

IRM Process Updates Q&A

The IRM Process Updates webinar was held on July 26, 2017. Below is a summary of the questions asked during the webinar and answers to the questions.

Q1: What is the format of the CEO/CFO certification related to commodity account balances being requested for disposition? Is a statement required in the manager's summary or would other another format of certification be required?

A1: With respect to the certification, a statement and sign off, by the CEO, CFO or equivalent executive, in the application is required. The certification relates specifically to commodity accounts 1588 and 1589, that the distributor has robust processes and internal controls in place for preparation, review, verification and oversight of the account balances being disposed. In addition, the certification is required whether or not a distributor is requesting the disposition of Group 1 account balances. Please note that the requirement for a certification is not new. The one that is the subject of this question focusses on accounts 1588 and 1589. However, there has been a requirement in place for several years as part of Chapter 1 of the Filing Requirements, which requires certification by senior executives of an entire rate application filed, that the evidence filed is accurate, consistent and complete to the best of his or her knowledge.

Q2: Will the slides be available after the presentation?

A2: The slides are available on the [2018 EDR web page](#) at [IRM Process Updates Webinar Slides](#).

Q3: I understand that LRAM balances from prior years that were previously approved for disposition, by the OEB, cannot be revised. However, if the IESO made CDM adjustments relating to prior year's data, can the persistence related to these IESO adjustments be included as part of persistence when claiming subsequent years LRAM dispositions?

A3: Yes. The response to whether or not to revise balances from prior years is based on the status of the period that is impacted by the programs, not the programs themselves. In relation to IESO adjustments to CDM savings, distributors may not revise LRAM claims related to prior periods that were previously approved for disposition by the OEB; however, the persistence of such adjustments to years subsequent to the last disposition may be included in future requests for LRAM disposition as the impacts from CDM programs (even if they are legacy programs) on this subsequent period have not been disposed on a final basis.

Q4: Do you have an approximate date for when the OEB inflation rate will be issued for 2018 rate applications?

A4: The OEB inflation rate release date will be posted around mid-October. However, distributors are to use the inflation rate from the previous year's IRM as a placeholder when filing their applications. The distributors' rate generator model will be updated by OEB staff to account for those changes.

Q5: Our understanding is that any difference between an LDC's approved loss factor and actual loss factor in a year should result in amounts captured in account 1588. If this understanding is correct, how can the OEB claim generally that a small balance is expected in account 1588?

A5: Effectively, the balance of account 1588 would be the unaccounted for energy, which reflects the difference between the losses billed to customers and the actual system losses. Differences are not expected to be large on an annual basis as utilities calculate their total loss factor to be billed to customers in a cost of service application based on the average of 5 years of historical losses. Annual actual unaccounted energy could fluctuate from positive to negative, unless there is a trend to declining or increasing actual system losses. However, annual unaccounted for energy should not be large over multiple years if the calculated billed total loss factors are reasonable and representative of past historical losses. This effectively does lead to account 1588 having small balances, however the account balance could fluctuate from positive to negative depending on the changes in system losses. In a case where a distributor indicates that the reason for a large balance in account 1588 relates to unaccounted for energy, the distributor should investigate and explain the reason and provide support in their rate application.

Q6: Can you please review the accounting settlement for the GA Modifier one more time?

A6: For bill presentment purposes, the GA billed to customers eligible for the GA Modifier would be equal to the GA charge calculated using the IESO posted GA values net of the amount calculated for the GA Modifier. For accounting purposes, the amounts credited to customers for the GA Modifier (based on loss adjusted volumes) would be recorded in accounts receivable or the payable account. The amounts recovered from the IESO would be recorded in the same accounts receivable or payable.

Distributors are required to estimate their recoveries from the IESO. In some cases, utilities may obtain recoveries before crediting customers on their bills. The utility would therefore have a liability on its balance sheet. The estimate a distributor makes one

month will have to be reversed the following month, and actual amounts billed will be recorded. In addition the distributor would prepare a new estimate the following month. At the conclusion of the GA Modifier, once all estimates have been reversed, the balance sheet account should have a zero balance since only the amounts credited to customers would have been recovered fully from the IESO. Distributors must perform a monthly reconciliation of the balance sheet liability account to explain what the account balance relates to. Any residual amounts in the account at that time should be investigated and explained.

