Espanola Regional Hydro Distribution Corporation

EB-2021-0022

Responses to OEB Staff Follow-up Questions

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In responding to OEB staff's questions for the 2020 opening balances in the DVA continuity schedule of this application for Accounts 1550, 1586, 1588 and 1589 not matching with the 2019 ending balances in the DVA continuity schedule of 2021 cost of service application, Espanola Hydro explained that these adjustments were not recorded in the general ledger until 2021 when the 2021 cost of service decision and order was issued, however in order to propose the proper balances in the 2022-IRM-Rate-Generator-Model, the adjustments have to be shown in 2020 principal adjustment column to calculate the new disposition accurately.

Staff notes that these approved adjustments in Espanola Hydro's 2021 cost of service proceeding were related to prior periods up to 2019 and should be recorded in the "Principal adjustments during 2019" column of the DVA continuity schedule so that the 2019 ending balances of the DVAs match with the 2019 ending balances in the 2021 cost of service DVA continuity schedule.

Question:

a) Please update the DVA continuity schedule in this application to ensure that the 2019 ending balances for all DVAs match with the 2019 ending balances in Espanola Hydro's 2021 cost of service DVA continuity schedule for the settlement proposal.

Response:

ERHDC has updated the continuity schedule in this application to match the 2019 ending balances as submitted in the 2021 cost of service DVA continuity schedule. The is updated continuity schedule can be viewed in ERHDC_2022-IRM-Rate-Generator-Model_20220218.

Staff Follow-up Question - 2

Ref 1: the OEB's letter for Guidance to Electricity Distributors on Implementing the Emergency Order Regarding the Deferral of a Portion of the Global Adjustment, May 15, 2020

Ref 2: Response to Staff Question – 4

Page 4 of Reference 1 states that:

> The accounting guidance for Account 1588 – RSVA Power and Account 1589 – RSVA Global Adjustment3 (Accounting Guidance) requires the invoiced GA rate/kWh to calculate the amount of charge type 148 to be allocated between Account 1588 and Account 1589…. The full amount of the charge type 148 credit for "Non-RPP Class B Deferral Amount as per Emergency Order" on a distributor's settlement statement should be recorded in Account 1589.

In Reference 2, Espanola Hydro states that:

> Espanola completed its GA calculation using the Non-Adjusted rates for the months of April, 1 May and June 2020. If Espanola had used the adjusted rates it would have resulted in an additional $94,158 in 1588 Power and ($94,158) in 1589 Global Adjustment. Since Espanola had already completed its year end, this entry will be completed in 2021, thus making it a principal adjustment. If this should be a reconciliation item instead then please advise.

Question(s):

a) Please confirm that Espanola Hydro has followed the accounting guidance issued by the OEB in May 2020 for the GA deferral to account for the GA charges in Accounts 1588 and 1589. If not, please illustrate the differences.

b) Please explain how Espanola Hydro calculates the additional principal adjustment of $94,158 in Account 1588 and ($94,158) in Account 1589.

Response:

a) & b)

ERHDC originally used the unadjusted rates in the calculation of GA Variances as presented in Table 1 below. ERHDC recognized this accounting error when completing this IRM application and identified a correction was required to follow the accounting guidance issued by the OEB in May 2020 for the GA deferral. ERHDC updated the GA Workform as presented in table 2 below. The difference between $9,843 and $104,001 is the $94,158 principal adjustment required to accounts 1588 and 1589.

Table 1

Calendar Month	Non-RPP Class B Including Loss Factor Billed Consumption (kWh)	Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)	GA Rate Billed ($/kWh)	$ Consumption at GA Rate Billed	GA Actual Rate Paid ($/kWh)	$ Consumption at Actual Rate Paid	Expected GA Price Variance ($)
	F	I = F-G+H	J	K = I*J	L	M = I*L	N=M-K
January	1,550,224	1,550,224	0.08323	$ 129,025	0.10232	$ 158,619	$ 29,594
February	1,400,399	1,400,399	0.12451	$ 174,364	0.11331	$ 158,679	$ (15,684)
March	1,439,283	1,439,283	0.10432	$ 150,146	0.11942	$ 171,879	$ 21,733
April	1,150,465	1,150,465	0.13707	$ 157,694	0.11500	$ 132,303	$ (25,391)
May	1,151,703	1,151,703	0.09293	$ 107,028	0.11500	$ 132,446	$ 25,418
June	1,207,028	1,207,028	0.11500	$ 138,808	0.11500	$ 138,808	$ -
July	1,341,843	1,341,843	0.10305	$ 138,277	0.09902	$ 132,869	$ (5,408)
August	1,357,321	1,357,321	0.10232	$ 138,881	0.10348	$ 140,456	$ 1,574
September	1,190,640	1,190,640	0.11573	$ 137,793	0.12176	$ 144,972	$ 7,180
October	1,282,197	1,282,197	0.14954	$ 191,740	0.12806	$ 164,198	$ (27,542)
November	1,360,863	1,360,863	0.11670	$ 158,813	0.11705	$ 159,289	$ 476
December	1,443,558	1,443,558	0.10704	$ 154,518	0.10558	$ 152,411	$ (2,108)
Net Change in Expected GA Balance in the Year (i.e. Transactions in the Year)	**15,875,524**	**15,875,524**		**$ 1,777,087**		**$ 1,786,930**	**$ 9,843**

