

January 22, 2016

Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary.

Dear Sir/Madam:

Re: Distribution Rate Application for London Hydro OEB File: EB-2016-0091.

I request the Board consider the following letter and information within the attached OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW – ADDENDUM during your review of the London Hydro Cost of Service rate application EB-2016-0091. The Addendum incorporates a review of London Hydro customer requested RSVA – Global Adjustments¹ reconciliation data received December 8, 2016.

The Addendum supports material to my previously submitted customer comments, which expressed my concerns related to the London Hydro Cost of Service rate application EB-2016-0091 and found within the OEB posted file name “*M F Rosehart_Ltr of Comment_London Hydro_20161212_Redacted*”.

London Hydro has recently responded to my comments to EB-2016-0091 found within the OEB posted file name “*M F Rosehart_Ltr of Comment_London Hydro_20161212_Redacted*” with the following Board File “*London Hydro_IRR_Exhibit 1_20170117*” comments:

- 17 London Hydro would like to address the letter from MF Rosehart. As indicated in the letter
- 18 London Hydro has attempted to satisfy answering of the directed question with Mr. Rosehart.
- 19 London Hydro would note that the transaction in question has been thoroughly vetted both by
- 20 our independent third party annual financial auditors and also by the OEB during the 2016 IRM
- 21 process. London Hydro does not agree with Mr. Rosehart’s comments.

¹ RSVA-GA Defined: “Net difference” refers to the difference between the amount charged/credited by the IESO ... for the global adjustment and the amount billed to non-RPP customers for the global adjustment in Sales of Electricity – OEB Accounting Procedures Handbook (APH).

As outlined within London Hydro's response above they feel that this matter has been properly vetted through past initiatives and that although they give no follow-up support documentation they do not agree with my comments within OEB posted file name "*M F Rosehart_Ltr of Comment_London Hydro_20161212_Redacted*". In short, this is their response to a matter summarized within the posted file and related to a potential "*financial discrepancy, estimated to be in the range of \$3.2 to \$3.5 million ... which cannot be accurately reconciled as valid, resulting in potential financial impacts to the Class B customers.*"²

Please note that I fully understand that the previous IRM rate application EB-2015-0087 application was signed off by at least 4 Senior London Hydro staff including the CEO and vetted through their auditors and the OEB rate application process. In addition, upon review of this rate application the 2014 RSVA-Global Adjustment additions of \$7.6 million, while historically materially high, was not challenged during the application process.

In my opinion many interrogatories are subject to opinion regarding validity or relatively or small in nature while a potential material \$3.8 million discrepancy with impacts to customers is not a small matter and should have been given proper attention then and now as an imbedded component of London Hydro Cost of Service Rate Application EB-2016-0091. Satisfied would be a state after a legitimate review where the customer (Class B³) is not being overcharged or subsidizing another rate class, even if the outcome of an evaluation is that I was incorrect in my evaluation. Therefore, considering London Hydro's response in Board File "*London Hydro_IRR_Exhibit 1_20170117*" and other past interactions that criteria has not been met and I await the response or posted actions from the OEB whom has a regulatory obligation to review and make a decision on this matter.

The letter I initially submitted to the Board was directed to the OEB with a regulatory responsibility to ensure customers are protected and held harmless from potential London Hydro IRM rate design issues and I therefore, while not expected, appreciate their response.

In summary, London Hydro has stated their position within Board File: London Hydro_IRR_Exhibit 1_20170117 and I have presented my position within the newly attached OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW – ADDENDUM and previous OEB Board File: M F Rosehart_Ltr of Comment_London Hydro_20161212_Redacted and attachment Allocations Methods No. 1 and 2 found within attachment OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW.

² OEB posted file name "*M F Rosehart_Ltr of Comment_London Hydro_20161212_Redacted*"

³ Class B customer is defined as the Non-RPP, Non-Class A General Service > 50 kW (Approx. 1,600) and all retailer associated (mostly residential and small business) and Non Wholesale Market Participant customers

As outlined in my initial request within OEB posted file name “*M F Rosehart_Ltr of Comment_London Hydro_20161212_Redacted*”,

The OEB outlined their primary role in London recently as the agency responsible for ensuring consumer protection and distributor regulatory compliance. As a rate payer paying for customer protection services through the OEB (and distributor), I therefore request the Board to consider the information within the attached OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW during your review of the London Hydro Cost of Service rate application and ensure that our Class B customers are protected from financial risk e.g. cross subsidization or otherwise.

The Board has an obligation to ensure that the Ontario rate payers, that are experiencing considerable hardship, are represented in London Hydro Cost of Service Rate Application EB-2016-0091 and I ask the Board to not represent indifference in the matters outlined within and determine through evaluation a decision on both views presented.

Respectfully,



Mark F. Rosehart
[REDACTED]
[REDACTED]

Attachments:

1. OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW ADDENDUM
2. OEB Posted M F Rosehart_Ltr of Comment_London Hydro_20161212_Redacted
3. OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW

OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW
- ADDENDUM -

The following evaluation is a review of London Hydro's 2016 IRM rate application EB-2015-0087 RSVA – Global Adjustments 2014 additions and subsequently approved rate riders: The 2014 reconciliations and subsequent OEB approved rate riders are relevant in the current London Hydro Cost of Service application process, as it is an embedded component of EB-2016-0091.

