**Tillsonburg Hydro Inc.’s 2021 IRM Application EB-2020-0056**

**OEB Staff Questions**

Please note, Tillsonburg Hydro 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: IRM Rate Generator, Tab 6. Class A Consumption Data

1. Prior to 2019, Customer 3 had consumptions of approximately 3 million kwh each half year period. OEB staff notes there was a precipitous drop in usage in 2019 to 0.128-0.025 million kWh. Please confirm the number and explain the drop.

**Response**

**THI confirms the consumption data for customer # 3 is accurate. During 2018 / 2019, this customer significantly reduced production and ultimately ceased operations. THI cannot comment further on why these business decisions were made.**

1. OEB staff notes, for Customer 7 that there was significant increase in usage in during the period of January to June 2017 (to 4 million kWh) and a precipitous decrease in 2019 (0.5 million kWh and 0 kWh).
	1. Please confirm the consumption data for Customer 7.
	2. Please explain the increase in 2017.
	3. Please explain the decrease in 2019.

**Response**

**THI confirms the consumption data for customer # 7. The decrease in 2019 relates to the business closing and ceasing operations. THI cannot confirm the business reasons that customer # 7 had increases in usage in 2017, however, assumes it relates to the production level of the facility.**

1. Please confirm that there were no customers who were Class A for the full year during the period the Account 1589 GA or account 1580 CBR B balance accumulated. If there are please fill out 3b (starting at cell 487A) in Tab 6 Class Consumption Data.

**Response**

**THI confirms that customer # 1 was our first Class A customer and started in Class A as of July 1, 2016. The period of Jan. 1, 2016 to June 30, 2016 this customer was Class B and is included in the recovery period. THI has no customers who were Class A for the full recovery period requested.**

**Staff Question #2**

Ref: IRM Rate Generator, Tab 6.1: GA Allocation

Tillsonburg Hydro had indicated that the 2019 Non-RPP Consumption less WMP Consumption was 99,994,058 kWh. OEB staff notes that between 2016 to 2018, the average was approximately 143 million kWh.

1. Please confirm the 2019 Non-RPP Consumption Less WMP Consumption (Cell D19).
2. Please explain the precipitous drop in 2019 relative to the previous years.

**Response**

**THI confirms the 2019 Non-RPP Consumption less WMP Consumption in cell D19. The changes are a result of two economic factors. The first factor is that overall consumption flow through dropped by 25,000,000 kWh in 2019 (174,174,760 kWh as reported in GA work form) compared to 2016 (199,578,689 kWh as reported in GA work from), this would be an overall economic issue and results from CDM initiatives. The second factor would be the loss of significant customers and closed businesses. Two of these significant customers are discussed in IR # 1 above.**

**Staff Question #3**

Ref: IRM Rate Generator, Tab 6.1: GA Allocation

 EB-2019-0069, Decision and Rate Order, April 16, 2020

 EB-2018-0070, Decision and Rate Order, March 28, 2019, page 7

OEB staff notes that in Tillsonburg Hydro’s 2019 Decision and Order, “The audit will focus on the aforementioned [accounts 1588, 1589 and 1595 (2015)] account balances as at December 31, 2017 and is to include a review of the utility’s **processes** regarding its monthly RPP wholesale settlements, the subsequent true-up of those settlements, and a review of the balance in the subaccounts of account 1595.”

1. Please provide the section that provides the review of Tillsonburg Hydro’s processes regarding its monthly RPP wholesale settlements, the subsequent true-up of the settlements and the review of the balances in the subaccounts of account 1595.

**Response**

**THI provided the entire audit report as Appendix I to the application (starting on page 148 of the application).**

**THI provides the following excerpts of the Special Purpose Audit:**

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**The above references Article 490 of the APH, this would include the numerous documents, letters and guidance provided by the OEB. The entire process of identifying settlements and settlement true-up would be contained with this general statement. The notes included on pages 3 & 4 of the SPA also discuss the settlement process.**

**With respect to the 1595 account, the excerpt above discusses the including of the 1595 accounts and the schedules contained on pages 3 & 4 show the 1595 values and adjustments (there were none), indicating that these accounts were reviewed.**

**Staff Question #4**

Ref: Manager’s summary, Adjustments to Deferral and Variance Accounts, page 9

 IRM Rate Generator, Tab 3. Continuity Schedule

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 in the utility’s last rebasing application. Based on RRR data filed for Tillsonburg Hydro 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 follows:



1. Please confirm this calculation or provide a revised calculation, if necessary.
2. Each of the above years shows that, as a percentage of total cost of power purchases, the net activity recorded in the account is much greater than +/-1%. Please provide an explanation for why the Account 1588 activity is so large, with due consideration to line losses.

