

February 17, 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 during your review of the London Hydro Cost of Service rate application EB-2016-0091.

BACKGROUND:

On December 9, 2016 I submitted to the Board a letter of comment¹ related to a financial discrepancy estimated to be in the range of \$3.2 million to \$3.5 million within London Hydro's 2016 IRM application, (EB-2015-0087) and embedded in the current EB-2016-0091. My concerns were related to a material discrepancy within the London Hydro 2016 IRM application 2014 RSVA-GA additions of \$7.6 million. These additions, supported by a detailed analysis, could not accurately be reconciled, resulting in potential financial impacts to Class B customers.

Within OEB posted December 9, 2016 file name "*M F Rosehart_Ltr of Comment_London Hydro_20161212_Redated*" I submitted a request to the Board as follows:

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.

¹ Mark F. Rosehart - "*M F Rosehart_Ltr of Comment_London Hydro_20161212_Redated*".

Subsequently, in response to a London Hydro's response² to my submission I made another submission³ with an ADDENDUM to be considered within my original submission identifying where the discrepancy may be in their IRM 2016 application held within subsequent Board Approved rate riders.

Board staff tele-conference February 13, 2017:

I wish to address in this submission items raised, with my view of what was discussed, during a telephone conference held by Board staff with myself and four intervenors in this proceeding also participating on February 13, 2017. During this event I provided a presentation of my customer participation in EB-2016-0091, which included concerns and opinions related to the application and distributor management and oversight of their wholesale settlement obligations. The Board staff followed-up with updates and information and discussion related to London Hydro Cost of Service rate application EB-2016-0091.

Discrepancy updates:

Firstly, please let me define what I would call a satisfied result. The term "satisfied" to me would be a state after a legitimate review where the customer (Class B) is not being overcharged or subsidizing another rate class, even if the outcome of an evaluation is that I was incorrect in my assessment.

During the meeting, Board staff addressed my concern regarding the \$3.2 million to \$3.8 million discrepancies identified in my previous submissions. After conducting an audit of London Hydro's submission and variance balances the Board staff advised me that they concurred with my estimated calculations of the actual RSVA-GA balances to be accurate, with differences being related to my estimated energy values: OEB audit actual \$4.551 million.

However, on my second submission where I proposed where the discrepancy was, Staff advised that it was not located in the actual RSVA 2014 amounts, as I suggested. We proceeded to concur as to what the definition of the actual 2014 RSVA-GA variances were. Board staff proceeded to explain that they identified the discrepancy in my numbers of estimated 2014 actuals and those submitted by London Hydro application: \$3.2 million discrepancy between actual 2014 to submitted. The discrepancy was the difference between my evaluations of actual 2014 RSVA Global Adjustment financial data and the gross variances reported in EB-2016-009: \$7.6 million 2014 additions. They also advised me these variances included both actual and year-end 2014 adjustments e.g. un-billed revenue and were accurate as per OEB and Accounting practices.

² London Hydro – "*London Hydro_IRR_Exhibit 1_20170117*".

³ Mark F. Rosehart – "*MF Rosehart_Ltr of Comment_London Hydro_20170123_Redacted*"

The Board staff then proceeded to also address my main concern that customers were paying for something that shouldn't be applied, my main consideration to get to the state of "satisfied". I was advised that there is a non-transparent offsetting credit rate to clear the \$3.2 million year-end entries within the London Hydro Cost of Service rate application EB-2016-0091. This rate will apply the costs back to customers recovered by London Hydro through IRM 2016 EB-2015-0087. The final proposed balances resulting from the two opposing rate riders (\$3.2 million: \$1.965 plus \$1.267 million) is as follows:

RSVA GA Class B Disposition		2016 IRM	2017 COS	
Price variance 2013		\$ 1,336		receivable at Dec 31, 2014
Price variance 2014		\$ 4,551		receivable at Dec 31, 2014
Price variance 2015			\$ 2,369	receivable at Dec 31, 2015
Pending price variance true-up claim 2014 (Nov+Dec)		\$ 1,965	\$ (1,965)	receivable at Dec 31, 2014
Underaccrual of unbilled energy sales non-RPP GA for Class B		\$ 1,287	\$ (1,287)	receivable at Dec 31, 2014
Total		\$ 9,140	\$ (883)	
Total claim (\$000's)		\$ 9,143	\$ (766)	
Other Quantity variances		\$ 3	\$ 117	

OEB Audit Table

OEB Audit Table identifies that there will be a "Pending price variance true-up claim 2014 (Nov+Dec)": \$1,965 2016 applied back (\$1,965) 2017 as well as a Under accrual of unbilled energy sales non-RPP GA for Class B: \$1,287 2016 applied back (\$1,287) 2017: Total = \$3.2 million collected in IRM 2014 with offsetting \$3.2 million returned in Cost of Service Application 2017.

Evaluation of the OEB Audit Table is concerning:

I have been adequately advised that, although it is odd for a customer hear, that you are charging the customer through IRM 2016 \$3.2 million dollars and then applying \$3.2 million back to the customer through the London Hydro Cost of Service (CoS) rate application EB-2016-0091 process. As concerning as this is, as advised by Board staff, the practice meets OEB Rate Handbook and accounting guidelines and required to meet Triple-R Reporting and Audits, which I cannot dispute. The bottom line is London Hydro did not have discretion on how to handle these balances and met their financial regulatory requirements. They followed the OEB rules and accounting guidelines and the discrepancy I was seeing is in this \$3.2 million amount. The good news is they CoS rate application 2017 will return the funds collected in IRM 2016.

Does the above meet the definition of "satisfied"?

As outlined above regarding my evaluation both the Board, through audit and myself through evaluation concurred on what was actual 2014 RSVA-GA costs, as both our numbers were

within an acceptable range – “satisfied”. We both concur that the \$3.2 million dollar discrepancy between my evaluation and the IRM 2014 additions was found within the year-end variances yet to be cleared and outlined in the OEB Audit table – “satisfied”. There will be an offsetting rate within the London Hydro Cost of Service rate application EB-2016-0091 to give back \$3.2 million to the Class B customers, as the main criteria for satisfied – “satisfied”. Does this keep the customers in the same state – “very dissatisfied”.

Problem’s/issues for Board consideration:

Variances are cleared to rate specific rate classes and future customers pay or receive and departing and or delinquent customers don’t! In this case customers that have paid and leave will never receive their share of the charge, which is basically just an accounting figure. In the case of the transitioning Class A in IRM 2016 EB-2015-0087 that paid upfront, no staff member could adequately answer whether they, as departed Class B accounts will be part of the rate rider, which they should. Is there HST applied to the credit? Schools, retailer associated customers (residential and general service) and other institutions or industries that shut down or leave will never get their share back. The rate riders are dependent on energy usage and this will vary and it is not an equitable process as some customers will get more-or-less then they contributed dependent on usage patterns. This is a ridiculous way of managing this variance account, I understand other variances e.g. loss factor related however this application of a rule relates to an accounting figure which has no value to the customer is not ethical.

Do the customers understand what you are doing with these variance clearances - \$3.2 million is not a small number? This should be completely transparent to the customer, that because of accounting rules the Class B customers are being charged something that isn't actual and then getting it back to meet your rules, not to mention that it won't keep the same customers individually whole when considering energy variances and customer churning.

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 how to review this matter and seek remedy. It is becoming more apparent by the day that this market is broke and is need of a complete redesign! The customer’s that are facing financial hardship are bleeding at the bottom of the food chain on this one.

Respectfully,



Mark F. Rosehart