

February 1, 2024
Nancy Marconi, Registrar
Ontario Energy Board
P.O. Box 2319 27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Nancy Marconi, Registrar
Regarding: EB-2023-0047 – Interrogatory Responses to Ottawa River Power Corporation
2024 Incentive Rate-Setting Mechanism Applications for rates effective May 1, 2024 (the
“Application”)

Dear Ms. Marconi,

Ottawa River Power Corporation respectfully submits their interrogatory responses to OEB Staff and VECC questions. ORPC also provides updated versions of the following models:

- ORPC_2024_Updated_GA_Analysis_Workform_20240201
- ORPC_2024_Updated_IRM_Rate_Generator_Model_20240201
- ORPC_2024_Updated_AppendixK_20240201
- ORPC_2024_Updated_AppendixJ_20240201

ORPC confirms that the responses do not include any personal information, as identified in the certification requirements for personal information in Chapter 1 of the filing requirements.



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OEB Staff Interrogatory Responses
Ottawa River Power Corporation
EB-2023-0047

Staff Question-1

Reference:

- (i) 2024 IRM Rate Generator, Tab 11, 15, 18 and 20
- (ii) EB-2023-0030, Partial Decision and Rate Order, December 14, 2023
- (iii) EB-2023-0222, 2024 Uniform Transmission Rates, January 18, 2024

The OEB determined to use of preliminary UTRs to calculate 2024 Retail Service Transmission rates (RTSR) to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. The OEB also directed distributors to update their 2024 application with Hydro One Network Inc.'s proposed host RTSRs.

On December 14, 2023, the OEB issued a partial decision and rate order containing Hydro One Sub-Transmission Rates and on January 18, 2024 the OEB issued the final UTR decision.

OEB staff has updated rate generator model with revised Hydro One's final host RTSR and Uniform Transmission Rates.

Question(s):

- a. Please confirm the accuracy of the updated rate generator model, as well as the accuracy of the resulting UTRs and RTSRs following this update.
- b. The OEB staff has also updated the 2024 RRRP data in Tab 18 of the 2024 rate generator model. Please confirm the accuracy of the resulting changes in the subsequent tariff sheet.

Response:

- a. Confirmed.
- b. Confirmed.

Staff Question-2

References:

- (i) 2024 IRM Application, Manager's Summary, p.11

In the manager's summary ORPC has mentioned that the residual balances in Account 1595 for each vintage year have only been disposed once and that ORPC has met the criteria to dispose of the 1595 (2018) and 1595 (2019) sub-accounts in this application.

Question(s):

- a. Please confirm if these balances are disposed only once and are being disposed on the final basis.

Response:

- a. Confirmed.

Staff Question-3

Reference:

- (i) 2024 IRM Rate Generator, Tab 3, BU33 and BU34

The reference cells indicate 'Yes' in account disposition fields. Whereas the total claim column does not present any balances for disposition in the Accounts 1595 (2019) and 1595 (2020).

Question(s):

- a. Please confirm that ORPC is not claiming any balances for disposition for Accounts 1595 (2019) and 1595 (2020).

Response:

- a. Confirmed.

Staff Question-4

Reference:

- (i) 2024 IRM Rate Generator, Tab 4, Cell J4
- (ii) EB-2023-0047, Manager's Summary, p.18 and p.19

ORPC has indicated in the Manager's Summary that RRR revision was submitted and approved by the OEB only after the rate generator model was released and that the current model is utilizing the unrevised usage data.

Question(s):

- a. Please confirm that the cell J4 in Tab 4 of the rate generator model has indicated 'No' for the reasons mentioned above.
- b. Also, please provide a table presenting the updated usage data and confirm if ORPC would like the OEB staff to update the model with the revised data.

Response:

- a. Confirmed.
- b. Please find the updated usage data in the Interrogatory Response Attachment 1. ORPC kindly requests that the OEB staff please update the model with the revised data.

Staff Question-5

Reference:

- (i) 2024 IRM Rate Generator, Tab 8
- (ii) EB-2021-0052, 2022 Settlement RRWF, Tab 6

OEB staff noted that in Reference (i), the OEB-Approved Regulatory Taxable Income in cell H18 of \$90,786 differs significantly from the number reported in Reference (ii) at \$61,401. Additionally, in Reference (i), the Combined Effective Tax Rate in Cell H36 of 20.4% differs from the number reported in Reference (ii) at 20.88%.

Question(s):

- a. Please explain the discrepancy between the data in the RRWF and the 2024 IRM rate generator.
- b. Please make any changes necessary.
- c. Please confirm that the data for the Combined Effective Tax Rate shown in the RRWF is correct and adjust the IRM rate generator accordingly. If the existing number in Reference (i) is correct, please explain the discrepancy.

Response:

- a. ORPC erroneously took the incorrect figures from EB-2021-0052 and has provided an updated 2024 IRM Rate Generator Model.
- b. Please see updated 2024 IRM Rate Generator Model provided.
- c. ORPC confirms that the Effective Tax Rate shown in the RRWF is correct and has provided an updated 2024 IRM Rate Generator Model.

Staff Question-6

Reference:

- (i) Appendix J, December 8, 2023, p. 2
- (ii) Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Service, December 15, 2022, p. 66 & 67

ORPC proposes the establishment of a new deferral and variance account (DVA). This new DVA is Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up. However, ORPC has not addressed the OEB's filing requirements that outline the requirements in the relation to the establishment of a new DVA, which include the eligibility criteria of causation, materiality, and prudence.

Question(s):

- a. In accordance with the OEB's direction in its filing requirements:
 - i. Please provide a draft accounting order for this new DVA, including a description of the mechanics of the account, examples of general journal entries, and the proposed account duration.

- ii. Please provide a discussion on the causation, materiality, and prudence eligibility criteria and how they have been met.

Response:

- a)
- i) A draft accounting order is provided in Attachment 2 to these IR responses.
 - ii) ORPC's request for a Power Purchased True-Up (PPTA) deferral account meets the OEB's criteria for establishing a new deferral account as follows:

Causation: On June 2, 2023, the Electricity Act was amended to exempt GA charges for customers who consume electricity supplied from outside Ontario using private transmission lines. The amendments came into effect July 1, 2023. Electricity purchased from Waltham is supplied from Quebec with a private transmission line resulting in ORPC no longer paying GA for those purchases as of July 1, 2023. Accordingly, the amounts to be recorded in the Purchased Power True-up deferral account are new transactions and are not currently part of the monthly commodity settlement process. (i.e., outside of the base on which current rates were established).

Materiality: ORPC is classified as a small utility as it has less than 30,000 customers. Consistent with the filing requirements for small utilities, the materiality threshold for Deferral and Variance Accounts is \$50,000. Based on a scenario using historical results (Appendix K, Tab Alternate Historic PP True-up, Column P) it is expected that on an annual basis the value in this account could be in the hundreds of thousands of dollars. This amount exceeds the materiality threshold of \$50,000.

Prudence: Amounts to be posted to the PPTA Account will be calculated and reconciled as part of the monthly commodity settlement process. The validation controls that will be followed will include review of meter data, reconciliation with IESO Global Adjustment charges, review of IESO/Hydro One statements and Evolgen (i.e. Brookfield) invoices. The PPTA Rate Proposal is described in Appendix J of the EB-2023-0047 submission. This includes details on the methodology to forecast GA savings, calculate and record variances and establish the Purchased Power True-up Rate and the associated accounting treatment.

As part of the Reporting and Recordkeeping Reporting process, the audited balance in the PPTA account will be reported the OEB on an annual basis. The Audited balances will be brought forward for disposition as part of the annual rate-setting process.

Staff Question-7

Reference:

- (i) Appendix J, December 8, 2023, p. 1 & 5
- (ii) Manager's Summary, December 8, 2023, p. 20

ORPC stated that it receives a portion of its electricity supply from a generating station located in Quebec (Waltham) which is owned by Brookfield and invoiced by Evolugen. Following an amendment to the *Electricity Act, 1998*, ORPC no longer pays GA on these volumes, as of July 1, 2023.

OEB staff notes that the Ontario government amended [O. Reg. 429/04 \(GA Reg\)](#) to add section 17 so that, effective July 1, 2023, GA should not be paid by Class B consumers for any electricity purchased from outside of Ontario. This is referred to as “contracted non-Ontario electricity” in the GA Reg.

ORPC stated that the current true-up process between RPP and non-RPP customers will remain in place. The GA charges paid to Hydro One will be split being between GA and cost of power accounts. This is based on the proportion of usage between RPP and non-RPP customers.

Although OEB staff notes that ORPC does not settle with the IESO, as it settles with Hydro One as its host-distributor, OEB staff continues to refer to “Charge Type (CT) 142” as a reference to RPP settlements.

Question(s):

- a. Please confirm that the volumes supplied by Brookfield were reported by ORPC to Hydro One and included in all calculations of the CT 142 RPP settlements until July 1, 2023. If this is not the case, please explain.
- b. Please confirm that effective July 1, 2023, the volumes supplied by Brookfield were no longer reported by ORPC to Hydro One and were excluded from all calculations of the CT 142 RPP settlements. If this is not the case, please explain.

Response:

- a. Confirmed.

- b. Confirmed.

Staff Question-8

Reference:

- (i) Manager's Summary, December 8, 2023, p. 20 & 21
- (ii) Appendix J, December 8, 2023, p. 1, 4, 5

ORPC stated that its payments to Brookfield as set out in a legacy power purchase agreement include an Avoided GA component. Under this component, ORPC pays to Brookfield (i.e., Evolgen) Avoided GA based on 50% of GA costs avoided by purchasing from its generating station located in Quebec (Waltham).

ORPC concluded that the amendment to the *Electricity Act, 1998* (effective July 1, 2023) increases the cost of electricity purchased from Waltham.

ORPC stated that electricity charges from Brookfield (i.e., Evolgen) are recorded in Account 4705. ORPC noted that the additional component of the calculation related to their portion (50%) of the GA savings is also recorded in Account 4705, as it forms part of the electricity charge.

Questions:

- a. Please confirm that based on a legacy power purchase agreement with Brookfield, any GA savings (e.g., those from the amendment to the *Electricity Act, 1998*) increase the cost to ORPC's customers of purchasing electricity from Waltham, as 50% of the GA savings have to be paid to Brookfield (i.e., Evolgen). Please confirm that these amounts need to be absorbed by ORPC's customers. If any of this is not the case, please explain.
- b. Please provide additional rationale as to why ORPC is recording the 50% of the GA savings paid to Brookfield (i.e., Evolgen) to Account 4705, as opposed to Account 4707.
- c. Please elaborate on whether ORPC's customers may benefit overall from savings related to all of its cost of power components via ORPC's agreement with Brookfield, even after considering the 50% of GA Savings that needs to be paid to Brookfield and absorbed by ORPC's customers.

