variances with RRR 2.1.7 for Accounts 1588 and 1589, Kingston Hydro states that part of the variances were due to “Settlement accrual booked in error (no longer needed due to new illustrative commodity model)” and “Detailed reconciliations have been included in the GA Analysis Workform on the “Principal Adjustments” tab”.

OEB staff does not note any description of the errors for the adjustments on the Principal Adjustments Tab of the GA Analysis Workform.

1. Please map the adjustments for the settlement accrual booked in error to the adjustments on the Principal Adjustments Tab of the GA Analysis Workform.
2. Please explain in detail for the adjustments for the settlement accrual booked in error and no longer needed due to new illustrative commodity model.

**Staff Question -3**

**Ref: GA Analysis Workform; Kingston Hydro’s Response to Incompleteness Letter, page 2**

Regarding the reconciling item #3 in Note 5 of the 2019 GA Analysis Workform, Kingston Hydro states:

 ($218,920) is an adjustment in the GL that related to billing adjustments that pertained to pre 2019 transactions.

 Kingston Hydro is not requesting an adjustment to the 2018 balance that was disposed of on an interim basis, as the billing adjustments are included in the amount requested for disposition in this proceeding.

1. Please explain the billing adjustments of ($218,920) in the following aspects:
* What class of customers the adjustments are related to?
* Approximately how many customers are impacted?
* What are the reasons for the billing adjustments?
* What years of the bills that the billing adjustments are pertaining to?

**Staff Question - 4**

**Ref: GA Analysis Workform**

OEB staff notes the following CT148 adjustment item in 2019 GA Analysis Workform:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Item** | **Amount** | **Explanation** |
| 1b | CT 148 True-up of GA Charges based on Actual Non-RPP Volumes - current year |  $ 925,019  | True-up of 2019 GA charges recorded in 2020 |

OEB staff notes that the credit side of the above adjustment was recorded in 2019 in Account 1588 as per review of the Principal Adjustment tab of the GA Analysis Workform. OEB staff notes that the prior year CT148 adjustment is ($83,701).

1. Please explain why the CT148 true-up adjustment in 2019 is of a much larger amount as compared to the adjustment in 2018.

**Staff Question - 5**

**Ref: GA Analysis Workform; the Accounting Guidance for IESO Charge Type 2148**

OEB staff notes that the following reconciling items are netted zero in the 2019 GA Analysis Workform:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Item** | **Amount** | **Explanation** |
| 5 | CT 2148 for prior period corrections |  $ 810,304  | From September 2019 IESO invoice (lines 8 and 9 from 2020 GA Workform plus Jan-Mar 2019) |
| 6 | Others as justified by distributor |  $ (142,085)  | From September 2019 IESO invoice (reversal of previous Issue 870 related to 2018 as a result of line 5) |
| 7 |   |  $ (564,280)  | Portion of line 5 related to 2018 balances |
| 8 |   |  $ 5,330  | Difference in 2020 GA Workform estimate vs. actual IESO invoice |
| 9 |   |  $ (109,269)  | Portion of line 5 relating to 2019 calendar year adjustments (Jan-Mar 2019 for incorrect EG reporting) |

The OEB issued an Accounting Guidance on May 15, 2019 regarding the IESO Charge Type 2148. The Accounting Guidance states that:

 Distributors are expected to incorporate the portion of RPP global adjustment from charge type 2148 in their RPP settlement claims. Therefore, the total global adjustment cost is to be used in calculating RPP settlements claims and subsequent true ups with the IESO. The portion of charge type 2148 relating to RPP customers would need to be settled with the IESO as a part of the current month RPP settlement using current month Class B RPP load quantities. Distributors are not expected to revise prior period RPP settlement claims for prior period corrections stemming from charge type 2148.

1. Please explain why these reconciling items are needed in 2019 GA Analysis Workform.
2. Please provide the portion of the CT 2148 adjustment related to 2019 only and provide the Non-RPP portions and RPP portions of the adjustments.
3. Please confirm that Kingston Hydro has recorded the CT2148 adjustment in accordance with the Accounting Guidance dated May 15, 2019. Specifically, Kingston Hydro has apportioned the adjustment into RPP and Non-RPP and has settled the RPP-portion of the CT2148 with the IESO.
4. If so, please provide the month where Kingston Hydro has included the RPP portion of the CT2148 or a plan when it will be settled.
5. If not, why not.

