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November 9, 2018

via EMAIL

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Toronto Hydro-Electric System Limited (“Toronto Hydro”) Application to Finalize 2019 Electricity Distribution Rates and Charges (EB-2018-0071) – Additional Interrogatory Responses and Comments on Revised Rate Model

Enclosed please find Toronto Hydro’s responses to the OEB interrogatories circulated on October 26, 2018 and November 2, 2018.

Toronto Hydro confirms that it has no further comments with respect to the revised rate model circulated on November 5, 2018. However, in response to interrogatory 1-Staff-17, Toronto Hydro will be filing an update to its 2019 Rates Update Application next week.

Yours truly,

A handwritten signature in blue ink that reads "Andrew J. Sasso".

Andrew J. Sasso

cc: Donald Lau, Case Manager, OEB
Anila Dumont, Legal Counsel, Toronto Hydro

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1-STAFF-13:

Reference(s): **Response to Staff IR 1-Staff-6**
 Response to Appendix A Question 2

In the response provided, the Applicant is describing its true-up process for its CT 1142 settlement with the IESO.

- a) Is the Applicant's initial RPP settlement that is done on the 4th day of the following month based on estimated RPP consumption data for the month being settled?
- b) If yes, is the Applicant's response to Question 2b) indicating that the quantity true-up that is required for its initial CT 1142 settlements is completed on a quarterly basis? If no, please explain how the Applicant gets actual RPP consumption data for purposes of performing their settlement.
- c) Please confirm if the following is correct with respect to the CT 1142 true-ups that are required after the initial settlement is completed:
 - a. True up to actual GA rate – done in the following month after initial settlement
 - b. True up to actual Cost of Power – done in the following month after initial settlement
 - c. True up to actual RPP consumption – done on a quarterly basis, so the true-up for Q1 initial settlements is done in Q2 and so on.

If any of the above are not correct, please clarify as needed.

- d) Please confirm that all CT 1142 true-ups required for 2017 are already captured and reflected within the “Transactions debit/(credit) during 2017” column of the DVA continuity Schedule and that the Applicant’s year-end books are left open long enough in order to capture the final CT 1142 settlement true-ups necessary for December 2017.

RESPONSE:

- a) Yes.
- b) Yes.
- c) In a non-quarter-end month all components listed above are true-up in the general ledger on a monthly basis, in the month following initial settlement. In quarter-end months the general ledger close is extended, allowing time for all components listed above to be booked using actuals rates, cost, and consumption which require no further true-up in the subsequent month for the quarter. For purposes of the cash settlement of these true-ups with the IESO, Toronto Hydro typically settles all the true-ups listed above on a quarterly basis, in the month subsequent to the initial settlement of the final month of the quarter, i.e. January, February and March are settled with the IESO in April.
- d) All standard monthly CT 1142 true-ups required for 2017 are already reflected within “Transactions debit/(credit) during 2017” column. Toronto Hydro’s 2017 year-end books were open until the end of January 2018, which is long enough to capture the accrual for true-ups necessary for December 2017. The item described in response to IR-1-Staff-17 will be reflected in the revised DVA Continuity schedule to be provided.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1-STAFF-14:

Reference(s): **Response to Staff IR 1-Staff-6**
 Response to Appendix A Question 3

In regards to the initial recording and subsequent true-up of CT 148:

- a) Does the Applicant initially record an amount in their G/L for CT 148 prior to receiving the actual invoice from the IESO, or does the Applicant only record CT 148 into their G/L once the actual invoice is received? If the initial recording to your G/L is not based on the actual invoice, please explain how the Applicant calculates their estimate of CT 148 (i.e. 2nd estimate of the GA rate multiplied by the estimate total consumption for the month etc)
- b) Please confirm that the initial proration of CT 148 is based on the estimated RPP and Non-RPP split for the particular month. What is the estimated consumption and split based on (i.e. do you use the prior month's actual as the basis of performing the initial split etc).
- c) It is not clear whether the Applicant has to true-up CT 148 for GA rate used, consumption and the proration between RPP and Non RPP. Please clarify.
- d) Please confirm that the Applicant leaves their year-end books open long enough to capture all required CT 148 true-up, which is why there are no CT 148 true-ups reflected in the GA analysis workform (i.e. all true-up are already reflected with the "Transactions debit / (credit) for 2017" column of the DVA continuity schedule for account 1589).

