

InnPower Corporation
OEB Staff Questions
EB-2021-0036

Staff Question-1

Ref: 2022 Rate Generator Model, Tab 3. Continuity Schedule, Cell BF32

1595 Analysis Workform, Tab 1595 2017

The 1595 Analysis workform identifies that was for 2017, however in the Rate Generator Model, under tab 3, the entry for the same amount was made in Account 1595 (2016).

1. Was the principal adjustment made in 2016 or 2017, please also update the Rate Generator Model or 1595 Analysis Workform as required.

As indicated on page 15, line 14 in the Manager's Summary;

"In the Decision and Rate Order EB-2016-0085, the OEB found that IPC incorrectly continued to charge its rate riders after the approved expiry dates. In a letter dated January 9, 2018, the OEB indicated that it expected InnPower to end its rate riders effective December 31, 2017, which included the Rate Rider for Disposition of Capital Gains (see Appendix C). To address the issue, the OEB directed IPC to transfer the over-refunded balances with respect to capital gains to a sub account in Account 1595 for future disposition in a subsequent IRM application (see Appendix D: Section 3.13 of EB-2016-0085).

Instead, IPC's assumption was to record the over-refunded balance to a Group 2 DVA account, to be disposed in a future Cost of Service application. IPC has since transferred the balance into a 1595 account and is requesting disposition in the amount of \$124,287. Please note, IPC is not requesting disposition of any interest amounts on the over-refunded principal balance.

Additionally, please note the over-refunded balance was recorded to a separate 1595 (2017) account than the 2017 balance approved for disposition. As the rate riders for the 2017 DVA account balances have only expired in May 2020, IPC will not be requesting disposition of the account at the current time. As such, the \$124,287 has been included on a separate line in the rate generator continuity schedule (i.e. 1595 (2016)) to distinguish the amount being requested for disposal."

The amount of \$124,287 is part of the 2017 DVA account balance, however, it was included on a separate line under tab 3, so the request for disposition did not include the residual balance in 1595 (2017).

2. Has the 2017 principal adjustment been reported as an adjustment to the Reporting and Record Keeping Requirement filings?

No, the 2017 principal adjustment has been recorded correctly in the Reporting and Record Keeping Requirements filings. As noted above, the adjustment was recorded on a separate line to distinguish the amount requested for disposition in the current application.

Please confirm whether there is a more suitable method to record the adjustment in the OEB models provided.

Staff Question-2

Ref: 2022 GA Analysis, Tab: Account 1588, Cell B64

2022 GA Analysis, Tab: Principal Adjustment, Cell J56 & V57

The 2022 GA Analysis Workform notes that in 2020, there was a Principal Adjustment of \$143,948 and a total activity of \$1,428,143. Account 1588 as a percentage of Account 4705 is 4.9%. There was also a note that the InnPower is currently investigating the large variance due to unaccounted for energy that occurred in 2020.

OEB staff notes that there is an Unaccounted-for Energy Loss of \$301,328 in Account 1589 and (\$301,328) in Account 1588 in 2020.

1. Account 1588 is quite large with respect to Account 4705 (Cost of Power). Please explain the large activity in 2020.

In the initial investigation, InnPower assumed that losses in 2020 were significantly higher than prior years. However, upon further inspection the analysis revealed an irregularity in 2018 and 2019 due to substantial station maintenance, which lowered losses during this period.

Further analysis performed revealed an issue in the OEB approved loss factor. During InnPower's last Cost of Service (EB-2016-0085), the OEB found it appropriate to revise the load forecast for billed energy by using the recent five-year average of 1.0604 for the total loss factor. The OEB found that losses based on a ten-year average overstates the recent trend in losses and understates the load forecast.

In reviewing the historical data submitted in EB-2016-0085, there were several factors inaccurately reported for the years 2012 to 2016, including the Supply Facilities Loss Factor and Wholesale Consumption. As such, the loss factor of 1.0604 for the period of 2017 to 2021 is understated. In 2020, InnPower has not appropriately collected funds to recover losses, resulting in an accumulation of costs not recovered in Account 1588.

2. Please also explain the large variance in the unaccounted-for energy that occurred in 2020.

As described in Staff Question 1.

3. Please explain why the expected volume variance would be recorded as a principal adjustment in the GA workform.

The volume variances are recorded as a principal adjustment, as losses were not accounted for in both Account 1588 and 1589.

Staff Question-3

Ref: Sheet 20. Bill Impact

OEB staff has identified that the Non-RPP Retailer Average Price and Average IESO Wholesale Market Price used at the above reference were incorrectly entered as \$0.2689. OEB staff has updated the pricing to reflect the correct amount of \$0.1060. Please confirm that the model included with these OEB staff questions reflects this update.

OEB staff manually corrected items in the rate generator model that was submitted by InnPower, however, the change noted above was not made. As such, InnPower has resubmitted the Rate Generator model with the correction.

Staff Question-4

Preamble:

At Reference 1, InnPower states it is currently investigating the large variance in account 1588 due to unaccounted for energy that occurred in 2020.

At reference 2, InnPower states the transaction amount \$1,572,092 shown in the Account 1588 tab of the GA Analysis Workform reflects the continuity schedule amount of \$3,547,294 less \$1,975,202 in the DVA audit adjustments correcting prior year balances.

Question:

- a) Please provide an update on the status of the investigation regarding the large variance in account 1588 due to unaccounted for energy occurred in 2020.

As described in Staff Question 2.

- b) Please confirm if InnPower is seeking disposition for account 1588 even if the difference mentioned above has not been resolved prior to the conclusion of this proceeding.

Yes. InnPower is still seeking disposition of the 1588 account.

