**OEB Staff Interrogatories**

**2021 Electricity Distribution Rates Application**

**Essex Powerlines Staff Questions**

**EB-2020-0018**

**January 19, 2021**

**Staff Question-1**

**Ref: Rate Generator Model, Continuity Schedule**

For account 1580, please provide an explanation for the variances in the following table.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2021 IRM Model** | | **2018 DVA  Cost of Service Model** | | **Variance** | | |
| **Account 1580** | Opening Principal Amounts as of Jan 1, 2017 | Opening Interest Amounts as of Jan 1, 2017 | Closing Principal Balance as of  Dec 31, 2016 | Closing Interest Amounts as of Dec 31, 2016 |
|  | **A** | **B** | **C** | **D** | **A - C** | **B - D** |
| RSVA - Wholesale Market Service Charge | (771,950) | (17,821) | (822,759) | (16,693) | 50,809 | (1,128) |
| Variance WMS – Sub-account CBR Class B | 80,740 | 1,575 | 131,549 | 447 | (50,809) | 1,128 |

**Staff Question-2**

**Ref: pages 5-6**

Essex Powerlines confirmed that it has implemented the February 21, 2019 accounting guidance for Account 1588 and Account 1589 (Accounting Guidance).[[1]](#footnote-1) It further confirmed that it has implemented a revised RPP settlement procedures in accordance with the Accounting Guidance effective January 1, 2019. Essex Powerlines indicated that it has reviewed its 2017 to 2019 balances in the context of the Accounting Guidance.

Essex Powerlines is requesting disposition of its 2017 and 2018 Group 1 balances but not 2019 Group 1 balances given the recent changes and implementation Accounting Guidance.

1. Please explain whether Essex Powerlines is requesting interim or final disposition of 2017 and 2018 Group 1 balances.
2. Essex Powerlines has reviewed its 2017 to 2019 balances in the context of the Accounting Guidance and has confirmed it has implemented the Accounting Guidance.
   1. As per the Chapter 3 Filing Requirements[[2]](#footnote-2), please discuss the review performed and the results of the review.
      1. Please discuss whether any systemic issues were noted.
      2. Please confirm that material adjustments to the 2019 balance were made as a result of this review and that they are identified as principal adjustments in the Principal Adjustments tab in the GA Analysis Workform.
      3. If part ii) above is not confirmed, please explain whether any material adjustments were identified. Please provide a description of each of the adjustments and the amount quantified.
   2. Please explain whether Essex Powerline’s review of the 2017 and 2018 balances differs from the review of 2019 balances. If so, then please explain how it differs.
   3. If there are any errors to the 2019 balances that arise as a result of the incorrect implementation of the Accounting Guidance, please explain whether there would be similar errors made to the 2017 and 2018 balances.
      1. If Essex Powerlines is of the view that there would not be similar errors made to 2017 and 2018 balances, please explain why not.

**Staff Question-3**

**Ref: GA Analysis Workform**

In the Principal Adjustment tab of the GA Analysis Workform, under Note 7, there is a “2016 True-Up (EB-2017-0039)” of $386,285 and ($339,711) for Account 1589 and Account 1588, respectively. Please explain what the nature of the true-up(s) are for each account (e.g. CT 148 true-up, unbilled revenue to actual true-up), including a breakdown for each of the true-ups.

**Staff Question-4**

**Ref: GA Analysis Workform**

**Ref: Manager’s Summary, p.5**

In the Principal Adjustment tab of the GA Analysis Workform, under Note 8 for 2017 Current Year Principal Adjustments, there is an Account 1589 principal adjustment of $162,188 for “Reverse prior year GA Charges based on actual Non-RPP volumes” that was recorded in the general ledger in 2017. This amount is also identified as reconciling item 1a for the reversal of the prior year CT 148 true-up in the 2017 GA Analysis Workform.

1. Please confirm that this is for a CT148 true-up. If not, please explain what this principal adjustment pertains to.
2. Please explain how this reversal principal adjustment is different than the reversal of the “2016 True-Up” of $368,285.
3. If confirm that $162,188 principal adjustment was not included as a principal adjustment in the 2016 balance approved for disposition and was recorded in the general ledger in 2017. If not confirmed, please explain.
   1. please explain if $162,188 is the actual true-up entry for 2016 or if it is the reversal entry relating to the true-up for 2016.
   2. If it is the reversal entry, please explain why this would need to be reversed when this was not included as a principal adjustment in the 2016 balance approved for disposition.
4. In consideration of the above, please also explain why both the reversal of $162,188 and $368,285 “2016-True-Up” are reconciling items in the 2017 GA Analysis Workform tab.

**Staff Question-5**

**Ref: GA Analysis Workform**

**Ref: Manager’s Summary, p.5**

In the 2017 GA Analysis Workform tab, there is reconciling item #2a to “Remove prior year end unbilled to actual revenue difference” for $847,345. This suggests that the $847,345 relating to 2016 unbilled to actual revenues was recorded in the general ledger in 2017. However, in the Manager’s Summary, it states “The unbilled to actual revenue differences were included in the 2016 year-end general ledger balance.”

1. Please confirm that the $847,345 was not recorded as a principal adjustment in the 2016 balances previously approved for disposition.
2. Please clarify whether the unbilled to actual revenues for 2016 were recorded in the general ledger in 2016 or 2017.
   1. If it was already recorded in 2016, please explain why reconciling item # 2a is necessary in the 2017 GA Analysis Workform.
   2. If it was recorded in 2017, please explain Essex Powerline’s unbilled to actual revenue processes for each of 2016 to 2019 in consideration of its internal review of this process as directed by the OEB in Essex Powerline’s 2020 rate proceeding.

