

Bluewater Power RESPONSES to OEB Staff Questions
EB-2021-0008
March 10, 2022

Please note, Bluewater Power Distribution Corporation (Bluewater Power) 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 follow-up Question-1

Ref: Manager Summary, pages 16-17

Bluewater Power states that its past practice was to dispose of the balance in Account 1589 to only those customers that were charged the 1st Estimate GA rate. However, given that there are variances in the account that relate to factors other than the difference between 1st Estimate and Actual GA rate, it is more appropriate to allocate the variance to all Non-RPP Class B customers.

Bluewater Power then lists loss factor differences, unbilled revenue differences, and the impacts of the GA deferral from 2020 as items that would attribute to all Non-RPP Class B customers.

- a) Does Bluewater Power take a strong view on this change in allocation methodology?

Bluewater believes that the proposed allocation methodology best meets the objective of cost causality. If there are other factors to be taken into consideration by the OEB, such as consistency in the calculation of the GA rate rider amongst LDCs, then that the OEB should make that clear in its decision. Bluewater acknowledges that no allocation methodology is perfect, but we do believe that allocating the variance to all non-RPP customers in this case is the fairest allocation given the factors contributing to the variance. As discussed in a later response, the methodology proposed by Bluewater has the added benefit of leading to a more manageable rate increase for the affected customers.

- b) Is the impact of the GA deferral the primary driver for why a change in allocation approach is being considered in this proceeding? If not, please further explain why Bluewater Power is proposing to change its method of allocating the GA variance to Non-RPP Class B customers.

The impact of the GA Deferral is one of the drivers that caused us to reconsider which customers were contributing to the variance in the account. Bluewater has been transitioning customers to calendar month billing over the last number of years in order to better align with settlement processes, and also to allow the use of Actual GA rates instead of estimated GA rates for billing. As of January 1, 2020 we further transitioned all customers in the General Service > 50 kW (“GS>50”) rate class to calendar month billing, which meant we could then charge them the Actual GA rate instead of the 1st estimate GA rate starting in 2020. The previous disposition of Account 1589- Global Adjustment was for balances as of December 31, 2018 which were disposed in the 2020 IRM application (EB-2019-0021). At this last disposition, the customers in the GS>50 rate class were still charged Global Adjustment based on the 1st estimate rate, therefore they were party to disposition of the GA variance account. The kWh attributed to the GS>50 were 85% of the total kWh that were charged the 1st estimate GA rate as shown in Table 1 below.

Table 1 - Account 1589 GA Disposition – 2020 IRM Application (2018 Balance)

	Non-RPP Metered Consumption for Current Class B Customers (Non-RPP Consumption excluding WMP, Class A and Transition Customers' Consumption)	% of total kWh
	kWh	
RESIDENTIAL SERVICE CLASSIFICATION	8,337,898	4.9%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	16,708,479	9.7%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	146,513,066	85.3%
GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION	-	0.0%
LARGE USE SERVICE CLASSIFICATION	-	0.0%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	212,632	0.1%
SENTINEL LIGHTING SERVICE CLASSIFICATION	34,289	0.0%
STREET LIGHTING SERVICE CLASSIFICATION	-	0.0%
	171,806,364	100%

Since we transitioned the GS>50 rate class to calendar month billing, the remaining customers that are charged the 1st estimate GA rate are few, and therefore the allocation of the GA variance gets attributed to fewer customers as shown in Table 2 below. In fact, the remaining kWh to bear the GA disposition are just 13% of the former

total kWh that were party to the disposition (approx. 23M kWh divided by approx. 172M kWh).

