**Synergy North Corporation (Synergy North)**

**EB-2020-0055**

**January 19, 2021**

Please note, Synergy North is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

**Staff Question-1**

**Ref: Rate Generator Models – Tab 1**

1. According to Synergy North’s 2020 IRM Decision and Rate Order (EB-2019-0068), the Group 1 DVA balances (including balances in Accounts 1588 and 1589) as of 2018 year-end for both rate zones were approved for final disposition. Therefore, in the Information Sheet of the IRM model, the answers to questions 2 and 3 (including applicable sub-questions) should be 2018. Please confirm and update the related input cells.
2. The year that Synergy North selected for question 4 in the Information Sheet (Thunder Bay rate zone) is 2016. However, in Tab 3 Continuity Schedule and page 25 of the Manager’s Summary, it’s noted that the earliest vintage year in which Synergy North reported a balance in Account 1595 is 2017. And there is no balances reported for Account 1595 (2016) and accounts for any prior years. Please review and confirm the earliest vintage year for Account 1595 and make the necessary updates to the model.
3. The RTSR scenario that Synergy North selected for question 7 for both rate zones is “Fully Embedded”. However, as noted in Tabs 12 – 14, Synergy North pays transmission costs only to the IESO for both rate zones, which indicates that the RTSR scenario should be transmission connected. Please make the correction in Tab 1.
4. Synergy North selected “No” for question 6 for the Thunder Bay rate zone, which means there were no Class A customers during the period where the balance in Account 1580 Sub-account CBR Class B accumulated. However, as noted in page 25 of the Manager’s Summary and the answer to question 5 in Tab 1 of the IRM model, Synergy North stated it has Class A customers during the period Sub-account CBR Class B balance accumulated (It’s the same period Account 1589 balance accumulated, as these two accounts were last disposed of at the same time.). Please correct the answer to question 6. And upon the correction, Tab 6.2 CBR B will be generated in the model. Please update the CBR Class B rate rider scenario accordingly.

**Staff Question-2**

**Ref: Rate Generator Models – Tab 3 Continuity Schedule: Control Account 1580 and Account 1580 Sub-account CBR Class B; Manager’s Summary, page 9 – required modifications 1 & 2**

As per RRR filing guidance and Note #5 in the Continuity Schedule, the RRR balance for the Control Account 1580 (BV 23) would include the balance in Account 1580 Sub-account CBR Class B. However, in reporting account balances in the continuity schedule, Control Account 1580 balance is to exclude any amounts in the Sub-account CBR Class B. Therefore, if the balances are reported properly in RRR and the continuity schedule, there is supposed to be a variance in BW 23 which equals the balance in Sub-account CBR Class B. (i.e. amount in BW 23 should equal amount in BV25)

It’s noted that in Tab 3 continuity schedule for both rate zones, the variance in Control Account 1580 is zero. Please review and confirm Synergy North has followed the above noted filing requirements in RRR and continuity schedule. If not, please make necessary adjustments and update the continuity schedule for both rate zones.

**Staff Question-3**

**Ref: Rate Generator Model (Thunder Bay) – Tab 3 Continuity Schedule: Account 1595 (2017) transaction balances in 2019**

As per the decision issued for the 2017 cost of service application (EB-2016-0105), Thunder Bay Hydro disposed of its Group 1 DVA (including GA) balances through one-year rate riders effective until April 30, 2018. Theoretically, after April 30, 2018, there should not be any account balances recorded in the transaction category if Account 1595 (2017). It’s noted that, for the Thunder Bay rate zone, Synergy North reported 2019 transaction amounts (both principal and interest) in Account 1595 (2017) in cells BD34 and BI34. Please provide explanations for these transaction amounts in Account 1595 (2017) in 2019.

**Staff Question-4**

**Ref: Account 1595 Analysis Workform (Thunder Bay)**

In the Account 1595 Workform for the Thunder Bay rate zone, Synergy North reported the following principal and interest disposition amounts (cells D13 and E13) for Group 1 and Group 2 balances excluding GA as approved in the 2017 cost of service (EB-2016-0105) proceeding. Please provide the supporting reference in EB-2016-0105 for the approved disposition amounts.

|  |  |  |
| --- | --- | --- |
| **Principal Balance Approved for Disposition** | **Carrying Charges Balance Approved for Disposition** | **Total Balances Approved for Disposition** |
| -$1,794,545 | -$61,309 | -$1,855,854 |

**Staff Question-5**

**Ref: RPP Settlement True-up – Expected process change**

As stated in the Decision and Rate Order for Synergy North’s 2020 rate application (EB-2019-0068), the “OEB therefore directs Synergy North to perform and submit RPP settlement true-up claims to the IESO on a monthly basis going forward and confirm with the OEB when this procedural change has been made.”

Synergy North noted in its current 2021 application that it still performs quarterly RPP settlement true-up with IESO, and it intends to update this process to monthly as required by the OEB’s guidance.

Please discuss the reason why Synergy North is still performing a quarterly settlement with the IESO (i.e. not to do this monthly). What is Synergy North’s plan (including timeline) on moving to a monthly settlement process?