The following summary reconciliation illustrates an overstated discrepancy in London Hydro's EB-2015-0087 RSVA – Global Adjustments 2014 additions in the amount of \$3.8 million.

**RSVA Global Adjustment London Hydro IRM rate application
EB-2015-0087 reconciliation final...**

London Hydro provided:

RSVA GA Class B	Amount (\$M)
Permanent price variance Year 2013	\$ 1.2
Permanent price variance Year 2014	\$ 5.1
Pending true-up of 1998 claim (Nov 8, Dec 2014)	\$ 1.9
Variation in accrual of unbilled non-RPP Class B due to quantity estimates at 2014 year-end	\$ 0.9
Total Balance RSVA GA Class B	\$ 9.1
G/L Balance at Dec 31, 2014	\$ 9.1
DHF	\$ -

RSVA-GA 2013	Amount (\$M)	Category
Nov. 2013 to Oct. 2014	(\$1,200,000)	Receivable
Nov. 2014 to Dec. 2014	(\$1,900,000)	Receivable
Accrual adjustment (unbilled)	(\$900,000)	Receivable
Net	(\$3,100,000)	Receivable

London Hydro
\$1.9 million Receivable
Nov. 2014 to Dec. 2014.

Mark F. Rosehart analysis:

Class	2014	2015	Allocation %	Class B Spent \$/M	Retail GA \$/M	Final GA \$/M	Total - Final \$/M	Class B Spent @ Retail GA \$/M	Class B Spent @ Final GA \$/M	Est. Variance Retail vs Final	Category
R	Nov	11,487,614	0.2%	121,881,811	\$6.89901	\$0.88212	\$0.81489	\$12,471,471	\$13,270,833	\$2,162,638	Payable
R	Dec	12,183,283	0.7%	131,391,800	\$6.87918	\$0.47844	(\$6,093,261)	\$8,761,387	\$8,929,671	(\$168,273)	Receivable
TOTAL		236,271,311						\$22,232,858	\$23,200,503	\$1,067,645	Payable

Mark F. Rosehart
\$1.9 million Payable
Nov. 2014 to Dec. 2014.

✓ **The overstated totals \$3.8 million as you have collected (or are going to collect) \$1.9 million doubling the outage, as \$1.9 million should have been netted in EB-2015-0087.**

Reconciliation Slide No. 1

The London Hydro Nov. 2014 to Dec. 2014 \$1.9 million dollar additions is identified as a Class B receivable. However, in Mark F. Rosehart reconciliation it is identified as a Class B payable. The net impact of the \$1.9 million discrepancy is double, as the IRM EB-2015-0087 rate rider includes the collection as a receivable, thereby resulting in a total doubling of the values to \$3.8 million. **Please note: this is not a full review and there may be other issues yet to be determined through a comprehensive review.**

London Hydro provided RSVA Global Adjustment IRM EB - 2015 - 0087...

London Hydro IRM EB - 2015 - 0087

Mark F. Rosehart

RSVA-GA Reconciliation

Support Documentation.

London Hydro's 2016 IRM rate application EB - 2015 - 0087...

Copy of London Hydro_2016_IRM_RateGen_20160317

Account Descriptions	Account Num	2014			
		Opening Principal Amount as of Jan 1, 14	Transactions (Debit / Credit) during 2014 excluding interest and adjustments ¹	Good Approval Disposition during 2014	Adjustments during 2014 other ²
Group 1 Accounts					
U/V Variance Account	1152	0			0
Smart Meters Entry Charge Variance	1151	101,457	(20,817)		80,640
RSVA - Wholesale Market Service Charge	1180	(6,866,720)	(562,201)		(7,428,921)
RSVA - Retail Transmission Network Charge	1184	1,422,240	883,004		2,305,244
RSVA - Retail Transmission Common Charge	1186	891,782			1,482,857
RSVA - Power (including Global Adjustment)	1188	(463,701)	(17,335)		(481,036)
RSVA - Global Adjustment	1189	1,977,086	7,014,471		9,001,557
Depreciation and Recovery Refund of Regulatory Balances (2016) ³	1196_026	0			0
Depreciation and Recovery Refund of Regulatory Balances (2016) ⁴	1196_026	0			0
Depreciation and Recovery Refund of Regulatory Balances (2015) ⁵	1196_021	0			0
Depreciation and Recovery Refund of Regulatory Balances (2011) ⁶	1196_021	0	811,535		811,535
Depreciation and Recovery Refund of Regulatory Balances (2012) ⁷	1196_021	(811,535)	811,535		0
Depreciation and Recovery Refund of Regulatory Balances (2013) ⁸	1196_021	(2,516,194)	1,936,910		(579,284)
Depreciation and Recovery Refund of Regulatory Balances (2014) ⁹	1196_021	0			0
<i>RSVA to be disposed of unless rate rider has expired and balance has been audited</i>					
RSVA - Global Adjustment	1189	1,977,086	7,014,471	0	9,001,557
Total Group 1 Balance excluding Account 1189 - Global Adjustment		(8,271,471)	3,044,004	0	(5,227,467)
Total Group 1 Balance		(6,294,385)	11,239,004	0	4,944,619
U/V Variance Account (only input amounts if applying for disposition of this account)	1152	0			0
Total including Account 1152		(6,294,385)	11,239,004	0	4,944,619

RSVA GA Balance 2014 @ \$7.6 million, to be validated...

