Staff Questions to London Hydro:

OEB Staff – 1

London Hydro indicates in response to OEB staff question 3 a), submitted on October 31, 2017 that:

“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.”

In addition, in response to OEB Staff Question-7 1) i), submitted on January 23, 2018, London Hydro indicates that:

“The unbilled revenues were accrued for both Year 2015 and 2016 at year-end based on actual billings for the given year during January and February.”

a) Please confirm that the books for a given fiscal year are closed prior to the recording of this final quantity variance.

1. If the answer to part a), above, is that the books are closed prior to recording the final quantity variance, please explain why there would be no true up adjustment for unbilled revenues in light of the timing of the availability of data to calculate actual revenues.
2. True up differences between actual revenues and estimated revenues are due mostly relating to 1) aggregate volume differentials, and 2) volume differentials for each RPP TOU block and RPP Tier. Please explain what your process is for determining actual revenue for any given month for settlement purposes using billing statistical data, and also indicate when this data becomes available and when the calculations are performed. Confirm how this data is used for true-up purposes and when it is reflected in London Hydro’s General Ledger, and on which form 1598 it is settled with the IESO.

**London Hydro Response**

1. The unbilled revenue adjustment for the year is booked after all customer billings are completed for the year, typically on the 49th business day (around the middle of February). This adjustment is based on the actual billings completed, and therefore, no further adjustment is made after this date to the unbilled revenue, and the ledger is closed. The quantity variance for December is also calculated at this time for settlement purposes and the results are booked into December as a year-end adjustment of accrued unbilled value. The quantity variance is re-calculated in March for December at the time of Form 1598 submission. The accrual entries are reversed in the month of when the true-up takes place and the value of the settlement is booked to the g/l. The two entries offset each other in that month.
2. True-up differences between actual and estimated revenues:

Regarding unbilled revenues no true-up adjustment is required after the year-end adjustment because it was accrued based on the actual billings for the prior year, which were completed for the whole year including December 31. The actual billings include all types of supply, and the quantities are detailed for RPP and non-RPP consumption. Since the billings have been completed for the year by the time the final unbilled energy journal is booked (49 business days), there is no further adjustment to unbilled revenue when the December true up process takes place on the fourth business day in March. There is no volume differential in unbilled revenue.

For settlement purposes London Hydro uses a query to summarize the actual billed consumption in each month. The billed consumption is recorded according to the billing cycles in the data tables. A daily proration process calculates an average daily consumption for the period of two months prior and three months ahead to include the month is being trued up. Then it summarizes the daily prorated consumption for the month is being trued up and recalculates the global adjustment credit in CT 1142.

The above process is run on the day when the final billing is completed (49 business days) and the unbilled revenue adjustment is made for the year in subject. The unbilled revenue adjustment includes the true-up results from the settlement calculated and it is booked as part of the final year-end adjustment in the General Ledger. Then, on the fourth business day of March the actual true-up takes place, it is recalculated and submitted to the IESO using Form 1598. The difference, if any, of this result and the result booked as final year-end adjustment will be recorded in the current year.

OEB Staff – 2

How do you determine the estimated proration for RPP/non-RPP customers for settlement on the fourth business day of each month and what source of data is used? Please explain what data is used to determine the actual proration for each month, when does it become available, how this actual pro-ration is calculated, and when is the adjustment journalized to London Hydro’s General Ledger.

**London Hydro Response**

London Hydro determines the estimated percentage of RPP/non-RPP customer consumption for settlement on the fourth business day of each month by using an annual average split of RPP/non-RPP consumption and calculates the global adjustment credit included in CT 1142.

The billings are completed in 49 business days after the end of the given month, and the data is then available to calculate the actual value of the settlement. The true-up of the RPP settlement takes place two months after the month-end using the actual billed data. The actual RPP consumption for settlement purposes is calculated using a daily proration method. The daily proration process calculates an average daily consumption for the period of two months prior and three months ahead to include the month is being trued up. Then the settlement values are recalculated using the quantities calculated by this method for the given month. The difference between the two calculations (estimated percentage of RPP/non-RPP and the billed daily prorated) is the quantity variance. The value of the quantity variance is recorded in the g/l in the month when the true-up takes place. At year-end the January true-up of quantity variance for the month of November is booked in December as a year-end adjustment. The February true-up of quantity variance is calculated on the 49th business day of the following year, when all billings are completed for the previous year, and this value is also booked in the General Ledger into December as a year-end adjustment. On the fourth business day in March, the February true-up process is completed again and the quantity variance is recalculated using the daily proration method. The difference, if any, between the two results is a change in the quantity variance, which is carried into the new year and booked in the General Ledger in the month of February.