RESPONSE:

- a) Toronto Hydro initially records an amount for CT 148 prior to receiving the actual invoice based on the 2nd estimate of the GA rate multiplied by the total estimate consumption for the month.
- b) Confirmed – the initial proration of CT 148 is based on the estimated RPP and Non-RPP split for the particular month.

The estimated RPP customers' consumption is derived as the product of estimated total purchased energy for the month multiplied by the RPP customers' percentage split of total kWh for the month. The RPP percentage split of total kWh for the month is derived from the kWh billed in the month, plus an accrual for the estimated unbilled kWh consumption to the end of the month, less accrued estimate for unbilled kWh consumption for the previous month. The accrual is based on bill cycle and meter data from the billing system.

- c) CT 148 is trued-up to reflect the final GA costs in accordance with the IESO final invoice. The final invoice amounts will reflect the final GA rate. Toronto Hydro also trues-up CT 148 for actual consumption and the proration between RPP and Non-RPP.
- d) Toronto Hydro confirms that all standard monthly CT 148 true-ups required for 2017 are already reflected within "Transactions debit/(credit) during 2017" column. Toronto Hydro's 2017 year-end books were open until the end of January 2018, which is long enough to capture the true-ups necessary for December 2017. The item described in response to IR-1-Staff-17 will be reflected in the revised DVA Continuity schedule to be provided.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
 INTERROGATORIES**

INTERROGATORY 1-STAFF-15:

Reference(s): Response to Staff IR 1-Staff-7

This Staff-IR dealt with the proposed adjustments in 2a and 2b of the GA Analysis Workform to account for differences between unbilled revenue accruals and actual amounts that got billed out subsequently.

- a) For December 2017, please provide the amount that the Applicant accrued as unbilled for that month, and please also provide the amount the Applicant actually billed out in January 2018 related to December 2017 consumption.

- b) Similar to a) above, for December 2016, please provide the amount that the Applicant had accrued as unbilled revenue for that month, and please also provide the amount that the Applicant actually billed in January 2017 related to December 2016 consumption.

RESPONSE:

Please see the requested values below:

Table 1: Accrual and Billing for Consumption in December 2017

	(a)	(b)	-(b) + (a)
For the Month of Dec.	2017	2016	
Accrued unbilled revenue in Dec.	73,585,984	112,832,776	
Billed in Jan. for Dec.	71,990,981	109,476,621	
Difference	1,595,003	3,356,155	(1,761,152)

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1-STAFF-16:

Reference(s): Response to Staff IR 1-Staff-8

- a) The Applicant has provided a calculation to support the direction of the proposed adjustment. The explanation provided in the GA Analysis Workform for this adjustment states that it relates to “a timing difference for its Class A customers between Class A GA charges from the IESO and billing to Class A customers. It is not clear how the calculation provided is showing this? Which one of the line items in the calculation represents the Class A GA charges from the IESO? Please clarify what this calculation is showing.
- b) Is the Class A GA billed from the IESO greater than the Class A GA billed to customers?
- c) In its response to the above noted IR, the Applicant has identified an error for which it has subsequently corrected, however a revised GA Analysis workform has not been submitted. Please update the GA Analysis workform currently on record to reflect the change noted in the IR response.
- d) In the response provided to c), it is not clear to OEB staff how the adjustment does not impact the DVA continuity schedule and only applies to the GA Analysis workform. The GA Analysis workform compares the OEB’s calculation of expected GA transactions for 2017 as calculated in Note 4, to the actual GA transactions that the Applicant has recorded in Note 5 (cell C62).

OEB staff interprets adjustment 4 in Note 5 of the GA Analysis workform to mean that there are amounts related to class A customers that are that are recorded as part of the 2017 GA transactions in cell C62 that should not form part of the ending December 31,

2017 balance in account 1589 because they are to be settled directly with the class A customers.