London Hydro Rate Gen Model RSVA 2014 balance of \$7.6 million for clearance to non RPP customers only in Rate application IRM 2016.

London Hydro provided RSVA Global Adjustment IRM EB-2015-0087 ...

RSVA GA Class B	Amount (\$Mil)
Permanent price variance Year 2013	\$ 1.2
Permanent price variance Year 2014	\$ 5.1
Pending true-up of 1598 claim (Nov & Dec 2014)	\$ 1.9
Variation in accrual of unbilled non-RPP Class B due to quantity estimates at 2014 year-end	\$ 0.9
Total Balance RSVA GA Class B	\$ 9.1
G/L Balance at Dec 31, 2014	\$ 9.1
Diff	\$ -

London Hydro EB-2015-0087 IRM Inputs provided upon request December 8, 2016.

Mark F. Rosehart reconciliation RSVA GA EB-2015-0087...

Global Adjustment Known Data			Class B (Non RPP and Non Class A) RSVA GA Analysis - Allocation Method							
Date 2014	IESO MWh	Allocation %	Class B Spot kWh	Retail GA \$/kWh	Final GA \$/kWh	Retail - Final \$/kWh	Class B Spot @ Retail GA	Class B Spot @ Final GA	Est. Variance Retail less Final	
E jan	13,613,396	9.7%	149,296,810	\$0.03626	\$0.01261	\$0.02365	\$5,413,302	\$1,882,633	\$3,530,870	
E feb	12,067,276	8.6%	132,338,716	\$0.02231	\$0.01330	\$0.00901	\$2,932,477	\$1,760,105	\$1,192,372	
E mar	12,672,074	9.1%	138,971,380	\$0.01103	(\$0.00027)	\$0.01130	\$1,532,854	(\$37,522)	\$1,570,377	
E apr	10,836,804	7.8%	118,844,445	(\$0.00965)	\$0.05198	(\$0.06163)	(\$1,146,849)	\$6,177,534	(\$7,324,383)	
E may	10,642,583	7.6%	116,714,474	\$0.03356	\$0.07196	(\$0.01840)	\$6,251,227	\$8,398,774	(\$2,147,546)	
E jun	11,228,548	8.0%	123,140,601	\$0.07190	\$0.06025	\$0.01165	\$8,853,809	\$7,419,221	\$1,434,588	
E jul	11,717,444	8.4%	128,502,198	\$0.05976	\$0.06256	(\$0.00280)	\$7,679,291	\$8,039,098	(\$359,806)	
E aug	11,718,183	8.4%	128,510,302	\$0.06108	\$0.06761	(\$0.00653)	\$7,849,409	\$8,688,582	(\$839,172)	
E sep	10,836,546	7.8%	118,841,616	\$0.08049	\$0.07963	\$0.00086	\$9,565,562	\$9,463,358	\$102,204	
E oct	10,819,854	7.7%	118,658,559	\$0.07492	\$0.10014	(\$0.02522)	\$8,889,899	\$11,882,468	(\$2,992,569)	
E nov	11,487,634	8.2%	125,981,931	\$0.09901	\$0.08232	\$0.01669	\$12,473,471	\$10,370,833	\$2,102,638	
E dec	12,165,283	8.7%	133,391,600	\$0.07318	\$0.07444	(\$0.00126)	\$9,761,597	\$9,929,671	(\$168,073)	
* TOTAL	139,803,825	100.0%	1,333,192,632	\$0.05282	\$0.05638	(\$0.00356)	\$80,076,251	\$83,974,753	(\$3,898,502)	
"E" Denotes Estimated Month									IRM Rate Gen 2015 Continuity Schedule (\$7,614,471)	
									Overstated Discrepancy (\$3,718,969)	
E 2013-11			125,981,931	\$0.06228	\$0.07855	(\$0.01627)	\$7,846,155	\$9,895,881	(\$2,049,726)	
E 2013-12			133,391,600	\$0.07607	\$0.05068	\$0.02539	\$10,147,099	\$6,760,286	\$3,386,813	
* TOTAL			259,373,531				\$17,993,254	\$16,656,167	\$1,337,087	
"E" Denotes Estimated Month									Balance \$1,337,087	

London Hydro's 2016 IRM rate application EB-2015-0087...

IRM Total Metered 2016	3,224,235,609	kWh	100%
IRM RPP 2016	1,516,213,901	kWh	47.0%
IRM Non RPP 2016	1,708,021,708	kWh	53.0%
IRM Class A	174,829,076	kWh	5.4%
IRM 2016 Net Class B	1,533,192,632	kWh	47.6%

IESO wholesale Global Adjustment prices historical...

