

**West Coast Huron Energy Inc.
EB-2017-0083
OEB Staff Questions**

Question #1:

Reference: Response to Question 6 from Preliminary GA Analysis Questions

In this response the applicant describes the nature of the true-up that is recorded in 1b of both the 2015 and 2016 GA Analysis Workforms.

- a) Please confirm that these true-up adjustments were not actually recorded in the applicant's G/L until 2017.

WCHE confirms that the true-up adjustments noted are not recorded in the general ledger until 2017.

- b) If the answer to the above is yes, then please also confirm that the sum of both 2015 and 2016 true-up adjustments would need to be captured as a principle adjustment to the December 31, 2016 balance in account 1589 per the continuity schedule in the 2018 IRM Rate Generator Model.

WCHE confirms that the 2015 and 2016 true-up adjustments should be captured as principle adjustments in the 2018 IRM Generator model. The model filed shows adjustments as follows:

Adjustment between account 1588 and 1589

	As filed	True up	Revised
2015	204,874	- 43,038	161,836
2016	256,243	12,848	269,091

WCHE has updated the IRM Generator model for the true up adjustments

Question #2:

Reference: Response to Question 8 from Preliminary GA Analysis Questions

The applicant has described a G/L error that was identified with respect to the calculation of RPP consumption used in the monthly settlement (Form 1598) with the IESO during 2015 and 2016.

- a) Given that these errors directly impact the 2015 and 2016 settlements with the IESO, has the applicant notified the IESO of these errors and have they been resolved as of yet?

WCHE reflected the errors in the 1598 filing for the month of September 2017

- b) If the response to the above is yes, please also provide backup from the IESO that shows that the above errors have now been settled and that the amounts correspond to what the applicant has proposed as an adjustment in Note 5 of both the 2015 and 2016 GA Analysis Workforms.

Please find attached WCHE calculation for the 1598 filing showing the inclusion of the errors as well as a copy of the IESO invoice showing the settlement of the filed amount on the October 2017 IESO invoice.

Please note: WCHE has included in our settlement with the IESO a revision to RPP revenue reported for 2015 and 2016 due to the net methodology used to calculate RPP kwh billed. This error does not impact the revenue reported in general ledger account for RSVA account 1589 nor the GA workform.

Question #3:

Reference: Response to Question 9 from Preliminary GA Analysis Questions

In this response the applicant describes an error associated with the methodology that they used to allocate IESO charge type 148 between accounts 1588 and 1589.

- a) Does this error impact the applicant's settlements with the IESO during 2015 and 2016? If so, has the applicant notified the IESO and have these errors now been settled with them? Please provide related correspondence with the IESO to support your response.

This error does not impact the utility's settlement with the IESO. This error relates only to how the utility split expense in the general ledger charged by the IESO for GA Class B code 148.

Question #4:

Reference: DVA Continuity Schedule in 2018 IRM Rate Generator Model

- a) Please update the December 31, 2016 balances for accounts 1588 and 1589 to reflect the impact of the adjustment from both the 2015 and 2016 GA Analysis Workforms. Please record these amounts in the "Principle Adjustments" column of the continuity schedule.

Please see the attached revised 2018 IRM Rate Generator Model the adjustment shown reflect the following reconciling items from the GA workform

2015 principle adjustment

General ledger error - allocation of GA expense IESO invoice code 148 between RPP and Non-RPP	88,022
Error in GA expense allocated to RPP due to consumption error	87,009
Actual vs approved loss factor difference - RPP portion	29,843
Current year RPP settlement true up process that are booked in subsequent year	- 43,038
	<u>161,836</u>

2016 principle adjustment

General ledger error - allocation of GA expense IESO invoice code 148 between RPP and Non-RPP	21,830
Error in GA expense allocated to RPP due to consumption error	200,375
Actual vs approved loss factor difference - RPP portion	34,038
Current year RPP settlement true up process that are booked in subsequent year	12,848
	<u>269,091</u>

Questions #5:

Reference: 2018 IRM Rate Generator Model, Tab 1, Information Sheet.

- a) Please confirm if the rate year that the Group 1 accounts were last cleared should be 2016 (i.e. In 2016 IRM Application, the OEB approved the disposition of Group 1 Accounts balance as of December 31, 2014, including interest projected to April 30, 2016. Note that WCHE did not seek disposition of Group 1 account balances in 2017 IRM application because the balances did not exceed the pre-set disposition threshold.)

WCHE confirms that the Group 1 accounts were last cleared as part of EB-2015-0111 disposing of balances as of December 31, 2014. EB-2016-0112 did not include a disposition of Group 1 accounts as the balances did not exceed the pre-set disposition threshold.

