



December 8, 2020

Ontario Energy Board PO.
Box 2319 27th Floor
2300 Yonge Street Toronto,
Ontario M4P 1E4

Attention: **Christine Long, Board Secretary and the Registrar.**
Tina Li, Board Staff
Christiane Wong, Board Staff
Alex Share, Board Staff

Regarding: **2021 IRM Application (EB-2020-0011)**

Dear Registrar,

Cooperative Hydro Embrun Inc. (CHEI) is in receipt of communication regarding *CHEI Commodity Accounts 1588 and 1589 Potential Errors* sent by Board Staff on December 3, 2020. It's CHEI's understanding that the comments will form part of the pending Decision and Order regarding case EB-2020-0011 which intends on denying the utility the ability to dispose of its 1588 and 1589 accounts as part of the 2021 rates. In response to the comments from Board Staff, CHEI along with its auditors BDO, offer the following letter of response.

We would be pleased to provide any further information or details that you may require relative to this application.

Yours truly,

A handwritten signature in black ink, appearing to be "Benoit Lamarche", written in a cursive style.

Benoit Lamarche, General Manager
Coopérative Hydro Embrun
703 Notre Dame Rue Russell, ON
(613) 443-5110

BOARD STAFF COMMENT:

The GA charge proportionally allocated to RPP and non-RPP customers is not calculated correctly. Cooperative Hydro Embrun has used total energy volumes rather than GA volumes (adjusted for embedded generation) on Hydro One Network Inc.'s invoice to determine the appropriate share of the GA charge allocated to each respective customer class, as required by the OEB's accounting guidance. In addition, the allocation percentage for the GA charges used by Co-operative Embrun appears to be not in accordance with the method to calculate the percentage in accounting guidance. As result, the balances in Account 1588 and Account 1589 may not be accurate as of December 31, 2019.

SUPPORTING EVIDENCE:

- A. This observation is based on Hydro One's October invoice to Co-operative Embrun and the supporting journal entries and spreadsheets provided to the OEB on November 3, 2020. 2,143,411.68 kWh on the "Electricity" line of Hydro One's October invoice was used as a starting point to allocate the GA charges on the invoice. However, the volume on the "Global Adjustment" line of Hydro One's October invoice for the GA charge to Co-operative Embrun is 2,153,419.68 kWh.
- B. Per the evidence provided on November 3, 2020, Co-operative Embrun allocated 84.67% of the October GA charge to RPP customers and 15.33% of the October 2019 GA charge to Non-RPP customers. 84.67% is calculated as the RPP billed consumption in Oct of 1,814,896 kWh divided by the Electricity kWh on, Hydro One's invoice of 2,143,411.68 and 15.33% allocated to Non-RPP customers is the residual percentage. However, as per the accounting guidance, the RPP allocation percentage in October 2019 should be calculated as RPP sold consumption in October divided by total sold consumption in October and the Non-RPP allocation percentage should be calculated as Non-RPP sold consumption divided by total sold consumption in October.

CHEI COMMENTS:

- CHEI uses smart meters for all of its RPP clients. As such, the amount billed to its customers always consists of the sold consumption (referred to as above "Sold Consumption"). These are the amounts used in calculating the GA Charge allocation.
 - Per OEB Guidance, the RPP should be calculated based on RPP sold consumption divided by total sold consumption. Per the evidence provided to the OEB, this is how CHEI calculates the allocation of the GA. Board Staff is, therefore, incorrect in their assessment.
 - There seems to be a misunderstanding of CHEI's process by the OEB. The consumption of the customers is recorded through the smart meters, which are then transferred to CHEI for review. Once the data is complete (in case of unread or corrupt readings), the data is transmitted to Hydro One, and CHEI invoices its customers. Since the information used by both parties is the same, the amount "sold consumption" of CHEI and the line "Electricity" on Hydro One's invoice are the same.

Based on the analysis above, the supporting evidence of point B is proven to be untrue.

- Additionally, it was demonstrated that the allocation of the GA was calculated as follow :
 - $RPP = GA \text{ amount (per Hydro One Invoice)} * RPP \text{ Sold Consumption}$
 - $Non-RPP = GA \text{ Amount (per Hydro One Invoice)} / Non-RPP \text{ Consumption}$
- The OEB noted that the GA adjustment from the Hydro One Invoice differed from the GA kWh used by CHEI for their calculations of 1588 / 1589. This difference relates to the MicroFit generated kWh, which needs to be excluded beforehand from the RPP / Non-RPP allocation. As such, CHEI uses the kWh for GA volumes (adjusted for embedded generation).
 - There is no difference between CHEI treatment and the OEB Guidance.

