

2021 IRM Application

Follow Up Interrogatory Responses

EB-2020-0021



1 Table of Contents

2	Table of Contents	2
3	List of Attachments	3
4	Staff Question #1	4
5	Response	4
6	Staff Question #2	5
7	Response	5
8	Staff Question #3	7
9	Response	7
10	Staff Question #4	8
11	Response	8
12	Staff Question #5	9
13	Response	9
14	Staff Question #6	10
15	Response	10
16	Staff Question #7	11
17	Response	11
18	Staff Question #8	12
19	Response	12
20	Staff Question #9	13
21	Response	13
22	Staff Question #10	14
23	Response	14
24	Staff Question #11	15
25	Response	15
26	Staff Question #12	17
27	Response	17
28		
29		

1 **List of Attachments**

2 1-B. EssexPowerlines_2021_GA_Analysis_Workform_20201102-v2_20200202.xlsb

3 1-C. EssexPowerlines_2021-IRM-Rate-Generator-Model_20201019-v2_20201102-
4 v2_20200202.xlsb

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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	
	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		
Account 1580	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

Response

The WMS and CBR transactions were recorded together on the WMS line of the 2018 DVA COS Model.
The January 1, 2017 opening amounts correctly separate the WMS and CBR.

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 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.

- a) Please explain whether Essex Powerlines is requesting interim or final disposition of 2017 and 2018 Group 1 balances.
- b) 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.
 - a. As per the Chapter 3 Filing Requirements², please discuss the review performed and the results of the review.
 - i. Please discuss whether any systemic issues were noted.
 - ii. 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.
 - iii. 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.
 - b. 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.
 - c. 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.
 - i. If Essex Powerlines is of the view that there would not be similar errors made to 2017 and 2018 balances, please explain why not.

Response

- a) EPLC is requesting disposition of 2017 and 2018 Group 1 balances on an interim basis.

¹ Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

²

1 b) a.i.) There were no systemic issues found during the initial review.

2 b) a.ii.) During the initial review, no adjustments were required. EPLC is in the process of
3 conducting an additional review of its 2019 balances. This review is ongoing and any
4 required adjustments will be identified when its review is completed. EPLC anticipates that
5 it will be in a position to summarize its findings as part of its 2022 IRM filing.

6 b) a.iii.) N/A

7 b) b.) Please see EPLC response to b) a. ii) above. The investigation is currently isolated to
8 2019 at this time and EPLC does not believe it will affect the 2017 and 2018 balances.

9 b) c.i) Please see response to b) a. ii) above.

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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.

Response

The \$368,285 adjustment to Account 1589 is related to an additional CT 148 true-up required for 2016 to include billings post January 2017.

The related \$(339,711) adjustment to Account 1588 is a CT 148 true-up required in the amount of \$(368,285) offset by a CT 142 true-up in the amount of \$28,573 for 2016. Further information related to this adjustment is detailed in EB-2017-0039.

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.

- a) Please confirm that this is for a CT148 true-up. If not, please explain what this principal adjustment pertains to.
- b) Please explain how this reversal principal adjustment is different than the reversal of the "2016 True-Up" of \$368,285.
- c) 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.
 - i. 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.
 - ii. 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.
- d) 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.

Response

- a) This principal adjustment has been removed. Please see the revised GA Analysis Workform attached.
- b) N/A
- c) N/A
- d) Please see response to a) above.

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."

- a) Please confirm that the \$847,345 was not recorded as a principal adjustment in the 2016 balances previously approved for disposition.
- b) Please clarify whether the unbilled to actual revenues for 2016 were recorded in the general ledger in 2016 or 2017.
 - i. If it was already recorded in 2016, please explain why reconciling item # 2a is necessary in the 2017 GA Analysis Workform.
 - ii. 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.

Response

a) Confirmed.

b) i. The unbilled to actual revenues for 2016 were recorded in the general ledger in 2016. The unbilled consumption is incorporated in the expected GA amount calculated in Note 4 of the GA Analysis Workform and the 2016 general ledger balance included the unbilled to actual revenue true-up. Therefore, consistent with the Board's instructions for completing the workform, a reconciling item was required in 2016 and a reversal of this item was also required on the 2017 workform as reconciling item #2a.

b) ii.) N/A

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.

- a) 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.
- b) 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.

Response

- a) Note 4 of the 2017, 2018 and 2019 GA Analysis Workforms incorporates the unbilled consumption in columns G and H to calculate the expected GA amount. The 2017, 2018 and 2019 year-end general ledger balances do not include the unbilled to actual revenue true-ups. Therefore, consistent with the Board's instructions for completing the workform, a reconciling item is not required and a principal adjustment is required.
- b) Confirmed.

Staff Question #7

Ref: GA Analysis Workform

In the 2018 GA Analysis Workform,

- a) 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.
- b) 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.

Response

- a) The actual system losses of 1.0493 calculated on the 2018 GA Analysis Workform indicate that EPL has been collecting/billing customers at a higher rate. This therefore requires a debit reconciling item to adjust for the above. The reconciling item is detailed further below.