Response:

- a. Confirmed.
- b. ORPC is recording 50% of the GA savings paid to Brookfield to Account 4705 as it represents an increase to the cost of power purchased from Brookfield. Additionally, O. Reg. 429/04 notes that, effective July 1, 2023, GA should not be paid by Class B consumers for any electricity purchased from outside of Ontario. The total GA savings reduce the costs in account 4705 and 4707 whereas the amount paid to Brookfield only affects 4705. The total GA savings provide for an overall reduction net of the payment to Brookfield.
- c. ORPC confirms that customers will benefit overall from savings related to all of its cost of power components considering the 50% of GA savings paid to Brookfield and absorbed by ORPC's customers. Account 4705 is directly related to Account 1588 which, when disposed, applies to the Total Metered kWh of both RPP and non-RPP customers. The model in Appendix K uses the same basis meaning that if 100% of the GA savings are credited via Account 1508 and 50% is charged to customers via Account 1588, the customers benefit by 50% overall. Consider the following example where Brookfield generated 1,881,077.44 kWh to ORPC in December 2023 utilizing the 2022 RRR Total Metered kWh data:

Generation (kWh)	1,881,077.44	A
Actual GA Rate (\$/kWh)	0.06622	B
Global Adjustment Savings	\$ 124,564.95	C [A x B]
Rate Payable to Brookfield	50.00%	D
Amount Payable to Brookfield	\$ 62,282.48	E [C x D]
Total Metered kWh less WMP	185,090,366	F
Global Adjustment savings to customers (\$/kWh) from Account 1508	\$ 0.0007	G [C / F]
Increase to cost of power payable by customers (\$/kWh) from Account 1588	\$ (0.0003)	H [E / F]
Net Savings realized by customers (\$/kWh)	\$ 0.0004	[G - H]

As demonstrated by the calculation in this example, customers will realize an overall benefit. Additionally, removing the savings and payment to Brookfield

from Accounts 4705 and 4707 into Account 1508 ensures that the settlement process around Accounts 1588 and 1589 remains intact.

Staff Question-9

Reference:

- (i) Appendix J, December 8, 2023, p. 2 & 3

ORPC proposes to perform the “Variance True-Up” component of the balance recorded in Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up, to be effective in rate years beginning in 2027 and thereafter.

ORPC stated that May 1, 2024 to April 31, 2025 variances will not be audited until the end of the 2025 calendar year, after ORPC’s 2026 application is filed, so this balance will be incorporated beginning in the 2027 rate year.

Question(s):

- a. Please explain why the December 31, 2024 balance is not trued-up as part of the “Variance True-Up” component of the balance recorded in the sub-account of Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up and disposed in ORPC’s 2026 rate proceeding, rather than waiting to ORPC’s 2027 rate proceeding.

Response:

- a. Ottawa River Power is agreeable to disposing of audited 2024 Power Purchased True-Up balances as part of its application for rates effective May 1, 2026. Appendix K has been revised to reflect this (see Staff Question 11, part b).

Staff Question-10

Reference:

- (i) Manager’s Summary, December 8, 2023, p. 7
- (ii) Appendix J, December 8, 2023
- (iii) Appendix K, December 8, 2023, Excel Spreadsheet

ORPC stated that it has one Class A customer. However, ORPC has been silent on how it proposes to treat this Class A customer as part of its “Power Purchased True-Up Rate Proposal” in Appendix J and Appendix K.

Question(s):

- a. Please explain how ORPC proposes to treat this Class A customer (and any other additional Class A customers going forward) as part of its “Power Purchased True-Up Rate Proposal” in Appendix J and Appendix K.

Response:

- a. The Power Purchased True-Up Rate Proposal is a credit to all Class A and Class B customers based on the customer’s kWh consumption. Since all customers benefit from the Brookfield generation, all customers are proposed to be treated the same. The additional costs added to Account 4705 are also intended to be applied to the Class A customer as the proposed 1508 rate will consider the additional costs paid to Brookfield and be applied across both classes.

Staff Question-11

Reference:

- (i) Appendix J, December 8, 2023, p. 6 & 7
- (ii) Appendix K, December 8, 2023, Excel Spreadsheet
- (iii) Accounting Procedures Handbook For Electricity Distributors, Issued: December 2011 Effective: January 1, 2012, Article 220, p. 16

In Appendix J, ORPC has provided a summary of the calculations of each component of the Power Purchased True-Up balance and a prospective schedule.

In the tab “2023-24 Overcollection” of the Excel spreadsheet, the carrying charge calculations in column I are being pulled from incorrect cells in the tab “Input Data.” For example, the carrying charges for the 2023 balance are being driven by 2022 prescribed interest rates, as opposed to 2023 prescribed interest rates.

OEB staff notes that ORPC is comingling principal and carrying charges together in Tab “Alternate Historic PP True-Up” of the Excel spreadsheet and simple interest is not being calculated. An example of this comingling is shown where cells E49 to E51 of this tab are added together. Although the amount of carrying charges shown by ORPC for demonstration purposes is not material, it could be material in the future.

The OEB requires that simple interest shall be applied to the monthly opening balances in Account 1508, Other Regulatory Assets (exclusive of accumulated interest) and shall be recorded monthly in a separate carrying charges sub-account.

Question(s):

- a. Please explain why the row “Refund of Overcollection” in the summary table on page 7 of Appendix J is not multiplied by 50%.
- b. Please confirm OEB staff’s observation that in the tab “2023-24 Overcollection” of the Excel spreadsheet, the carrying charge calculations in column I are being pulled from incorrect cells in the tab “Input Data.” If yes, please update the Excel spreadsheet. If no, please explain.
- c. Please confirm OEB staff’s observation that ORPC is comingling principal and carrying charges together in Tab “Alternate Historic PP True-Up” in the Excel spreadsheet and simple interest is not being calculated. If yes, please update the Excel spreadsheet. If no, please explain.

Responses:

- a. The term “Overcollection” in this context is meant to account for the increased power purchases expenses. The amount refunded to ratepayers will be the GA attributable to Waltham volumes less increased purchased power since July 2023, which is equivalent to the GA attributable to Waltham volumes times 50%.
- b. Confirmed. A revised version of Appendix K is filed as part of these IR responses. The references to interest rates have been updated in ‘2023-24 Overcollection’ and the Q1 2024 rate has been added. The references to interest rates in ‘Power Purchased True-Up’ have been revised to the Q1 2024 interest rate.

The revised Appendix K includes revisions to the interest calculations in which interest is calculated on monthly opening balances (or month end of the previous month), interest is not compounded in future years, and variances are disposed in two years instead of three years (as per Staff Question 9).

- c. ORPC proposes to combine the forecast of the net GA savings, and, as applicable, variances from previous years, interest on variances, and dispositions of overcollection into a single “Power Purchased True-Up” rate in each year.

Staff Question-12

Reference:

- (i) Appendix J, December 8, 2023, p. 5 & 6
- (ii) Accounting Procedures Handbook For Electricity Distributors, Issued: December 2011 Effective: January 1, 2012, Article 220, p. 37 & 38

ORPC's proposed journal entries are not clear. It is not clear whether ORPC proposes to first record 100% of the GA savings to customers by a debit to the following revenue accounts, to offset the cost of power and GA charges collected. An offsetting credit would be recorded to Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up.

- RPP customers Accounts 4006 and 4010
- Non-RPP customers Accounts 4015, 4025, 4030 and 4035

It is also unclear that regarding the debits to the above-noted revenue accounts, which components will eventually flow as debits to Account 1588 versus Account 1589. OEB staff assumes that non-RPP customers will have debits flowed to Account 1589 and that RPP customers will have debits flowed to Account 1588. OEB staff notes that this is because GA is part of the general RPP rate billed to Account 1588 customers and is not billed as a separate GA rate to RPP customers (unlike the separate GA rate billed to non-RPP customers).

The OEB requires that the related accounts used to record the global adjustment billed to non-RPP customers (e.g., sub-accounts of Accounts 4006 to 4055) are to be sub-divided to show the global adjustment amounts recorded in each of these accounts.

OEB staff assumes that the 50% of Avoided GA Savings to be passed onto Brookfield will be recorded as a debit to Account 4705 and a credit to Account 2205 (accounts payable to Brookfield). This amount passed onto Brookfield will be recovered from customers by debiting Account 1508, Other Regulatory Assets, sub-account Power Purchased True-Up, and crediting Account 4705.

Question(s):

- a. Please confirm that ORPC proposes to first record 100% of the GA savings to customers by a debit to the above-noted revenue accounts, to offset the cost of power and GA charges collected. If this is not the case, please explain.

- b. Please confirm that ORPC proposes to record an offsetting credit to Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up. If this is not the case please explain.
- c. Please explain that regarding the debits to the above-noted revenue accounts, which components will eventually flow as debits to Account 1588 versus Account 1589.
- d. Please confirm OEB staff's understanding that non-RPP customers will have debits flowed to Account 1589 and that RPP customers will have debits flowed to Account 1588. If this is not the case, please explain.
- e. Please confirm that ORPC uses revenue accounts to record the global adjustment billed to non-RPP customers (e.g., sub-accounts of Accounts 4006 to 4055), which are sub-divided to show the global adjustment amounts recorded in each of these accounts. If this is not the case, please explain.
- f. Please confirm that ORPC proposes that the 50% of Avoided GA Savings to be passed onto Brookfield will be recorded as a debit to Account 4705 and a credit to Account 2205 (accounts payable to Brookfield or Evolugen). If this is not the case, please explain.
- g. Please confirm that ORPC proposes that this amount passed onto Brookfield will be recovered from customers by debiting Account 1508, Other Regulatory Assets, sub-account Power Purchased True-Up, and crediting Account 4705. If this is not the case, please explain.
- h. As part of the draft accounting order requested in an earlier interrogatory, please provide ORPC's proposed journal entries.

Response:

ORPC has provided Table 1 below to illustrate proposed accounting entries in response to the interrogatory.

- a. Confirmed. See journal entry # 2 in Table 1.
- b. Confirmed. See journal entry # 2 in Table 1.
- c. No components will initially flow to Accounts 1588 or 1589. The proposed rate will flow entirely to 1508 which is intended to be paid on a kWh basis as the current GA charges are paid by ORPC customers on the same basis. Both RPP and non-RPP customers will be credited based on their respective usage.
- d. The proposed accounting entries are in addition to the regular process for Accounts 1588 and 1589. Accurate settlement between Accounts 1588 and 1589 is achieved through the monthly entries presented in Table 1.
- e. Confirmed.
- f. Confirmed. See journal entry #1 in Table 1.
- g. Confirmed. See journal entry #3 in Table 1.

h. Please see Attachment 2.