Final Rates:

Global Adjustment Values - 2005-2014

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
GA-OEFC-NUG (M\$)	87.8	41.7	34.6	62.4	62.3	54.3	58.5	66.2	53.7	79.1	80.1	83.1
GA-DPG (M\$)	-66.3	-138.1	-152.6	88.7	173.2	137	178.2	177.7	216.3	271	208.8	208.3
GA-OPA (M\$)	139.2	245.9	116.1	369.6	467.9	435.6	435.6	473.7	514.5	637.4	581.3	462.1
Total GA (M\$)	160.7	149.5	-1.9	520.7	703.4	626.9	672.3	717.6	784.5	987.5	870.2	843.5
GA (\$/MWh)	12.61	13.30	-0.27	51.98	71.96	60.25	62.56	67.61	79.63	100.14	82.32	74.44

Retail Rates:

Estimated Global Adjustment - Effective January 1, 2011

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1st Estimate (\$/MWh)	36.26	22.31	11.03	-9.65	53.56	71.90	59.76	61.08	80.49	74.92	99.01	73.18
2nd Estimate (M\$)	210.6	178.0	-67.7	476.7	675.3	651.6	673.2	724.4	795.2	1009.2	919.1	729.0
2nd Estimate (\$/MWh)	18.06	11.18	-8.00	54.53	73.52	66.64	57.53	68.97	80.72	101.35	85.04	57.89

ATTACHMENT NO. 2

Previously OEB Posted,

OEB Posted M F Rosehart_Ltr of Comment_London Hydro_20161212_Redacted

and

OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW

December 9, 2016

Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Sir/Madam:

Re: Distribution Rate Application for London Hydro OEB File: EB-2016-0091.

I am writing to express my concerns as a London Hydro customer related to their Cost of Service Rate Application EB-2016-0091. Specifically, I wish to address concerns within London Hydro's 2016 IRM rate application EB-2015-0087 dealing with RSVA – Global Adjustments⁴ and subsequent OEB approved rate riders. The 2016 IRM rate application is relevant as an embedded component of EB-2016-0091.

Upon my review of the London Hydro 2016 IRM filing I have identified a financial discrepancy, estimated to be in the range of \$3.2 to \$3.5 million. The discrepancy is in relation to the \$7.6 million RSVA-GA 2014 variance account IRM 2015⁵ additions, which cannot be accurately reconciled as valid, resulting in potential financial impacts to the Class B customers. The fundamental question is - What is included in the \$7,614,471 IRM 2016 RSVA Global Adjustment 2014 Additions?

I have been in contact with London Hydro on this matter and provided my analysis and they have kindly forwarded their IRM reconciliations to me for review. My observation of the reconciliations is that London Hydro may be adding various period balances to derive a total variance, rather than netting the period customer receivables and payables. The discrepancy has a potential financial impact to non-RPP and non-Class A General Service > 50 kW (Approx. 1,600) and retailer associated (mostly residential and small business) Class B customers.

⁴ RSVA-GA Defined: "Net difference" refers to the difference between the amount charged/credited by the IESO ... for the global adjustment and the amount billed to non-RPP customers for the global adjustment in Sales of Electricity – OEB Accounting Procedures Handbook (APH).

⁵ ATTACHMENT NO. 1: RSVA - GLOBAL ADJUSTMENT ADDITIONS 2014

The OEB outlined their primary role in London recently as the agency responsible for ensuring consumer protection and distributor regulatory compliance. As a rate payer paying for customer protection services through the OEB (and distributor), I therefore request the Board to consider the information within the attached OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW during your review of the London Hydro Cost of Service rate application and ensure that our Class B customers are protected from financial risk e.g. cross subsidization or otherwise.

Respectfully,



Mark F. Rosehart

[REDACTED]

Attachments: OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW

OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW

The following evaluation is a review of London Hydro's 2016 IRM rate application EB-2015-0087 RSVA – Global Adjustments⁶ 2014 additions and subsequently approved rate riders:

- The 2014 reconciliations and subsequent OEB approved rate riders are relevant in the current London Hydro Cost of Service application process, as it is an embedded component of EB-2016-0091.

RSVA - GLOBAL ADJUSTMENT ADDITIONS 2014:

As outlined in ATTACHMENT NO. 1: RSVA - GLOBAL ADJUSTMENT ADDITIONS 2014 the London_Hydro_2016_IRM_RateGen_20160317 tool identifies an addition to the RSVA-GA account of \$7,614,471 with a total closing 2014 customer receivable balance of \$9,592,357⁷. The additions are subsequently translated into a charge through the OEB approved Rate Order (rate rider) for clearance to Class B (Non-Regulated Price Plan, Non-Class A and Non-Wholesale Market Participant) consumers.

RSVA – GLOBAL ADJUSTMENT EVALUATIONS:

The following review reflects and or outlines my understanding of the rules and evaluation of the matter. Due to the lack of available monthly London Hydro Class B energy data the analysis incorporates assumptions resulting in a +/- 10% analytical accuracy. Two energy allocation methods are being utilized within this submission to evaluate the RSVA_GA 2014 - \$7,614,471 additions.