Table 2 – kWh related to customers that pay 1st Estimate GA Rate (2020 Balance)

	Non-RPP Metered Consumption for Current Class B Customers (Non-RPP Consumption excluding WMP, Class A and Transition Customers' Consumption)	% of total kWh
	kWh	
RESIDENTIAL SERVICE CLASSIFICATION	6,585,604	28.6%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	16,082,587	69.8%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION		0.0%
GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION	-	0.0%
LARGE USE SERVICE CLASSIFICATION	-	0.0%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	331,566	1.4%
SENTINEL LIGHTING SERVICE CLASSIFICATION	31,731	0.1%
STREET LIGHTING SERVICE CLASSIFICATION		0.0%
	23,031,488	100%

The balance we are currently seeking disposition of is a debit balance of \$694,427 including carrying charges, or \$670,523 principal balance. Table 3 below shows that 52% of the GA disposition is related to the variance between 1st estimate and actual GA rate, which is strictly attributable to the customers that paid 1st estimate GA. The remaining 48% of the GA balance is related to other factors such as the variance due to the difference in actual and deemed losses, the 2020 GA deferral disposition and other smaller unquantified variances, which led us to the conclusion that almost half of the disposition pertained to all non-RPP customers, not just those that pay the 1st estimate. Given that there are so few kWh remaining for the customers that pay 1st estimate, it seemed reasonable that they should not have to be responsible for the full amount of the variance, and it seemed more reasonable that all non-RPP customers should be responsible for the variance. In the future, should the balance in the account be mostly driven by the variance caused by the 1st estimate GA rate vs the actual GA rate, we believe cost causality would dictate that Bluewater reconsider which customers receive an allocation of variances.

Table 3 – Allocation of GA Disposition

	2019 Principal Balance	2020 Principal Balance	Total	% of Total	Attributable to:
Rate Variance (1st estimate to actual)	\$ 334,916	\$ 12,948	\$ 347,864	52%	Customers that pay 1st estimate
Loss Factor variance	\$ 24,313	\$ 15,735	\$ 40,048	6%	all Non-RPP customers
GA Deferral disposition (2020)	\$ -	\$ 79,094	\$ 79,094	12%	all Non-RPP customers
Other	\$ 94,020	\$ 103,870	\$ 197,890	30%	all Non-RPP customers
Class A Transition customers		\$ 5,627	\$ 5,627	1%	Transition customer
Total	\$ 453,249	\$ 217,274	\$ 670,523	100%	

c) In the event that the OEB found that Bluewater Power should continue with its past practice (only allocated the GA variance to those customers that paid GA based on 1st estimate), are there any additional factors or considerations that the OEB should be aware of that may impact Bluewater Power's ability to dispose of variances in this manner?

If the OEB finds that Bluewater should allocate only to the customers paying 1st estimate GA rate, Bluewater would propose that the 2019 and 2020 balances have separate rate riders calculated for each year. This is because for the year 2019, the GS>50 kW customers were not yet on calendar month billing until January 1, 2020. Therefore, these customers should be party to the GA disposition for 2019 as they were paying the 1st estimate GA rate, but they should not be party to the GA disposition for 2020. Tables 4 and 5 below detail the resulting rate riders and bill impacts by separating the disposition into 2019 and 2020.

Table 4 – 2019 GA Variance Allocation (includes GS>50 kW)

		Non-RPP Metered Consumption for Current Class B Customers (Non- RPP Consumption excluding WMP, Class A, Transition Customers & kWh for customers paying Actual GA rate)	% of total kWh	Total GA \$ allocated to Current Class B Customers	Rate Rider (2019 Balance)
RESIDENTIAL SERVICE CLASSIFICATION	kWh	7,317,353	4.5%	\$20,937	\$0.0029
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	17,912,667	11.0%	\$51,254	\$0.0029
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	kWh	137,250,195	84.3%	\$392,720	\$0.0029
GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION	kWh	0		\$0	\$0
LARGE USE SERVICE CLASSIFICATION	kWh	0		\$0	\$0
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	329,071	0.2%	\$942	\$0.0029
SENTINEL LIGHTING SERVICE CLASSIFICATION	kWh	32,098	0.0%	\$92	\$0.0029
STREET LIGHTING SERVICE CLASSIFICATION	kWh	0		\$0	\$0
	Total	162,841,384	100%	\$465,945	

