

**OEB Staff Interrogatories  
Synergy North Corporation  
EB-2023-0106**

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**OEB Staff-1**

**Thunder Bay Rate Zone (RZ)**

**Ref1: Manager's Summary, p6**

**Ref2: OEB letter "Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition" October 31, 2019**

**Ref3: EB-2022-0063, OEB Staff Follow-up Question 3(a) & 3(c)**

**Ref4: EB-2022-0063, Staff Question 8**

In Reference 1, Synergy North stated that "In preparing responses to OEB Staff Questions of December 13, 2022 on Application EB-2022-0063, SYNERGY NORTH discovered an error in billing codes, which had resulted in an underpayment to the IESO and excess credits accumulating in Account 1588 for both Zones" and "Customer bills were correctly calculated. This duplication of components did not impact the total amounts charged on any bill to any customer class."

Reference 2 stated that "Consistent with the OEB's past practice, an asymmetrical approach to the correction of the error may be appropriate."

- a) Please explain why Synergy North was unable to detect the two errors of \$442,963 (2020 year) and \$236,071 (2019 year) in its 2022 IRM application.

**SYNERGY NORTH RESPONSE:**

The 2020 error went undetected in the 2022 IRM, as the GA Analysis Workform, Account 1588 Tab calculated the variance in Account 1588 to be 0.7% of the Power Purchased, which is within the +/-1.0% threshold set out in the OEB's "Instructions for Completing GA Analysis Workform – 2023 Rates". As stated on page 7 of these instructions, "any annual Account 1588 variance greater than +/- 1% of that year's cost of power purchased must be explained." Since the variance was within the OEB's tolerances, no further analysis of Account 1588 was

performed. The value of the errors were not material enough to be detected by this check in the 2022 IRM.<sup>1</sup>

- b) Please explain the financial and regulatory accounting treatment if the proposed disposition of the two amounts of \$442,963 (2020 year) and \$236,071 (2019 year) for Account 1588 was denied.

- I. Please explain any financial impact (e.g. cash flow, regulatory ROE) to Synergy North treatment if the proposed disposition was denied.

**SYNERGY NORTH RESPONSE:**

- b) Financial and Regulatory Accounting Treatment:

A denial of the recovery from customers would still require adjusting Account 1588 to the correct balance. Any amounts required to be paid to the IESO would be an expense to the LDC.

- i) A denial would impact both the cash flow and the Regulatory ROE of SYNERGY NORTH.

Based on actual results for 2022 and expected results for 2023, an asymmetrical decision would have a significant impact on the utilities cashflow. Had this reduction occurred in 2022 it would have accounted for 40% of the utilities' income. SNC would be required to supplement these losses through additional debt financing in order to meet its required capital and operating plans.

Using 2022 as a proxy for 2023, and being that the achieved ROE of 3.82% was 5.03% below the regulated ROE of 8.85%, the estimated impact of an additional expense of \$679,034 would have seen a further reduction of the ROE in 2022 to 1.50%.

- c) Please provide Synergy North's understanding of "an asymmetrical approach" that is stated in the OEB's letter issued on October 31, 2019.

**SYNERGY NORTH RESPONSE:**

It is understood that an asymmetrical approach to the correction of errors may be appropriate if the error was repeated by the distributor, and if correcting the error benefits the distributor. This error is not a repeated error of SYNERGY NORTH, and the LDC will not benefit from the error correction.

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<sup>1</sup> Please note this is also consistent with OEB Staff's prior submissions in EB-2022-0065 at pages 10-11.

- d) Please explain why Synergy North believes it is entitled to recover \$442,963 (2020 year) and \$236,071 (2019 year) from customers in light of Reference 1 & 2.

**SYNERGY NORTH RESPONSE:**

SYNERGY NORTH references the OEB's Boards four criteria,

1. SYNERGY NORTH acknowledges that the error was within its control. However, the error was not intentional and not easily identifiable given the small variance.
2. This is the first time SYNERGY NORTH has requested retroactive adjustment due to an error in Account 1588. SYNERGY NORTH will not be profiting from this error. Rather it is a correction to ensure proper payment is remitted to the IESO. No benefit will accrue to SYNERGY NORTH if the balances are corrected.
3. SYNERGY NORTH is not aware of any guidance from the OEB issued in relation to this issue.
4. As noted by the OEB in Decision EB-2022-0067 (pages 10-11), the OEB acknowledges that other distributors make similar errors in 1588 given the accounting complexities to calculate the accounting entries.

