

**BY E-MAIL**

October 22, 2020

Christine E. Long  
Registrar and Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Elexicon Energy Inc. (Elexicon Energy)  
Application for 2021 Electricity Distribution Rates  
OEB Staff Interrogatories  
Ontario Energy Board File Number: EB-2020-0013**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Elexicon Energy and all intervenors have been copied on this filing.

Elexicon Energy's responses to interrogatories are due by November 6, 2020.

Yours truly,

Birgit Armstrong  
Project Advisor, Electricity Distribution: Incentive Rate Setting & Regulatory Accounting

Attach.

**OEB Staff Interrogatories  
Elexicon Energy Inc. - Veridian Rate Zone (Elexicon-Veridian)  
2021 IRM Application**

\*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

**Renewable Generation Connection Rate Protection (RGCRP)**

**OEB Staff-1**

**Ref: Elexicon\_VRZ\_2021\_2020 Variance – Actual Costs – REG-Project\_20201014  
Manager's Summary – Appendix I and Addendum Appendix I**

In calculating RGCRP funding, Elexicon-Veridian included costs for a Communication Platform project in the amount of \$460,000 (50% of total costs). The model shows capital cost entries over a four-year period, starting in 2022:

- 2022 (\$115,000), 2023 (115,000), 2024 (\$115,000) and 2025 (\$115,000)

On page 2 of Appendix I and page 2 of the Addendum to Appendix I, Elexicon-Veridian notes that the project will not be in service until 2025.

- a) If the estimated in-service date for the Communication Platform is 2025, please explain why Elexicon-Veridian feels that it is appropriate to receive provincial funding prior to the project going into service.
- b) OEB staff notes that the estimates of \$911,000 in total capital cost and \$135,000 in ongoing OM&A for the Communication Platform remain unchanged from the estimated costs in 2014.
  - i. Has Elexicon-Veridian received any updated estimates for the proposed Communication Platform, following the initial study? If not, why not?
  - ii. If so, please provide updated estimates.
- c) Please explain whether Elexicon-Veridian included any start-up OM&A costs?
- d) Please confirm that no ongoing OM&A costs have been included in this estimate.

**OEB Staff-2**

**Ref: Manager’s summary, Appendix I, filed August 20, 2020**  
**Addendum to Appendix I, filed October 14, 2020**  
**Elexicon\_VRZ\_2021\_2020 Variance Actual Costs\_REG-Project\_20200820**  
**Elexicon\_VRZ\_2021\_2020 Variance – Actual Costs – REG-Project\_20201014**

In the original application evidence, filed August 20, 2020, Elexicon-Veridian proposed true-up costs of (\$4,014) for the period of 2014-2020 as shown in Table 1. In the updated request, filed on October 14, 2020, Elexicon-Veridian revised the true-up amount to (\$5,490) as shown in Table 2.

Table 1

	2014	2015	2016	2017	2018	2019		Total @ 2020 YE
Revenue received from IESO	\$11,568.00	\$30,488.00	\$36,600.00	\$35,916.00	\$35,232.00	\$35,004.00	\$217,992.00	\$402,800.00
Calculated revenue requirement (actuals)	\$8,027.32	\$24,294.96	\$52,721.44	\$80,254.91	\$79,281.32	\$77,864.66	\$76,341.05	\$398,785.66
Year end adjustment to variance	-\$3,540.68	-\$6,193.04	\$16,121.44	\$44,338.91	\$44,049.32	\$42,860.66	-\$141,650.95	-\$4,014.34

Table 2

	2014	2015	2016	2017	2018	2019	2020	Total @ 2020 YE
Revenue received from IESO	\$11,568.00	\$30,488.00	\$36,600.00	\$35,916.00	\$35,232.00	\$35,004.00	\$217,992.00	\$402,800.00
Calculated revenue requirement (actuals)	\$8,027.32	\$24,294.96	\$52,721.44	\$80,055.15	\$78,873.06	\$77,438.89	\$75,899.17	\$397,309.98
Year end adjustment to variance	-\$3,540.68	-\$6,193.04	\$16,121.44	\$44,139.15	\$43,641.06	\$42,434.89	-\$142,092.83	-\$5,490.02