Table 1

Illustrative Accounting Entries				
Purchased Power True-Up for GA Savings from (effective May, 1 2024)				
Date	Account		Debit	Credit
15-Jun-24 (for May 2024) (a)				1
	4705	Power Purchased	55,000	-
	2205	Accounts Payable	-	55,000
	<i>- to give Brookfield 50% of actual GA savings</i>			
15-Jun-24 (for May 2024) (a)				2
	4006/4010/4015/4025/4030/4035	Energy Sales - GA sub-accounts	110,000	-
	1508	Other Regulatory Assets/Liabilities - PPTA	-	110,000
	<i>- to give ORPC customers 100% of actual GA savings</i>			
15-Jun-24 (for May 2024) (a)				3
	1508	Other Regulatory Assets/Liabilities - PPTA	55,000	-
	4705	Power Purchased	-	55,000
	<i>- to transfer additional Cost of Power to Account 1508</i>			
14-Jul-24 (for May 2024) (b)				4
	1508	Other Regulatory Assets/Liabilities - PPTA	50,000	-
	1100	Accounts Receivable	-	50,000
	<i>- to record the GA credit given to customers based on the Power Purchased True-Up rate</i>			
(a)	Entry based on IESO actual GA results			
(b)	Entry based on actual finalized ORPC billing data			

Staff Question-13

Reference:

- (i) Appendix H, December 8, 2023, p. 1
- (ii) EB-2022-0058, Staff Follow-up Question-1, February 21, 2023
- (iii) OEB Letter, Guidance to Electricity Distributors on Implementing the Emergency Order Regarding the Deferral of a Portion of the Global Adjustment, May 15, 2020 (Corrected on May 26, 2020)
- (iv) OEB Letter, Guidance to Electricity Distributors on Implementing the Recovery of Deferred Global Adjustment, December 23, 2020
- (v) GA Analysis Workform, Tab Principal Adjustments, December 8, 2023
- (vi) 2024 IRM Rate Generator, Tab 3, December 8, 2023

In the current application for 2024 rates, ORPC stated that it analyzed the balances in Accounts 1588 and 1589 for the periods 2018, 2019, 2020, 2021 and 2022. ORPC stated that following an OEB Inspection of Accounts 1588 and 1589, the OEB issued a

report with its findings in December 2021 and ORPC followed the required actions contained in the Inspection Report.

This Inspection Report was not put on the record of the 2023 IRM proceeding, despite the response to a follow-up question from that proceeding stating otherwise.

ORPC has proposed the following adjustments between RPP and non-RPP (Accounts 1588 and 1589).

Table 1 – Allocation Adjustments between Accounts 1588 and 1589

	Principal Adjustment to Account 1588 relating to non-RPP vs RPP allocation	Principal Adjustment to Account 1589 relating to non-RPP vs RPP allocation
2018	\$(651,394)	\$651,394
2019	\$707,553	\$(707,553)
2020	\$(147,421)	\$147,421
2021	\$(1,836,134)	\$1,836,134
2022	\$(1,167,867)	\$1,167,867

ORPC stated that the large differences in 2021 and 2022 were related to the accounting treatment of the GA recovery rate charges paid to Hydro One from the fixed GA rates of \$0.115 that were implemented at the beginning of the pandemic. This resulted in differences between RPP and non-RPP amounts.

OEB staff notes that the amounts shown in Table 1 are reflected in the GA Analysis Workform and incorporated into Tab 3 of the Rate Generator Model.

Question(s):

- Please file the Inspection Report dated December 2021 on the record of this proceeding.
- Please confirm that the amounts recorded in Table 1 were derived based on the findings of the Inspection Report issued in December 2021. If this is not the case, please explain.
- Please confirm that ORPC followed the OEB's guidance letters issued on May 26, 2020 and December 23, 2020 regarding the Deferred Global Adjustment

when deriving the respective amounts shown in Table 1. If this is not the case, please explain.

Response:

- a. Please find the Inspection Report dated December 23, 2021 included as Attachment 3.
- b. Confirmed.
- c. Confirmed.

Staff Question-14

Reference:

- (i) Appendix H, December 8, 2023, p. 2
- (ii) Appendix H3, December 8, 2023, Excel spreadsheet
- (iii) Appendix H2, December 8, 2023
- (iv) GA Analysis Workform, Tab Principal Adjustments, December 8, 2023
- (v) 2024 IRM Rate Generator, Tab 3, December 8, 2023

ORPC stated that while performing its review of the balances in Accounts 1588 and 1589 from 2018 to 2022, it identified some discrepancies with its generation account (commencing April 11, 2018) and reached out to Hydro One in August 2023 for assistance. These discrepancies were for the 2018 to 2023 period. As a result, Hydro One presented certain adjustments that were reviewed and agreed to by ORPC's metering department.

ORPC stated that on December 5, 2023, it received a signed letter from Hydro One indicating that invoices from August 2021 forward would be cancelled and rebilled. This would capture two years of the error in accordance with the limitation period imposed by the Retail Settlement Code Section 7.7.

ORPC proposes that the Hydro One overpayment of global adjustment and HOEP from April 2018 to July 2021 be remitted to ORPC's customers with the principal adjustments required to Accounts 1588 and 1589 (as presented in the Appendix H3 Excel spreadsheet).

ORPC has proposed the following further adjustments to Accounts 1588 and 1589.

**Table 2 – Further Adjustments to Accounts 1588 and 1589 –
Relating to Generation Account Discrepancies**

	Principal Adjustment to Account 1588 relating to generation account discrepancies	Principal Adjustment to Account 1589 relating to generation account discrepancies
2018	\$(341,763)	\$(136,537)
2019	\$(884,526)	\$(373,651)
2020	\$(865,051)	\$(353,939)
2021	\$(447,931)	\$(164,157)

OEB staff notes that the amounts shown in Table 2 are reflected in the GA Analysis Workform and incorporated into Tab 3 of the Rate Generator Model.

Question(s):

- a. Please confirm that the above noted discrepancies with ORPC's generation account did not impact any periods prior to April 11, 2018. If this is not the case, please quantify and explain.
- b. Please confirm that the amounts shown in the above Table 2 represent amounts that will not have to be paid back to Hydro One, but were previously collected from ORPC's customers, thereby generating credit principal adjustments to Accounts 1588 and 1589 (to return these amounts to ORPC's customers). If this is not the case, please quantify and explain.

Response:

- a. Confirmed.
- b. Confirmed.

Staff Question-15

Reference:

- (i) Appendix H3, December 8, 2023, Excel spreadsheet
- (ii) GA Analysis Workform, Tab GA 2019, Tab Principal Adjustments, December 8, 2023

(iii) 2024 IRM Rate Generator, Tab 3, December 8, 2023

ORPC has proposed the following further adjustments to Accounts 1588. In Tab Principal Adjustments of the GA Analysis Workform, ORPC has described these adjustments as “Hydro One billing error on generation account”, with no extra detail provided.

OEB staff is unable to reconcile the amounts in Table 3 to the Excel spreadsheet (Appendix H3).

**Table 3 – Further Adjustments to Account 1588 –
Relating to Generation Account Discrepancies**

	Principal Adjustment to Account 1588 relating to “Hydro One billing error on generation account”
2018	\$478,300
2019	\$1,258,177
2020	\$1,218,990
2021	\$1,029,973
2022	\$755,609

OEB staff notes that the amounts shown in Table 3 are reflected in the GA Analysis Workform and incorporated into Tab 3 of the Rate Generator Model.

Question(s):

- Please explain the nature of the amounts shown in Table 3.
- Please reconcile the amounts in Table 3 to the Excel spreadsheet (Appendix H3).
- Please explain why the amounts shown in Table 3 only impact Account 1588 and not Account 1589.
- Please explain why ORPC is proposing to collect these large debit principal adjustment balances from its customers, when for example, for the 2018 to 2021 period, ORPC also noted that amounts will not have to be paid back to Hydro One. Table 2 in the above interrogatory shows amounts that were previously collected from ORPC’s customers, but will not have to be paid back to Hydro

One, thereby generating credit principal adjustments to Accounts 1588 and 1589 (to return these amounts to ORPC's customers).

Response:

- a. The amounts shown in Table 3 above represent the sum of columns B and C (reference A and B) minus columns D and E (reference C and D) which represents the total adjustment related to the Hydro One error regardless of whether it was sought to be collected by Hydro One.
- b. The amounts shown in Table 3 reconcile to Appendix H3 submitted on December 8, 2023 as follows:

Year	Actual Global Adjustment (\$)	Actual Cost of Power (\$)	Corrected Global Adjustment (\$)	Corrected Cost of Power (\$)	Total Adjustment
	A	B	C	D	E = (A + B) – (C + D)
2018	\$604,014	\$117,587	\$213,865	\$29,436	\$478,300
2019	\$1,447,752	\$207,482	\$374,947	\$22,110	\$1,258,177
2020	\$1,445,661	\$128,907	\$336,438	\$19,141	\$1,218,990
2021	\$984,237	\$299,661	\$214,643	\$39,281	\$1,029,973
2022	\$642,601	\$294,110	\$141,784	\$39,318	\$755,609

- c. The impact to Account 1589 is captured through the CT 148 true-up of GA Charges based on actual non-RPP volumes. ORPC posted the entire adjustment under Account 1588 to simplify the true-up calculation between Accounts 1588 and 1589.
- d. ORPC is not seeking collection of these large debit principal adjustments from its customer between 2018 and mid-2021. The utility decided to present the adjustment separately from the foregone Hydro One amounts to more easily segregate the calculations of each aspect and each event that has transpired. From 2018 to mid-2021, the large debit principal adjustments are offset by the "Hydro One foregone adjustment" amounts and by the "CT 148 true-up of GA Charges based on actual RPP volumes" as the entire amounts were posted to 1588 for calculation simplification purposes. These debit principal adjustments represent what would have transpired if Hydro One had sought recollection from 2018 forward.

Staff Question-16

Reference:

- (i) Appendix H, December 8, 2023, p. 6
- (ii) GA Analysis Workform, Tab GA 2018, December 8, 2023
- (iii) EB-2022-0058, 2023 IRM GA Analysis Workform, Tab GA 2017, Tab Principal Adjustments, March 23, 2023

ORPC stated that for usage years 2017 and 2018, a single customer account was cancelled and re-billed resulting in global adjustment charges of \$63,153 and \$47,100 in 2017 and 2018 respectively. The general ledger transactions were recorded in 2019 and therefore ORPC has presented a credit principal adjustment of \$47,100 in 2018 and the reversal of both years of \$110,253 in 2019.

OEB staff notes that a credit of \$47,100 was recorded in Tab GA 2018 in the current proceeding's GA Analysis Workform. However, a credit of \$63,153 was not recorded as a credit in Tab GA 2017 (nor in Tab Principal Adjustments) in the 2023 IRM proceeding's GA Analysis Workform.

Question(s):

- a. Please explain why a credit of \$63,153 was reversed as a debit of \$63,153 in Tab GA 2019 (as part of the debit of \$110,253), when the credit of \$63,153 was not approved as a 2017 principal adjustment in ORPC's 2023 IRM proceeding.

Response:

- a. ORPC has removed the 2017 amount of \$63,153 from the GA Analysis Workform Tabs GA 2018 and Principal Adjustments since the amount was not recorded as a principal adjustment in ORPC's 2023 IRM proceeding. An updated IRM Rate Generator and GA Analysis Workform have been provided.