Questions #6:

Reference: 2018 IRM Rate Generator Model, Tab 3, Continuity Schedule.

- a) As noted in question 5a), the year in which the Group 1 account balances were last disposed was in 2016 IRM application, where account balances as of December 31, 2014 were disposed. For all Group 1 Accounts except for Account 1595, WCHE should start inputting data from 2014 by entering the Principal and Interest Adjustments columns under 2013. Please revise the continuity schedule accordingly.

WCHE has revised the attached 2018 IRM Rate Generator Model to include data from 2014.

Questions #7:

Reference: 2018 IRM Rate Generator Model, Tab 3 Continuity Schedule

- a) As required in Note 5 of the Continuity Schedule: Account 1580 RSVA WMS balance inputted into this schedule is to exclude any amounts relating to CBR. CBR amounts are to be inputted into Account 1580 sub-accounts CBR Class A and Class B separately. Please revise Account 1580 accordingly.

WCHE has revised account 1580 amounts in 2015 and 2016 to exclude CBR Class B.

Questions #8:

Reference: 2018 IRM Rate Generator Model, Tab 8 STS – Tax Change

- a) Please explain why the Taxable Capital entered in cell L19 does not agree to the approved Total Rate Base in 2013 COS Application (EB-2012-0175) Appendix 2 – RRWF model, filed July 19, 2013, which is \$8,787,771.
- b) Please explain why the Regulatory Taxable Income entered in cell L30 does not agree to the approved Taxable income in 2013 COS Application (EB-2012-0175) Appendix 2 – RRWF model, filed July 19, 2013, which is \$51,491.

WCHE used figures from the Settlement agreement file on August 9, 2013. Please see attached pages.

Questions #9:

Reference: Clarification of certain items in 2018 IRM Rate Generator Model

Please clarify whether or not the following item in the 2018 IRM Model should be revised, if so, please update the model accordingly; if not, please explain why it should not be revised.

- a) Tab 3 Continuity Schedule, cell BQ21:BQ37, the interest rate should be $0.011/12*9+0.015/12*3=0.012$. Cell BR21:BR37, the interest rate should be $0.015/12*4=0.005$

WCHE confirms that the interest should be revised. WCHE has updated the 2018 Rate Generator for the necessary interest rate changes.

	KWH Billed	\$\$ billed	TOU	GA Revenue	GA Expense	Net GA	2015 True Up	2016 True Up	Filing
On	566148	\$ 74,731.68	13498.47028	\$ 61,233.21	\$ 50,183.36	\$ (11,049.85)	\$ (20,768.76)	6487.44	\$ (25,331.17)
OFF	1766925	\$ 114,850.18	42128.17954	\$ 72,722.00	\$ 156,620.23	\$ 83,898.23	\$ (65,479.76)	20132.81	\$ 38,557.28
MID	520911	\$ 49,486.80	12419.90018	\$ 37,066.90	\$ 46,173.55	\$ 9,106.65	\$ (19,746.18)	6135.88	\$ (4,503.65)
	2853984	\$ 239,068.66	68046.55	\$ 171,022.11	\$ 252,977.14				\$ 8,722.46
			68046.55						
			0.023842653						
			COPN						
BLOCK 1	173406	\$ 13,374.89	4126.421445	\$ 9,248.47	\$ 15,370.71	\$ 6,122.24	\$ (8,098.28)	2594.98	\$ 618.94
BLOCK 2	43326	\$ 3,899.36	1030.998555	\$ 2,868.36	\$ 3,840.42	\$ 972.06	\$ (3,443.83)	891.57	\$ (1,580.20)
	216732	\$ 17,274.25	5157.42	\$ 12,116.83	\$ 19,211.12				\$ (961.27)
			5157.42				(117536.81)	36,242.68	\$ 7,761.20
			0.023796301						code 1142 with reconciliation
	3070716	\$ 256,342.91	73203.97	\$ 183,138.94	\$ 272,188.27	\$ 89,049.33			
						net filing			

before
true-up

net filing
after
true up

Summary of adjustment to Form 1598 for 2016

	Revenue	Expense	Net
Revised	3,834,930.33	3,927,834.40	92,904.07
Original filing	3,623,912.60	3,680,573.99	56,661.39
			36,242.68 due from IESO

Allocation of correction based on kwh billed

On	17.90%	6,487.44
Mid	16.93%	6,135.88
Off	55.55%	20,132.81
Block 1	7.16%	2,594.98
Block 2	2.46%	891.57
	<u>100.00%</u>	<u>36,242.68</u>

Correction reflects the following:

True up to final GA rate note filed in 2016

12,847.58

Correction of rate error when calculating GA expense

200,375.42

Corrections of GA revenue reported to reflect billings rather than netting method originally used at it contained an error regarding the MRC

- 211,017.73

Allocation of loss factor difference

34,037.41

36,242.68

Summary of adjustment to Form 1598 for 2015

	Revenue	Expense	Net
Revised	3,065,512.00	3,103,393.19	37,881.19
Original filing	2,874,161.00	3,029,579.00	155,418.00
Revision required	-	-	117,536.81 due back to IESO

Allocation of correction based on kwh billed

	Revenue	Expense	Net
On	17.67%	-	20,768.76
Mid	16.80%	-	19,746.18
Off	55.71%	-	65,479.76
Block 1	6.89%	-	8,098.28
Block 2	2.93%	-	3,443.83
	100.00%	-	117,536.81

Note

Correction reflects the following:

True up to final GA rate not filed in 2015	-	43,038.45
Correction of rate error when calculating GA expense	-	87,009.19
Correction of GA revenue reported to reflect billings rather than netting method originally used as it contained an error regarding the MRC	-	191,351.00

Allocation of loss factor difference

	29,843.34
	117,536.92

**Independent Electricity System Operator
PHYSICAL INVOICE**

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON
M5W 4E5
870513959RT0002
15-NOV-2017

WEST COAST HURON ENERGY
INC.
57 West Street
Goderich, ON N7A 2K4
Canada

HST: 870513959RT0002
Issue / Re-Issue Date: 15-NOV-2017
Invoice: P100020805
Invoice Date: 15-NOV-2017
MP ID: 104297
MP GST/HST: 886995323RT0001

Please send payment by WIRE or EFT to:

Bank Name: **TD Bank**
Bank ID Number: **0004**
Bank Account Number: **0690-0458762**

For all inquiries contact:
IESO Account Representative
Tel: **905-403-6900**
Toll Free: **1-888-448-7777**

Comments:
Charges for settlement statements issued: **From 01-OCT-2017 To 31-OCT-2017**

Charge Type	Description	Amount
101	NET ENERGY MARKET SETTLEMENT FOR NON-DISPATCHABLE LOAD	\$55,499.48
147	CLASS A GLOBAL ADJUSTMENT SETTLEMENT AMOUNT	\$104,866.86
148	CLASS B GLOBAL ADJUSTMENT SETTLEMENT AMOUNT	\$608,713.44
150	NET ENERGY MARKET SETTLEMENT UPLIFT	\$1,783.20
155	CONGESTION MANAGEMENT SETTLEMENT UPLIFT	\$3,359.35
163	ADDITIONAL COMPENSATION FOR ADMINISTRATIVE PRICING DEBIT	\$8.02
169	STATION SERVICE REIMBURSEMENT DEBIT	\$98.04
183	GENERATION COST GUARANTEE RECOVERY DEBIT	\$1,197.00
186	INTERITIE FAILURE CHARGE REBATE	(\$28.92)
250	10-MINUTE SPINNING MARKET RESERVE HOURLY UPLIFT	\$1,098.40
252	10-MINUTE NON-SPINNING MARKET RESERVE HOURLY UPLIFT	\$1,392.18
254	30-MINUTE OPERATING RESERVE MARKET HOURLY UPLIFT	\$395.53
450	BLACK START CAPABILITY SETTLEMENT DEBIT	\$78.07
451	HOURLY REACTIVE SUPPORT AND VOLTAGE CONTROL SETTLEMENT DEBIT	\$1,000.93
452	MONTHLY REACTIVE SUPPORT AND VOLTAGE CONTROL SETTLEMENT DEBIT	\$142.05
454	REGULATION SERVICE SETTLEMENT DEBIT	\$2,085.28
650	NETWORK SERVICE CHARGE	\$71,461.50
651	LINE CONNECTION SERVICE CHARGE	\$19,984.77
652	TRANSFORMATION CONNECTION SERVICE CHARGE	\$46,401.42
753	RURAL RATE SETTLEMENT CHARGE	\$1,920.77
900	GST/HST CREDIT	(\$6,222.79)
950	GST/HST DEBIT	\$126,016.36
1142	ONTARIO FAIR HYDRO PLAN ELIGIBLE RPP CONSUMER DISCOUNT SETTLEMENT AMOUNT	(\$7,761.20)

110,107
(6,954)
2290,107
(5,529.58)
7755.20 - RECORD
6006000000000000
LEFT 12
(705.1)