**Staff Question-6**

**Ref: GA Analysis Workform**

**Ref: Manager’s Summary, p.5**

In the Manager’s Summary, it states that “As a result of internal process change, the unbilled to actual revenue differences were not included in the 2017, 2018 and 2019 year end general ledger balance”. In the principal adjustment tab, current year unbilled to actual revenue true-ups are identified for 2017, 2018 and 2019 for both Account 1588 and Account 1589. However, these true-ups are not identified as reconciling item #2a for Account 1589 in the 2017, 2018 and 2019 GA Analysis Workforms.

1. In consideration of the previous staff question #6, please explain why the true-ups are not reconciling items in the 2017, 2018, and 2019 GA Analysis Workforms and revise the Workforforms as required, ensuring that any unbilled to actual true-ups identified as reconciling items and principal adjustments in the current year are reversed in the next year.
2. Please confirm that the unbilled to actual revenue process change starting in 2017 applies to both Account 1588 and Account 1589. If not, please explain.

**Staff Question-7**

**Ref: GA Analysis Workform**

In the 2018 GA Analysis Workform,

1. reconciling item #7 for differences in actual system loss and billed TLF of $153,883 is identified. Please provide the supporting calculation for the reconciling item.
2. reconciling item #9 for embedded generation relating to 2013 to 2017 of $541,134 was identified. If a portion of the $541,134 related to 2017, please explain why the portion relating to 2017 was not identified as a reconciling item in the 2017 GA Analysis Workform. Please revise the 2017 GA Analysis Workform as needed.

**Staff Question-8**

**Ref: GA Analysis Workform**

In the 2019 GA Analysis Workform, reconciling item #3b for current year short term load transfer of ($274,850) was identified. No similar reconciling items were identified for 2017 and 2018. Please confirm that this is appropriate and there were no differences in load transfer accrued versus actual for 2017 and 2018. If not confirmed, please explain and revise the GA Analysis Workforms as needed.

**Staff Question-9**

**Ref: GA Analysis Workform**

In the 2019 GA Analysis Workform, reconciling #6 and principal adjustment of ($592,035) for Account 1589 is identified as “Adjustment for reclassification entry”. Reconciling item #7 and principal adjustment of ($749,708) for Account 1589 is identified as “New accounting guidance implementation allocation”. Equal and offsetting amounts are identified as principal adjustments for Account 1588 in the principal adjustment tab.

1. For each adjustment, please explain the nature of this adjustment
2. Please explain how each of the adjustments differ from each other and also reconciling items 1a and 1b/principal adjustments for CT 148 true-up
3. Please explain how each of the adjustments were quantified.

**Staff Question-10**

**Ref: GA Analysis Workform**

True-ups in charge type 148 typically results in reallocations between Account 1588 and Account 1589. In the Principal Adjustment tab of the GA Analysis Workform, there are principal adjustments identified for Account 1589 for the current year CT 148 true-up for each of 2017, 2018 and 2019. There is no equal and off-setting principal adjustments identified for Account 1588 for each of 2017, 2018 and 2019. Please explain why this is the case.

**Staff Question-11**

**Ref: GA Analysis Workform**

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

Regarding 2019 principal adjustments:

1. The 2019 principal adjustments shown in the Principal Adjustment tab of the GA Analysis Workform do not agree to that in the DVA Continuity Schedule. The differences are shown below. Please explain and reconcile the difference

|  |  |  |
| --- | --- | --- |
|  | **Account 1589** | **Account 1588** |
| Principal Adjustment Tab | (1,823,238) | 1,289,570 |
| DVA Continuity Schedule | (2,297,248) | 105,145 |
| Difference | 474,010 | 1,184,425 |

1. In the DVA Continuity Schedule, 2019 transactions in the year for Account 1588 and Account 1589 are ($105,145) and $2,297,248 respectively.
   1. Principal adjustments are usually timing related adjustments at year end. Without considering the year-end principal adjustments, 2019 transactions for Account 1589 of $2,297,248 appear quite high relative to historical years. Please explain the high transactions for 2019.
   2. The principal adjustments are for equal and offsetting amounts as the transactions for 2019. Therefore, the sum of transactions and principal adjustments in the year equals $0. Please explain why there would be $0 balance for each of Account 1588 and Account 1589 for 2019.

**Staff Question-12**

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

Typically, large balances are not expected for Account 1588 as it should only hold the variance between commodity costs based on actual line losses and commodity revenues calculated using values for line losses approved by the OEB. Based on RRR data filed for Essex for Account 4705 Cost of Power, OEB staff calculates the annual net activity (i.e. transactions plus principal adjustments) from the DVA Continuity Schedule as a percentage of annual Account 4705 to be as shown in the table below. For 2017 and 2018, where the percentage is greater than +/-1%, please provide an explanation as to why the Account 1588 activity would be high in consideration of line losses.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Transactions ($)** | **Principal Adjustment**  **($)** | **Account 1588 Net Activity ($)** | **Account 4705**  **($)** | **% of net activity compared to Account 4705** |
| **2017** | (907,612) | (293,516) | (1,201,128) | 31,221,322 | -3.8% |
| **2018** | 538,697 | (57,149) | 481,548 | 32,410,120 | 1.5% |
| **2019** | (105,145) | 105,145 | 0 | 32,238,763 | 0.0% |
| **Cumulative** |  |  | **(719,580)** | **95,870,205** | **-0.8%** |

1. Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019 [↑](#footnote-ref-1)
2. [↑](#footnote-ref-2)