SYNERGY NORTH will not derive any benefit from correcting this account. The intent is to keep everyone whole, and to ensure ratepayers are charged what they should have been charged.

- e) Please provide Synergy North's thought of forgoing the interests (actual and forecast) interests on the principal balances of the requested recovery for Account 1588.

**SYNERGY NORTH RESPONSE:**

SYNERGY NORTH does not agree with the thought of forgoing interest as there are carrying charges on these amounts that have been recovered by other distributors in similar circumstances. However, SYNERGY NORTH will comply with the OEB's decision.

- f) Please confirm that the error has no effect on the Account 1589 balances or settlements for either rate zone as noted in reference 3. If not confirmed, please explain.

**SYNERGY NORTH RESPONSE:**

There was no impact on the Account 1589 balances or settlements for either zone.

- g) Please confirm that Synergy North's plan to address its IESO market settlement practices going forward, as noted in reference 3, are still correct. If not confirmed, please explain.

**SYNERGY NORTH RESPONSE:**

SYNERGY NORTH's original responses to EB-2022-0063, OEB Staff Follow-up Question 3(a) & 3(c) are still correct. The verification process in the monthly IESO settlement has been in place and has not indicated further discrepancies.

- h) Please confirm that Synergy North's identification of the errors and its' plan to remedy the mistakes as described in reference 4, are still correct. If not confirmed, please explain.

**SYNERGY NORTH RESPONSE:**

The error noted in EB-2022-0063 response to Staff Question 8 remain as originally stated. No changes or updates are required to be reported for the cause of the error, the annual values of the error, or the net \$0 billing impact to customer accounts due to the error.

- i) Please confirm if there's any other update to the information that Synergy North provided in its 2023 IRM proceeding (EB-2022-0063) related to Accounts 1588 and 1589.

**SYNERGY NORTH RESPONSE:**

The IRM Models submitted and dated "20230131" were updated as follows:

## Thunder Bay Zone

### Account 1588:

Balance before Bifurcation: \$(89,510)

Principal was increased by DR \$679,034 to correct 2019 and 2020 Principal balances.

Carrying Charges increased debit balance by \$14,467.

Balance in Bifurcated Model: \$603,990

Total change: \$693,500.

Column	IRM 20230131	Bifurcated 20230313	Change	Notes
BF – Account 1588 Principal Adjustments 2021	864,240	1,543,274	679,034	2020 and 2021 Adjustments to Correct 1588 Error
BQ – Account 1588 Interest (2022)	(3,108)	11,376	14,483	Original CC Rate of 3.87%, Revised to 1.90%
BR Account 1588 Interest (2023)	(78)	(95)	(17)	Original CC Rate of 3.87% Revised to 4.73%
Total Change			693,500	

### Account 1589:

Balance before Bifurcation: \$(1,038,273)

Carrying Charges increased debit balance by \$19,615.

Balance in Bifurcated Model: \$(1,018,658)

Total Change: \$19,615

Column	IRM 20230131	Bifurcated 20230313	Change	Notes
BQ – Account 1589 Interest (2022)	(38,553)	(18,928)	19,625	Original CC Rate of 3.87%, Revised to 1.90%
BR – Account 1589 Interest (2023)	(45)	(55)	(10)	Original CC Rate of 3.87% Revised to 4.73%
Total Change			19,615	

Carrying charges used for projecting carrying charges on the Jan 1, 2022 to Dec 31, 2022 (column BQ) were originally estimated to be 3.87%, the Q 4 2022 rate. During Bifurcation preparation, that estimate was revised to be the average of the 2022 annual OEB rates, 1.9%. Similarly, the rate used for projecting carrying charges from January 2023 to April 30, 2023 (column BR) was also revised from the 3.87% of Q4 2022, to the known Q1 2023 OEB rate of 4.73%.

