**Westario Power Inc.**

**EB-2024-0060**

**October 2, 2024**

Please note, Westario Power Inc. (Westario Power) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*, unless filed in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

**Staff Question-1**

**Reference:**

1. EB-2024-0060, 2025 Rates Application, Rate Generator Model, Tab 11, Cell J22 and L22
2. EB-2024-0183, Decision & Rate Order, 2024 Uniform Transmission Rates (UTRs) Update, Schedule A, Issued June 27, 2024

Preamble:

Distributors are required to input the applicable rates in Tab 11 under the UTRs section of the Rate Generator model. These rates must align with the most recent OEB Decision and Rate Order on UTRs. OEB staff observes that the rate entered in Ref. (I) do not correspond with the OEB’s latest Decision and Rate Order on Uniform Transmission Rates as outlined in Ref. (II).

**Question(s):**

1. OEB staff has corrected the rate in Ref. (I). Please verify the correction and ensure that all subsequent tabs are updated accordingly.
2. Please provide an explanation for not using the most up-to-date rates in Ref. (I).

**Staff Question-2**

**Reference:**

1. EB-2024-0060, Rate Generator Model, Tab 3 Continuity Schedule, Columns BO and BP
2. EB-2022-0070, Manager’s Summary, August 4, 2022, Pg. 14
3. Chapter 3 - Filing Requirements for Electricity Distribution Rate Applications Filed in 2024 for Rates Taking Effect in 2025, June 18, 2024, Pg. 16

Preamble:

OEB staff notes principal and interest balances in Sub-accounts 1595 (2018 and pre-2018) and 1595 (2019) in Ref. (I). Additionally, OEB staff notes that in its 2023 Rates Application, Westario Power requested disposition of its 1595 (2018) and 1595 (2019) Sub-accounts. As outlined in Chapter 3 Filing Requirements, distributors are eligible to request disposition of any residual balances in 1595 Sub-accounts two years after the expiry of rate rider.

**Question(s):**

1. Please explain the balances referenced in Ref. (I) and clarify why they were not fully disposed.
2. Please confirm whether the balances requested for disposition in the 2023 Rates Application was on a final basis, and if there are any active rate riders in Sub-accounts 1595 (2018 and pre-2018) and 1595 (2019) as of December 31, 2023.
3. Additionally, confirm whether Westario Power is eligible, according to the Chapter 3 Filing Requirements, to dispose of the residual balances in Sub-accounts 1595 (2018 and pre-2018) and 1595 (2019) in the 2026 Rates Application.

**Staff Question-3**

**Reference:**

1. Chapter 3 - Filing Requirement for Electricity Distribution Rate Applications Filed in 2024 for Rates Taking Effect in 2025, June 18, 2024, Pg. 16
2. EB-2024-0060, Rate Generator Model, Tab 3 Continuity Schedule, Columns BE, and BJ, Cells BE26 and BJ36

Preamble:

Chapter 3 of the Filing Requirements in Ref. (I) specifies that when the OEB approves the disposition of DVA balances, the approved principal amounts and carrying charges are to be transferred to Account 1595 for that rate year. This means that all OEB-approved dispositions from the 2023 Rate Application should have been transferred to Sub-account 1595 (2023) during the year.

**Question(s):**

1. OEB staff notes that there is no amount in Ref. (II) to reflect the transfer of the OEB-approved disposition. Please update the Rate Generator model to reflect the transfer.

**Staff Question-4**

**Reference:**

1. EB-2023-0058, DVA Continuity Schedule, Tab 2a, Columns BG and BL
2. EB-2024-0060, Rate Generator Model, Tab 3 Continuity Schedule, Columns BC and BH

Preamble:

OEB staff observes that several closing balances for both the 2022 principal and interest in Ref. (I) do not align with the opening balances for the 2023 principal and interest amounts. The table below shows the variances between the opening and closing balances.