**Staff Question-6**

**Ref: GA Analysis Workform (Thunder Bay) – Reconciling Items**

1. In Thunder Bay rate zone’s GA Analysis Workform in the 2020 IRM application (EB-2019-0068), Synergy North reported a reconciling item in debit amount of $3,249 under 3b for “difference between current year accrual/forecast to actual from long term load transfers”. This is a true-up amount related to 2018 transactions which was not recorded in the GL until 2019. Therefore, in the GA Analysis Workform for 2019 (submitted in current 2021application), the true-up amount of $3,249 relating to 2018 should be excluded (reversed in item 3a). Please confirm and make the update in the current GA Analysis Workform for 2019.
2. In the current GA Analysis Workform for 2019, Synergy North reported a debit amount of $8,640 as reconciling item 3b. This amount should be recorded as a principal adjustment in the DVA Continuity Schedule. On page 16 of the “Instructions for Completing GA Analysis Workform” (<https://www.oeb.ca/sites/default/files/GA-Analysis-Workform-Instructions-20200520.pdf>), there is an example for reconciling item 3b. In that example, a principal adjustment is not needed in the 2018 DVA Continuity Schedule as the accrued to actual revenue true-up has already been included in the 2018 year-end balance. However, in Thunder Bay’s case, the true-up amount was not included in the 2019 year end balance, so it needs to be included. Please review and make necessary update in the Continuity Schedule in the 2021 IRM model.

**Staff Question-7**

**Ref: GA Analysis Workform (Kenora) – Reconciling Item 3; Rate Generator Model Tab 3 Continuity Schedule**

In the GA Analysis Workform for the Kenora rate zone, there is a credit amount of $238,480 reported as Reconciling Item #3 “prior period billing adjustments recorded in current year”. This amount was also reported in “Principal Adjustments” Tab as an adjustment recorded in 2019 GL. Synergy North also recorded this amount in the Continuity Schedule as 2019 Account 1589 principal adjustment. As the billing adjustment was recorded in the 2019 GL in the year it happened, OEB staff is of the view that there is no need to adjust the balance for disposition in the Continuity Schedule. Some related reference can be found on page 18 of the “Instructions for Completing GA Analysis Workform” (<https://www.oeb.ca/sites/default/files/GA-Analysis-Workform-Instructions-20200520.pdf>).

Please review and update the GA Analysis Workform and the Continuity Schedule.

**Staff Question-8**

**Ref: Rate Generator Models, Tab 18 Additional Rates – COVID-19 Forgone Revenue Rate Rider**

OEB staff has update the COVID-19 Forgone Revenue Rate Rider name to the standardized name in Tab 18 for both rate zones. Tab 19 Proposed Tariff and Tab 20 Bill Impacts have been updated. Please review and confirm the accuracy.

**Staff Question-9**

**Ref: RTSRs (Kenora); Rate Generator Models, Tab 20 Bill Impacts**

OEB staff updated the 2021 URT and Hydro One Sub-transmission rates in Tab 11 of the IRM model for the 2021 RTSR adjustment calculations.

In Tab 20 of Kenora rate zone’s IRM model, the RTSR charges are showing high bill impacts for all classes (greater than 15% for Network charges and greater than -22% for Connection charges). As noted in Tab 20 (flagged in red text), the distributor is expected to discuss the reasoning for the change in the RTSRs. Please provide explanation for the changes in RTSRs for the Kenora rate zone.

**Staff Question-10**

**Ref: RTSRs (Thunder Bay); Rate Generator Models, Tab 20 Bill Impacts**

OEB staff updated the 2021 URT and Hydro One Sub-transmission rates in Tab 11 of the IRM model for the 2021 RTSR adjustment calculations.

In Tab 20 of Thunder Bay rate zone’s IRM model, the RTSR charges are showing high bill impacts for all classes (greater than 18% for Network charges and greater than 5% for Connection charges). As noted in Tab 20 (flagged in red text), the distributor is expected to discuss the reasoning for the change in the RTSRs. Please provide explanation for the changes in RTSRs for the Thunder Bay rate zone.

**Staff Question-11**

**Ref: Inflation Factor for 2021 Rates**

As noted in an email to Synergy North dated December 11, 2020, the OEB issued a letter on November 9, 2020 (https://www.oeb.ca/sites/default/files/OEB-ltr-2021-inflation-updates-20201109.pdf) about the utilities’ election on the inflation factor to be used in 2021 rate applications. The OEB has calculated the 2021 inflation factor for electricity distributors to be 2.2%. Distributors can elect the calculated IPI per the OEB-approved methodology or a lower value. The May 1 applicants must make their election by Feb 5, 2021.

OEB staff has not received the election letter from Synergy North for the two rate zones. Please file the letter with OEB as soon as possible. (The IRM models attached with the staff questions have been updated using the OEB-calculated 2021 inflation factor of 2.2% as of now. This needs to be confirmed or updated based on the distributor’s letter.)