If this is the case, then an adjustment to the closing 2017 balance for account 1589 would be required to remove these amounts so that they do not get disposed of to Non-RPP Class B customers. If the Applicant does not agree with the above interpretation, please further explain why the DVA continuity schedule would not be impacted.

RESPONSE:

a) The original calculation provided in the initial submission was:

Table 1: Calculation for Class A Adjustment

	\$	
Earned Global Adjustment Class A Energy Sales for January 1, 2017 to December 31, 2017 (based on accrual method)	252,206,744	(i)
Actual billed Global Adjustment Class A Energy Sales for January 1, 2017 to December 31, 2017	255,749,360	(ii)
Unbilled revenue difference - Accrual vs actual	(3,542,616)	

The second line “Actual billed Global Adjustment Class A Energy Sales for January 1, 2017 to December 31, 2017” of \$255.7 million represents the Class A GA charges from the IESO (reference ii). As the Class A GA charges are received mid-month from the IESO in the following month, an accrual is recorded to estimate what the earned Global Adjustment Class A Energy Sales will be (reference i).

For example, January Class A Global Adjustments costs are billed by the IESO in February. Toronto Hydro will also bill Class A customers in February. However, in January, in the absence of actual GA costs, an accrual is recorded. The accrual will be reversed and actual billed is recorded in February. The difference only arises because there’s a difference between the estimated accrual and actual Class A costs.

- b) Toronto Hydro confirms that Class A GA billed from the IESO is equal to the Class A GA billed to customers.
- c) Please see response to 1-Staff-17 which provides a revised GA Analysis workform.
- d) An adjustment to the claim amount for account 1589 is not warranted as this is a timing variance as a result of using the accrual method, as directed by the APH to account for the timing difference between the energy purchased and Toronto Hydro's customer billing. This balance will offset in future months when the accrual is reversed and actual billing is recorded.

Nevertheless, Toronto Hydro acknowledges that this variance temporarily impacts Non-RPP Class B customers. Therefore, in 2018 Toronto Hydro will be implementing a new process whereby actual revenue for Class A customers will be recorded on a quarterly basis.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1-STAFF-17:

Reference(s): **Response to Staff IR 1-Staff-9**

- a) Please explain how the Applicant is certain that the entire difference between their actual billed GA and the expected billed GA as calculated in Note 4 of the GA Analysis Workform is entirely attributable to the fact that the GA Analysis Workform uses a single monthly GA rate as the basis of its calculation (instead of a blended GA rate to account for billing cycles that span more than one calendar month).

- b) Using the consumption data provided in Note 4 of the GA Analysis Workform, please provide a reasonability calculation to support the quantum of the difference noted in a) above.

RESPONSE:

- a) Toronto Hydro is submitting a revised GA Analysis Workform as part of this response.¹ In the course of responding to this interrogatory, Toronto Hydro identified an issue with the previously filed GA Analysis Workform. The issue stemmed from the use of a new billing data extraction tool, beginning in 2018, in combination with the tool utilized in previous years. The use of these two tools in combination, along with a flaw in a consumption data extraction gave rise to the identified issue. Toronto Hydro has completed a new Workform using only the tool utilized in previous years i.e. the same approach Toronto Hydro used in its application to finalize 2018 distribution rates. Toronto Hydro is certain that this corrective

¹ Please see updated Tab 3, Schedule 2.

action produces an accurate result. This is supported by, among other things, reasonable line loss figures and minimal variances.

Since this data extraction tool was used for the first time in Toronto Hydro's 2019 Rates Update filing, it does not impact previous years.

- b) This interrogatory is no longer applicable. Refer to revised GA Analysis Workform.

