

**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.

- a) 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.

Response

Elexicon does not expect further adjustments to any of the DVAs upon the implementation of the new integrated CIS system.

- b) 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.

Response:

Elexicon has provided full year 2019 review as well as looked back historically for a full year in 2018. The historical review confirmed that there was no material differences identified when comparing the outcomes of the Elexicon Whitby to the OEB's methodology. As the methodology used by Elexicon Whitby in 2017 was identical to that used in 2018, it was reasonable to conclude that there would be no material differences in prior periods (2017).

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

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.
2. 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:

¹ EB-2019-0130, Page 8.

	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".

- a) 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.

Response:

Confirmed.

- b) Please provide the materiality threshold used in the former Whitby Hydro's last cost of service application.

Response:

Approximately \$100,000.

- c) 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).

Response:

The impact of the Account 1588 adjustment is summarized as a credit of \$0.12 and \$0.32 per month for Residential and General Service <50kW customers.

Summary - 1588 Adjustment

Amount (191,320)

Customer Rate Class	Allocation		kWh	Rate Rider	Average Monthly kWh	Bill Impact	Bill Impact (after tax & OER)
Residential	41.7%	(79,719.79)	353,061,372	\$ (0.0002)	750	\$ (0.15)	\$ (0.12)
General Service <50	10.5%	(20,163.13)	89,298,040	\$ (0.0002)	2,000	\$ (0.40)	\$ (0.32)

The impact of the 1589 adjustment is limited to a very small portion of Elexicon-Whitby customers as it applies only to those on a retailer contract. As a result, a credit amount of \$5,106 and \$10,783 would be allocated to Residential and General Service < 50kW customers respectively.

Based on 2019 data for the Whitby RZ, 692 Residential customers (~1.7% of total Residential customers) and 211 General Service < 50kW customers (~9.3% of total General Service < 50kW customers) would be affected.

A summary is provided below.

Summary - 1589 Adjustment

Amount (161,952)
 Class B (151,369)
 Class A/B Transitioning (10,583)

Customer Rate Class	Allocation		kWh	Rate Rider	Average Monthly kWh	Bill Impact	Bill Impact (after tax & OER)
Residential	3.4%	(5,106)	7,135,155	\$ (0.0007)	750	\$ (0.53)	\$ (0.43)
General Service <50	7.1%	(10,783)	15,067,136	\$ (0.0007)	2,000	\$ (1.40)	\$ (1.14)

- d) 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.

Response:

Elexicon-Whitby has reviewed the 2018 information and identified that its methodology produced consistent outcomes to those produced by the OEB's accounting guidance with the exception of the treatment of UFE (unaccounted for energy). As there was no specific guidance in place during the historical period, the

predecessor LDC for the Whitby Rate Zone took a reasonable approach which has been shown to fall just below the materiality level suggested in the OEB's accounting guidance. At this time, Elexicon does not feel that an adjustment for historical years is required in light of the current guidance.

Elexicon has highlighted that the Account 1589 adjustment will have a very limited impact on Residential and General Service <50kW customers. Elexicon notes that with the exception of Street Lighting, all customers in the Whitby Rate Zone will already be receiving a net bill reduction based on the current 2021 rate application.

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)

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

Response:

The reconciliation is very closely aligned to the balances in the continuity schedule. Other smaller differences may be explained by transactions (ie. billing adjustments,

proration, rounding and weighting factors) in the billing system and the analysis that are not considered material enough to review at a more detailed level. Elexicon-Whitby has demonstrated that the balances summarized in its review are very closely aligned to the continuity schedule. Any differences would not have a material impact on disposition or resulting rate riders.

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.

Response:

The link refers to three Excel files. Reference files have been provided.

- 2) Please confirm the accuracy of the added column in the above table by the OEB staff.

Response:

The added column (B) is not accurate. The table below provides a more appropriate breakdown in column C.

