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

**Staff Follow-up Questions**

\*Please note responses to staff questions, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

**Sup-Staff -1**

**Ref: IRM Rate Generator Model, Tab 3. Continuity Schedule and Tab 6. Class A Consumption Data in the IRM rate generator**

 **Response to Staff Question 1**

OEB staff requested the three 2019 transition customers have their consumption data filled out starting from the year after Account 1589 GA was disposed. However, upon subsequent review, OEB staff notes Account 1589 GA had already been disposed to 2018 transition customers, so the three 2019 transition customers’ data only needs to be populated in 2019.

1. For the three 2019 transition customers please populate only the 2019 data and update the model as required.

The information for the transition customers has been removed from the 2016 to 2018 columns in 2021 IRM Rate Generator Model V4.

**Sup-Staff -2**

**Ref: IRM Rate Generator Model V3, Tab 3. Continuity Schedule;**

**2020 IRM Rate Generator Model dated Dec 12, 2019, Tab 3. Continuity Schedule;**

**the OEB’s Inspection Report**

Westario Power updated the DVA continuity schedule in the IRM rate generator model V3 in order to align the 2018 balances in the 2020 IRM application to the 2018 balances in the current rate application for Accounts 1588 and 1589.

However, OEB staff notes that the 2018 principal adjustment for Account 1589 does not agree to the one in the Tab. 3 of the DVA continuity schedule of the 2020 IRM rate generator model dated Dec 12, 2019. Please see the differences below:

|  |  |
| --- | --- |
|  | **2018 Principal Adjustment** |
| 2021 IRM Rate Generator V3 | $(236,417) |
| 2020 IRM Rate Generator Dec 12, 2019 |  $(828,335) |
| Difference | $591,918 |

Regarding Account 1589, Section 2.1 of 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.”

1. Given that the 2016 to 2018 adjustments have been reviewed by the auditor, please explain why the 2018 principal adjustment is not equal to the one in the 2020 IRM application and please update the continuity schedule as applicable.

The 2018 principal adjustments amount of $236,417 agree with both the GA Analysis workform in both 2020 and 2021. The Closing letter of the audit report states “…these corrective adjustments have been reflected on the GA Analysis workform for 2016, 2017 and 2018…”. The 2021 continuity schedule reflects all of these audited amounts from the GA Analysis workform. The Continuity schedule in the 2020 IRM rate application missed including the adjustment for the IESO invoice correction as well as the $48,067 difference in the GA true-up recalculation from actual booked. These items should all have been included on the 2020 continuity schedule.

**Sup-Staff-3**

**Ref: Response to Staff Question -5**

Regarding the reconciliation item #10 of $544,564 on 2018 GA Analysis Workform, Westario Power states that:

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.

1. Please explain the total over-billing amount by the IESO in 2017? What is the nature of this overbilling?

This over billing by the IESO was an overcharging of line 148 “Class B Global Adjustment Settlement amount”. The consumption of class A customers was included in the calculation of this amount on the original invoice. This adjustment is shown on the GA Analysis workform which was reviewed in the 1588/1589 audit.

1. Please explain if it was allocated to the RPP and Non-RPP portions.

Westario included this adjustment in the GA True-up entry as if it had all been allocated to Cost of Power (1588) and used this to bring in the correct portion related to Non-RPP for account 1589. When the refund was then received in 2018 it was allocated in error to 1589. This resulted in the amount being overbooked to 1589 and under booked to 1588. This is why there is an adjustment of $544,654 on the 2018 tab of the GA Analysis workform. In 2020 when the error was discovered the $544,654 amount was reallocated to all be 1588 in order to be consistent with the way it was treated in the true-up calculation for 2017.

1. Please explain the flow of the transactions and the series of the journal entries to demonstrate why these adjustments are needed.

In 2017 Line 148 of the IESO invoice was overstated from what it should have been. When completing the GA true-up (Adjustment 9 of the GA Analysis workform) an additional true-up line was calculated as credit amount to line 148. This line was treated as if the Nil had been applied to the GA Expense account and calculated that $185,347 of it should have gone to GA Expense. This resulted in the true-up including a credit of $185,347 to 1589.

When the refund was received in 2018 it was all credited to account 1589. This was inconsistent with the way it was treated in the true-up and would now result in 1589 being overstated by the entire amount of the credit. Account 1588 was debited in the true-up entry that was booked for the $185,347 that was allocated to 1589 for this invoice error. Account 1588 should have received a credit of $357,285 related to this invoice correction but since the credit had been allocated to 1589 it was actually reflecting a debit of $185,347 for the portion of credit transferred to 1589.

In 2020 when this error was discovered the balance was transferred to 1588. By doing so 1588 had now been debited for $185,347 in the true-up entry to reflect 1589’s portion and it had also been credited for $542,632 in 2020 to end with a net credit of $357,285.

Account 1589 was credited for $185,347 (included in the 2017 True-up adjustment of $2,075,109). It was then credited in error for an additional $542,631 in 2018. It was then debited for $542,631 in 2020 to correct this error.

**Sup-Staff-4**

**Ref: GA Analysis Workform V3**

The “Principal Adjustments” Tab of the updated GA Analysis Workform for Account 1588 has the following adjustments:

|  |  |
| --- | --- |
|   | **Account 1588 - RSVA Power** |
| **Year** | **Adjustment Description** | **Amount** | **Year Recorded in GL** |
| 2019 | *Reversals of prior year principal adjustments*  |
|   | 1 | Reversal of CT 148 true-up of GA Charges based on actual RPP volumes  |  (1,601,616) | 2019 |
|   | 2 | Reversal of CT 1142 true-up based on actuals |   |   |
|   | 3 | Reversal of Unbilled to actual revenue differences |  (18,003) | 2019 |
|   | 4 | IESO RPP Filing True-up |  420,212  | 2019 |

OEB staff did not find the adjustment of $420,212 in 2018, however, there is a reversal of the adjustment in 2019 as above for $420,212.

1. Please explain the adjustment of $420,212.

The $420,212 adjustment is a combination of the “IESO RPP Filing True-up” lines for 2016, 2017, and 2018. These amounts are (1,045,254), (1,458,142), and 2,083,184. Which nets out to (420,212).