Staff Question- 5

Ref: 1) EB-2021-0036 – Appendix A - OEB Inspection Report – Group 1 Deferral and Variance Account

2) EB-2021-0036- 2022 Rate Generator Model, Tab 3. Continuity Schedule

3) EB-2020-0033- 2021 Rate Generator Model, Tab 3. Continuity Schedule

Preamble:

As per the Inspection Report cited in reference 1, OEB staff notes that due to a number of errors, InnPower did not conform with the OEB's accounting guidelines and materially misstated the balances as of December 31, 2019 reported for the following accounts:

- Account 1588 (RSVA – Power)
- Account 1589 (RSVA – GA)
- Account 1580 (RSVA – WMS)
- Account 1580 sub-account CBR Class B

Questions:

Please explain the difference in the following table between the two rate models.

Year, account, group	2022 Model	2021 Model
2019, 1580, RSVA	(649,652)	(556,413)
2019, 1580, Class B	(48,372)	17,687
2019, 1588, Power	(1,001,147)	1,267,537
2019, 1589, GA	2,038,364	(390,352)

Please refer to the page 8, line 13 in the Manager's Summary;

"As requested by the OEB in EB-2018-0045 and EB-2019-0047, IPC began a Group 1 DVA balance audit by the OEB's Audit and Investigation Unit. The audit began in February 2020 and was finalized in September 2020. IPC resubmitted the Continuity Schedule with the adjustments identified in the Group 1 DVA audit as part of EB-2020-0033. The principal and interest adjustments were recorded in the General Ledger as of January 1, 2020, as outlined in Appendix A OEB Inspection Report – Group 1 Deferral and Variance Account and Appendix B OEB Inspection – Summary of Inspection Adjustments. Please note, these amounts have not been included in the principal adjustments column in the rate generator model, as they have been accounted for in the disposition amounts recorded during 2021."

The differences noted above reflect the audit adjustments provided by the OEB (as referenced in Appendix B: InnPower_Summary_of_Inspection_Adjustments_Appendix_B)

	2022 Model	2021 Model	Difference
2019,1580 RSVA	\$ (649,652)	\$ (556,413)	\$ (93,239)
2019, 1580 Class B	\$ (48,372)	\$ 17,687	\$ (66,059)
2019, 1588, Power	\$ (1,001,147)	\$ 1,267,537	\$ (2,268,684)
2019, 1589 GA	\$ 2,038,364	\$ (390,352)	\$ 2,428,716

Appendix B:

InnPower Group 1 DVAs - Summary of inspection adjustments

Principal	Principal balance as of Dec 31, 2019 per GL	Account 1588	Account 1589	Account 1580	Account 1580 sub-account CBR B
		\$ (1,001,147)	\$ 2,038,364	\$ (649,652)	\$ (48,372)
1	Error in recording true-up of GA expenses:				
	a) 2015	\$ 52,591	\$ (52,591)		
	b) 2016	\$ 828,492	\$ (828,492)		
	c) 2017	\$ 1,018,613	\$ (1,018,613)		
2	Error in calculation of GA true-up for May and July 2019	\$ 8,862	\$ (8,862)		
3	Incorrect manual adjustment entry made in 2017	\$ 57,781	\$ (57,781)		
4	Adjustment for recalculated variances based on actual revenues less expenses in 2018	\$ (191,423)	\$ 190,689		
5	Unbilled revenue accrual for non-RPP GA for Dec 2019 erroneously recorded in 1588	\$ 493,768	\$ (493,768)		
6	WMS CBR B charges erroneously recorded in Account 4707 instead of 4708:				
	a) 2015		\$ (66,059)	\$ 66,059	
	b) 2016		\$ (93,239)	\$ 93,239	
Sum of adjustments		\$ 2,268,684	\$ (2,428,716)	\$ 93,239	\$ 66,059
Revised principal balance as of Dec 31, 2019		\$ 1,267,537	\$ (390,351)	\$ (556,413)	\$ 17,687

Staff Question- 6

Ref: InnPower_2022_GA_Analysis_Workform_1.0_20210722_20210818.xlsb

Preamble:

In the 2020 tab of the GA Analysis Workform, InnPower has a reconciling item, as well as associated principal adjustments, in the amount of \$1,934,948 relating to the inspection. The note under principal adjustment says it was included in the 2021 IRM proceeding and disposed. Therefore, it appears that InnPower included the \$1.9M in the 2019 balance disposed in the 2021 IRM application but recorded the \$1.9M in the GL in 2020.

Question:

- a) Please confirm if the \$1.9M was disposed as part of last year's IRM application and that the principal adjustment was recorded in the GL in 2020.

Yes, this is correct.

- i. If not confirmed, please explain how the \$1.9M adjustment was treated for DVA disposition purposes and when it was recorded in the GL.

N/A

- b) If part a) above is confirmed, the \$1.9M should be captured as a reversal principal adjustment in the 2022 IRM and in the "Principal Adjustments" tab of the GA Analysis Workform. However, there is no such reversal. Please explain why not and revise the GA Analysis Workform as needed.

The rate generator model (Tab 3, continuity schedule) reflected actual GL opening balances, instead of adjusted balances. The schedule has now been changed to reflect the adjusted balance with a reversal principal adjustment.

- c) There are no principal adjustments for Account 1588 in the principal adjustment tab of the GA Analysis Workform relating to the OEB inspection. Please explain how any adjustments from the OEB inspections were treated for DVA disposition purposes in the 2021 proceeding and this proceeding.

- i. Please indicate when these adjustments were recorded in the GL.

The GA analysis workform has been updated to include the adjustments related to the OEB inspection. The adjustments were recorded on January 1, 2020, with the disposition recorded on January 1, 2021.