**Response**

**This confirms the accuracy of the activity in 1588 from the Continuity Schedule and generally the 4705 values from account 4705 as referenced. Note: COP expenses in 4705 were not adjusted for the SPA findings and incorporate the annual net movement entries. Note 2, the cumulative values were not calculated correctly in the Staff IR, THI has provided a corrected table below.**



**Looking in isolation at the 1588 movement only looks at half of the picture, the table below provides THI’s Cost of Power (CoP) and Global Adjustment (GA) values for each year, as well as providing the actual year loss factor.**



**If the 1588 balances are in question, it appears to be an allocation issues between the 1588 / 1589 accounts, as opposed to an over or under collection through billings.**

**THI is requesting that Board Staff review this interrogatory and advise what further analysis and details are required.**

**Addendum:**

**Discussions with Board Staff occurred after the submission of THI’s IRRs. THI calculated the allocation of Regulated Price Plan related charges using the monthly identified RPP kWh and the Final GA Rate, as opposed to using an allocation basis of RPP kWH compared to Adjusted AQEW. This has made the following changes to the principal balance:**

* **2016**
	+ Cost of Power (4705) - $98,827 – reduction to COP expense
	+ GA (4707) - $98,827 – increase to GA expense
* **2017**
	+ Cost of Power (4705) – $265,818 reduction to COP Expenses
	+ GA (4707) - $265,818 increase to GA expense
* **2018**
	+ Cost of Power (4705) - $115,102 – reduction to COP expense
	+ GA (4707) - $115102 – increase to GA expense
* **2019**
	+ Cost of Power (4705) - $138,939 – reduction to COP expense
	+ GA (4707) - $138,939 – increase to GA expense
* **Cumulative -** $618,686 – reduction to COP & increase to GA expense

THI is providing an updated IRM Rate Generator as part of this IRR submission, labelled THI Update 20210316, for version control.

This adjustment does not appear to meet the needs of OEB staff relating to IR#4. THI has reviewed and reconciled the following:

* IESO Settlements
	+ Original and Revised calculations and accounting to ensure the accuracy of currently submitted values and continuity schedules
* Expense Posting to GL accounts 4705 and 4707
* Allocation method used for RPP kWh relating to GA (to be contained in USoA 4705)
* Revenue posting from Billing System to Financial System – to ensure proper Revenue is contained within the proper USoA and ultimately the DVAD balances
* Unbilled Revenue Calculations

**Staff Question #5**

Ref: EB-2020-0056, Appendix I – THI Special Purpose Audit Findings (2016 & 2017), page 149

IRM Rate Generator, Tab 3. Continuity Schedule

At the above reference, Tillsonburg Hydro confirms that it is in compliance with the OEB’s February 21, 2019 accounting guidance related to Accounts 1588 and 1589. OEB staff notes significant adjustments were booked in 2016 and 2017.

1. Please explain the nature of the differences between balances presented on the Schedule of Variance Accounts 1588, 1589, and 1595 included in Appendix I and the information contained in tab 3. Continuity Schedule of the IRM Rate Generator Model.
2. Regarding the adjustments captured in the GA 2018 and GA 2019 tabs of the Tillsonburg Hydro\_2021 IRM\_GA Analysis Workform\_20201123 file, please explain how the entries reconcile with the information entered in tab 3. Continuity Schedule of the \_Tillsonburg Hydro\_2021 IRM Rate Generator Model V2\_20201123.xls file.
3. As a result of confirming that it has implemented the OEB’s February 21, 2019 accounting guidance, please confirm whether Tillsonburg Hydro is seeking final (as opposed to interim) disposition of its Group 1 DVA account balances as part of the current proceeding

**Response**

**Tillsonburg Hydro’s IRM Generator, Tab 3 continuity schedule was reproduced starting with the last approved disposition (2015 Audited Balances) and included the revised annual activity for 2016, 2017, 2018 and 2019 as opposed to utilizing the adjustments noted in Appendix I – THI Special Purpose Audit Findings. The table below reconciles the 2016 and 2017 balances and sources of adjustments:**

**Current year activity was recorded in “Transaction Debit / (Credit)” columns and GA adjustments were captured in “Principal Adjustments” columns found in Tab 3 of the IRM models.**

**Tillsonburg confirms we are seeking final disposition of the Group 1 DVAs.**





**Staff Question #6**

Ref: 2021 IRM GA Analysis Workform–

Tab GA 2017 – Cell C 80

Tab GA 2018 – Cell C 84

Tab GA 2016-2017-2018 – Cell C75

At the above reference, there are a series of adjustments related to the GA balance.