Input statistics IRM rate application EB-2015-0087 as follows:

- a) RSVA-GA account of \$7,614,471 to be validated with a closing 2014 total customer receivable balance of \$9,592,357 (Previous opening 2014 balance plus adjustments and 2014 balances excluding 2015 balances).
- b) Annual Rate Class Energy as follows:

⁶ RSVA_GA Defined: "Net difference" refers to the difference between the amount charged/credited by the IESO ... for the global adjustment and the amount billed to non-RPP customers for the global adjustment in Sales of Electricity – OEB APH.

⁷Total Receivable balance: previous opening 2014 balance plus adjustments and 2014 balances excluding 2015 balances.

IRM Total Metered 2016	3,224,235,609	kWh	100%
IRM RPP 2016	1,516,213,901	kWh	47.0%
IRM Non RPP 2016	1,708,021,708	kWh	53.0%
IRM Class A	174,829,076	kWh	5.4%
IRM 2016 Net Class B	1,533,192,632	kWh	47.6%

Table No. 1

Class B represents approximately 47.6% annually of total metered sales in 2016.

1. ALLOCATION METHOD NO. 1

Assumptions:

- a. The analysis within assumes that London Hydro wholesale purchases are coincident with the IESO wholesale market profile when determining monthly IRM energy allocations.

The Method No. 1 detailed reconciliation of 2014 additions is outlined in Table No. 2 as follows:

Year	Allocation Determination		Class B Global Adjustment charges at Wholesale Retail Rates vs. charges at Final IESO Posted Rates evaluated.						
	IESO MWh	Allocation %	Class B Allocation kWh	Retail Rate \$/kWh	Final Rate \$/kWh	Retail - Final \$/kWh	Class B @ Retail GA	Class B @ Final GA	Est. Variance Retail less Final
jan	13,613,596	9.7%	149,296,810	\$0.03626	\$0.01261	\$0.02365	\$5,413,502	\$1,882,633	\$3,530,870
feb	12,067,276	8.6%	132,338,716	\$0.02231	\$0.01330	\$0.00901	\$2,952,477	\$1,760,105	\$1,192,372
mar	12,672,074	9.1%	138,971,380	\$0.01103	(\$0.00027)	\$0.01130	\$1,532,854	(\$37,522)	\$1,570,377
apr	10,836,804	7.8%	118,844,445	(\$0.00965)	\$0.05198	(\$0.06163)	(\$1,146,849)	\$6,177,534	(\$7,324,383)
may	10,642,583	7.6%	116,714,474	\$0.05356	\$0.07196	(\$0.01840)	\$6,251,227	\$8,398,774	(\$2,147,546)
jun	11,228,548	8.0%	123,140,601	\$0.07190	\$0.06025	\$0.01165	\$8,853,809	\$7,419,221	\$1,434,588
jul	11,717,444	8.4%	128,502,198	\$0.05976	\$0.06256	(\$0.00280)	\$7,679,291	\$8,039,098	(\$359,806)
aug	11,718,183	8.4%	128,510,302	\$0.06108	\$0.06761	(\$0.00653)	\$7,849,409	\$8,688,582	(\$839,172)
sep	10,836,546	7.8%	118,841,616	\$0.08049	\$0.07963	\$0.00086	\$9,565,562	\$9,463,358	\$102,204
oct	10,819,854	7.7%	118,658,559	\$0.07492	\$0.10014	(\$0.02522)	\$8,889,899	\$11,882,468	(\$2,992,569)
nov	11,487,634	8.2%	125,981,931	\$0.09901	\$0.08232	\$0.01669	\$12,473,471	\$10,370,833	\$2,102,638
dec	12,163,283	8.7%	133,391,600	\$0.07318	\$0.07444	(\$0.00126)	\$9,761,597	\$9,929,671	(\$168,073)
TOTAL	139,803,825	100%	1,533,192,632	\$0.05762	\$0.06150	(\$0.00388)	\$80,076,251	\$83,974,753	(\$3,898,502)

*Allocation method. Transactions 2014: IRM Rate Gen 2015 Continuity Schedule **(\$7,614,471)**

Class B % to IRM Total Metered	47.6%	Overstated Discrepancy	(\$3,715,969)
		Overstated Discrepancy	48.8%

Table No. 2

Allocation Method utilized:

As monthly total energy billed to Class B consumers is not readily available within the 2016 IRM, the IESO monthly total Ontario Primary Demand profile is utilized to create monthly percent to total annual energy allocations. The monthly percent allocation is subsequently used to proportion the total IRM Class B energy reported throughout the year.

Following the calculation of monthly proportional Class B energy, a monthly calculation of charges to Class B customers for Global Adjustment at the London Hydro Retail Rate⁸ (Retail Rate x Energy) and charges at the IESO posted final wholesale rate (Final Rate x Energy) is determined. The monthly Global Adjustment variance to be realized in the RSVA_GA for the trade month is simply the net of the Retail Rate Charge minus the Final Rate Charge.