Q7: The eligibility details for RPP and OREC are the same. Please clarify what the eligibility differences are as it relates to the GA Modifier (as implied on slide 26).

A7: Customers to which the GA Modifier applies includes: customers that are eligible for RPP rates but have opted out to be with a retailer, customers that are eligible for RPP rates but have opted out and have gone to market based pricing, and customers that are not eligible for RPP but are eligible for the OREC credit of 8%.

Q8: For Sheet 6, with the expansion of Class A eligibility, is it the OEB's expectation that there are to be a significant number of individual customer rate riders for customers transitioning to Class A?

A8: The OEB expects distributors to have customer specific charges for all customers transitioning from Class A to B, and from Class B to A. Given the recent lowering of the Industrial Conservation Initiative threshold for Class A customers, the OEB expects that distributors will have more Class A customers. OEB staff has modified the Rate Generator Model to allow for up to 150 Class A customers to be inputted into the model, if necessary. If you have more than 150 Class A customers, please contact the OEB at IRM@OEB.ca to have your Rate Generator Model modified.

Q9: For Class A customer specific data, we are concerned about LDC's providing private information. Can you address the privacy concerns?

A9: The OEB requests consumption data for each transition customer that transitions to or from Class A, but does not ask distributors for the identify of customers. The OEB expects distributors to follow the [Practice Direction on Confidential Filings](#) if they submit that the Class A customer information should be treated as confidential.

Q10: We have a few Class A customers who are non-RPP and eligible for the OREC credit. Does this mean that they would also be eligible for the GA Modifier?

A10: Yes, if a customer is not eligible for RPP, but is eligible for the OREC credit, they would be eligible for the GA Modifier.

Q11: Is the expectation to have individual rate riders for each transition customer? Has any thought been given to how this impacts the billing processes?

A11: Transition customers would not be charged/refunded by way of an individual rate rider. They would be billed a customer specific charge that is usually done through 12 monthly billings. It is expected that distributors adapt their billing systems in order to invoice transitioning customers for the applicable customer specific charges. This has been the approach taken by many distributors for the past few years.

Q12: Our first Class A customer began in July 2017. DVA disposition in the 2018 IRM is for 2016 YE balances. Can you confirm that the Class A customer will still be applied the DVA rider for Class B for the full disposition period? Therefore transition will only take place in the 2019 application for 2017 balances.

A12: Yes, that is correct. Since a distributor may be proposing the disposition of 2016 Group 1 DVA balances in their 2018 IRM/COS rate application, this customer would continue to be charged the Class B rate riders for the duration of the rate rider, regardless of the fact that they became a Class A customer in 2017 since they contributed to the balance being disposed. When a distributor files its 2019 rate application and requests the disposition of 2017 Group 1 DVA balances, such a customer would be treated as a transitioning customer at that time.

Q13: Class A customers pay the actual GA based on their individual Peak Demand Factor. We have a farm that also qualifies for Class A effective July 1, 2017 and receives the 8% provincial rebate. The webinar indicated that if a Class A customer also receives the 8% rebate, they would also be entitled to the GA Modifier. How would the GA Modifier be applied since their GA charge is based on peak demand factor and not based on their kWh consumption.

A13: O Reg 195/17 lays out the calculations for billing the GA to specified customers. In addition, the letter issued by the OEB on June 29, 2017 for *the Implementation of the Fair Hydro Act, 2017*, indicates the calculations on [page 4](#). For non-RPP specified customers that are not low volume customers, there is no differentiation regarding billing the GA to Class A and Class B customers; the GA regulation covers both classes of

customers. Therefore the GA Modifier multiplied by the loss adjusted volumes is deducted from the GA amount that the customer would have otherwise paid under the GA Regulation.