1350	CAPACITY BASED RECOVERY AMOUNT FOR CLASS A LOADS	\$361.76
1351	CAPACITY BASED RECOVERY AMOUNT FOR CLASS B LOADS	\$2,092.06
1412	FEED-IN TARIFF PROGRAM SETTLEMENT AMOUNT	(\$448.47)
1416	CONSERVATION AND DEMAND MANAGEMENT-COMPENSATION SETTLEMENT CREDIT	(\$10,222.33) * (69)
1420	ONTARIO ELECTRICITY SUPPORT PROGRAM SETTLEMENT AMOUNT	(\$12,557.50)
1463	RENEWABLE GENERATION CONNECTION - MONTHLY COMPENSATION AMOUNT SETTLEMENT DEBIT	\$144.95
1550	DAY-AHEAD PRODUCTION COST GUARANTEE RECOVERY DEBIT	\$535.49
1560	DAY-AHEAD GENERATOR WITHDRAWAL REBATE	\$5.51
9980	SMART METERING CHARGE	\$2,966.82
9982	ONTARIO REBATE FOR ELECTRICITY CONSUMERS (8% PROVINCIAL REBATE) SETTLEMENT AMOUNT	(\$39,548.27)
9990	IESO ADMINISTRATION CHARGE	\$7,451.48

Invoice Total:

\$CAD 984,271.24

Payment Due Date 17-NOV-2017

This invoice also constitutes a debit/credit note for GST/HST purposes

693.41

Summary

The 2013 cost of service rate application is WCHE's first such application following the F3 Tornado. Reconstruction of significant portions of the distribution system and customer losses has influenced the activities of WCHE since August of 2011. It is anticipated that these impacts will continue to be felt over the next five years. As such WCHE has worked to bring forward an Application that permits it to have sufficient revenues to cover the significant increase in rate base and required OM&A spending without undue bill impacts on the customers.

Capital spending in the last quarter of 2011 and 2012 was mainly directed at reconstruction from the F3 Tornado. The utility's capital spending in 2013 and 2014 are still significantly higher than the pre-2011 spending. In 2015 and 2016 it is expected that capital spending will decrease but will likely still exceed the historical spending norms. The Parties have recognized the need for this capital spending through incorporating the average annual spend over these four years into this Settlement Agreement.

OM&A spending has increased through changes such as the need for a new operations building and new responsibilities (smart meters).

In addition, the Parties have agreed extending the length of period over which the deferral and variance accounts are recovered has assisted in contributing to acceptable bill impacts.

Summary Comparison (Application vs. Settlement)

<i>Rate Base (Exhibit 2)</i>	Application	IRs	Settlement
Rate Base	\$10,370,699	\$8,787,771	\$7,763,935
Working Capital Allowance	\$1,252,301	\$1,361,895	\$1,234,365
Capital Expenditures in Rates	\$3,297,000	\$3,297,000	\$1,461,625
<i>Revenue and Deficiency (Exhibits 3, 6)</i>			
Other Revenue	\$104,600	\$115,887	\$142,377
Distribution Revenue Requirement	\$2,648,930	\$2,671,354	\$2,273,936
Total Operating Revenue	\$2,753,530	\$2,787,231	\$2,416,313
Revenue Deficiency	\$520,253	\$543,197	\$191,828
<i>Operating Costs (Exhibit 4)</i>			
OM&A	\$1,845,829	\$2,035,579	\$1,755,000
Amortization/Depreciation	\$257,104	\$213,143	\$191,828
Grossed-up PILs	\$20,037	\$21,544	\$26,819



Revenue Requirement Workform

Taxes/PILs

Line No.	Particulars	Application	Interrogatory Responses	Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$378,323	\$315,657	\$278,881
2	Adjustments required to arrive at taxable utility income	(\$269,087)	(\$185,306)	(\$132,673)
3	Taxable income	<u>\$109,236</u>	<u>\$120,348</u>	<u>\$146,208</u>
<u>Calculation of Utility Income Taxes</u>				
4	Income taxes	\$16,931	\$18,213	\$22,662
6	Total taxes	<u>\$16,931</u>	<u>\$18,213</u>	<u>\$22,662</u>
7	Gross-up of Income Taxes	<u>\$3,106</u>	<u>\$3,341</u>	<u>\$4,157</u>
8	Grossed-up Income Taxes	<u>\$20,037</u>	<u>\$21,554</u>	<u>\$26,819</u>
9	PILs / Tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$20,037</u>	<u>\$21,554</u>	<u>\$26,819</u>
10	Other tax Credits	\$ -	\$ -	\$ -
<u>Tax Rates</u>				
11	Federal tax (%)	11.00%	11.00%	11.00%
12	Provincial tax (%)	4.50%	4.50%	4.50%
13	Total tax rate (%)	<u>15.50%</u>	<u>15.50%</u>	<u>15.50%</u>

Notes

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