- a) OEB Staff notes that Elexicon-Veridian removed a 2017 capital cost entry of \$9,512 for the Index Energy project in the updated request. These capital costs were included in the interim funding received in 2019.
  - i. Please confirm that these costs should not be included as part of the RGCRP.
  - ii. If these capital cost should be included, please explain the nature of these costs.
- b) Please explain any other differences in the revised revenue requirement for the years 2017-2020.

**OEB Staff-3**

**Ref: Manager’s summary, Appendix I, filed August 20, 2020**  
**Addendum to Appendix I, filed October 14, 2020**  
**Elexicon\_VRZ\_2021\_2020 Variance Actual Costs\_REG-Project\_20200820**  
**Elexicon\_VRZ\_2021\_2020 Variance – Actual Costs – REG-Project\_20201014**

For the 2014 rate year, Elexicon-Veridian shows a variance of (\$3,540). OEB staff notes that this variance is due to the proration of the actual revenue requirement to 8 months versus the received RGCRP funding over a 12-month period, to align with its May 1 – April 30 rate year cycle.

Please explain if and how Elexicon-Veridian accounted for the request to align its rate year to the fiscal year starting Jan. 1, 2021 in its current RGCRP funding true-up.

### **COVID-19 Forgone Revenue Rate Rider**

#### **OEB Staff-4**

#### **Ref: COVID-19 Forgone Revenue Rate Rider Model, Tab 3 – Billing Determinant RRR Data 2.1.5**

For the GS 3,000 rate class, the total kW entered by Elexicon-Veridian for the 12-month recovery period of January 1, 2021 to December 31, 2021 is 251,850 kW.

Similarly, for the Sentinel Lighting rate class, the total kW entered for the 12-month recovery period of January 1, 2021 to December 31, 2021 is 402 kW.

- a) Please provide the consumption as well as the customer data as reported in the 2019 *RRR* 2.1.2 and 2.1.5.
- b) Please explain the variances in consumption for the GS 3,000 – 4,999 and the Sentinel rate class in detail.
- c) Please provide the 2020 year-to-date consumption and customer data and update the projected billing determinants for 2021, if necessary.
- d) On page 27 of the Manager's summary, Elexicon-Veridian noted that it has not included a rate rider (*emphasis added*) for the Sentinel Lighting rate class as the Forgone Revenue value was determined to be immaterial (below \$300).
  - i. Please confirm that the model has calculated a rate rider at the fourth decimal place.
  - ii. If so, please explain why Elexicon-Veridian feels that it is appropriate to exclude a rider for this rate class.

## Rate Year Alignment

### OEB Staff-5

**Ref: Rate Year Alignment Model  
RRR Data 2.1.5  
Manager's summary, App. H**

The Rate Year Alignment Model has provided January to April consumption data based on month of annual consumption data to establish billing determinants for a Rate Year Alignment Rate Rider.

- a) Please provide the consumption as well as the customer data as reported in 2019 *RRR* 2.1.2 and 2.1.5.
- b) Please explain the variances in applied-for billing determinants over the 2019 *RRR* data, in particular for the GS 3,000 – 4,999 and Sentinel rate classes.
- c) Please re-calculate the rate rider based on the 2019 *RRR* consumption data.
- d) On p. 9 of Appendix H, Elexicon-Veridian noted that it has not included a rate rider for the Sentinel Lighting rate class due to immateriality.
  - a. Please confirm that the model calculates a rate rider to the fourth decimal place.
  - b. If so, please explain why Elexicon-Veridian feels that it is appropriate to exclude a rider for this rate class.