Evaluation Result Method 1:

Table No. 2 identifies that the estimated Global Adjustment variance over 2014 is \$3,898,502 assuming a +/- 10% accuracy. The 2016 IRM identifies 2014 additions to be \$7,614,471 creating a discrepancy of \$3,715,969 dollars or 48.8%. Even if Assumed an accuracy of 20% on the evaluation we would not be able to reconcile the \$7,614,471 additions.

- The 2016 IRM identifies 2014 additions to be \$7,614,471 creating a discrepancy of \$3,715,969 dollars or 48.8%.

2. ALLOCATION METHOD NO. 2

Assumptions:

- a. The analysis within assumes that London Hydro wholesale purchases are coincident with the IESO wholesale market profile when determining monthly IRM energy allocations.
- b. All London Hydro Customers are billed as Class B at the IESO first estimate Retail Rate to calculate maximum⁹ GA exposure.

The Method No. 2 detailed reconciliation of 2014 additions is outlined in Table No. 3 as follows:

⁸ Retail Rate = IESO start of month posted 1st estimate rate.

⁹ Maximum Global Adjustment Retail Rate\$ minus Final Rate\$ exposure if all customers billed Retail Rate.

Allocation Determination			Class B Global Adjustment charges at Wholesale Retail Rates vs. charges at Final IESO Posted Rates evaluated.						
Year 2014	IESO MWh	Allocation %	Class B Allocation kWh	Retail Rate \$/kWh	Final Rate \$/kWh	Retail - Final \$/kWh	Class B Spot @ Retail GA	Class B Spot @ Final GA	Est. Variance Retail less Final
jan	13,613,596	9.7%	313,964,521	\$0.03626	\$0.01261	\$0.02365	\$11,384,354	\$3,959,093	\$7,425,261
feb	12,067,276	8.6%	278,302,407	\$0.02231	\$0.01330	\$0.00901	\$6,208,927	\$3,701,422	\$2,507,505
mar	12,672,074	9.1%	292,250,604	\$0.01103	(\$0.00027)	\$0.01130	\$3,223,524	(\$78,908)	\$3,302,432
apr	10,836,804	7.8%	249,924,559	(\$0.00965)	\$0.05198	(\$0.06163)	(\$2,411,772)	\$12,991,079	(\$15,402,851)
may	10,642,583	7.6%	245,445,324	\$0.05356	\$0.07196	(\$0.01840)	\$13,146,052	\$17,662,245	(\$4,516,194)
jun	11,228,548	8.0%	258,959,183	\$0.07190	\$0.06025	\$0.01165	\$18,619,165	\$15,602,291	\$3,016,874
jul	11,717,444	8.4%	270,234,382	\$0.05976	\$0.06256	(\$0.00280)	\$16,149,207	\$16,905,863	(\$756,656)
aug	11,718,183	8.4%	270,251,425	\$0.06108	\$0.06761	(\$0.00653)	\$16,506,957	\$18,271,699	(\$1,764,742)
sep	10,836,546	7.8%	249,918,609	\$0.08049	\$0.07963	\$0.00086	\$20,115,949	\$19,901,019	\$214,930
oct	10,819,854	7.7%	249,533,649	\$0.07492	\$0.10014	(\$0.02522)	\$18,695,061	\$24,988,300	(\$6,293,239)
nov	11,487,634	8.2%	264,934,372	\$0.09901	\$0.08232	\$0.01669	\$26,231,152	\$21,809,398	\$4,421,755
dec	12,163,283	8.7%	280,516,575	\$0.07318	\$0.07444	(\$0.00126)	\$20,528,203	\$20,881,654	(\$353,451)
TOTAL	139,803,825	100%	3,224,235,609	\$0.05762	\$0.06150	(\$0.00388)	\$168,396,778	\$176,595,153	(\$8,198,376)

*Allocation method.

Transactions 2014: IRM Rate Gen 2015 Continuity Schedule

Class B % to IRM Total Metered

Variance	(\$7,614,471)
Transactions 2014 @ 93% of Total Maximum Exposure	92.9%
IRM 2016 Net Class B	47.6%
Overstated Discrepancy	45.3%
Overstated Discrepancy	(\$3,451,310)

Model No. 2 evaluates total maximum RSVGA exposure to London Hydro if all customers were billed as Class B at the IESO First Estimate Retail Rate.

Table No. 3.

Allocation Method utilized:

The same Allocation Method was utilized as outlined in METHOD NO. 1 above.

Evaluation Result Method 2:

Table No. 2 identifies that the estimated Global Adjustment variance over 2014 is \$8,198,376 assuming a +/- 10% accuracy. The 2016 IRM identifies 2014 additions to be \$7,614,471 creating a variance of \$583,905 dollars. However, \$7,614,471 is at 92.9% of the estimated \$8,198,376, while the IRM 2016 energy inputs identify the Class B to be 47.6% of energy sales creating a Overstated Discrepancy of \$3,451,310 or 45.3%.

- The 2016 IRM identifies 2014 additions to be \$7,614,471 creating a discrepancy of \$3,451,310 or 45.3%.