Table 2

Calendar Month	Non-RPP Class B Including Loss Factor Billed Consumption (kWh)	Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)	GA Rate Billed ($/kWh)	$ Consumption at GA Rate Billed	GA Actual Rate Paid ($/kWh)	$ Consumption at Actual Rate Paid	Expected GA Price Variance ($)
	F	I = F-G+H	J	K = I*J	L	M = I*L	N=M-K
January	1,550,224	1,550,224	0.08323	$ 129,025	0.10232	$ 158,619	$ 29,594
February	1,400,399	1,400,399	0.12451	$ 174,364	0.11331	$ 158,679	$ (15,684)
March	1,439,283	1,439,283	0.10432	$ 150,146	0.11942	$ 171,879	$ 21,733
April	1,150,465	1,150,465	0.13707	$ 157,694	0.15057	$ 173,226	$ 15,531
May	1,151,703	1,151,703	0.09293	$ 107,028	0.14718	$ 169,508	$ 62,480
June	1,207,028	1,207,028	0.11500	$ 138,808	0.12840	$ 154,982	$ 16,174
July	1,341,843	1,341,843	0.10305	$ 138,277	0.09902	$ 132,869	$ (5,408)
August	1,357,321	1,357,321	0.10232	$ 138,881	0.10348	$ 140,456	$ 1,574
September	1,190,640	1,190,640	0.11573	$ 137,793	0.12176	$ 144,972	$ 7,180
October	1,282,197	1,282,197	0.14954	$ 191,740	0.12806	$ 164,198	$ (27,542)
November	1,360,863	1,360,863	0.11670	$ 158,813	0.11705	$ 159,289	$ 476
December	1,443,558	1,443,558	0.10704	$ 154,518	0.10558	$ 152,411	$ (2,108)
Net Change in Expected GA Balance in the Year (i.e. Transactions in the Year)	**15,875,524**	**15,875,524**		**$ 1,777,087**		**$ 1,881,088**	**$ 104,001**

Staff Follow-up Question - 3

Ref 1: Response to Staff Question – 4

Ref 2: GA Analysis Workform

Espanola Hydro states that:

Espanola has reproduce Appendx2-R from the ERHDC_2021_Filing_Requirements_Chapter2_Appendices_Settlement_202105 10. In 2018 and 2019 the actual loss factor is great than 1.08. The approved loss factor for Espanola is 1.0673 because its an average of the previous 5 historical years. This is always going to create a greater than 1% variance each year and thus brings the explainable variance below the +/- 1% threshold.

OEB staff notes from the GA analysis workform that 1.0673 is used for "Most Recent Approved Loss Factor for Secondary Metered Customer < 5,000kW".

OEB staff notes that the approved line loss factor of 1.0673 is effective for Espanola Hydro's 2021 rates while the GA analysis workform analyzes the 2020 account balances for Account 1588 and Account 1589.

Question:

a) Please update the approved line loss factor on the GA analysis workform using the applicable approved line loss factor for 2020.

b) Please provide the following analysis for the expected line loss $ in Account 1588:

2020 RPP two-tiers Wholesale kWh	2020 RPP two-tiers billed consumptions kWh	2020 Weighted average RPP two tiers price	2020 Line loss $ for RPP two tiers customers

2020 RPP TOU Wholesale kWh	2020 RPP TOU billed consumptions kWh	2020 Weighted average RPP TOU price	2020 Line loss $ for RPP TOU customers

2020 Non-RPP Wholesale kWh	2020 Non-RPP billed consumptions kWh	2020 Weighted average Energy price (or HOEP)	2020 Line loss $ for Non-RPP customers

c) Please sum up the above line losses for RPP and Non-RPP customers in 2020 and compare to the 2020 principal balance in Account 1588.

Response:

a) The approved line loss factor has been updated on the GA Workform to represent 2020's approved loss factor of 1.0687.

b)

2020 RPP two-tiers Wholesale kWh	2020 RPP two-tiers billed consumptions kWh	2020 Weighted average RPP two tiers price	2020 Line loss $ for RPP two tiers customers
1,750,149.88	1,733,182	0.126	2,132.18

2020 RPP TOU Wholesale kWh	2020 RPP TOU billed consumptions kWh	2020 Weighted average RPP TOU price	2020 Line loss $ for RPP TOU customers
42,754,253.00	42,324,192	0.126	54,138.34

2020 Non-RPP Wholesale kWh	2020 Non-RPP billed consumptions kWh	2020 Weighted average Energy price (or HOEP)	2020 Line loss $ for Non-RPP customers
16,067,492	15,875,524	0.112	21,488.64

c) The line losses for 2020 in part b above total $77,759. The amount of $21,489 has been included in the GA for Non-RPP Class B customers. This leaves a residual of $117,151 as a collection from customers in account 1588. This represents a 1.60% variance. If we remove the $2,132 for RPP Tiered customers and $54,138 for RPP TOU customers, that leaves a variance of $60,881. This variance is within the acceptable level of +/- 1%. Please see table 3 below for comparison.

Table 3

	Account 1588 - RSVA Power				
Year	Transactions[1]	Principal Adjustments[1]	Total Activity in Calendar Year	Account 4705 - Power Purchased	Account 1588 as % of Account 4705
2020	44,482	72,669	117,151	7,523,774	1.6%
Cumulative	**44,482**	**72,669**	**117,151**	**7,523,774**	**1.6%**

	Account 1588 - RSVA Power				
Year	Transactions[1]	Principal Adjustments[1] Less Explainable Losses	Total Activity in Calendar Year	Account 4705 - Power Purchased	Account 1588 as % of Account 4705
2020	44,482	16,399	60,881	7,523,774	0.8%
Cumulative	**44,482**	**16,399**	**60,881**	**7,523,774**	**0.8%**