Cost of Energy (4705)	A	B	C	D
	EW Method (Use Retail KWH for RPP settlements)	EW – Adjusted (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	15,946,033
FIT/MicroFit @ spot	104,508	104,508	104,508	104,508
RPP - actual differential - Billing from CIS Final (RPP - spot)*	34,948,191	-		
GA RPP Portion		52,750,382	52,146,689	52,146,700
1598 Final Settlement		-17,802,219	-17,198,498	-17,637,296
1598 Adjustment to be submitted to the IEO		164,923	-438,759	
Adjustment of RPP GA UFE		-603,682		
Adjustment for OEB Accounting Guidance (UFE)	-438,787			
Total	50,559,945	50,559,945	50,559,973	50,559,945

Column C represents EW's process which was updated in 2019 to achieve the same outcomes as the OEB's methodology. This included:

New allocation method for GA costs (IESO CT148) to incorporate the UFE adjusted RPP and non-RPP split. This became part of the regular process for

entries to post GA costs (CT 148). As a result, the amount of (\$603,682) is already included in the GA RPP Portion line (which matches the OEB methodology's outcome).

Adjustment to include UFE in the calculation of the 1598 settlement. Currently the CIS system is designed to post amounts used in the 1598 settlement in an automated fashion using actual billing data. By virtue of data flow through the CIS system, the automated postings use the retail consumption for the calculations. As a result, a separate manual entry is calculated and posted to the General Ledger based on an analysis of the billing data to incorporate UFE (per Excel file provided as supplemental evidence to this application). The entry (\$438,759) is added to the automated postings in order to incorporate UFE in a manner consistent with the OEB methodology. This amount flows into the adjustment (true-up) process for 1598 settlements with the IESO.

The breakdown of (\$438,759) is made up of (\$540,675)-(\$101,916) and the drivers have been outlined in the Excel analysis provided for 2019 on the Tab "EW Settlement Comparison". For ease of review, an excerpt has been provided below.

Comparison	EW Method	OEB Method	Diff	
(A) RPP Revenue	44,020,088	43,479,413	540,675	1% (1)
(B) Energy Revenue - RPP	9,071,925	8,970,009	101,916	1% (2)
(C) GA - RPP	52,146,689	52,146,700	(12)	0% (3)
Adjustment for OEB Accounting Guidance (UFE)	438,787		438,787	
Final IESO Settlement (A-B-C)	(17,637,313)	(17,637,296)	(16)	0%

Wholesale vs Retail Volume Differences (UFE)	Retail kWh	Wholesale kWh	UFE	Rate	\$ Amount
(1) Tier 1	32,266,636	31,897,372	369,263	0.092	33,967
Tier 2	16,330,194	16,143,309	186,885	0.1028	19,209
TOU Off-peak	281,728,905	278,504,765	3,224,140	0.0766	247,011
TOU Mid-peak	76,358,028	75,484,178	873,851	0.1088	95,094
TOU On-peak	81,611,595	80,677,621	933,973	0.1557	145,423
RPP Revenue	488,295,358	482,707,245	5,588,112		540,704
Adjustment for OEB Accounting Guidance (UFE)					(540,704)
					-

(2) Energy Revenue - RPP	488,295,358	482,707,245	5,588,112	0.0182	101,916
Adjustment for OEB Accounting Guidance (UFE)					(101,916)
					-

EW's updated methodology achieves the same results (outcomes) as the OEB's method. As a result, the only differences are strictly timing related (ie. timing of unbilled actuals vs. estimates and final true-ups). As outlined in the GA Analysis Workform, timing related adjustments impacting GA (1589) and Power (1588) have been reflected in the continuity schedule in the Rate Generator model.

During 2019, Elexicon completed periodic true-up adjustments in the General Ledger and with the IESO. Due to timing, the last adjustment of \$186,786 was not posted before the fiscal year end and as such, is included as an adjustment to the continuity schedule for 1588 balances

	Amount	GL Posting	IESO Claim
Jan - Apr	65,394	Jul-19	Jul-19
May - Oct	185,310	Dec-19	Jan-20
Nov - Dec prelim	1,297	Dec-19	Jan-20
Nov - Dec final	186,786	Mar-20	Apr-20
	<u>438,787</u>		

As Elexicon's EW approach uses a balance sheet clearing account to capture estimated and actual 1598 settlement with the IESO, the actual timing of filing the IESO claim does not have an impact on the 1588 account balances.

- 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.
 - i) 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.

Response:

Not applicable. Please see response 2) above.

- a) If not, please explain whether Elexicon-Whitby plans to settle this adjustment with the IESO (and please provide the plan details).

Response:

Not applicable. Please see response 2) above.