Staff Question-17

Reference:

- (i) Appendix H, December 8, 2023, p. 6 & 7

ORPC is proposing an Account 1588 credit principal adjustment of \$373,202 for 2019 which relates to a weighted average price claim adjustment. In 2019, ORPC underclaimed \$373,202 from Hydro One in its monthly settlement claim.

ORPC stated that the difference arose as a result of a calculation issue on RPP customers. The weighted average price was not calculated correctly on RPP customers for the months of April through September, which in turn translated to incorrect claims with Hydro One.

Question(s):

- a. Please confirm that the weighted average price claim error was a one-time isolated incident in the 2019 period and did not impact other periods.
- b. If this is not the case, please quantify and explain.

Response:

- a. Confirmed.
- b. N/A

Staff Question-18

Reference:

- (i) 2024 IRM Rate Generator, Tab 3, December 8, 2023
- (ii) GA Analysis Workform, Tab GA 2018, Tab Principal Adjustments, December 8, 2023

In Tab 3 of the 2024 IRM Rate Generator Model, ORPC has recorded a 2018 principal adjustment of a debit of \$514,857 for Account 1589.

However, in Tab GA 2018 and Tab Principal Adjustments of the GA Analysis Workform, a 2018 principal adjustment of a debit of \$467,757 is shown for Account 1589.

Question(s):

- a. Please clarify which is the correct balance to use as a 2018 principal adjustment for Account 1589 and update the evidence.

- b. After addressing part a) of this interrogatory, if cell C93 (i.e., Unresolved Difference as % of Expected GA Payments) of Tab GA 2018 is greater than the threshold of +/- 1%, please explain.

Response:

- a. The correct amount to utilize is the GA Analysis Workform Tab GA 2018 amount. A revised GA Analysis Workform and 2024 IRM Rate Generator have been provided in response to Staff Question 16.
- b. Tab GA 2018 remains unchanged from prior versions, therefore no further explanation is provided.

Staff Question-19

Reference:

- (i) 2024 IRM Rate Generator, Tab 3, December 8, 2023
- (ii) GA Analysis Workform, Tab GA 2019, Tab Principal Adjustments, December 8, 2023

In Tab 3 of the 2024 IRM Rate Generator Model, ORPC has recorded a 2019 principal adjustment of a credit of \$1,138,729 for Account 1589.

However, in Tab GA 2019 and Tab Principal Adjustments of the GA Analysis Workform, a 2018 principal adjustment of a credit of \$970,951 is shown for Account 1589.

Question(s):

- a. Please clarify which is the correct balance to use as a 2019 principal adjustment for Account 1589 and update the evidence.
- b. After addressing part a) of this interrogatory, if cell C93 (i.e., Unresolved Difference as % of Expected GA Payments) of Tab GA 2019 is greater than the threshold of +/- 1%, please explain.

Response:

- a. Following adjustments performed arising from ORPC's response to Staff Question 16, the revised 2024 IRM Rate Generator Tab 3 principal adjustment

for Account 1589 and the amount in the GA Analysis Workform Tabs GA 2019 and Principal Adjustments are \$1,034,104 and no longer differ.

- b. The updated GA Analysis Workform Tab GA 2019 presents an increase to the unresolved difference of \$63,153. This is due to unbilled revenue differences in 2017 that were posted in the 2019 general ledger. The difference was not captured in the principal adjustments as it was not originally recorded in 2017 principal adjustments and therefore could not be reversed in 2019. The GA Analysis Workform Tab GA 2017 amount in application EB-2022-0058 presented a difference of 6.0% and was disposed on a final basis. The application indicated in 2015, 2016 and 2017, ORPC was not billing on a calendar month basis for the majority of its billing cycles and meters were only read on the cycle end date rather than the end of the month. This resulted in estimations based on a proration of the non-RPP usage using the numbers of days in each month. Additionally, ORPC could not obtain a monthly breakdown of the RPP and estimated the monthly RPP usage based on the proportional monthly representation of non-RPP usage. Although the GA Analysis Workform threshold tests for 2015, 2016 and 2017 exceeded 1%, ORPC supported that the notion that the 1588 and 1589 RSVA accounts varied in opposite directions which supported an allocation difference between non-RPP and RPP. Due to lack of available data for the 2015 to 2017 period, there were additional variances incurred in subsequent years that were not identified at the time of disposition of balances up to 2017. ORPC does not expect any further variances to arise from the period up to December 31st, 2017.

Staff Question-20

Reference:

- (i) 2024 IRM Rate Generator, December 8, 2023, Tab 3, Cells BW21, BW26, BW27, BW28, and BW29
- (ii) Manager's Summary, December 8, 2023, p. 11

OEB staff noted some variances in the cells mentioned in Reference (i) that required an explanation in the Manager's Summary. These variances relate to the RRR balance versus the 2022 balance in Tab 3 of the Rate Generator Model. However, OEB staff could not find an explanation regarding some of these variances.

ORPC stated that Tab 3 of the 2024 IRM Rate Generator Model for Accounts 1550, 1551, 1580, 1584 and 1586 include "Principal Adjustments During 2022" which pertain

to unbilled revenue differences. ORPC stated that these adjustments relate to the 2022 usage difference discussed in the GA Analysis Workform.

Question(s):

- a. Please provide a reconciliation and explanation of the variances shown in the cells in Reference (i) related to Accounts 1588 and 1589.
- b. Please confirm that the variances in the cells in Reference (i) related to Accounts 1550, 1584, and 1586 relate to true-ups between estimated unbilled revenue and actual unbilled revenue. If this is not the case, please explain.
- c. Please explain why there were no variances for Accounts 1551 and 1580, given ORPC's statements on page 11 of the Manager's Summary.

Response:

- a. Please see Attachment 4 for a reconciliation. During ORPC's review of the balances on the continuity schedule in Accounts 1588 and 1589, it determined that certain figures were inadvertently misstated or omitted. Corrections were made to the 2024 IRM Rate Generator Tab 3 Continuity Schedule. The revisions have modified the projected interest calculations for Accounts 1588 and 1589 up to April 30, 2024 and the resulting claim amounts. ORPC has additionally updated the 2024 GA Analysis Workform to reflect any changes performed which has improved the variances noted in Tab Account 1588 for 2019 and 2020 to be within the 1% threshold.

Given the significant differences and updates performed, ORPC is proposing a customer 1588 and 1589 repayment period of 24 months as opposed to the 60 months in the original submission. The Total Group 1 Balance requested for disposition decreased from \$3,382,198 in amended application to \$1,412,150 resulting from revisions performed during interrogatories representing a 58% decrease in the Total Claim amount. ORPC additionally calculated that the revised bill impacts were minimally affected when reduced to a 24-month repayment period and remained below the 10% variance threshold:

RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer)	OEB-Provided on 2024-01-22		ORPC-Amended on 2024-02-01		Increase (Decrease)	
	Total Bill		Total Bill		Total Bill	
	\$	%	\$	%	\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	\$(3.55)	-2.8%	\$(2.36)	-1.9%	\$1.19	0.9%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	\$(10.80)	-3.4%	\$(7.43)	-2.3%	\$3.37	1.1%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	\$(220.51)	-5.3%	\$(279.63)	-6.7%	\$(59.12)	-1.4%
SENTINEL LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	\$37.32	4.4%	\$37.46	4.4%	\$0.15	0.0%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	\$328.75	2.1%	\$394.27	2.5%	\$65.53	0.4%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	\$4.95	0.6%	\$9.73	1.2%	\$4.79	0.6%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	\$(7.42)	-5.1%	\$(10.47)	-7.2%	\$(3.05)	-2.1%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	\$(0.60)	-0.9%	\$(0.15)	-0.2%	\$0.45	0.7%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - Non-RPP (Other)	\$(1,452.53)	-6.7%	\$(1,958.60)	-9.1%	\$(506.07)	-2.4%

The 2024 IRM Rate Generator has been updated accordingly.

- b. ORPC confirms that the variances in cells in Reference (i) related to Accounts 1550, 1584 and 1586 relate to true-ups between estimated unbilled revenue and actual unbilled revenue.
- c. Accounts 1551 and 1580 do not present any adjustments as the true-up between estimated unbilled revenue and actual unbilled revenue pertained to a demand (kW) difference on a single customer in the General Service 50 to 4,999 kW service classification. The rates in Accounts 1550, 1584 and 1586 were charged based on kW to the customer on which the unbilled difference was identified whereas the rate in 1551 is not charged to this service classification and the rate in 1580 is charged based on kWh which did not see any change.

VECC Interrogatory Responses
Ottawa River Power Corporation
EB-2023-0047

VECC-1

Ref: Updated Manager's Summary p.11

Accounts 1588 and Account 1589 were last approved for disposition on a final basis up to December 31st, 2017.

Question(s):

Please provide the reference.

Response:

Accounts 1588 and 1589 were approved on an interim basis in application EB-2018-0063 and on a final basis in application EB-2022-0058.

VECC-2

Ref 1: 2024 IRM Rate Generator Model November 6, 2023 Tab 4 C26

Ref 2: Updated 2024 IRM Rate Generator Model December 8, 2023 Tab 4 C26

Question(s):

The total claim has been updated from \$431,330 to (\$3,382,198). Please explain.

Response:

The 2024 IRM Rate Generator Model filed on November 6th, 2024 assumed that the Hydro One error document in Appendix H would result in ORPC paying Hydro One for all amounts overpaid since 2018. Once ORPC received confirmation that Hydro One would only seek 2 years of compensation, it amended its application and filed a revised IRM Rate Generator Model on December 8th, 2024 to credit the customers (via Accounts 1588 and 1589) for the amounts overpaid by Hydro One that were not sought for collection. The 2024 Rate Generator continuity schedule has been further updated in response to OEB Staff Interrogatories.