1. Please confirm the amounts referenced in the cells above for 2017 and 2018 pertain to the class variance included in the GL balance at the year end.
2. Regarding the reference to Cell C75 for the years listed above, please explain why the true-up recorded in the following year is not reversed each year. For example, in GA 2016 Note 1.b 12,568 (2016 true-up recorded in 2017) is expected to be reversed in GA 2017 in cell C74, however the figure used in note 1a in the 2017 GA is 617,456.

**Response**

**THI met with OEB Staff to discuss this IR and seek clarification. After discussions, the GA 2017 Cell C80 & GA 2018 Cell C84 references were shown to be properly reversed in subsequent years. Discussions focused on adjustments 1a and 1b and the associated reversals. The response below focuses on the 2016, 2017 & 2018 1a and 1b adjustments only.**

**THI is providing an updated GA work from to these IR’s, that incorporates the reversal of Item 1b in the subsequent year 1a adjustment (e.g. 2017 1a, includes reversal of 2016 1b adjustment). As a result of the settlement process used historically, there are other values contained in item 1a adjustments other than the reversal discussed. Below is a reconciliation between the original GA work from and the revised GA work from:**



**Note, the GA Work Form “Principal Adjustments” Tab was also revised to ensure double counting of prior year adjustments did not occur. Result was no change to the IRM Continuity Schedule.**

**Addendum:**

**OEB staff have asked for further clarification on the values contained in Item 1a) for each year 2016, 2017, 2018 & 2019.**

* **2016 1a)**
	+ **Total Value = $642,257**
		- **100% relate to 2015 kWh’s billed in 2016 (GA portion) using posted GA rate**
		- **2015 Activity recorded in 2016**
* **2016 1b)**
	+ **Total value = $12,568**
		- **True-up of estimated kWh from Dec 2016, recorded in 2017**
* **2017 1a)**
	+ **Total Value = $604,888**
		- **$617,456**
			* **relates to 2016 kWh’s billed in 2017 (GA portion) using posted GA rate**
			* **2016 activity recorded in 2017**
		- **$12,568 – reversal of 2016 item 1b**
* **2017 1b)**
	+ **Total value = $3,046**
		- **True-up of estimated kWh from Dec 2017, recorded in 2018**
* **2018 1a)**
	+ **Total Value = $743,783**
		- **$740,738**
			* **relates to 2017 kWh’s billed in 2018 (GA portion) using posted GA rate**
			* **2017 activity recorded in 2018**
		- **$3,046 – reversal of 2017 item 1b**
* **2018 1b)**
	+ **Total value = $24,555**
		- **True-up of estimated kWh from Dec 2018, recorded in 2019**
* **2019 1a)**
	+ **Total Value = $597,171**
		- **$621,726**
			* **relates to 2018 kWh’s billed in 2019 (GA portion) using posted GA rate**
			* **2018 activity recorded in 2019**
	+ **$24,555 – reversal of 2018 item 1b**
* **2019 1b)**
	+ **Total value = $4,700**
		- **True-up of estimated kWh from Dec 2019, recorded in 2020**

**Staff Question #7**

Ref: EB-2020-0056 – Appendix I - THI Special Purpose Audit Findings (2016 & 2017)

The revised balance of account 1589 for 2016 and 2017 included in the Schedule of Variance Accounts 1588, 1589 and 1595 in the above-mentioned reference are different from the values reported in Continuity Schedule of the Tillsonburg Hydro\_2021 IRM\_Rate Generator Model V2\_20201123.xls file.

1. Please explain why the balances reported in Appendix I for account 1589 do not match with the information contained in the Continuity Schedule for 2016 and 2017.

**Response**

**THI has provided an explanation of the SPA findings and the Continuity Schedule variance in IR # 5 above. If the above response does not answer this question, please let us know.**

1. Please explain in further detail and provide supporting documentation with respect to how the adjustments for 1588 and 1589 for the years 2016 and 2017 ($1.3M and $2.2M) were calculated (Please refer to the below extract from the Schedule of Variance Accounts 1588, 1589 and 1595 included in Appendix I).