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	}	<i>Sourced from IESO invoice</i>
0.10803	RPP - Class B GA actual		
0.10789	Non RPP - Class B GA actual		

Actual Average GA rates - splits based on actual kWh sourced from CIS billing stats adjusted for UFE multiplied by monthly actual GA rates

- a) 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.

Response:

The monthly GA rates used for both the RPP and non-RPP customers are identical. However, when reviewing multiple months (ie. full year 2019), there are different weightings of kWhs for RPP and non-RPP customers in each month. As a result of the differences in the weighting, the blended actual 2019 GA rate for RPP versus non-RPP customers will be different. See response to part (b) below for additional detail.

- b) 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.

Response:

The following supplements response (a).

Retail consumption data is collected through billing statistic information from the CIS. UFE is allocated proportionately to RPP and Non-RPP Class B kWhs, and actual GA rates (per IESO invoice) are applied to arrive at the split of actual GA costs for RPP and Non-RPP. Calculations are provided below.

	RPP kWh	Non-RPP kWh	GA Actual Rate	GA - RPP	GA - Non- RPP
Jan	43,594,591	24,400,431	\$ 0.08094	\$ 3,528,352	\$ 1,974,862
Feb	40,362,156	19,220,914	\$ 0.08812	\$ 3,556,651	\$ 1,693,717
Mar	38,169,637	23,342,719	\$ 0.08041	\$ 3,069,046	\$ 1,876,882
Apr	33,933,627	19,727,052	\$ 0.12333	\$ 4,184,895	\$ 2,432,856
May	33,199,117	19,562,479	\$ 0.12605	\$ 4,184,610	\$ 2,465,769
Jun	39,353,249	19,388,130	\$ 0.13727	\$ 5,402,061	\$ 2,661,428
Jul	55,770,653	21,966,254	\$ 0.09646	\$ 5,379,543	\$ 2,118,828
Aug	48,408,083	19,634,489	\$ 0.12607	\$ 6,102,631	\$ 2,475,249
Sep	35,751,692	18,302,659	\$ 0.12263	\$ 4,384,258	\$ 2,244,470
Oct	33,721,353	17,836,882	\$ 0.13679	\$ 4,612,796	\$ 2,439,934
Nov	38,506,206	17,755,672	\$ 0.09954	\$ 3,832,782	\$ 1,767,342
Dec	41,936,881	19,904,390	\$ 0.09321	\$ 3,909,075	\$ 1,855,354
	482,707,245	241,042,070		\$ 52,146,700	\$ 26,006,691

Average GA Rate/kWh \$ 0.10803 \$ 0.10789

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)

- a) 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.

Response:

The chart above does not appear to reflect the amounts in the correct rows/columns. An updated version has been provided below.

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

For additional context, the total unbilled revenue booked for commodity and global adjustment revenue in 2019 was \$6.9M and \$1.6M respectively. The differences identified above represent a very small fraction of the total unbilled revenue. Unbilled accruals by nature are estimates. Elexicon considers the unbilled differences in both years to have a very high level of accuracy (95%+). On this basis, further review of the differences was not considered necessary.

A more detailed review of variances is performed when significant differences arise to ensure better education, explanations and possible process improvement.

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.

a) Please explain the nature of these adjustments.

Response:

The adjustment in Account 1580 (WMS) and 1580 (sub-account CBR Class B) was outlined in the Manager's Summary for the former Whitby Hydro Electric Corporation 2018 rate application (EB-2017-0085). The explanation is as follows:

Adjustments to Continuity Schedule (Tab 3 of the 2018 Rate Model)

WMS (1580) and sub-account for CBR Class B:

In preparing the continuity schedule, Whitby Hydro identified that the 2016 RRR (2.1.7 trial balance) values were correctly reported for the 1580 WMS account in total, however, the supplemental information provided for sub-account CBR Class B was reported incorrectly as it only reflected the 2016 activity and therefore did not include amounts that should have been carried over from the 2015 ending balance. The adjustment columns (BM and BN) in Tab 3 of the 2018 Rate Model reflect an appropriate adjustment to ensure that the values used for the disposition claim are corrected. Whitby Hydro has not requested a revision to RRR at this time and does not intend to do so unless otherwise instructed by the

Board. Whitby Hydro does not believe that the correction will have any material impact on the trial balance or other uses of the trial balance information since the total 1580 account balances were correctly reported. (EB-2017-0085, Page 9-10 lines 27-36 and 1-3).