## Deferral and Variance Accounts

### OEB Staff-6

**Ref: Manager's Summary, p. 15  
Ref: Accounting Guidance 2019 Full Year Analysis**

In the Manager's Summary, Elexicon-Veridian states that it has continued to use its existing approach with the modifications as outlined in its 2020 rate application and associated documents filed through that application process. As a result of the modifications made during 2019, Elexicon-Veridian was following the OEB's Feb. 21, 2019 accounting guidance for accounts 1588 and 1589<sup>1</sup> with only one small exception –

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<sup>1</sup> <https://www.oeb.ca/sites/default/files/Accounting-Guidance-Commodity-Accounts-20190221.pdf>

a process difference. It further states that Elexicon-Veridian was prepared to make the process change going forward but was not able to do so until 2020.

- a) Please confirm that by continuing its existing approach with modifications as outlined in the 2020 rate application (except for the process difference), Elexicon-Veridian follows the Feb. 21, 2019 accounting guidance.
- b) Besides the adjustments required to implement the Feb. 21, 2019 accounting guidance retroactive to January 1, 2019, please confirm that Elexicon-Veridian following the Feb. 21, 2019 guidance on a monthly basis and is not making an annual adjustment at year-end to adjust Elexicon-Veridian's account 1588 and 1589 balances to align it to the Feb. 21, 2019 accounting guidance.
- c) If part a) or b) is not confirmed, please explain why Elexicon-Veridian is using its current approach with modifications to account for accounts 1588 and 1589 and not follow the Feb. 21, 2019 accounting guidance.
  - i. Please indicate which areas of differences between Elexicon-Veridian's accounting and the Feb. 21, 2019 accounting guidance still remain.
  - ii. Please further explain when Elexicon-Veridian plans to change its accounting practices for the areas of differences listed in part i) above to align with the Feb. 21, 2019 accounting guidance.
- d) With regards to the process difference in accounting for charge types 142 and 148, please explain when Elexicon -Veridian will make the process change.

**OEB Staff-7**

**Ref: Manager's Summary, p.14**

At the reference above, it states that Elexicon's 2019 review identified differences in outcome using Elexicon-Veridian's original methodology as compared to the Feb. 21, 2019 accounting guidance. One of the differences identified was the allocation of unaccounted for energy between RPP and non-RPP.

- a) Please confirm if this difference was caused by Elexicon-Veridian's past practice of performing RPP settlements based on retail volumes instead of wholesale volumes.
- b) If part a) is not confirmed, please further explain how this difference occurred and how the modifications made in 2019 (as listed on page 5 Appendix J of the current application) aligned Elexicon-Veridian's existing processes to the Feb. 21, 2019 accounting guidance.

**OEB Staff-8**

**Ref: Manager’s Summary, p. 15-16**

**Ref: Accounting Guidance 2019 Full Year Analysis**

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

In the Accounting Guidance 2019 Full Year Analysis, the “Final RSVA Balances” tab,

- a) cells C31 and C43 for accounts 1588 and 1589 indicate it is for the year 2017. Please confirm that this should be replaced with 2019.
  - i. If not confirmed, please explain why 2017 balances are being assessed using 2019 data.
- b) The 2019 “balances per DVA Continuity Schedule” for accounts 1588 and 1589 as shown in cells E31 and E43 are different than that shown in the DVA Continuity Schedule. The differences are as follows:

	<b>Account 1588</b>	<b>Account 1589</b>
<b>Accounting Guidance 2019 Analysis</b>	(\$13,573)	\$1,451,777
<b>DVA Continuity Schedule (sum of transactions and principal adjustments)</b>	(\$270,752)	\$1,441,870
<b>Difference</b>	\$257,179	(\$9,967)

