London Hydro Inc

**EB-2017-0059**

**GA Analysis Workform Review**

1. In booking expense journal entries for Charge Type 1142 (formerly 142), and Charge Type 148 from the IESO invoice, please confirm which of the following approach is used:
2. Charge Type 1142 is booked into Account 1588. Charge Type 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively
3. Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equalling GA RPP is credited into Account 1589.
4. Another approach. Please explain this approach in detail.

Response:

London Hydro uses the approach described under point b) above.

1. With regards to the Dec. 31 balance in Account 1589, all components that flow into Account 1589 (i to iv in table below) should all be based on actuals at year end. Please complete the following table to a) indicate whether the component is based on estimates or actuals at year end and b) quantify the adjustment pertaining to each component that is trued up from estimate to actual

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Component** | **a) Estimate or Actual** | **Notes/Comments** | **b) Quantify True Up Adjustment** |
| i | Revenues (i.e. is unbilled revenues trued up by year end)  | Actual | The unbilled revenues were accrued for both Year 2015 and 2016 at year-end based on actual billings for the given year processed in the following year during January and February. | No true-up adjustment for unbilled revenue into following year |
| ii | Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end) | Actual | The Global Adjustment charges for December were accrued at year-end based on the actual IESO invoice for December received in January of the following year – for both Years 2015 and 2016. | No true-up adjustment for unbilled GA charges into following year |
| Iii | Expenses - GA non-RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages | Actual andEstimate related to December quantity variance | The allocation of CT 148 GA expenses between RPP and non-RPP is actual up to end of November. The proration of kWh’s for the month of December is updated when the December consumption is fully billed at the end of February (quantity true-up with February settlement). Please refer to Response in 3a. | 2015: $269,7732016: $62,426(these amounts reflect iii and iv) |
| iv | Credit of GA RPP: Charge Type 142 if the approach under IR 1b is used | Actual andEstimate related to December quantity variance | The GA credit is settled and trued-up by the end of the year up until Oct of the current year. The GA credit for November and December is settled with prorated quantities at the second GA rate. Both months’ GA credit is recalculated with the Final GA rate and the G/L is updated with this price variance. November GA credit calculation is also updated with the final billed kWh and the related quantity variance is booked to the g/l. The quantity variance for December is booked at an estimated value.Please refer to Response in 3a. | 2015: $269,7732016: $62,426(these amounts reflect iii and iv) |

1. While completing the GA Analysis Workform, the applicant has noted several reconciling items for account 1589:
	1. The applicant has identified a true-up adjustment 1a and 1b of the GA Analysis Workform. Is this true-up adjustment been reflected in the DVA continuity schedule and resulting rate rider calculation? If not, please explain why.
	2. Does the adjustment in 1a and 1b also include any true-up related to the difference between the actual and estimated GA rate used by the applicant? If not, please explain why such a true-up would not be required.
	3. For reconciling item 7, the applicant adjusts their GA balance to account for the differences in wholesale (purchased) and billed quantities prorated to Class B non-RPP consumption at actual GA rate. Please explain the nature and reasons for the quantity differences? Is there a significant difference between the utility’s loss factor billed compared to the actual loss factor?

Response:

a) Adjustments reflected in 1a and b are temporary timing variances from the prior year into the current year. The RPP related GA credits claimed in November and December are based on an estimated RPP and non-RPP allocation using the Second Estimate GA rate. This entry is booked to the g/l. When the Final GA rate becomes available, the RPP related GA claim is recalculated at the Final rate for the month. The difference between the original claim and the recalculated claim is the GA price difference. Another entry is booked to the g/l to reflect the GA claim at the final rate. These entries are reflected in the DVA continuity schedule under “Transactions Debit/Credit during Year”. The GA credit related to November RPP consumption is trued up with the IESO in January of next year based on actual RPP kWhs billed to customers. This true-up transaction is booked into the appropriate year as a year-end adjustment and included in the DVA continuity schedule under “Transactions Debit/Credit during Year”; therefore there is no outstanding true up for November. The GA credit related to December RPP consumption is trued up with the IESO in February of next year based on actual RPP kWhs billed to customers. The price variance component of the December true-up is already booked into the appropriate year as described above as soon as the final GA rate becomes available. The December quantity variance component is accrued at an estimated value into the appropriate year and included in the DVA continuity schedule under “Transactions Debit/Credit during Year”. The final quantity variance cannot be calculated until two months later when all billings are completed. The year is closed before the first week of March when the final true-up of the December GA claim takes place. There is a very small difference between the accrued and final actual quantity variance. These differences are reflected in 1a and b.