The amount in column BM in Tab 3 of the 2018 Rate Model noted in the excerpt above was \$238,157. This adjustment was made to ensure that the value used for the 2018 disposition claim was correct. This is the same adjustment brought forward to column AL of the 2021 Rate Model (Note: The adjustment is going in the same direction in both models and only appears to be reversed because of the nature of the formulas used to determine the Closing Principal amount.) It was necessary to leave the adjustment amount in cells AL23 & AL25 so that it was appropriately offset by the 2018 disposition amount in cells AU23 & AU25.

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**
- a) 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.

Response:

Column BE of the 2021 Rate Generator model is the OEB-Approved Principal Disposition amount during 2019. This amount is made up of the LRAMVA principal amount of \$336,629 and the GA amount of \$70,331 (both to be recovered from customers in 2019) $\$336,629 + \$70,331 = \$406,960$ (small rounding difference vs cell BE36 \$406,958)

Please note:

- 1) As per the 2019 settlement agreement, the \$70,331 interim disposition GA amount is the principal amount only
- 2) The Tax Sharing amount of \$50,174 is in cell BD35 and has been recorded in the continuity as a transaction from 2019 related to 1595(2018) (to be recovered at a later date).

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.

- a) 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).

Response:

Confirmed. The 2019 approved settlement addressed the portion of the Account 1589 Global Adjustment balance related to specific customers that transitioned from Class B to Class A on July 1, 2017.

- b) 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

Response:

In the 2019 approved settlement, it was agreed by all Parties that the CBR balance was not considered material and would be disposed of in a future application to all Class B customers.

In EB-2018-0079, the balance for 2017 CBR was \$10,279. The amount that was deemed to be immaterial which would have otherwise been allocated to the transitioning Class A customers was \$1,464 (14.24% of \$10,279).

Based on the 2021 application, an allocated percentage of 6.53% was assigned to the total CBR cost claim (which included the \$10,279 balance from 2017).

Further calculations and splits to determine how the 2017 CBR amount was allocated are included in the analysis below:

2019 Rate Application (EB-2018-0079)

\$	10,279	CBR Balance (2017)
	14.24%	Portion related to transitioning customers
\$	1,464	Calculated amount for transitioning customers on July 1, 2017 (considered immaterial)

2021 Rate Application (EB-2020-0012)

	6.53%	Proportion of CBR balance allocated to new set of transitioning customers
\$	671.22	2017 CBR amount assigned to Class A/B transitioning customers (\$10,279 x 6.53%)

Customer 1	13.79%	\$ 92.53
Customer 2	10.21%	\$ 68.52
Customer 3	14.72%	\$ 98.79
Customer 4	10.77%	\$ 72.31
Customer 5	44.20%	\$ 296.65
Customer 6	5.95%	\$ 39.92
Customer 7	0.37%	\$ 2.50
Total		\$ 671.22

The above analysis shows that the current 2021 rate application model is assigning \$671.22 of the “immaterial” 2017 CBR amount to the seven transitioning customers identified in the 2021 rate application. Based on the approved settlement (EB-2018-0079), the full amount (\$1,464) should have been assigned to Class B customers but instead, a small amount of \$671.22 was not correctly allocated to Class B. The incorrectly assigned value is considered immaterial.

c) Please provide a breakdown of the Class B consumption data.

Response:

Response (b) identifies the amount that was misallocated to the seven transitioning customers instead of the Class B. Given the small amount that was misallocated, there would be no impact to Class B and calculated rate riders.

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.

Response:

Please see page 25 lines 12-21 of the Manager’s Summary which states:

Copies of the current and proposed tariff sheets and EW’s calculated customer bill impacts are included in this Application (Appendices B, C and D respectively). The proposed tariffs sheet reflects rates calculated in the 2021 Rate Model with a few exceptions:

- *Shared Tax Savings rate riders have been removed (reflecting the proposed transfer to Account 1595)*
- *The Notice of Switch Letter charge has been changed to \$2.08 from \$2.04 as it does not appear as though the inflation factor was applied in the IRM Rate Generator Model*
- *Removal of GA, CBR and DV calculated rate riders from the Sentinel Light customer class which reflect disposition values of less than \$70 in total. This amount was deemed to be immaterial. The cost to set up and track these rate riders would exceed the value of doing so.*

The calculated rate riders for the Sentinel Light customer class were removed from the Final Tariff by adjusting tab 18 of the 2021 Rate Model so that the bill impacts in the Rate Generator model would be reflective of the proposed 2021 Tariff Sheet. The amounts allocated to the Sentinel customer class were determined to be immaterial (CBR \$4, GA \$1 and D/V \$61).