Attachment 1

Response to Staff Question 4

Rate Class	Unit	Total Metered kWh	Total Metered kW	Metered kWh for Non-RPP Customers (excluding WMP)	Metered kW for Non-RPP Customers (excluding WMP)	Total Metered kWh less WMP consumption (if applicable)	Total Metered kW less WMP consumption (if applicable)	1595 Recovery Proportion (2019) ¹	Number of Customers for Residential and GS<50 classes ³
RESIDENTIAL	kWh	86,112,039	0	911,337	0	86,112,039	0	35%	10,223
GENERAL SERVICE LESS THAN 50 KW	kWh	28,785,366	0	5,229,336	0	28,785,366	0	14%	1,274
GENERAL SERVICE 50 to 4,999 kW	kW	68,211,369	204,528	15,995,021	43,004	68,211,369	204,528	49%	141
SENTINEL LIGHTING	kW	190,718	528	24,468	0	190,718	528	0%	155
STREET LIGHTING	kW	1,202,092	2,822	198,277	576	1,202,092	2,822	1%	2,920
UNMETERED SCATTERED LOAD	kWh	588,782	0	378,375	0	588,782	0	0%	60
Total		185,090,366	207,879	22,736,814	43,580	185,090,366	207,879	100%	14,773

Attachment 2

DRAFT ACCOUNTING ORDER – Purchased Power True-up Account (PPTA)

1. This account will record the difference between the amount of the GA credit given to customers through the Power Purchased True-Up (PPT) rate and the amount of the actual avoided GA.
2. For RPP customers, customer energy charges are recorded in USofA Accounts 4006 and 4010. For non-RPP customers GA and energy charges are recorded in USofA Accounts 4015, 4025, 4030 and 4035 based on the customer category. These energy charges are recorded as credit balances.
3. On a monthly basis, the customer portion of the GA savings (100%) is to be recorded by a debit to Accounts 4006, 4010, 4015, 4025, 4030 and 4035 to offset the cost of power and GA charges collected and a credit to USofA Account 1508 “Other Regulatory Assets” subaccount Power Purchased True-Up. (Entry #2)
4. On a monthly basis, ORPC will calculate the actual GA amount applicable to customers and Debit 1508 Other Regulatory Assets/Liabilities - PPTA and Credit 4705 Power Purchased. (Entry #3). ORPC will track actual net GA savings and the amount credited to or recovered from ratepayers on a monthly basis.
5. On a monthly basis, ORPC will Debit 1508 Other Regulatory Assets/Liabilities – PPTA and Credit 1100 Accounts Receivable for the amount of the GA credit given to customers on their bill as calculated based on the Purchased Power True-up rate and customer energy consumption.
6. The net result is that the 1508 Other Regulatory Assets/Liabilities - PPTA account will record the variance between the Power Purchased True-Up credit given to customers (as calculated by using the forecast PPT rate), and customer’s 50% share actual avoided GA.
7. ORPC will also apply interest on the balance in this account at the prevailing OEB prescribed rate. Interest will be calculated based on the opening balance in the account on a monthly basis. This account will be USofA 1508 “Other Regulatory Assets”, sub-account Power Purchased True-Up, Carrying Charges. The offsetting entry will be recorded in USofA Account 4405 or 6035 depending on whether it is a utility expense or revenue.
8. The Power Purchased True-Up account will record the difference between the actual GA paid and the Power Purchased paid. On an annual basis the PPTA rate will be updated to correct for any under or over GA credit given to customers. This updated rate will be brought forward for approval as part of the annual rate setting process.
9. The account will be used for the duration of ORPC’s contract with Evolgen (i.e. Brookfield).
10. The effective date of this account is May 1, 2024.
11. The following are the proposed accounting entries for this variance account:

Dr. 4705 Power Purchased	xxxxxxx	
Cr. 2205 Accounts Payable		xxxxxxx
- to give Brookfield 50% of actual GA Savings		
Dr. 4006/4010/4015/ Energy Sales – GA Sub-accounts		yyyyyyy
4025/4030/4035/		
Cr. 1508 Other Regulatory Assets/Liabilities – PPTA		yyyyyyy
- to give ORPC customers 100% of actual GA savings		
Dr. 1508 OtherRegulatory Assets/Liabilities – PPTA	xxxxxxx	
Cr. 4705 Power Purchased		xxxxxxx
- to transfer additional Cost of Power to Account 1508		
Dr. 1508 Other Regulatory Assets/Liabilities – PPTA	zzzzzzz	
Cr. 1100 Accounts Receivable		zzzzzzz
- to record the GA credit given to customers based on the PPT rate		
Dr./Cr.1508 Other Regulatory Assets/Liabilities – PPTA,		
sub-account Carrying Charges	aaaaaaa	
Dr./Cr. 6035 Other Interest Expense or 4405 Interest Income		aaaaaaa
- to record interest on 1508 – PPTA account balance		

Attachment 3

Response to Staff Question 13

Inspection of Group 1 Deferral and Variance Accounts 1588 and 1589 Report

December 2021

ONTARIO ENERGY BOARD



Inspection Report

Ottawa River Power Corporation Inspection of Group 1 Deferral and Variance Accounts 1588 and 1589

December 2021

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1. SUMMARY

The Ontario Energy Board's (OEB) Inspection and Enforcement department (I&E) conducted an inspection of Ottawa River Power Corporation's (Ottawa River Power) Group 1 deferral and variance accounts (DVA) 1588 (RSVA Power) and 1589 (RSVA Global Adjustment) for the period of January 1, 2015 to December 31, 2019. The inspection assessed Ottawa River Power's compliance with applicable enforceable provisions under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, and related regulations. The inspection also assessed whether Ottawa River Power is applying the OEB's Accounting Procedures Handbook (APH), and in doing so whether OPRC was following related guidelines.

I&E found that Ottawa River Power did not comply with the APH and 2019 APH accounting guidance, materially misstated the reported balances in DVAs 1588 and 1589 and incorrectly settled with Hydro One for the period 2015 to 2019. I&E is of the opinion that Ottawa River Power should review the list of observations as set out in the **Appendix** and take appropriate steps to remedy the non-compliance. This will require Ottawa River Power to re-settle with Hydro One as needed and recalculate account 1588 and 1589 balances for affected periods.

Disposition of these balances as of December 31, 2017, was approved on an interim basis in Ottawa River Power's 2019 IRM application Decision and Rate Order (EB-2018-0063). Since the OEB hasn't approved on a final basis the balances from 2015, any impact on customers due to the interim disposition can be reversed when Ottawa River Power corrects these balances and requests final disposition of these accounts in its next rate application.

A complete description of the observations is provided in the **Appendix**.

2. COMPANY OVERVIEW

Ottawa River Power Corporation (Ottawa River Power) serves approximately 11,300 mostly residential and commercial electricity customers in the city of Pembroke, the township of Whitewater (Beachburg only), the Town of Mississippi Mills (Almonte Ward only) and the Township of Kilaloe, Hagarty & Richards (Kilaloe only).

Ottawa River Power is an embedded distributor within Hydro One's distribution system and settles power costs monthly with Hydro One instead of the IESO. It also purchases power from an embedded generator located in Quebec.

3. REASON AND AUTHORITY FOR INSPECTION

The inspection was initiated because of concerns identified in Ottawa River Power's 2020 IRM rate proceeding EB-2019-0063 where it was noted that account 1588 had a high balance, given the size of the utility.

The inspection was conducted under the authority of Part VII of the *Ontario Energy Board Act, 1998* (Act) by staff appointed as inspectors under section 106 of the Act.

4. OBJECTIVE AND SCOPE

The objective of the inspection was to:

- Validate that the balances in Variance accounts 1588 and 1589 for the period from January 1, 2015, to December 31, 2019 are accurate, complete and comply with the relevant legislation¹, based on the guidance provided by the OEB.
- Review accounting policies and procedures for these accounts to ensure they are properly and consistently applied in accordance with the OEB's Accounting Procedures Handbook, Reporting and Record-Keeping Requirements, and related regulatory guidelines; and
- Review accounting systems and processes currently in place to ensure their adequacy, and that settlements with Hydro One follow relevant legislation and regulations and reflect applicable OEB guidance in regard to accounting and settlement of commodity amounts.

5. METHODOLOGY

I&E followed the OEB's Inspection Procedures Manual and reviewed Ottawa River Power's procedures, systems, and controls with respect to the tracking, recording, calculating, and reporting of the balances in DVAs 1588 and 1589.

I&E interviewed key Ottawa River Power staff and reviewed supporting documents such as Hydro One invoices, customer billing data, settlement calculations and procedures, and accounting records.

¹ Ontario Regulation 429/04 (The regulation for Global adjustment, Ontario Regulation 430/04 (The regulation for RPP settlements, Regulation 95/05 Reg. 95/05 (Classes of consumers)

6. CONCLUSION

In order to address the observations of the inspection and to prepare its accounts for final disposition of variance accounts 1588 and 1589, Ottawa River Power needs to execute the required actions summarized in Appendix 1, complete a resettlement with Hydro One and recalculate all balances for the period from January 1, 2015 to December 31, 2019.

APPENDIX 1 DETAILED OBSERVATION

1. OBSERVATION 1

Ottawa River Power did not use the accrual accounting method of accounting as required in the Accounting Procedures Handbook (APH)².

1.1 Basis of Observation

Article 490 of the APH states that:

“a distributor is required to use the accrual basis of accounting. Under this basis, accruals are recorded monthly for unbilled revenue and for unbilled charges to a distributor using the settlement invoice received from the IESO, host distributor or embedded generator. The difference between the respective revenues and expenses after recording the accruals are recorded into the various RSVA accounts. Monthly carrying charges are then calculated on the total balances”

Ottawa River Power does not use the accrual method as required consistently; I&E identified the following issues:

- a) Ottawa River Power did not properly match the revenues it earned within the month to the corresponding costs. Monthly variance entries to accounts 1588 and 1589 were not calculated as required as per Article 490 of the APH.

For the period from 2015 to March 2019, Ottawa River Power only recorded revenues when they billed their customers. Power and GA amounts to be billed to customers were not accrued (i.e., monthly unbilled revenues). Instead, the accrual was done annually at December year end, where they recorded the outstanding unbilled revenues.

For most cost items recorded in accounts 4705 and 4707, Ottawa River Power used actual monthly amounts billed by Hydro One.

From April 2019 onwards, although Ottawa River Power commenced recording monthly accruals of the power and GA amounts in the GL, it was only for accounting purposes and was not used in calculating the RPP settlement claims with Hydro One. Ottawa River Power commenced incorporating unbilled revenue

² <https://www.oeb.ca/sites/default/files/uploads/documents/regulatorycodes/2019-01/Accounting-Procedures-Handbook-Elec-Distributors-20120101.pdf>

only for non-RPP customers from January 2020 onwards as it was simpler to calculate the unbilled volume for this rate class by Ottawa River Power.

Hence, for the period from 2015 to February 2019, estimates for unbilled revenue were not used in the Ottawa River Power's monthly RPP settlement claims with Hydro One. Ottawa River Power explained that most adjustments pertaining to unbilled revenues would automatically get captured over the following two months' billing statistic reports, hence would be reported as RPP true ups and eventually settled with Hydro One. There is no customer impact.

- b) Ottawa River Power calculated RPP settlements incorrectly because of the mismatch in revenue and price/cost data. RPP settlement amounts are the difference between the revenues from RPP customers and the actual cost allocated to RPP customers for the calendar month. It is important that all data points used in revenue and cost calculations are for the calendar month. Instead, the company used numbers from different months. For example, on June 4th, 2019, Ottawa River Power submitted a RPP settlement claim calculated based on the correct May 2019 GA rate, however, it used consumption and revenue associated with billed consumption to RPP customers from two months prior, instead of using revenue associated with May 2019 consumption (billed plus unbilled).

Observation 7 summarizes the RPP settlement issues.