### **Kenora Rate Zone**

#### **Account 1588:**

Balance before Bifurcation: \$68,385

Carrying Charges increased credit balance by \$(1,051).

Balance in Bifurcated Model: \$67,334

<b>Column</b>	<b>IRM 20230131</b>	<b>Bifurcated 20230313</b>	<b>Change</b>	<b>Notes</b>
BQ – Account 1588 Interest (2022)	2,415	1,186	(1,229)	Original CC Rate of 3.87%, Revised to 1.90%
BR Account 1588 Interest (2023)	805	984	179	Original CC Rate of 3.87% Revised to 4.73%
Total Change			(1,050) rounded	

**Account 1589:**

Balance before Bifurcation: \$(109,847)

Carrying Charges increased debit balance by \$1,751.

Balance in Bifurcated Model: \$(108,096)

Total Change: \$1,751.

<b>Column</b>	<b>IRM 20230131</b>	<b>Bifurcated 20230313</b>	<b>Change</b>	<b>Notes</b>
BQ – Account 1589 Interest (2022)	(4,025)	(1,976)	2,049	Original CC Rate of 3.87%, Revised to 1.90%
BR – Account 1589 Interest (2023)	(1,342)	(1,640)	(298)	Original CC Rate of 3.87% Revised to 4.73%
Total Change			1,751	

**OEB Staff-2**  
**Thunder Bay RZ and Kenora RZ**

In the application, Synergy North requested for one-year disposition of Accounts 1588 and 1589 for both rate zones, with rate riders effective May 1, 2023 to April 30, 2024.

- a) If the effective dates of the rate riders are beyond May 1, 2023 (considering the case process timeline set out in the Procedural Order No. 1), what would be Synergy North's proposal to address that? (Please include the new proposed effective date and disposition period.)

**SYNERGY NORTH RESPONSE:**

Based on SYNERGY NORTH responding to written submissions by May 31, 2023, providing the OEB time for a decision and SYNERGY NORTH time to implement the rate rider, it is proposed that the riders could begin with consumption July 1, 2023, expiring April 30, 2024.

- b) For the scenario discussed in part a), please provide updated Rate Generator Models for the two rate zones according to Synergy North's new proposal to reflect any updated calculations for the rate riders.

**SYNERGY NORTH RESPONSE:**

Rate Generator Models were prepared using a rider onset at July 1, 2023 and expiry at April 30, 2024, a 10 month rider.

- c) Based on Synergy North's new proposal, please provide bill impact analysis for the two rate zones.

**SYNERGY NORTH RESPONSE:**

**Thunder Bay Zone:**

Model updated to apply riders over a 10 month period:



SYNERGY NORTH CORPORATION  
EB-2023-0106  
Responses to Staff Interrogatories  
May 8, 2023

Thunder Bay Rate Zone					
	Avg Bill	Avg Bill	1588 Rider	1589 Rider	Total Riders
Bill Impacts	kWh	kW	Per Month	Per Month	Per Month
			Applied to All customers	(Applied to Non-RPP Only)	(Total Applied to Non-RPP:Both Riders)
RESIDENTIAL SERVICE	750		\$0.68	(\$3.75)	(\$3.08)
GENERAL SERVICE LESS THAN 50 KW SERVICE	2,000		\$1.80	(\$10.00)	(\$8.20)
GENERAL SERVICE 50 to 999 kW SERVICE	47,142	118	\$40.49	(\$235.71)	(\$195.22)
GENERAL SERVICE 1,000 KW OR GREATER SERVICE	531,688	1,509	\$401.39	(\$2,658.44)	(\$2,257.05)
UNMETERED SCATTERED LOAD SERVICE	407		\$0.37	(\$2.04)	(\$1.67)
SENTINEL LIGHTING SERVICE CLASSIFICATION	55	1	\$0.29	\$0.00	\$0.29
STREET LIGHTING SERVICE CLASSIFICATION	437,700	1,214	\$367.72	(\$2,188.50)	(\$1,820.78)

Thunder Bay Total Bill Impacts:

Table 2									
RATE CLASSES / CATEGORIES (eg: Residential TDU, Residential Retailer)	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	\$ 1.43	5.4%	\$ 3.83	13.2%	\$ 5.23	13.2%	\$ 5.30	4.6%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kWh	\$ 19.00	28.0%	\$ 25.60	34.7%	\$ 29.13	28.9%	\$ 29.51	9.7%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	\$ (14.88)	-2.3%	\$ (198.29)	-28.1%	\$ (119.05)	-9.1%	\$ (134.53)	-1.9%
GENERAL SERVICE 1,000 KW OR GREATER SERVICE CLASSIFICATION - Non-RPP	kW	\$ (1,666.92)	-21.5%	\$ (3,907.85)	-46.1%	\$ (2,815.49)	-16.9%	\$ (3,181.50)	-3.9%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kWh	\$ 2.85	3.3%	\$ 4.19	4.7%	\$ 4.91	5.2%	\$ 4.97	3.6%
SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP	kW	\$ 0.38	2.4%	\$ 1.45	9.3%	\$ 1.97	10.1%	\$ 1.99	7.8%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kW	\$ 828.29	3.3%	\$ (898.58)	-3.5%	\$ (277.86)	-0.9%	\$ (313.98)	-0.3%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kWh	\$ 1.43	5.4%	\$ (1.50)	-4.9%	\$ (0.10)	-0.2%	\$ (0.11)	-0.1%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION - Non-RPP (Retailer)	kW	\$ (10.89)	-1.9%	\$ (221.22)	-34.7%	\$ (151.01)	-13.0%	\$ (170.64)	-2.5%

Kenora Zone:

Model updated to apply riders over a 10 month period:

Kenora Rate Zone					
	Avg Bill	Avg Bill	1588 Rider	1589 Rider	Total Riders
Bill Impacts	kWh	kW	Per Month	Per Month	Per Month
			Applied to All customers	(Applied to Non-RPP Only)	(Total Applied to Non-RPP:Both Riders)
RESIDENTIAL SERVICE CLASSIFICATION	750		\$0.68	(\$2.78)	(\$2.10)
GENERAL SERVICE LESS THAN 50 KW SERVICE	2,000		\$1.80	(\$7.40)	(\$5.60)
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	10,000	100	\$34.17	(\$37.00)	(\$2.83)
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	12,500		\$11.25	(\$46.25)	(\$35.00)
STREET LIGHTING SERVICE CLASSIFICATION	31,500	97	\$26.82	(\$116.55)	(\$89.73)

Kenora Total Bill Impacts:

Table 2

RATE CLASSES / CATEGORIES (eg: Residential TDU, Residential Retailer)	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	\$ 1.84	5.6%	\$ 3.49	9.7%	\$ 4.42	9.9%	\$ 4.48	3.7%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	kWh	\$ 5.11	9.2%	\$ 9.71	15.1%	\$ 12.00	14.2%	\$ 12.16	4.2%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	\$ 76.29	9.9%	\$ 129.73	15.9%	\$ 174.28	14.3%	\$ 196.94	7.8%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - Non-RPP (Retailer)	kWh	\$ 15.67	2.6%	\$ (0.58)	-0.1%	\$ 13.76	1.9%	\$ 15.55	0.7%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Retailer)	kW	\$ 83.88	3.0%	\$ 39.13	1.4%	\$ 71.79	2.3%	\$ 81.13	1.1%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kWh	\$ 1.84	5.6%	\$ 0.79	2.2%	\$ 1.72	3.8%	\$ 1.95	1.4%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	\$ 1.29	4.0%	\$ 1.85	5.4%	\$ 2.17	5.9%	\$ 2.19	3.5%

- d) Please provide proposed tariff for the new effective date. The proposed tariff should include the approved 2023 rates and charges (from EB-2022-0063) and the proposed rate riders for Accounts 1588 and 1589. (Synergy North can consider using the final approved Rate Generator Models in the 2023 IRM proceeding and entering the proposed rate riders in Tab 18 as additional riders.)

**SYNERGY NORTH RESPONSE:**

Using the OEB provided final approved IRM Models dated March 23/23, the Riders for both Accounts in each Zone were input into Tab 18, and the updated Tariff Sheets have been uploaded.

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