GA Analysis Workform

Account 1589 Global Adjustment (GA) Analysis Workform

Input cells
Drop down cells

Utility Name TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

Note 1 Year(s) Requested for Disposition

- 2014
 2015
 2016
 2017

Note 7 Summary of GA (if multiple years requested for disposition)

Year	Annual Net Change in Expected GA Balance from GA Analysis (cell K51)	Net Change in Principal Balance in the GL (cell C62)	Reconciling Items (sum of cells C63 to C75)	Adjusted Net Change in Principal Balance in the GL (cell C76)	Unresolved Difference	\$ Consumption at Actual Rate Paid (cell J51)	Unresolved Difference as % of Expected GA Payments to IESO
2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
2017	\$ 21,545,404	\$ 6,554,024	\$ 18,202,789	\$ 24,756,812	\$ 3,211,408	\$ 1,048,171,263	0.3%
Cumulative Balance	\$ 21,545,404	\$ 6,554,024	\$ 18,202,789	\$ 24,756,812	\$ 3,211,408	\$ 1,048,171,263	N/A



Ontario Energy Board

GA Analysis Workform

Note 2 **Consumption Data Excluding for Loss Factor (Data to agree with RRR as applicable)**

Year		2017		
Total Metered excluding WMP	C = A+B	23,590,891,773	kWh	100%
RPP	A	9,761,714,371	kWh	41.4%
Non RPP	B = D+E	13,829,177,402	kWh	58.6%
Non-RPP Class A	D	3,698,003,210	kWh	15.7%
Non-RPP Class B*	E	10,131,174,192	kWh	42.9%

*Non-RPP Class B consumption reported in this table is not expected to directly agree with the Non-RPP Class B Including Loss Adjusted Billed Consumption in the GA Analysis of Expected Balance table below. The difference should be equal to the loss factor.

Note 3 **GA Billing Rate**

GA is billed on the

1st Estimate

Please confirm that the GA Rate used for unbilled revenue is the same as the one used for billed revenue in any particular month

Note 4 **Analysis of Expected GA Amount**

Year	2017								
Calendar Month	Non-RPP Class B Including Loss Factor Billed Consumption (kWh)	Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)	Add Current Month Unbilled Loss Adjusted Consumption (kWh)	Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)	GA Rate Billed (\$/kWh)	\$ Consumption at GA Rate Billed	GA Actual Rate Paid (\$/kWh)	\$ Consumption at Actual Rate Paid	Expected GA Variance (\$)
	F	G	H	I = F-G+H	J	K = I*J	L	M = I*L	=M-K
January	999,203,823	1,050,384,095	1,078,155,854	1,026,975,582	0.06687	\$ 68,673,857	0.08227	\$ 84,489,281	\$ 15,815,424
February	969,901,154	1,078,155,854	923,426,850	815,172,150	0.10559	\$ 86,074,027	0.08639	\$ 70,422,722	\$ 15,651,305
March	1,007,444,730	923,426,850	973,088,062	1,057,105,942	0.08409	\$ 88,892,039	0.07135	\$ 75,424,509	\$ 13,467,530
April	938,282,495	973,088,062	990,353,504	955,547,936	0.06874	\$ 65,684,365	0.10778	\$ 102,988,957	\$ 37,304,591
May	953,116,551	990,353,504	896,257,876	859,020,923	0.10623	\$ 91,253,793	0.12307	\$ 105,719,705	\$ 14,465,912
June	928,537,599	896,257,876	938,694,870	970,974,593	0.11954	\$ 116,070,303	0.11848	\$ 115,041,070	\$ 1,029,233
July	983,922,255	938,694,870	1,071,259,568	1,116,486,952	0.10652	\$ 118,928,190	0.11280	\$ 125,939,728	\$ 7,011,538
August	815,202,902	1,071,259,568	874,077,397	618,020,732	0.11500	\$ 71,072,384	0.10109	\$ 62,475,716	\$ 8,596,668
September	813,873,700	874,077,397	790,985,845	730,782,148	0.12739	\$ 93,094,338	0.08864	\$ 64,776,530	\$ 28,317,808
October	800,035,994	790,985,845	747,455,035	756,505,184	0.10212	\$ 77,254,309	0.12563	\$ 95,039,746	\$ 17,785,437
November	753,321,225	747,455,035	714,018,487	719,884,677	0.11164	\$ 80,367,925	0.09704	\$ 69,857,609	\$ 10,510,316
December	688,685,942	714,018,487	850,744,627	825,412,082	0.08391	\$ 69,260,328	0.09207	\$ 75,995,690	\$ 6,735,363
Net Change in Expected GA Balance in the Year (i.e. Transactions in the Year)	10,651,528,369	11,048,157,445	10,848,517,977	10,451,888,901		\$ 1,026,625,858		\$ 1,048,171,263	\$ 21,545,404