- c) Ottawa River Power did not meet the RPP settlement timeline. The monthly RPP settlement claim must be submitted by the 4th business day after the calendar month. Using the same example above, revenue associated with May 2019 consumption must be used in RPP settlement claim for May 2019 on June 4th, 2019. By not using revenue from May 2019 consumption, Ottawa River Power failed to meet the settlement timeline. Using the accrual method will allow Ottawa River Power to meet this timeline regardless of billing cycles because its billing system has consumption kWh information from meter reads, customer rate class identifications and price plan information, therefore Ottawa River Power can calculate (or estimate with high accuracy level) the revenue for any month.
- d) Total GA costs invoiced by Hydro One must be split between these accounts 4705 and 4707 based on the ratio of the consumption ratio of RPP customers and non-RPP customers for the calendar month as required by the 2019 Accounting

Guidance³. However, Ottawa River Power used billed consumption data only from prior months resulting in the incorrect ratio and therefore the incorrect allocation.

- e) Ottawa River Power calculated carrying charges incorrectly. Any timing differences in terms of using billed rather than accrued/unbilled revenue would only impact the carrying charges as it would be based on incorrect monthly variances with no impact on the year-end balances of accounts 1588 and 1589.

I&E notes that any differences related to quarterly and yearly unbilled revenues were captured through principal adjustments on the continuity schedules for account 1588 and 1589 for quarterly and yearly RRR submissions to the OEB (e.g., RPP Settlement true ups required with Hydro One pertaining to unbilled revenue at quarter and year-ends).

1.2 Required Action

By not recording monthly accruals for unbilled power and GA revenues, Ottawa River Power is not in conformity with the APH requirements. Going forward, Ottawa River Power should develop procedures to account for monthly unbilled revenues to ensure the accuracy of RPP settlement and monthly balances in accounts 1588 and 1589 and associated carrying charges.

Ottawa River Power should extrapolate historic data of RPP and non-RPP billed consumption from previous months as a basis to estimate current months RPP and non-RPP billed consumption % to reasonably proportion allocation of GA charges between accounts 4705 and 4707.

I&E noted that from March 2019 onwards, Ottawa River Power had started billing on a calendar month basis and had made changes to unbilled revenues calculations on in-house Excel spreadsheet which had increased accuracy in making estimation of unbilled revenues monthly to permit simpler recalculation and verification of both RSVA Power (1588) and RSVA GA balances (1589).

2. OBSERVATION 2

Ottawa River Power staff did not follow the OEB accounting guidance for the commodity accounts⁴ and Group 1 variance accounts⁵ settlement methodologies

³ 2019 Accounting Guidance (page 7) The aggregate of each of the RPP and non-RPP sales consumption volumes are also to be used to allocate the initial GA costs between accounts 4705 and 4707

⁴ Commodity sales accounts 4006-4055 and commodity cost accounts 4705 and 4707

⁵ Both account 1588 - RSVAPower and account 1589 - RSVAGA have been categorized as Group 1 variance accounts

and processes with IESO since Ottawa River Power transacts settlement with Hydro One, rather than IESO.

2.1 Basis of Observation

In February 2019, the OEB published an APH update - 2019 Accounting Guidance⁶ related to accounts 1588 RSVA Power and 1589 RSVA Global Adjustment requiring all the electricity distributors to follow.

Ottawa River Power does not transact with the IESO directly as it purchases electricity through the host distributor Hydro One therefore settles related transactions with Hydro One. As a result, Ottawa River Power's regulatory staff faced difficulty in following the 2019 Accounting Guidance which referred to IESO terminologies and included an illustrative model to show the RPP settlement claims and true-up methodology with the IESO (e.g., IESO charge type 1142/142, 148 etc.).

Ottawa River Power sought clarification and received a response from the I&E that Ottawa River Power would be expected to calculate the principal adjustments to be included on the DVA continuity schedule for accounts 1588 and 1589 and reflect reconciling items on the GA Analysis Workform in compliance with section II ⁷ of the APH update.

However, by not following some of the accounting procedures as prescribed in the APH update and 2019 Accounting Guidance in recording the transactions in the Group 1 DVA 1588 and 1589, it prevented Ottawa River Power from calculating the principal balances accurately.

I&E noted issues including but not limited to questionable journal entries in revenue account 4006, missing true ups in account 4707 since April 2017 and incorrect entries in account 1589 (e.g., recording monthly recoverable work, reallocate Hydro One generation, Standard distribution). As such, accounts 4006, 4707 and 1589 may be misstated due to the incorrect application of the APH since 2017.

Furthermore, I&E noted that account 4705 reflected aggregated amounts for monthly power and RPP portion of GA expenses and RPP Settlement claim are grouped together and entered as one journal entry in the general ledger. Similarly, account 4707 reflected aggregated amounts for the monthly non-RPP portion of GA expenses and GA credit payment received from Hydro One for excess generation by RESOP generator MRPC are grouped together and entered as one journal entry in the general ledger. Therefore, it was difficult for I&E to trace amounts to the underlying invoices and Ottawa River Power's in-house Excel worksheet calculations in the absence of detailed journal entries

⁶ <https://www.oeb.ca/sites/default/files/Accounting-Guidance-Commodity-Accounts-20190221.pdf>

⁷ APH update (Section II includes the guidance related to the filing of accounts 1588 and 1589 in rate applications)

with specific descriptions as presented in the illustrative examples in the 2019 Accounting Guidance.

2.2 Required Action

Going forward, Ottawa River Power should follow the APH update and 2019 Accounting Guidance for proper recording of relevant individual transactions under commodity accounts and Group 1 variance accounts.

3. OBSERVATION 3

Ottawa River Power had physical bill/invoice presentation issue for Sentinel customers and still have issues with billing journal codes used to enter transactions in the GL.

3.1 Basis of Observation

In reviewing Ottawa River Power's customer bills for Sentinel customer class, I&E found that electricity Tiered charge was included in ORES Sentinel Light Charge on the bills. This issue didn't impact the total amount due, and the billing journals showed appropriate charges and allocation. Ottawa River Power explained it had only 6 Sentinel customer and in its view, there was no impact to these customers.

Ottawa River Power revised the bill presentation for Sentinel customers in December 2020. However, with the new bill presentation, Ottawa River encountered difficulties with the billing journal codes for a Sentinel customer served by retailer ECNG. In the billing journal for this customer,

- "BILL READY" code recorded a slightly higher electricity charge amount than the amount charged by ECNG as shown on the bill
- GA charge for this customer was separated into two billing codes "SENT PB" and "PROV BEN", while for Ottawa River's direct customers, the "PROV BEN" code recorded the whole GA charge amount.

Upon enquiry, Ottawa River Power agreed with the observations and responded that its billing system and processes in place to record billing journal entries would require a significant amount of time to modify to conform to the correct bill presentation due to the complexity of the rate set up in CIS Harris.

3.2 Required Action

Ottawa River Power should continue working to ensure that it records proper electricity charges for sentinel light class customers who have retail contracts in its general ledgers.

4. OBSERVATION 4

Ottawa River Power recorded incorrect amount of GA cost allocated to RPP customers in account 4705 due to its treatment of the excess generation payment received from Hydro One for the excess generation volume supplied by RESOP generator MRPC.

4.1 Basis of Observation

RESOP generator Mississippi River Power Corp (MRPC) supplies generation to Ottawa River Power and sometimes the excess volume directly to the Hydro One electricity grid. Ottawa River Power settles with MRPC using the total generation volume MRPC supplied and receives a payment from Hydro One later for the excess generation Hydro One was supplied through MRPC.

In reviewing Ottawa River Power's general ledger transactions in accounts 4705 and 4707 for all the sample test months, I&E noted that Ottawa River Power had correctly recorded the power component of the Hydro One's payment to the credit side of sub account 470555 except for sample test months of April 2018 and May 2018 where it had incorrectly recorded both an electricity credit and GA credit in sub account 470702 which was later reversed. However, for all other sample months, the GA portion of Hydro One's payment was recorded correctly to the credit side of sub account 470702 at first but later the entire amount was removed by debiting the same sub account 470702. The reason for this reverse entry was because Ottawa River decided that instead of recording the whole GA cost allocated to Class B non-RPP customers in account 470101, it recorded the GA cost reduced by the GA revenue received from Hydro One. For example, in November 2019, the Class B GA Charges (non-RPP portion) was \$553,735.01. Ottawa River Power had correctly recorded it on the debit side of sub account 470701 in general ledger, offset by the credit amount of GA portion of Hydro One's payment of \$2,667.37 (which was initially recorded to the credit side and later removed to debit side of sub account 470702).

While the treatment of GA payment from Hydro One in account 4707 was acceptable because there was no financial impact, Ottawa River Power recorded incorrect GA cost allocated to RPP customers in account 4705 because it calculated the Class B RPP GA cost using the total GA cost reduced by GA payment from Hydro One which didn't represent the actual cost.

4.2 Required Action

Ottawa River Power review the impact of this approach and make the necessary adjusting entries in accounts 4705 and 1588.

5. OBSERVATION 5

Ottawa River Power did not calculate and claim RPP settlement correctly with Hydro One.

5.1 Basis of Observation

In reviewing the customer consumption volume reported on the monthly online data submissions to Hydro One for the purpose of RPP settlement claims (i.e., invoice line “Electricity Bill 100 Adj” on Hydro One invoices) and the calculations of monthly RPP Settlement claims for sample test months, I&E noted the following mistakes for the period from 2015 to 2019:

- a) RPP settlement wasn’t calculated correctly because of the mismatch in revenue and price/cost data as discussed in Observation 1.
- b) RPP settlement claims for period from July 2019 to June 2020 were affected by the adjustments related to Class A GA charge as discussed in Observation 10.
- c) Incorrect RPP volume was reported for RPP settlement claim with Hydro One on online filing which did not match to the billing system report for the months of Dec 2018, September 2019, and November 2019.
- d) RPP settlement claims submitted on online filing did not match to I&E’s re-calculation of the RPP Settlement claim for the months of December 2018, April 2018, December 2016, December 2015, and July 2015.
- e) RPP settlement claims submitted in online filing were incorrect. They did not match to Ottawa River Power’s in-house Excel worksheet calculating the RPP Settlement claim for December 2018 and July 2015.
- f) RPP settlement claims for July 2015 and April 2017 were incorrectly calculated using GA 2nd estimate instead of GA actual rate. The impact on the RPP settlement claims with Hydro One would be either under or overstated amounts payable to or receivable from Hydro One (depending on whether the GA 2nd estimate was higher/lower than the GA actual rate) as depicted below:

Period	Non RPP kWh	GA @ 2 nd estimate:	GA @ Actual	Difference
Jul-15	5,638,118	\$ 0.09768	\$ 0.09540	\$ 12,854.91
Apr-17	5,676,628	\$ 0.06886	\$ 0.07135	\$ (14,134.80)
			Total	\$ (1,279.89)

- g) RPP settlement amounts were not consistent between the following sources:
 - i. In-house Excel spreadsheet
 - ii. Online RPP settlement form

- iii. Hydro One invoice (line Electricity Bill 100 Adj)
- iv. Account 4705 general ledger

The following table shows the differences observed for sample months:

Period	RPP Settlement claim on ORPC's in-house Excel spreadsheet (\$)	RPP Settlement claim on online filing (\$)	Material Difference (\$) due to Reporting errors NOT impacting 1588 balance	RPP Settlement claim re-calculated by OEB (\$)	Material Difference (\$) impacting 1588 balance	RPP Settlement claim on Hydro One Invoice (\$)	Material Difference (\$) impacting 1588 balance	RPP Settlement claim entered in GL (\$)	Material Difference (\$) impacting 1588 balance
Jul-15	\$ 179.78	\$ (834,820.23)	\$ 835,000.01	\$ 156.37	\$ 23.41	\$ (1,858.12)	\$ 2,037.90	\$ -	\$ (1,858.12)
Dec-15	\$ (90,784.51)	\$ (90,784.51)	\$ -	\$ (28,590.71)	\$ (62,193.80)	\$ (91,281.65)	\$ 497.14	\$ (90,784.51)	\$ (497.14)
Nov-16	\$ (392,107.86)	\$ (392,107.74)	\$ (0.12)	\$ (391,246.26)	\$ (861.61)	\$ (392,083.99)	\$ (23.87)	\$ (392,083.99)	\$ -
Dec-16	\$ (136,873.61)	\$ (164,044.01)	\$ 27,170.40	\$ (136,878.25)	\$ 4.65	\$ (163,981.20)	\$ 27,107.59	\$ (164,044.01)	\$ 62.81
Apr-17	\$ 59,104.44	\$ 59,104.67	\$ (0.23)	\$ 59,100.39	\$ 4.05	\$ 59,138.50	\$ (34.06)	\$ 59,104.67	\$ 33.83
Dec-17	\$ (362,076.78)	\$ (362,075.65)	\$ (1.13)	\$ (362,078.73)	\$ 1.95	\$ (362,075.65)	\$ (1.13)	\$ (362,078.73)	\$ 3.08
Apr-18	\$ (372,680.93)	\$ (365,075.23)	\$ (7,605.70)	\$ (372,682.81)	\$ 1.88	\$ (365,075.23)	\$ (7,605.70)	\$ (365,075.23)	\$ -
Dec-18	\$ (491,412.67)	\$ (311,519.42)	\$ (179,893.25)	\$ (491,414.54)	\$ 1.87	\$ (311,519.42)	\$ (179,893.25)	\$ (259,237.47)	\$ (52,281.95)
Sep-19	\$ (592,099.15)	\$ (592,099.15)	\$ -	\$ (592,100.65)	\$ 1.50	\$ (592,099.15)	\$ -	\$ (391,751.96)	\$ (200,347.19)
Nov-19	\$ (661,538.35)	\$ (1,361,438.34)	\$ 699,899.99	\$ (661,438.80)	\$ (99.55)	\$ (1,361,438.34)	\$ 699,899.99	\$ (1,266,267.38)	\$ (95,170.96)
Dec-19	\$ (342,751.73)	\$ (342,751.73)	\$ -	\$ (267,229.71)	\$ (75,522.02)	\$ (342,751.73)	\$ -	\$ (370,803.48)	\$ 28,051.75
TOTAL					\$ (138,637.68)		\$ (157,915.38)		\$ (322,003.89)

NOTE: Difference is due to Weighted Avg Price Adj issue (from Apr to Oct 2019) Payment from Hydro One received during Nov and Dec 2019.

5.2 Required Action

I&E expects Ottawa River Power to review and perform a reconciliation for the discrepancies listed above and to revise the reporting with Hydro One. This would result in incorrect invoice line "Electricity Bill 100 Adj" on Hydro One invoices to Ottawa River Power, which could subsequently impact the account balance for account 1588.

Moving forward, Ottawa River Power should ensure that they have effective internal controls in place and timely reviews for the settlement process to ensure the input data to the settlement and settlement amounts are fairly represented and accurately reported.

6. OBSERVATION 6

Ottawa River Power had errors in EG settlement calculation and reporting for the period from 2015 to 2019.

6.1 Basis of Observation

Ottawa River Power had errors in EG settlement calculation and reporting as outlined below. There also appears to be control weaknesses with regards to the implementation of proper review controls in Ottawa River Power's EG regulatory reporting and settlement

process with Hydro One. During the inspection, multiple instances of the errors and control weakness, among others, were observed including:

1. EG Settlement amount on Ottawa River Power's in-house Excel worksheet was based on EG volume data without losses.
2. EG volume submitted in online filing with Hydro One correctly included the loss factor but mistakenly omitted the Embedded Generator MicroFIT's volume.
3. EG Settlement amount as per Ottawa River Power's in-house Excel worksheet and on online filing with Hydro One did not match with the Electricity RESOP adj amount on the Hydro One monthly invoice for December 2018.
4. EG Settlement amount as per Ottawa River Power's in-house Excel worksheet did not match with the Electricity RESOP adjusted amount on the Hydro One monthly invoice for December 2017. Although the EG Settlement amount was calculated based on correct total EG volume data submitted in online filing with Hydro One.
5. Incomplete EG volume was recorded on online filing with Hydro One by mistakenly omitting to report MRPC's volume data for December 2016. However, the EG Settlement amount was correctly calculated using the correct total EG volume data from the Utilismart Virtual Generator Summary and EG Settlement amount matched to the credit amount recorded in general ledger for expense account 4705.
6. Embedded Generators MRPC's and MicroFIT's volumes as per Ottawa River Power's in-house Excel worksheet for EG Settlement calculation mismatched the EG volume data in Utilismart Virtual Generator Summary across multiple sample test months from 2015 to 2019.
7. Embedded Generators supplied volume data from MRPC for December 2016 reported in online filing with Hydro One only included the ON peak volume of 125,532 (kWhs). Ottawa River Power had omitted to include OFF peak volume of 473,117 (total EG volume 598,6494 kWhs).
8. Embedded Generation Utilismart report for MRPC, ENERDU, MicroFIT was not available with Ottawa River Power for the month of December 2015.

6.2 Required Action

Ottawa River should review and make applicable adjustment in account 4705 and 1588 and re-settle with Hydro One (if needed).

Ottawa River Power should review and implement internal control measures in compliance with the section III⁸ and IV⁹ of the APH update, including management review

⁸ APH update (Section III provides regulatory accounting guidance related to embedded generation energy transactions includes derivation of settlement calculations, submissions to the IESO)

⁹ APH update (Section IV provides guidance related to the submission of embedded generation data in the monthly reporting to the IESO)

to ensure the accuracy of EG regulatory reporting and EG settlement submissions to Hydro One.

7. OBSERVATION 7

Ottawa River Power discovered an error in 2019 regarding settlement with some electricity retailers due to an issue with the weighted average prices in Ottawa River Power's billing system impacting a group of Time of Use (TOU) customers.

7.1 Basis of Observation

During Ottawa River Power's 2020 IRM rate proceeding¹⁰, Ottawa River Power had disclosed an error regarding its settlement with some retailers due to an issue with the weighted average prices in its customer information system, requiring an adjustment to be made to account 1588 RSVA-Power to account and a true-up settlement with Hydro One. The OEB in its Decision stated the following:

"The OEB noted that the December 31, 2018 balance in account 1588 was high given the size of the utility. OEB is of the view that the fixing of the weighted average price issue may reduce the balance in account 1588 as any true-up adjustments should be claimed from Hydro One instead of being claimed from the utility's own customers."

After a thorough examination in 2019, Ottawa River Power discovered that the error had started in April 2019 when a rate change was entered in the billing system and it continued until October 2019 as the new rate change was entered in November 2019, strictly impacting a group of RPP TOU customers and not pertaining to non-RPP retail customers. As a result, Ottawa River Power made the following adjustment to account 1588 towards the end of 2019 to correct the RPP true-up settlement with Hydro One:

	Adjustment in November 2019	Adjustment in December 2019
Account 1588 – RSVA Power	\$700,000	\$75,522.02

I&E reviewed the underlying calculations for the adjustments and the source of error in by looking into the old and new rates entered to identify any further errors that may have impacted the period prior to and after the error based on sample testing. I&E verified the payment claimed from Hydro One by tracing the invoice line "Electricity Bill 100 Adj" on Hydro One monthly invoice for November 2019 and December 2019 through RPP Settlement claims submitted, hence not impacting the customers.

Furthermore, at the time of submitting its 2020 IRM application, Ottawa River Power did not have a complete understanding of why the balance in account 1588 as of December

¹⁰ Ottawa River Power's 2020 IRM application EB-2019-0063

31, 2018 was so high. The OEB was of the view that fixing the above mentioned weighted average price issue may reduce the balance in Account 1588. Since the weighted average price issue did not impact 2018 and prior periods, Ottawa River Power expected that its settlement processes with Hydro One would need revision considering the APH 2019 Accounting guidance which would change the account balances in 1588 and 1589 (retroactive to January 1, 2019). Therefore, Ottawa River Power did not analyse the 2018 year-end balance and has been unable to demonstrate conclusively the cause of high balance in account 1588.

Ottawa River Power has concluded that because of its current network configuration with Hydro One and three embedded generators for the volume purchased and basis of its line losses calculations are complex, which might be one of the reasons for high balance in account 1588. In 2021, Ottawa River is collaborating with Hydro One to assess the overall impact of the complex configuration with Hydro One and Embedded Generators distorting the purchased volume (adjusted for losses) and will confirm to OEB its observations with underlying evidence.

7.2 Required Action

Moving forward, Ottawa River Power should strengthen its internal controls regarding data entered and generated from its billing system to ensure accurate regulatory accounting and reporting and to ensure accuracy of the balance in account 1588.

As a result of the assessment underway in collaboration with Hydro One, Ottawa River is expected to determine the reason for the high balance in account 1588 as of December 2018 with underlying evidence to support any additional adjustments (if required for 2019 and 2020) to correct account 1588 balance before requesting disposition.

8. OBSERVATION 8

Ottawa River Power had wrongly included Revenue received from Capacity Based Recovery regulatory charge (CBDR) in GA revenue accounts 4006-4055 instead of account 4062 and the matching cost associated was wrongly included in GA expense account 4707 instead of account 4708.

8.1 Basis of Observation

As per Article 220, Accounts Description - section “other power supply expenses” of the APH 11, a distributor that is a wholesale Market Participant (WMS) shall use account 4062 to record amounts billed to customers using the Board-approved WMS Rate for specified charge types and Rural or Remote Rate Protection Charge. The distributor must ensure a proper matching of the billed amounts recorded in this account to those charges recorded in account 4708. There is a small impact on customers.

In reviewing Ottawa River Power’s general ledger entries for Power and Global Adjustment costs and revenue for the sample test months from 2015 to 2019, I&E noted that revenue received from the Capacity Based Recovery (CBDR) regulatory charge was wrongly recorded in accounts 4006-4055 instead of account 4062 and the matching cost associated with CBDR was wrongly included in account 4707 instead of account 4708.

8.2 Required Action

Ottawa River Power is expected to make the necessary adjusting¹² entries to correct accounts 4006-4055 and 4707 in the general ledger to ensure accurate balance. Ottawa River Power is also expected to reflect the correct variance in account 1589 at the time of requesting for disposition of the account.