Loss Factor				
Actual System (Calculated on GA Workform Note 4)				1.0493
Billed				1.0602
Difference				0.0109

Month	Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)	Actual GA Posted Rate on the IESO Website (\$/kWh)	Non-RPP Class B GA Revenue (\$/kWh)	Weighted Average GA Rate (\$/kWh)
Jan-18	9,209,554.11	0.06736	\$ 620,355.56	0.039279
Feb-18	18,237,997.01	0.08167	\$ 1,489,497.22	0.094311
Mar-18	12,325,858.81	0.09481	\$ 1,168,614.67	0.073994
Apr-18	15,332,120.71	0.09959	\$ 1,526,925.90	0.096681
May-18	9,616,426.60	0.10793	\$ 1,037,900.92	0.065717
Jun-18	11,365,320.51	0.11896	\$ 1,352,018.53	0.085606
Jul-18	6,045,546.85	0.07737	\$ 467,743.96	0.029616
Aug-18	14,195,878.91	0.07490	\$ 1,063,271.33	0.067324
Sep-18	24,410,353.93	0.08584	\$ 2,095,384.78	0.132675
Oct-18	22,385,822.67	0.12059	\$ 2,699,506.36	0.170926
Nov-18	13,296,817.29	0.09855	\$ 1,310,401.34	0.082971
Dec-18	12,990,283.77	0.07404	\$ 961,800.61	0.060899
Total 2018	169,411,981.17		\$ 15,793,421.19	0.083333

Difference in Loss Factor	Total Metered Non-RPP Volumes	Weighted Average GA Rate (\$/kWh)	Difference between Actual System Losses and Billed TLF
0.0109	169,411,981.17	0.083333	\$ 153,882.55

- b) The embedded generation is related to 2013 to 2016 and the typographical error has been corrected in the 2018 GA Analysis Workform explanation.

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.

Response

The short-term load transfers of \$(274,850) are primarily related to the Leamington TS commissioning. The final settlement amounts with Hydro One were not known before the 2019 year-end process and not accrued for. Therefore, both a reconciling item and principal adjustment are required for 2019.

EPLC did not have material short term load transfers for 2017 and 2018.

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.

- a) For each adjustment, please explain the nature of this adjustment
- b) 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
- c) Please explain how each of the adjustments were quantified.

Response

- a) The principal adjustment of \$(592,035) is related to the overall impact of the RPP GA portion reclass entry related to August 2019 consumption that was improperly excluded from Account 1589 to Account 1588 and represents one of the preliminary findings of the ongoing 2019 balance investigation.

The principal adjustment of \$(749,708) is currently under investigation consistent with EPLC response to Staff Question #2. It should be noted that neither entry has been finalized or made as of the time of this filing.

- b) Please see response to a) above.
- c) Please see response to a) above.

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.

Response

EPLC has updated the GA Analysis Workform and Continuity Schedule in the Rate Generator Model to accommodate the offsetting principal adjustments.

Staff Question #11

Ref: GA Analysis Workform

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

Regarding 2019 principal adjustments:

- a) 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

- b) In the DVA Continuity Schedule, 2019 transactions in the year for Account 1588 and Account 1589 are (\$105,145) and \$2,297,248 respectively.
- 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.
 - 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.

Response

- a) EPLC is not requesting disposition of 2019 balances at this time. The 2019 transactions and principal adjustments have been adjusted (backed-out) on the DVA Continuity Schedule to ensure they are not included in any Rate Riders. As a result, the closing balance for 2019 now equals to closing balance for 2018.

Summary of principal adjustments on the DVA Continuity Schedule for Account 1589:

- \$(2,297,248) to remove the 2019 transactions
- \$(1,823,238) the 2019 principal adjustments from the GA Analysis Workform
- \$1,823,238 to remove the 2019 principal adjustments from the GA Analysis Workform

Summary of the principal adjustments on the DVA Continuity Schedule for Account 1588:

- 1 • \$105,145 to remove the 2019 transactions
- 2 • \$1,377,814 the 2019 principal adjustments from the GA Analysis Workform
- 3 • \$(1,377,814) to remove the 2019 principal adjustments from the GA Analysis
- 4 Workform
- 5 b) i.) Consistent with EPLC response to Staff Question #9 above, the 2019 transactions for
- 6 Account 1589 of \$2,297,248 do not include the adjustments of \$(592,035) or
- 7 \$(749,708).
- 8 b) ii.) Please see response to a) above.

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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%

Response

Please review the chart below which adjusts for responses to Staff Questions 4 & 10 respectively.

Additionally, the 2017 Transaction column has been updated to remove an additional IESO true-up for global adjustment and unbilled kWh for fiscal years 2013-2015 in the amount of \$659,903.69.

	Transactions (\$)	Principal Adjustment (\$)	Account 1588 Net Activity (\$)	Account 4705 (\$)	% net activity compared to Account 4705
2017	- 247,708	184,065	- 63,644	31,221,322	-0.2%
2018	538,697	- 299,723	238,974	32,410,120	0.7%
2019	- 105,145	105,145	-	32,238,763	0.0%
Cumulative			175,331	95,870,205	0.2%