GENERAL REMARKS

The OEB seems to be inconsistent in applying their own process. This can be shown from our discussions with the OEB in November 2019, where we were told that we needed to implement the new RPP Settlement template from the OEB even though this template is not tailored for distributors. It was only in the last trimester of 2020 that the OEB stated (through a different source) that the template did not have to be used or can be adjusted by CHEI to meet their needs.

- There are two issues noted with the events that transpired
 - OEB employees should all be aware of the procedures and the requirements. If the template was not mandatory, it should never have been disclosed as such by the OEB employee.
 - Letting the users adjust the template is, in itself, unexplainable. As distributors, we were now authorized to modify all the formulas within the template. If all users can do so, the OEB no longer has a valid template.
 - To remedy the situation, there should be two templates available, one for distributors and one for the producers. Having a valid and usable template from the start of the year would have prevented multiple distributors from being left confused and helpless in applying the new guidelines.

It should also be noted that the OEB guidance does not factor in available information for Electricity Distributors. The Guidance, and the OEB interpretations, are based only on the premise that all of the distributors have access to all the information. The electricity distributors have seen an increase in the lack of leniency and understanding from the OEB in the last two years. According to other distributors, their processes, which were reviewed and approved by the OEB, are no longer considered valid by the OEB.

BOARD STAFF COMMENT:

The RPP portion of the GA claimed with Hydro One on the RPP settlement appears not to be calculated in accordance with the method required in the OEB's accounting guidance. As a result, the RPP portion of the GA charge may have resulted in a variance in Account 1588.

SUPPORTING EVIDENCE:

A. Per Co-operative Hydro Embrun's email dated November 24, 2020, Co-operative Embrun claimed the RPP portion of GA of \$223,271 on the RPP settlement with Hydro One for August 2020. This figure is calculated as: total GA charge on Hydro One's August 2019 invoice of \$264,648 minus the GA billed to Non-RPP customers in August of \$41,377. As per the accounting guidance, the RPP portion of the GA ultimately claimed on the RPP settlements should be calculated as RPP wholesale volume, as determined by total GA volume multiplied by RPP sales proportion, multiplied by the actual GA rate posted by the IESO for the month. Assuming there is no line loss, the RPP portion of the GA claimed on the August settlement should be \$231,792, which is calculated as RPP volume in August of 1,838,595 kWh multiplied by August actual GA rate of \$0.12607/kWh. When there is a line loss, the RPP kWh at the wholesale level should be calculated as the total GA volume X RPP proportion of the total sales volume.

CHEI COMMENTS:

- CHEI is trying to understand how the OEB amounted to its calculation for August 2019 when no information was requested on the investigation period. The only information from August 2019 provided was relating to the Settlement (as discussed in point 3). The OEB staff seems to be inventing numbers in this case as there was no discussion about RPP volume for August at any point during our exchanges.
- The email dated November 24, 2020, simply showed the allocation as a deduction for simplicity in the OEB analysis since OEB requested we complete the table from their request. The method of calculation had been provided in earlier examples for another period investigated by the OEB. CHEI did not feel it was necessary, based on the question asked by OEB, to provide all the back-up of the calculation. If it would have been requested, CHEI would have provided that information.
- As shown in point 1 above, the RPP portion of the GA Volume is determined by the following formula :
 - $RPP = GA \text{ amount (per Hydro One Invoice)} * RPP \text{ Sold Consumption}$

BOARD STAFF COMMENT:

Co-operative Embrun appears to not be accruing the RPP settlements for the last two months of the year and not reflecting the accruals in Account 1588. As a result, there is a misalignment and timing difference between the RPP settlements and the other commodity costs/revenues that are recorded on an accrual basis in Account 1588.

SUPPORTING EVIDENCE:

Per the evidence provided by Co-operative Embrun in November 2020, Co-operative Embrun settles the August RPP variance settlements with Hydro One and this settlement flows into Hydro One's October invoice. Co-operative Embrun states, in its email response dated November 24, 2020, that "Rather than to try to correct prior year's Account 1588 differences, the adjustment would be reflected in 2020. As of December 2020, there would no longer be any timing differences."

CHEI COMMENTS:

- As discussed with the OEB, this was a timing issue created due to older policies from the OEB. At the time, the CHEI only had two months to provide the documentation for their variances, for which the corresponding settlement information was not yet available.
- The calculation of the settlement has been consistent throughout the years, and the OEB does not dispute the calculation of those settlements but rather the timing of them. CHEI agrees to adjust the timing difference in 2020 (which will include settlements of November 2019 to December 2020) to eliminate this issue. Going forward, the amount will be adjusted accordingly, and no issues are to be noted after December 2020.
 - Since the issue is to be corrected by December 2020, we do not propose any prior adjustments as the cost related to this will not be worth it.

Respectfully Submitted
Cooperative Hydro Embrun Inc.