Going forward, Ottawa River Power should update its management review processes of journal entries to ensure correct entries are entered in the general ledger and accurate balances are reported in account 1589.

9. OBSERVATION 9

Ottawa River Power omitted MicroFit generation volume in the total embedded generation (EG) volume data submitted to Hydro One for Class B GA settlement.

9.1 Basis of Observation

In reviewing Ottawa River Power’s online filings with Hydro One for the sample test months from 2015 to 2019, I&E noted that Ottawa River Power had omitted the MicroFit generation volume in the total EG volume for the purpose of GA settlement, which

¹¹<https://www.oeb.ca/sites/default/files/uploads/documents/regulatorycodes/2019-01/Accounting-Procedures-Handbook-Elec-Distributors-20120101.pdf>

¹² Create account 4062XX to record Class A Capacity Based Recovery Rate for billed revenue and account 4708XX to record Class A Wholesale Market charges.

resulted in \$226,559 difference in settlement amount. Ottawa River Power confirmed¹³ this.

Ottawa River Power used estimated EG volume and estimated Class A consumption volume from Utilismart Virtual Generator software which resulted in larger differences until more accurate reads came through from the meter which was not fully available within 2 business days after the month end. Ottawa River Power calculated and concluded that they underpaid Hydro One \$570,604.

As a result, Ottawa River Power must settle GA true-up with Hydro One for a total amount of \$797,163 to correct the EG volume data discrepancy for the from period 2015 to 2020 (\$517,130 from 2015 to 2019). Although the impact on the account balance of 1588 and 1589 may not be material for a single month, it has resulted in an understatement of GA charges of \$797,163¹⁴ as at Dec 31, 2020, which should be split into RPP and Non-RPP portions and reflected respectively in account 1588 and account 1589.

The Table below quantifies the overall \$ impact on GA charges for the period from 2015 to 2020, examined by I&E on a sample test basis:

Ottawa River Power Corporation												
Global Adjustment Embedded Generation Settlement Adjustment Analysis												
										Hydro charge - What should be		
		Hydro One Invoice GA Charges		Energy Purchases (kWh)						GA charges		
										Difference between kWh charged and kWh supplied	IESO GA Actual Rate (\$/kWh)	Difference GA \$
		\$	kWh	Hydro One	Brookfield	MRPC	Enerdu	microFit	KI Pembroke			
2015		\$ 14,542,983.24	\$ 189,590,783.53	\$ 129,690,173.22	\$ 40,691,330.00	\$ 17,631,719.82	\$ 2,130,295.25	\$ 321,810.41	\$ -	\$ (874,545.17)	\$ 0.95	\$ (78,234.26)
2016		\$ 18,332,286.87	\$ 188,480,558.55	\$ 138,730,358.61	\$ 34,831,351.00	\$ 15,636,625.84	\$ 923,613.54	\$ 383,926.00	\$ -	\$ (2,025,316.44)	\$ 1.17	\$ (166,644.41)
2017		\$ 18,206,387.14	\$ 183,420,898.71	\$ 105,580,388.05	\$ 47,853,390.00	\$ 31,830,283.98	\$ -	\$ 379,792.00	\$ -	\$ (2,222,955.32)	\$ 1.21	\$ (199,203.02)
2018		\$ 17,480,793.88	\$ 193,687,389.45	\$ 128,340,975.49	\$ 41,098,744.00	\$ 20,044,361.70	\$ 3,852,243.80	\$ 377,701.00	\$ -	\$ (26,636.53)	\$ 1.10	\$ 16,255.15
2019		\$ 20,332,827.85	\$ 190,563,383.04	\$ 132,972,690.69	\$ 30,634,900.00	\$ 24,404,955.30	\$ 4,792,717.63	\$ 364,986.00	\$ 1,686,020.04	\$ (920,846.54)	\$ 1.31	\$ (89,303.94)
2020		\$ 21,764,525.42	\$ 183,882,235.61	\$ 118,897,462.51	\$ 40,156,590.00	\$ 24,632,188.02	\$ 5,252,795.31	\$ 368,280.00	\$ 3,165,876.07	\$ (2,259,204.16)	\$ 1.44	\$ (280,032.24)
												\$ (797.163)

10.OBSERVATION 10

Ottawa River Power Class A GA settlement and reporting was incorrect as per Section 1 of the APH update.

10.1 Basis of Observation.

Ottawa River Power's calculation for GA amount billed to its Class A customer at pdf was in compliance with the IESO methodology. However, I&E noted that Hydro One had significantly overcharged Ottawa River Power at a higher GA amount for its Class A customer. From July 2019 to December 2019, during the first six month of its Class A customer's operation, Ottawa River Power paid Hydro One \$ 544,627 more than it was required.

To reduce the impact of excess Class A GA charges recorded in account 4707, Ottawa River Power claimed it back from Hydro One for the period from July 2019 to June 2020 by adjusting the monthly RPP settlement claims which was recorded in account 4705. Therefore, this treatment did not result in a net zero impact and both variance accounts 1588 and 1589 were misstated, since Ottawa River Power records GA settlement with Class A customers in account 4707 and the monthly RPP settlement claims with Hydro One, (invoice line "Electricity Bill 100 Adj" on Hydro One invoice) in account 4705.

Moreover, Ottawa River Power recorded incorrect GA costs allocated to Class A customer. As shown in the table below, Ottawa River Power didn't use the amounts billed to the customer or the amounts invoiced by Hydro One.

Class A GA in 2019	July	Aug	Sept	Oct	Nov	Dec
Amount billed to customer	\$ 26,112	\$ 30,157	\$ 24,597	\$ 27,475	\$ 22,237	\$ 22,719
Amount invoiced by Hydro One	\$ 119,186	\$ 137,297	\$ 111,986	\$ 125,088	\$ 101,238	\$ 103,432
Amount recorded in account 4707	\$ 119,186	\$ 137,541	\$ (88,063)	\$ 37,746	\$ 3,743	\$ 24,488

10.2 Required Action

I&E notes that Class A and Class B (RPP and non-RPP) are different customer classes therefore Ottawa River Power should make the necessary adjusting entries to correct excess of Class A GA charges (recorded in 4707) separately from RPP Settlement claims (recorded in account 4705). This would ensure accurate balances are accumulated in accounts 1588 and 1589 and thus allocated and recovered from different customer classes respectively.

Going forward, Ottawa River Power should ensure that Hydro One charges GA amount for its Class A customers in conformity with the IESO methodology and APH.

11.OBSERVATION 11

I&E noted several control weaknesses in the reporting of DVA balances.

11.1 Basis of Observations

In addition to control deficiencies that resulted in the errors highlighted in the above observations, I&E noted the following control weaknesses in the reporting of DVA balances:

1. Ottawa River Power recorded incorrect January 1, 2019 opening principal balances for accounts 1588 and 1589 on the continuity schedule used to calculate interest. As a result, Ottawa River Power recorded incorrect interest amounts in 2019.
2. Ottawa River Power made principal adjustments of \$1,301,258 to account 1588 in the continuity schedule for 2019 with the description “Unbilled Revenues Settlement Differences 2019” but was not able to provide its basis of calculations and supporting documents to verify what the adjustments constituted or how they were calculated. The APH update - 2019 accounting guidance (section II) states that:

Distributors must first determine the elements of the commodity variance accounts that have not been reflected in their general ledger on an actual basis. The “Principal Adjustments” column of the DVA Continuity Schedule should be used to show the adjustments to actuals for each of the elements.
3. As per the regulatory requirements in APH Article 490, accounts 1588 and 1589 should record monthly variance entries for the difference between energy and GA amounts charged to customers (revenues) and energy and GA charges from the host distributor Hydro One and Embedded Generators (expenses). Ottawa River Power does not do this entry in the general ledger monthly, instead it is done as part of the year end processes.
4. Ottawa River Power has wrongly reported in its Reporting and Record keeping Requirements (RRR) 2.1.5.4 submissions to the OEB, the annual consumption volume (kWhs & kW) with losses for its customers broken down by rate class subdivided by RPP and non-RPP customers. All (kWhs & kW) should have been reported based on a reading of the applicable meter, without being grossed up for loss factor¹⁵ as it would have an impact on Ottawa River Power’s line loss calculations by the OEB.

¹⁵ <https://www.oeb.ca/sites/default/files/RRR-Electricity-20200331.pdf> (under section 2.1.5.4.1e)

5. Considering all the observations in the Inspection Report, I&E believes that the carrying charges are incorrect since Ottawa River Power had calculated based on incorrect variance account balances.

11.2 Required Action

Ottawa River Power is required to review and revise its quarterly RPP forms to be resubmitted and updated continuity schedules filed with the OEB.

Ottawa River Power should re-calculate the carrying charges once it has made the necessary adjustments to correct the variance account balances in 1588 and 1589 in conformity with the APH.

Ottawa River Power should review and implement additional internal control measures, including management review, to ensure the accuracy of DVA balances 1588 and 1589 reported to the OEB.

Attachment 4

Response to Staff Question 20

	RSVA - Power (1588)	RSVA - Global Adjustment (1589)
Variance RRR vs. 2022 Balance (Principal + Interest)	(238,076)	(522,511)
Explanations:		
CT 148 true-up of GA charges based on actual non-RPP/RPP volumes - 2015	213,663	(213,663)
CT 148 true-up of GA charges based on actual non-RPP/RPP volumes - 2016	247,512	(247,512)
CT 148 true-up of GA charges based on actual non-RPP/RPP volumes - 2017	(24,931)	24,931
CT 148 true-up of GA charges based on actual non-RPP/RPP volumes - 2018	(651,394)	651,394
CT 148 true-up of GA charges based on actual non-RPP/RPP volumes - 2019	707,553	(707,553)
CT 148 true-up of GA charges based on actual non-RPP/RPP volumes - 2020	(147,421)	147,421
CT 148 true-up of GA charges based on actual non-RPP/RPP volumes - 2021	(1,836,134)	1,836,134
CT 148 true-up of GA charges based on actual non-RPP/RPP volumes - 2022	(1,167,867)	1,167,867
Hydro One billing error on generation account - 2018	478,300	-
Hydro One billing error on generation account - 2019	1,258,177	-
Hydro One billing error on generation account - 2020	1,218,990	-
Hydro One billing error on generation account - 2021	1,029,973	-
Hydro One billing error on generation account - 2022	755,609	-
Hydro One foregone adjustment - 2018	(341,763)	(136,537)
Hydro One foregone adjustment - 2019	(884,526)	(373,651)
Hydro One foregone adjustment - 2020	(865,051)	(353,939)
Hydro One foregone adjustment - 2021	(447,931)	(164,157)
Weighted Average Price Settlement Underclaim from Hydro One - 2019	(373,202)	-
Reported Embedded Generation True-Up - 2022	46,460	-
Unbilled to actual revenue differences - 2022	-	(86,165)
Journal entry misallocation between 1588 and 1589 on settlement true-up for GA on embedded generation	1,022,059	(1,022,059)
Remaining Unexplained Variance	-	-