**Question(s):**

1. OEB staff requests Westario Power to explain the discrepancies.

**Staff Question-5**

**Reference:**

1. 2024 IRM Rate Generator Model, Continuity Schedule, Tab 3
2. IRM Rate Generator – DVA Tabs Instructions ‐ 2024 Rates
3. OEB Guidance for Electricity Distributors with Forgone Revenues Due to Postponed Rate Implementation from COVID-19, August 6, 2020, page 5

Preamble:

On July 18, 2023, the OEB issued the DVA Tabs Instructions for the 2024 IRM Rate Generator Model. Pages 1 and 3 noted that Account 1509 - Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation was added to the model. A separate rider is calculated for this account in Tab 7, if the disposition is approved.

Regarding Account 1509, Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation, the following steps are noted in the August 6, 2020 guidance:

1. Upon implementation of the forgone revenue rate rider that is calculated from the Forgone Revenue Model, the rate rider transactions will be recorded in the same Forgone Revenues Sub-account. This will draw down the accumulated balance of actual forgone revenues/amounts.
2. Any residual balance after the expiry of the rate riders should be requested for final disposition in a future rate application (cost of service or IRM) once the balance has been audited in accordance with normal deferral and variance account disposition practices.
3. If disposition is approved, the residual balance in the Forgone Revenues Sub-account should be disposed proportionately by customer class and the residual balance will be transferred to Account 1595.

**Question(s):**

1. Please update Tab 3 (Continuity Schedule) and Tab 4 as necessary to reflect a balance in Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation. Please complete the above-noted steps #1, #2, #3.
2. If this balance is not applicable, please explain.

**Staff Question-6**

**Reference:**

1. EB-2024-0060, Rate Generator Model, Tab 8 - Tax Change, Cell H18
2. EB-2023-0058, Revenue Requirement Workform, Tab 6 - Taxes\_PILs, Cell Cell S20

Preamble:

The taxable income in the Tax Change tab of the Rate Generator Model should equal the amount approved by the OEB in the last Cost of Service application. According to the OEB decision in Westario Power’s 2024 Cost of Service application, the taxable income in Ref. (II) is $622,185. However, OEB staff notes that the taxable income mentioned in Ref. (I) is $846,509.

**Question(s):**

1. Please explain the discrepancy.

**Staff Question-7**

**Reference:**

1. EB-2024-0042, Rate Generator Models, Tab 3, Continuity Schedule

Preamble:

On September 13, 2024, the OEB published the 2024 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

**Question(s):**

1. Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2024 OEB-prescribed interest rate of 4.40%.

**Staff Question-8**

**Reference:**

1. EB-2024-0060, Managers Summary, Pg. 19
2. EB-2024-0060, GA Analysis Workform

Preamble:

Account 1588 had a variance of 0.8% in 2022, which was within the allowable threshold, but the 2023 variance as % of the cost of power purchased is significantly higher at 3.7%. Westario states that the larger variance is due to posting errors and misallocation journal entries that occurred in the last quarter of 2023, these amounts have been included in the principal transactions for 2023.

**Question(s):**

1. Please elaborate further on the posting errors and misallocations that occurred in Q4 2023.
2. Please provide a breakdown of the specific errors, their nature, and their $ impact on the 2023 balance.

**Staff Question-9**

**Reference:**

* 1. EB-2024-0060, GA Analysis Workform

Preamble:

On the principal adjustments tab of the GA Analysis Workform, OEB staff notes that there is a difference between the total principal adjustments in the last approved balance of $73,364 and the total adjustments of ($49,174) for Account 1589. OEB staff also notes that the last approved balance from the 2023 IRM decision is $73,364. There is also a difference noted for Account 1588.

**Question(s):**

1. Please update the last approved balance in Note 8 of the GA Analysis Workform so that there is no difference remaining in row 29.