- i. Please confirm that the “balances per DVA Continuity Schedule” is not intended to reflect the balances in the DVA Continuity Schedule but only to represent the balances as calculated from the “Verdian-2019” tab using the OEB model from the Feb. 21, 2019 accounting guidance.
  - ii. If not confirmed, please explain the difference between the Accounting Guidance 2019 Analysis and DVA Continuity Schedule. Please revise the evidence as needed.
- c) The balances calculated per the OEB model in cells E38 and E48 for accounts 1588 and 1589 are (\$13,573) and \$1,451,777, respectively. They are different than that in the DVA Continuity Schedule as noted in part b) above. Please explain why the differences exist.
  - i. In particular, on page 15 of the Manager’s Summary, it states “As a result of the modifications made during 2019, Elexicon was following the OEB Guidelines with only one small exception - a process difference”. The process difference is not expected to generate any difference between Elexicon-Veridian’s accounting and the OEB’s Feb. 21, 2019 accounting guidance. Please explain why the balances as calculated in the

Accounting Guidance 2019 Analysis would be different than that in the DVA Continuity Schedule, which reflects Elexicon-Veridian's general ledger.

**OEB Staff-9**

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

Typically, large balances are not expected for Account 1588 as it should only hold the difference in commodity amounts between actual line losses and approved line losses. An indication of the magnitude of Account 1588 would be a comparison to Account 4705 Cost of Power.

- a) Please indicate whether Elexicon-Veridian has the 2019 Account 4705 totals available.
- b) If so, please provide the balance and a calculation showing the 2019 Account 1588 activities (i.e. sum of transactions and principal adjustments) as a percentage of the 2019 Account 4705 transactions.
- c) If the absolute value calculated in part b) is above +/-1%, please explain why the balance in Account 1588 is high, relative to the total commodity cost purchases.
- d) Please also provide a cumulative calculation of Account 1588 as a percentage of Account 4705 for 2018 and 2019.

**OEB Staff-10**

**Ref: GA Analysis Workform**

In the 2019 tab of the GA Analysis Workform, there is a reconciling item of \$317,409. The calculated loss factor of 1.0673 is higher than the approved loss factor of 1.0482. Therefore, costs in the general ledger would be expected to be higher than that incorporated in Note 4 of the expected GA balance calculation. The reconciliation starts off with the balance recorded in the general ledger, and to reconcile the higher costs in the general ledger to the lower costs incorporated in the expected GA balance, a credit entry would be needed instead of the debit entry currently in the GA Analysis Workform.

- a) Please state whether Elexicon – Veridian agrees with the credit entry instead of a debit entry.
  - a. If so, please revise the GA Analysis Workform.
  - b. If not, please explain why not.



## **LRAMVA**

### **OEB Staff-11**

**Ref: (i) LRAMVA Workform, Tab 3-a**

In Tab 3-a of the LRAMVA Workform, the methodology used to calculate rate class allocations is provided. However, a table showing the calculations themselves is not.

- a) Please provide an unlocked Excel spreadsheet showing all calculations used to determine the consumer rate class allocations.

### **OEB Staff-12**

**Ref: (i) LRAMVA Workform, Tab 5**

The persisting 2015 Residential and Commercial & Institutional LRAMVA balances being sought could not be reconciled to the submitted IESO LDC CDM Program Results, or IESO Participation and Cost reports.

- a) Please provide an unlocked Excel spreadsheet showing the persisting project level savings for the claimed 2015 Residential, and Commercial & Institutional LRAMVA balances.

### **OEB Staff-13**

- a) Please provide an updated IRM Model Rate Generator and LRAMVA Workforms, reflecting any changes required in response to OEB Staff interrogatories, as required. Please record all changes in Tab 1-a of the LRAMVA Workform.

### **OEB Staff-14**

**Ref: Appendix H Draft Accounting Order**

The draft accounting order outlines the mechanics for the account.

- a) To provide a more fulsome accounting order, please revise the draft accounting order and include:
  - i. a description of the account and what it is intended to record
  - ii. the effective date of the account (i.e. January 1, 2021)
- b) It states that any residual balance after the expiry of the rate riders should be requested for final disposition in a future cost of service or IRM rate application.

Only Group 1 deferral and variance account balances are typically disposed in IRM applications. Please confirm that Elexicon-Veridian is proposing that it be allowed to dispose of the Rate Year Alignment Revenue Refund sub-account in a future IRM application.