Calculated Loss Factor

1.0317

GA Analysis Workform

Note 5 Reconciling Items

	Item	Amount	Explanation
	Net Change in Principal Balance in the GL (i.e. Transactions in the Year)	\$ 6,554,024	
1a	True-up of GA Charges based on Actual Non-RPP Volumes - prior year	\$ -	Not applicable as Toronto Hydro ("TH") records the true-up RPP settlement amounts with the IESO on a quarterly basis. The RPP amounts for 2017 are based on the actual IESO invoices received.
1b	True-up of GA Charges based on Actual Non-RPP Volumes - current year	\$ -	Not applicable as Toronto Hydro ("TH") records the true-up RPP settlement amounts with the IESO on a quarterly basis. The RPP amounts for 2017 are based on the actual IESO invoices received.
2a	Remove prior year end unbilled to actual revenue differences	-\$ 3,356,155	
2b	Add current year end unbilled to actual revenue differences	\$ 1,595,003	
3a	Remove difference between prior year accrual/forecast to actual from long term load transfers	\$ -	Not applicable.
3b	Add difference between current year accrual/forecast to actual from long term load transfers	\$ -	Not applicable.
4	Remove GA balances pertaining to Class A customers	-\$ 3,542,616	Due to timing differences between Class A GA charges from the IESO and billings to Class A customers, an amount of \$3.5M was included in the RSVA account pertaining to Class A customers.
5	Significant prior period billing adjustments recorded in current year	\$ -	Not applicable.
6	Differences in GA IESO posted rate and rate charged on IESO invoice	\$ -	Not applicable.
7	Differences in actual system losses and billed TLFs	\$ 13,602,037	
8	Others as justified by distributor	\$ 9,904,520	The current month consumption includes true-up of prior period usage. In the GL, the true-up is based on the prior
9			
10	Energy purchases - methodology		
Note 6	Adjusted Net Change in Principal Balance in the GL	\$ 24,756,812	
	Net Change in Expected GA Balance in the Year Per Analysis	\$ 21,545,404	
	Unresolved Difference	\$ 3,211,408	
	Unresolved Difference as % of Expected GA Payments to IESO	<u>0.3%</u>	

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 1-STAFF-18:

Reference(s): **Response to Staff IR 1-Staff-10**

- a) In this response the Applicant is confirming what the closing December 31, 2017 balance in account 1588 is comprised of. Please confirm that the amounts being reference in b) of its confirmation is referring to “line losses” only and that no settlement with the IESO is pending for these amounts.

RESPONSE:

The amounts being referenced in a) are referring to line losses only. The amount referenced in b) is referring to timing variances due to the accruals with respect to COP Energy Revenue, to align with the calendar year.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1-STAFF-19:

Reference(s): Response to Question 4 of Appendix A

The Applicant had recorded principal adjustments to accounts 1588 and 1589 as part of its last rates application, please provide a breakdown of the components to the overall adjustment of 804K that was recorded. Please also explain where the applicant has addressed the reversal of these 2016 principal adjustments in their 2017 GA Analysis Workform? In addition, please update the 2017 DVA Continuity Schedule to incorporate both the reversal of the 2016 principal adjustments and the recording of the 2017 principal adjustments.

RESPONSE:

As part of the year-end accounting close in 2016, an entry was incorrectly recorded to Power purchased (Account 4705) and Global Adjustment charges (Account 4707) and consequently impacted the RSVA Power and RSVA GA.

The \$804k adjustment reclassifies the amount to the appropriate RSVA Power and RSVA GA accounts and is a permanent adjustment. These 2016 principal adjustments do not impact the 2017 GA Analysis Workform or the 2017 DVA Continuity Schedule as they are not meant to reverse in 2017.