The true up value of the above described adjustment is $269,773 for Year 2015 which was not included in the proposed disposition of the 2015 variance in the 2013 COS rate application. The 2016 transactions reflected in the continuity schedule include this amount, and therefore, it is proposed for disposition with the 2016 variance.

 The true-up value is $62,426 for Year 2016 settled in Year 2017. It is considered insignificant, does not cause change in the proposed rate riders; therefore, it is left to flow into the Year 2017 transactions.

b) The adjustments reflected in 1a and b are temporary timing variances and not related to GA price differences. They only represent the difference between the estimated and the final quantity variance of the December true-up at the Final GA rate. The related price variance was accrued in the applicable year. The RPP related GA claim was settled in the current month at the Second Estimate GA rate and booked to the g/l for the appropriate month. The original GA claim is calculated using the Second Estimate GA rate because the Final GA rate is not available at the time of submission. When the Final GA rate becomes available, the RPP related GA claim is recalculated at the Final rate for the month. The difference between the two calculations is the price difference which is booked to the g/l for the applicable month before the month is closed. All of these entries were completed before year-end; therefore no further true-up is required for GA rate differences.

c) There is a difference between the wholesale non-RPP kWh and the actual billed non-RPP kWh uplifted with the Board-approved Total Loss Factor (TLF) value for Year 2016. When the Board-approved TLF value differs from the annual actual system loss there is a small variance in the kWh based RSVA accounts. Reconciling item 7 represents this difference.

The Board-approved TLF is the previous five-year average system loss of the LDC’s cost of service year. Up until April 2017 London Hydro billed customer consumption uplifted with the TLF approved in the 2013 COS rate application. London Hydro’s Board-approved TLF was updated in the decision and rate order of its 2017 Cost of Service rate application from 1.035 to 1.0315 for secondary metered customers under 5MW. This update brings the billed TLF in line with the actual system loss, which should eliminate such kWh differences that occurred in 2016.

1. Please fill out the GA Rate Description with the following information:

|  |  |  |
| --- | --- | --- |
| **2** | **GA Billing Rate Description textbox** | **Must be completed (see instructions tab).** |
|   | London Hydro bills the Global Adjustment charge at the First Estimate Rate to its Class B customers. Class A customers are billed the actual global adjustment. | i. The distributor must indicate what price they use to bill customers and if any entire classes are billed based on actual GA Prices |
|   | London Hydro calculates the unbilled GA revenue using the First Estimate Rate. It first determines the unbilled non-RPP Class B consumption for the current and prior months in kWhs, then multiplies the unbilled kWhs by the First Estimate Rate applicable to each of those months which are not fully billed yet. | ii. Indicate what GA Prices they use for unbilled revenue and to confirm that the LDC uses the same price for billing and unbilled purposes for each class. |
|   | If the billing cycle includes more than one month:* For interval customers, the First Estimate GA rate for the month of consumption is applied to the hourly uplifted consumption in each affected month,
* For non-interval customers, the billed GA rate is the sum of the hourly GA cost [calculated by First Estimate GA rate of the month times the net system load shape (NSLS) kWh] rate divided by the sum of the hourly NSLS kWh consumption for the billing cycle.
 | iii. Where the billing cycles span more than one calendar/load month the distributor must explain how they derive the $GA for invoicing purposes. |
|   | The accrued unbilled quantities are reversed in the month when the customer is billed and the actual billing is posted to the g/l. All billings are reflected in the appropriate consumption month. | iv. Where the customers are billed based on a calendar month, the unbilled previous and current quantities should be consistent with the relevant quantities billed. |



- All of which is Respectfully Submitted -