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:

2021 Tax Sharing - Analysis of Tax Sharing to Distribute vs Projected Savings Generated By Rate Riders

	Billed kWh (A)	Billed kW (B)	# Customers (C)	Tax Chg Rate Rider per kWh/kW/ Customer (D)	Calculated Amount (E=D*(A, B or C) as applicable)	Allocation of Tax Savings by Rate Class *	Diff \$ (G=E-F)	Diff% (G/F)
Residential	353,061,372		41,437	(0.06)	(\$29,835)	(\$32,011)	\$2,176	-7%
GS<50 kW	89,298,040			(0.0001)	(\$8,930)	(\$4,864)	(\$4,066)	84%
GS>50 kW	403,877,766	960,319		(0.0127)	(\$12,196)	(\$12,175)	(\$21)	0%
USL	1,834,696			(0.0002)	(\$367)	(\$302)	(\$65)	22%
Sent. Lights	30,640	86		(0.0922)	(\$8)	(\$8)	\$0	-1%
Streetlights	3,343,339	8,981		(0.0904)	(\$812)	(\$812)	\$0	0%
	851,445,853	969,386			(\$52,147)	(\$50,172)	(\$1,975)	4%

* as per OEB's 2021 Rate Generator Model

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".

- a) 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 Please comment on whether Elexicon-Whitby has

² Filing Requirements For Electricity Distribution Rate Applications, Chapter 3, issued May 14, 2020, Appendix A

considered the extended delay, and intergenerational inequities, in the return of these amounts to customers when proposing to transfer these amounts to Account 1595.

Response:

When spread out over the customer base, the relatively small amount will not have a material effect on customers. This mitigates concerns of intergenerational inequities.

- b) 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.

Response:

Confirmed.

- c) 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).

Response:

Confirmed.

- d) 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.

Response:

Elexicon does not take a firm position with respect to proposing to transfer the shared tax savings amounts to Account 1595 in this proceeding. Elexicon acknowledges that the absolute differences are not material despite there being large disconnects from a percentage perspective. Elexicon is still of the view that the total impact of the shared tax savings (\$50,172) is not material for disposition.

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.

- a) 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.

Response:

Confirmed.

- b) 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.

Response:

There were no kWh energy savings from the street lighting project in EW's 2017 and 2018 IESO results, therefore no adjustment was necessary

- c) 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.

Response:

See above response to (b)

The total 2017 retrofit savings of 4,297,254 kWh and 2018 retrofit savings of 5,192,386 kWh were for projects unrelated to the street lighting program.

- d) 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.

Response:

Not applicable – See above response to (b)

- e) 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.

Response:

Please see page 20 lines 9-12 of the Manager's Summary which states:

- *Based on program year, the net-to-gross assumptions per the IESO annual reports were applied to determine the net kW reduction (savings) per month. In the absence of 2018 net-to-gross assumptions from the IESO, EW relied on the IESO's 2017 program evaluation results.*

As noted, the 2015 to 2017 net-to-gross assumptions were as per the IESO annual reports. It was reasonable to use the 2017 net-to-gross assumption for 2018 based on direction in the Filing Requirements (dated May 14, 2020 page 17) which states "to calculate net savings values at the project level, distributors should rely on results from the IESO's 2017 program evaluation"

Elexicon acknowledges that there is a large difference between 2017/2018 and 2016. It is Elexicon view that the 2016 net-to-gross ratio of 60.98% was significantly understated and these results were not properly reflective of the true net-to gross ratios. This concern was raised with the IESO with a request for review and adjustment. While no adjustment was provided, the former Whitby Hydro maintained its position that the IESO's reported value was not a correct reflection of the net-to-gross ratio.

Staff Question – 13

Ref: LRAMVA Workform, Tab 1-a

- a) 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.

Response:

No changes required

- b) 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)".

Response:

No changes required