Table 5 – 2020 GA Variance Allocation (excludes GS>50 kW), and Bill Impacts

		Non-RPP Metered Consumption for Current Class B Customers (Non-RPP Consumption excluding WMP, Class A, Transition Customers & kWh for customers paying Actual GA rate)	% of total kWh	Total GA \$ allocated to Current Class B Customers	Rate Rider (2020 Balance)	Combined Rate Rider (2019 and 2020 Balances)	Monthly Bill Impact
RESIDENTIAL SERVICE CLASSIFICATION	kWh	6,585,604	28.6%	\$65,332	\$0.0099	\$0.0128	\$9.59
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	16,082,587	69.8%	\$159,546	\$0.0099	\$0.0128	\$25.56
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	kWh			\$0	\$0	\$0.0029	\$117.32
GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION	kWh			\$0	\$0	\$0	
LARGE USE SERVICE CLASSIFICATION	kWh			\$0	\$0	\$0	
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	331,566	1.4%	\$3,289	\$0.0099	\$0.0128	\$9.33
SENTINEL LIGHTING SERVICE CLASSIFICATION	kWh	31,731	0.1%	\$315	\$0.0099	\$0.0128	\$1.28
STREET LIGHTING SERVICE CLASSIFICATION	kWh			\$0	\$0	\$0	
	Total	23,031,488	100%	\$228,482			

Bluewater notes that the bill impacts noted in Table 5 present the impact of the GA rate rider alone. As a result, for the residential rate class, the GA rate rider will lead to a \$9.59 increase per month. When combined with all other rate changes incorporated in the 2022 IRM model, the monthly residential non-RPP impact is \$12.59 or 8.45% on a total bill basis. The total bill impact is derived from the 'Bill Impact' sheet of the 2022 IRM model. There are currently 626 residential non-RPP customers that would be attributed the GA rate rider.

Conversely, should the OEB support the allocation originally proposed by Bluewater, the resulting rate rider is detailed in Table 6 below. For the residential rate class, the GA rate rider will lead to a \$3.30 increase per month. When combined with all other rate changes incorporated in the 2022 IRM model, the monthly residential non-RPP impact is \$5.48 per month or 3.68%.

We submit that the bill impacts in Table 6 for all non-RPP customers are more manageable than the alternative of attributing the GA variance to the customers that paid the 1st estimate GA rate. This is further support for the rationale which is already founded most strongly on the principle of cost causality.

Table 6 – Allocating GA Variance to all Non-RPP customers (Bluewater proposal)

Rate Class	Non-RPP Metered Consumption for Current Class B Customers (Non-RPP Consumption)	% of total kWh	Total GA \$ allocated to Current Class	GA Rate Rider \$/kWh	Monthly Bill Impact
RESIDENTIAL SERVICE CLASSIFICATION	6,585,604	4%	\$ 28,679.00	0.0044	\$ 3.30
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	16,082,587	10%	\$ 70,036.00	0.0044	\$ 8.80
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	131,690,351	83%	\$ 573,483.00	0.0044	\$ 180.40
GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION	-	0%	\$ -	0	
LARGE USE SERVICE CLASSIFICATION	-	0%	\$ -	0	
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	331,566	0%	\$ 1,444.00	0.0044	\$ 3.21
SENTINEL LIGHTING SERVICE CLASSIFICATION	31,731	0%	\$ 138.00	0.0044	\$ 0.44
STREET LIGHTING SERVICE CLASSIFICATION	3,449,208	2%	\$ 15,021.00	0.0044	\$ 88.00
	158,171,047	100%	\$ 688,801.00		

- d) Please file a copy of the IRM Rate Generator Model, prepared using Bluewater Power's previous methodology of allocating GA only to those customers that pay based on 1st Estimate, including any impacts to transition customers.

Bluewater will require OEB staff's assistance to update the model to reflect the rate riders calculated in Table 5 above.

Note: Staff has updated Bluewater Power's attached IRM Rate Generator Model with the issue on the rounding of the GA rider for the Sentinel Lighting rate class (Tab 6.1 – GA).