SUMMARY:

The evaluation identified the IRM 2016 RSVA – Global Adjustment additions of \$7,614,471 to be inaccurate and may result in financial discrepancies with a potential financial impact to Class B customers. Impacts have been estimated in Model No. 1 @ \$3.7 million and Model No. 2 @ \$3.4 million with a +/- accuracy of 10%. Model No. 2 further illustrates that a 2014 RSVA addition of \$7.6 million is impossible at 92.9% exposure to London Hydro should all customers be assumed to be on Class B Global Adjustment retail rates when the current Class B represents only 47.6% of the total energy consumed.

The London Hydro 2017 Cost of Service Application EB-2016-0091 incorporates IRM 2016 rate application EB-2015-0087 inputs into the rate model and therefore it requires to be included in the current rate review process. A detailed audit, review and response is required to identify what is included in the IRM 2016 RSVA-GA additions of \$7,614,471 and how variances are handled at London Hydro?

RECOMMENDATION:

Considering the information presented above, Mark F. Rosehart recommends to the Ontario Energy Board, with a mandate to provide consumer protection during the rate making process and distributor compliance, consider the information within the attached OEB-EB-2016-0091-LONDON-HYDRO-RSVA-GA-REVIEW during your review of the London Hydro Cost of Service Rate Application EB-2016-009. In addition, I recommend that the OEB validates and subsequently ensures that non-RPP and non-Class A General Service > 50 kW and retailer associated Class B London Hydro customers are protected from undue financial risk e.g. cross subsidization or other.

ATTACHMENT NO. 1 - RSVA - GLOBAL ADJUSTMENT ADDITIONS 2014

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		2014				
Account Descriptions	Account Num	Opening Principal Amounts as of Jan 1-14	Transactions Debit / (Credit) during 2014 excluding interest and adjustments ¹	Board-Approved Disposition during 2014	Adjustments during 2014 - other ¹	Closing Principal Balance as of Dec-31-14
Group 1 Accounts						
LV Variance Account	1550	0				0
Smart Metering Entry Charge Variance	1551	101,187	(33,817)			67,370
RSVA - Wholesale Market Service Charge	1580	(8,888,725)	(582,801)			(9,471,526)
RSVA - Retail Transmission Network Charge	1584	1,422,846	883,004			2,305,850
RSVA - Retail Transmission Connection Charge	1588	891,762	588,695			1,480,457
RSVA - Power (excluding Global Adjustment)	1589	(449,701)	(117,220)			(566,921)
RSVA - Global Adjustment	1589	1,977,886	7,814,471			9,792,357
Disposition and Recovery/Refund of Regulatory Balances (2008) ¹	1595_2008	0				0
Disposition and Recovery/Refund of Regulatory Balances (2009) ¹	1595_2009	0				0
Disposition and Recovery/Refund of Regulatory Balances (2010) ¹	1595_2010	0				0
Disposition and Recovery/Refund of Regulatory Balances (2011) ¹	1595_2011	0				0
Disposition and Recovery/Refund of Regulatory Balances (2012) ¹	1595_2012	(811,533)	811,533			0
Disposition and Recovery/Refund of Regulatory Balances (2013) ¹	1595_2013	(2,570,194)	1,938,976			(631,218)
Disposition and Recovery/Refund of Regulatory Balances (2014) ¹	1595_2014	0				0
<i>Not to be disposed of unless rule order has expired and balance has been audited</i>						
RSVA - Global Adjustment	1589	1,977,886	7,814,471	0	0	9,792,357
Total Group 1 Balance excluding Account 1589 - Global Adjustment		(8,070,477)	3,594,584	0	0	(4,475,893)
Total Group 1 Balance		(6,092,591)	11,209,064	0	0	5,116,474
LRAM Variance Account (only input amounts if applying for disposition of this account)	1588	0				0
Total Including Account 1588		(6,092,591)	11,209,064	0	0	5,116,474

RSVA GA Balance 2014 @ \$7.6 million, to be validated...

London Hydro Rate Gen Model RSVA 2014 balance of \$7.6 million for clearance to non RPP customers only in Rate application IRM 2016.

