Appendix A
GA Methodology Description
Questions on Accounts 1588 & 1589[1]

1. In booking expense journal entries for Charge Type (CT) 1142 and CT 148 from the IESO invoice, please confirm which of the following approaches is used:
   a. CT 1142 is booked into Account 1588. CT 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589 respectively.
   b. CT 148 is booked into Account 1589. The portion of CT 1142 equaling RPP minus HOEP for RPP consumption is booked into Account 1588. The portion of CT 1142 equaling GA RPP is credited into Account 1589.
   c. If another approach is used, please explain in detail.

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

2. Questions on CT 1142
   a. Please describe how the initial RPP related GA is determined for settlement forms submitted by day 4 after the month-end (resulting in CT 1142 on the IESO invoice).

   A: The RPP consumption (kWh) is calculated using an annual average percentage of total kWh. Then the RPP kWh value is multiplied with the second estimate GA rate. This is the initial GA credit for the current month included in CT 1142.

   b. Please describe the process for truing up CT 1142 to actual RPP kWh, including which data is used for each TOU/Tier 1&2 prices, as well as the timing of the true up.

   A: The data for the RPP settlement true-up is extracted from the SAP billing system. The billed RPP kWh with the applied TOU and tiered prices compared to the same billed RPP kWh with the corresponding weighted average Hourly Ontario Energy Price (HOEP). The difference is the fixed price debit. This recalculated fixed price debit is then booked to the general ledger in the month when the true-up takes place and the initial accrual is reversed.

[1] In all references in the questions relating to amounts booked to accounts 1588 and 1589, amounts are not booked directly to accounts USoA 1588 and 1589 relating to power purchase transactions, but are rather booked to the cost of power USoA 4705 Power Purchased, and 4707, Charges – Global Adjustment, respectively. However, accounts 1588 and 1589 are impacted the same way as account 4705 and 4707 are for cost of power transactions.

The true-up of RPP kWh takes place two months later after the initial month-end.
The GA credit true-up of CT 1142 is described in the answer to Q3b.

c. Has CT 1142 been trued up for with the IESO for all of 2017?

A: Yes

d. Which months from 2017 were trued up in 2018?

A: November and December were trued up in 2018. The related journal entries were recorded in December 2017 as year-end adjustment entries.

e. Have all of the 2017 related true-up been reflected in the applicant's DVA Continuity Schedule in this proceeding?

A: Yes

f. Please quantify the amount reflected in the DVA Continuity Schedule, and the column where it is included.

A: The true-up entries are included under "Transactions Debit/(Credit) during 2017" column as part of the regular transactions for the year.

3. <u>Questions on CT 148</u>

a. Please describe the process for the initial recording of CT 148 in the accounts (i.e. 1588 and 1589).

A: CT 148 is booked into Account 1589. The GA credit in CT 1142 also booked to Account 1589. The net result equals with the non-RPP portion of GA cost.

b. Please describe the process for true up of the GA related cost to ensure that the amounts reflected in Account 1588 are related to RPP GA costs and amounts in 1589 are related to only non-RPP GA costs.

A: The GA credit true-up process involves two items:
<u>Item 1. True-up of price variance of the GA credit:</u> The GA credit is recalculated by taking the RPP kWh (annual average percentage of total kWh) multiplied with the final GA rate. This amount is compared to what was submitted to the IESO on the fourth working day with the initial RPP settlement, where the second estimate GA rate was used. The difference between the two values is booked to the G/L to Account 1589 as an adjustment of the GA credit for the current month. This price variance adjustment to the GA credit is submitted to the IESO two month later with

the RPP Settlement True-up.
Item 2. Quantity Variance of the GA credit: The GA credit is recalculated with the actual billed kWh at final GA rate. This amount is compared with the total of the initial submission plus the price variance adjustment made for the month is being trued up. The adjustment submitted to the IESO with the RPP Settlement True-up, which takes place two months after the initial month-end. The GA credit adjustment of the quantity variance recorded two months later in the general ledger, except at year-end when the G/L is open until both November and December true-up adjustments are calculated and booked into December as year-end adjustments.
The GA credit adjustments are booked to account 4707 and the related retail sales variances are reflected in account 1589.

c. What data is used to determine the non-RPP kWh volume that is multiplied with the actual GA per kWh rate (based on CT 148) for recording as expense in Account 1589 for initial recording of the GA expense?

A: billed kWhs
Total kWh – less RPP billed kWh = non-RPP billed kWh

d. Does the utility true up the initial recording of CT 148 in Accounts 1588 and 1589 based on estimated proportions to actuals based on actual consumption proportions for RPP and non-RPP?

A: N/A
London Hydro uses the methodology described in Section 1b.

e. Please indicate which months from 2017 were trued up in 2018 for CT 148 proportions between RPP and non-RPP.

A: November and December were trued up in 2018. The related journal entries were recorded in December 2017 as year-end adjustment entries.

f. Are all true-ups for 2017 consumption reflected in the DVA Continuity Schedule under 2017.

A: Yes.

g. Please quantify the amount reflected in the DVA Continuity Schedule, and the column where it is included.

A: The true-up entries are included under “Transactions Debit/(Credit) during 2017” column as part of the regular transactions for the year.

4. Questions regarding principal adjustments and reversals on the DVA Continuity Schedule:

Questions on Principal Adjustments - Accounts 1588 and 1589

a. Did the applicant have principal adjustments in its 2018 rate proceeding which were approved for disposition?

A: Yes, there was an insignificant timing difference from Year 2016, which was included in the Year 2017 transactions.

b. Please provide a break-down of the total amount of principal adjustments that were approved (e.g. true-up of unbilled (for 1589 only), true up of CT 1142, true up of CT 148 etc.).

A: The principal adjustment was $62,426. This is the reversal of the difference between the estimated and final quantity variance in the RPP Settlement true up at the end of the 2016 Year.

c. Has the applicant reversed the adjustment approved in 2018 in its current proposed amount for disposition?

A: No reversal required. This is the reversal of the adjustment that rolled forward from Year 2016.

d. Please provide a breakdown of the amounts shown under principal adjustments in the DVA Continuity Schedule filed in the current proceeding, including the reversals and the new true up amounts regarding 2017 true ups.

A: N/A

e. Do the amount calculated in part d. above reconcile to the applicant's principal adjustments shown in the DVA Continuity Schedule for the current proceeding? If not, please provide an explanation.

A: N/A

f. Please confirm that the principal adjustments shown on the DVA Continuity Schedule are reflected in the GL transactions. As an example, the unbilled to actual true-up for 1589 would already be reflected in the applicant's GL in the normal course of business. However, if a principal adjustment related to proportions between 1588 and 1589 was made, applicant must ensure that the GL reflects the movement between the two accounts.

A: All adjustments are reflected in the G/L transactions in the normal course of business.