**Response**

**Prior to the SPA, THI attended the OEB Staff training on the 1588/1589 accounting guidance, it was at this training that it was identified that THI has a timing issue impacting 2 values that directly affected the 1588 / 1589 variance accounts. THI utilized kWh values that were not accrued back to the consumption period, but rather on the billing period. This affected both the settlement timeframe, with a permanent 1-month delay in settlement submissions, as well as affecting the allocation of RPP/Non-RPP Class B Global Adjustment.**

**Subsequently, THI contracted with Utilismart to provide the consumption month values required for settlement with the IESO and used to allocation RPP/Non-RPP Class B GA charges.**

**The adjustments noted are the annual variances between our incorrect calculations and the revisions. This was calculated by recalculating monthly settlement values for January 2016 through to April 2020, when we migrated current IESO settlement values to be fed from the Utilismart data tool.**

**The SPA was conducted using the revised settlement procedure from the Utilismart data tool.**

**Staff Question #8**

Ref: IRM Rate Generator, Tab 3. Continuity Schedule

 EB-2020-0056, Appendix I – THI Special Purpose Audit Findings (2016 & 2017)

 EB-2019-0069, Final 2020 Rate Generator Model

OEB staff noted that in the Special Purpose Audit Findings (SPA), Accounts 1595 had a principal of $156,899 as at December 31, 2016 and $(49,008) as at December 31, 2017. In the IRM Rate Generator, the closing balance for Account 1595 (2015) as at December 31, 2016 and December 31, 2017 is $(94,632). In EB-2019-0069’s Final 2020 Rate Generator Model, the closing balance for Account 1595 (2015) as at December 31, 2016 and 2017 is $(115,659).

1. Please confirm that the SPA Accounts 1595 is for subaccount 2015. If not, please provide the sub-accounts the SPA was completed for.
2. Please reconcile the sub-accounts in the SPA to the continuity schedule in the 2021 rate generator model.
3. Please reconcile Account 1595 subaccount 2015 between the 2020 and 2021 rate generators.

**Response**

**Responses for part a) and b) of IR #8 have been provided in IR # 5 above and referenced in IR # 7. With respect to part c) of IR # 8, the 2020 IRM model had the same error and change identified in IR # 5 above, namely the Opening Balance carry-forward of the 2015 DVADs from 2015 to 2016. These reconciliations have been provided in IR # 5 above.**

**Staff Question #9**

Ref: IRM Rate Generator, Tab 16: Rev2 Cost GDP IPI

Ontario Energy Board 2021 Electricity Distribution Rate applications webpage– November 9. 2020

The OEB calculated the 2021 inflation factor for electricity distributors to be 2.2%. OEB staff has updated the price escalator from 2.00% to 2.20% in Tillsonburg Hydro’s IRM rate generator. The OEB issued a letter providing all utilities the discretion of electing the calculated IPI level per the OEB-approved methodology (offset by the applicable stretch factor and other adjustments for some plans) or a lower value or forgo the inflationary increase entirely.

1. Please confirm that Tillsonburg Hydro intends to file its letter, on the record of this proceeding, by the date stipulated in the OEB’s letter.

**Response**

**Tillsonburg Hydro will be applying for the maximum IPI (2.2%) less the Annual IRM Stretch Factor (0.6%) for a net increase of 1.6%. A formal letter was sent on February 10, 2021.**

**Staff Question #10**

Ref: IRM Rate Generator, Tab 11: RTSR- UTRs & Sub-tx

 IRM Rate Generator, Tab 8: STS- Tax Changes

 EB-2020-0251, Decision and Rate Order for 2021 Uniform Transmission Rates

1. The OEB has issued the updated UTR’s for 2021. OEB staff has updated the model, please confirm the UTRs are correct in the model.
2. Tillsonburg Hydro has requested that the effective tax rate be reduced to 0.0%. OEB staff has updated the model, please confirm that the tax rate has been reduced accordingly (See Tab 8, cell J36).

**Response**

**THI has reviewed the decision on EB-2020-0251 and confirms the rates entered by OEB Staff reconcile to the 2021 UTR decision.**

**THI confirms that the tax rate in Schedule 8 of the IRM generator have been updated consistent with prior year’s decisions.**