ATTACHMENT NO. 2 – ALLOCATION MODEL NO.1

Allocation Determination		Class B Global Adjustment charges at Wholesale Retail Rates vs. charges at Final IESO Posted Rates evaluated.									
Year	IESO MWh	Allocation %	Class B Allocation kWh	Retail Rate \$/kWh	Final Rate \$/kWh	Retail - Final \$/kWh	Class B @ Retail GA	Class B @ Final GA	Est. Variance Retail less Final		
2014											
jan	13,613,596	9.7%	149,296,810	\$0.03626	\$0.01261	\$0.02365	\$5,413,502	\$1,882,633	\$3,530,870		
feb	12,067,276	8.6%	132,338,716	\$0.02231	\$0.01330	\$0.00901	\$2,952,477	\$1,760,105	\$1,192,372		
mar	12,672,074	9.1%	138,971,380	\$0.01103	(\$0.00027)	\$0.01130	\$1,532,854	(\$37,522)	\$1,570,377		
apr	10,836,804	7.8%	118,844,445	(\$0.00965)	\$0.05198	(\$0.06163)	(\$1,146,849)	\$6,177,534	(\$7,324,383)		
may	10,642,583	7.6%	116,714,474	\$0.05356	\$0.07196	(\$0.01840)	\$6,251,227	\$8,398,774	(\$2,147,546)		
jun	11,228,548	8.0%	123,140,601	\$0.07190	\$0.06025	\$0.01165	\$8,853,809	\$7,419,221	\$1,434,588		
jul	11,717,444	8.4%	128,502,198	\$0.05976	\$0.06256	(\$0.00280)	\$7,679,291	\$8,039,098	(\$359,806)		
aug	11,718,183	8.4%	128,510,302	\$0.06108	\$0.06761	(\$0.00653)	\$7,849,409	\$8,688,582	(\$839,172)		
sep	10,836,546	7.8%	118,841,616	\$0.08049	\$0.07963	\$0.00086	\$9,565,562	\$9,463,358	\$102,204		
oct	10,819,854	7.7%	118,658,559	\$0.07492	\$0.10014	(\$0.02522)	\$8,889,899	\$11,882,468	(\$2,992,569)		
nov	11,487,634	8.2%	125,981,931	\$0.09901	\$0.08232	\$0.01669	\$12,473,471	\$10,370,833	\$2,102,638		
dec	12,163,283	8.7%	133,391,600	\$0.07318	\$0.07444	(\$0.00126)	\$9,761,597	\$9,929,671	(\$168,073)		
TOTAL	139,803,825	100%	1,533,192,632	\$0.05762	\$0.06150	(\$0.00388)	\$80,076,251	\$83,974,753	(\$3,898,502)		
*Allocation method.											
Transactions 2014: IRM Rate Gen 2015 Continuity Schedule											
Overstated Discrepancy (\$3,715,969)											
Overstated Discrepancy 48.8%											

Class B % to IRM Total Metered 47.6%

ATTACHMENT NO. 2 – ALLOCATION MODEL NO.2

Allocation Determination		Class B Global Adjustment charges at Wholesale Retail Rates vs. charges at Final IESO Posted Rates evaluated.									
Year	IESO MWh	Allocation %	Class B Allocation kWh	Retail Rate \$/kWh	Final Rate \$/kWh	Retail - Final \$/kWh	Class B Spot @ Retail GA.	Class B Spot @ Final GA.	Est. Variance Retail less Final		
2014											
jan	13,613,596	9.7%	313,964,321	\$0.03626	\$0.01261	\$0.02365	\$11,384,354	\$3,939,093	\$7,425,261		
feb	12,067,276	8.6%	278,302,407	\$0.02231	\$0.01330	\$0.00901	\$6,208,927	\$3,701,422	\$2,507,505		
mar	12,672,074	9.1%	292,250,604	\$0.01103	(\$0.00027)	\$0.01130	\$3,223,524	(\$78,908)	\$3,302,432		
apr	10,836,804	7.8%	249,924,559	(\$0.00965)	\$0.05198	(\$0.06163)	(\$2,411,772)	\$12,991,079	(\$15,402,851)		
may	10,642,583	7.6%	245,445,324	\$0.05356	\$0.07196	(\$0.01840)	\$13,146,052	\$17,662,245	(\$4,516,194)		
jun	11,228,548	8.0%	258,959,183	\$0.07190	\$0.06025	\$0.01165	\$18,619,165	\$15,602,291	\$3,016,874		
jul	11,717,444	8.4%	270,234,382	\$0.05976	\$0.06256	(\$0.00280)	\$16,149,207	\$16,905,863	(\$756,656)		
aug	11,718,183	8.4%	270,251,425	\$0.06108	\$0.06761	(\$0.00653)	\$16,506,957	\$18,271,699	(\$1,764,742)		
sep	10,836,546	7.8%	249,918,609	\$0.08049	\$0.07963	\$0.00086	\$20,115,949	\$19,901,019	\$214,930		
oct	10,819,854	7.7%	249,533,649	\$0.07492	\$0.10014	(\$0.02522)	\$18,695,061	\$24,988,300	(\$6,293,239)		
nov	11,487,634	8.2%	264,934,372	\$0.09901	\$0.08232	\$0.01669	\$26,231,152	\$21,809,398	\$4,421,755		
dec	12,163,283	8.7%	280,516,575	\$0.07318	\$0.07444	(\$0.00126)	\$20,528,203	\$20,881,654	(\$353,451)		
TOTAL	139,803,825	100%	3,224,235,609	\$0.05762	\$0.06130	(\$0.00368)	\$168,396,778	\$176,595,153	(\$8,198,376)		
*Allocation method.											
Transactions 2014: IRM Rate Gen 2015 Continuity Schedule											
Variance											
Transactions 2014 @ 93% of Total Maximum Exposure											
IRM 2016 Net Class B											
Overstated Discrepancy											
Overstated Discrepancy (\$3,451,310)											
Class B % to IRM Total Metered			47.6%								

Model No. 2 evaluates total maximum RSV_A_GA exposure to London Hydro if all customers were billed as Class B at the IESO First Estimate Retail Rate.