**Staff Question-10**

**Reference:**

1. EB-2024-0060, Managers Summary, Pg. 19
2. EB-2024-0060, GA Analysis Workform

Preamble:

On the principal adjustments tab, OEB staff notes a large principal adjustment described as “accrual to actual differences current period” of ($1,668,513) made to Account 1588 in 2023, which is reversed in 2024. A similar principal adjustment of ($739,717) is made in 2024.

**Question(s):**

1. OEB assumes that the adjustments relate to the issue explored in Staff Question 8. Please confirm.
2. If this is not the case, please elaborate on what these adjustments relate to and explain why the adjustment is of such a large amount. Please also elaborate on why the same adjustment has changed to ($739,717) that was recorded in 2024.
3. Please provide a breakdown of the specific adjustments, their nature, and their impact on the 2024 balance.

**Staff Question-11**

**Reference:**

1. EB-2023-0058, Exhibit 9

Preamble:

OEB staff notes that in Westario’s 2024 Cost of Service application, Westario stated that it was not seeking to dispose of their balances in 1588 and 1589 at this time. Similar to account 1580, Westario is concerned with certain entries that were made in 2022 that are unusually large. Therefore, the utility asked Baker Tilly to review the accuracy of the entries in those particular accounts before disposing of the balances.

**Question(s):**

1. Please confirm whether Baker Tilly completed their review of Accounts 1580, 1588, 1589.
2. If not, why not. Please confirm whether Westario is requesting the final disposition of these three accounts in this application, even without the completion of the review by Baker Tilly.
3. If yes, please enclose a copy of their report including the findings.
4. Please confirm whether Westario incorporated any adjustments from the findings or recommendations from Baker Tilly.

**Staff Question-12**

**Reference:**

1. EB-2024-0060, GA Analysis Workform
2. 2025 GA Analysis Workform Instructions

Preamble:

CT2148 captures corrections to prior period input data for embedded generation, energy storage or Class A load quantities for the impacted market participant. Typically, this charge type would be a reconciling item on the Workform as it would not be reflected in the actual GA rate that is populated in the Analysis of Expected GA Amount table.  This item is considered as reconciling item that would need to be listed in the current year’s GA analysis work. However, it would not require a principal adjustment, as this impact would have been recorded in the General Ledger. As such, it would not need to be reversed in the next year’s GA Analysis Workform.

In the principal adjustments tab and GA 2022 and GA 2023 tabs, OEB staff notes amounts recorded for CT 2148 on the 2022 GA Analysis Workform of ($15,455), which is then reversed on 2023 GA Analysis Workform, and another credit of ($1,743) posted in 2024 on the 2023 GA Analysis Workform.

In addition, effective May 1, 2023, CT 2148 - Class B Global Adjustment Prior Period Correction Settlement Amount was discontinued, any prior period corrections are to be manually entered based on post-final changes to input data under charge type 148 - Class B Global Adjustment Settlement Amount.

**Question(s):**

1. Please explain why Westario included CT2148 on the 2022 and 2023 GA Analysis Workforms as principal adjustments, given that typically utilities journalize the charge types on the IESO invoices as part of its accounting process?
2. If the question (a) cannot be explained, please make the CT2148 as reconciling item rather than principal adjustment and update the GA Analysis Workforms and principal adjustment tab by removing CT2148 amounts.
3. Please make sure that any corrections are reflected in the DVA Continuity Schedule of the Rate Generator Model and ensure that all subsequent tabs are updated accordingly.

**Staff Question-13**

**Reference:**

1. EB-2024-0060, GA Analysis Workform
2. Updated Account 1588 reasonability test Excel template

Preamble:

OEB staff notes that in Tab Account 1588 of Westario’s GA Analysis Workform, the annual Account 1588 balance relative to cost of power is 3.7% for 2023, which is greater than +/-1% reasonability threshold.

**Question(s):**

1. Please complete an updated Account 1588 reasonability test provided by OEB staff with further details.