**Staff Question - 6**

**Ref: GA Analysis Workform**

OEB staff notes from the “Principal Adjustments” tab of the GA Analysis Workform that the 2019 principal adjustments for Account 1588 is mainly comprised of the following two adjustments:

|  |  |
| --- | --- |
| 2019 | *Current year principal adjustments* |
|   | 1 | CT 148 true-up of GA Charges based on actual RPP volumes  |  (925,019) |  2,020  |
|   | 2 | CT 1142 true-up based on actuals |  (1,256,779) |  2,020  |

1. Please provide a breakdown of the CT1142 true-up adjustment of ($1,256,779) into the energy portion (RPP-HOEP) and the global adjustment portion (RPP portion of the GA).
2. Please complete the table below and explain if the total amount below in cell A is not zero:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Item** | **Reference** | **Amount $** |
| 1. | RPP portion of GA $ that was included in the Transactions Debit/(Credit) during the year of the DVA continuity schedule  | A |  |
| 2.  | CT 148 true-up of GA Charges based on actual RPP volumes | B | (925,019) |
| 3. | RPP portion of the GA that is included in CT 1142 true-up | C |  |
|  | Total  |  |  |

**Staff Question - 7**

**Ref: Kingston Hydro’s 2016 Custom IR Settlement Proposal dated November 3, 2015, pages 13 and 14**

Page 13 of Kingston Hydro’s 2016 Custom IR Settlement Proposal states that:

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Page 14 of Kingston Hydro’s 2016 Custom IR Settlement Proposal states that:

 

1. Please confirm that the capital variance account is expected to track the variances in the custom plan of 2016 to 2020.
2. Please provide the information in the table below for each of the three categories (System Renewal/System Service, System Access and General Plant). Please do not break these three categories into more detailed levels.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   |   | **2016** | **2017** | **2018** | **2019** | **2020** |
| **Annual Approved CAPEX** | **a** |   |   |   |   |   |
| **Cumulative Approved CAPEX** **(Note 1)** | **b** |   |   |   |   |   |
| **Annual Actual CAPEX** | **c** |   |   |   |   |   |
| **Cumulative Actual CAPEX** **(Note 2)** | **d** |   |   |   |   |   |
| **Underspending if Cumulative**  | **e=d-b** |   |   |   |   |   |

Note 1: Cumulative approved CAPEX is the sum of the prior year cumulative approved CAPEX plus the current annual approved CAPEX.

Note 2: Cumulative actual CAPEX is the sum of the prior year cumulative actual CAPEX plus the current annual actual CAPEX.

2) Please provide the reference to the 2016 Custom IR application with respect to the approved CAPEX in three categories.

**Staff Question - 8**

**Ref: Kingston Hydro’s excel file for the Capital Addition Variance Model**

In the Capital Addition Variance Model excel file, OEB staff notes that Kingston Hydro has provided the annual revenue requirement calculation for the capital addition variance sub-account of ($34,573) which can be broken down into the following categories of the assets:

* General Plant- ESM software: variance of ($9,030.40)
* General Plant-Truck: variance of nil
* System Renewal/System Service: variance of nil
* System Access – Meters: Variance of ($19,963.17)
* System Access – Russel St.: variance of ($5,579.58)
1. Please clarify that the requested balance of ($34,573) in Account 1508 is as at December 31, 2019 or December 31, 2020?
2. If the balance is as at December 31, 2019, why Kingston Hydro is requesting the disposition of the balance now given the custom IR plan is from 2016 to 2020.
3. If the balance is as at December 31, 2020, please explain whether Kingston Hydro is planning to request the 2020 variances based on the forecasted actual.
4. Please provide the supporting calculations for CAPEX variance row in each of the tabs.
5. Please explain why Kingston Hydro breaks down the general plant category and system access category further into two sub-categories of assets.
6. Does the calculation model recognize the delay of the capital assets as agreed upon in the 2016 Custom IR settlement proposal?
7. If not, please update the calculation model to recognize the delay of the capital assets.
8. Did Kingston Hydro delay the spending on the general plant- truck in 2016 and delayed the spending on system renewal/system service in 2016 and 2017? If so, why there were no variance related to these two categories of assets in the capital addition model provided.

**Staff Question - 9**

**Ref: Kingston Hydro’s Mangers Summary Page 12 MicroFIT**

Please confirm Kingston Hydro is aware an OEB letter was issued February 24, 2020 changing the microFit charge from $5.40 to $4.55. The charge of $4.55 is to be adopted in this rate application.

**Staff Question - 10**

**Ref: Kingston Hydro’s Mangers Summary Page 13 Bill Impacts and Rate Generator Model Tab 19**

Please confirm Kingston Hydro’s rate generator Tab 19 is now working correctly and the bill impacts Tab 20 is correct.