



Ontario Energy Board Commission de l'énergie de l'Ontario



Account 1589 RSVA Global Adjustment GA Analysis Workform

July 19, 2017

Administrative Items

Audio portion of the webinar is available at:

- (416) 406-1280 or 1-(866) 832-4446
- Access number: 7011028

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- For any technical issues, please contact the OEB IT Help at it.help@oeb.ca

Agenda

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2. New Requirement for 2018 Rate Applications
3. Methodology of Analysis
4. Reconciling Items
5. Materiality Threshold
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Background

- Under its rate making authority the OEB must ensure that DVA accounts disposed are accurate. Distributors must ensure balances requested for disposition are accurate.
- Several years ago the Ministry of Finance stopped auditing LDCs IESO settlements. Since then, there has not been direct oversight of settlements which significantly impact commodity account balances.
- In some cases, balances that were previously approved on a final basis have been corrected by distributors, resulting in retroactive rate making with potential for financial impacts to LDCs.
- The OEB wants to ensure account balances are accurate so that customers are not impacted by incorrect rate riders and also to minimize the effects on LDCs

Background (cont)

- In 2017 rate proceedings, analyses were done by LDCs to provide additional assurance on the accuracy of the balance in Account 1589 Global Adjustment.
- The OEB has adapted such analyses to be used across the industry. The result is a new GA Analysis Workform to validate the accuracy of the Account 1589.
- In some of the 2017 IRM decisions, some distributors could not explain the balances recorded in the Accounts 1588 Power and 1589. This resulted in three decisions where special purpose audits were ordered.

New Requirement for 2018 Rate Applications

- Workform is new requirement in the 2018 Filing Requirements
 - Use the updated workform that will be posted on the OEB's website shortly
- Purpose is to help the OEB assess if the balance being requested for disposition in Account 1589 is reasonable. The analysis helps confirm the accuracy of both Accounts 1588 and 1589.
- The workform is a first step in providing additional assurance that the account balance requested for disposition is reasonable. It is an evolving process and modifications may be required.
- The workform calculates an amount that can be reasonably expected in Account 1589. Differences to the actual amount in the GL are expected as the workform uses a generic methodology.
- Distributors are responsible for ensuring that the amount recorded in the GL is accurate.

Methodology of Analysis

- Analysis is an annual reconciliation based on monthly data.
- Expected account balance is equal to the difference between monthly revenues at the GA rate billed (1st estimate, 2nd estimate or actual) and the monthly expense at the actual GA rate charged by the IESO.
- Expenses are based on consumption on a calendar/load month basis. Therefore, the workform also requires consumption for revenues to be on a calendar/load month basis as well.
- Approximate consumption for revenues on a calendar/load month
= billed kWh – prior month unbilled kWh + current month unbilled kWh

Methodology of Analysis (cont)

- Distributors are to apply the same GA rate to all non-RPP Class B customers in a rate class. Where a distributor has not applied the same GA rate to all non-RPP Class B customers, the GA Analysis must be adapted for this
- Distributors who have more precise monthly kWh volume data available may propose to use this data in the GA Analysis.
- Any methodology in determining monthly consumption that differs from the one in the workform must be disclosed and explained.

Reconciling Items

- For each reconciling item listed, explain whether the item is or is not a reconciling item to the utility's specific circumstances. Then assess if each reconciling item is significant, if significant they must be quantified.
- Reconciling items may include:
 - 1) Impacts to GA from RPP settlement true ups
 - E.g. Pro-ration of GA charge based on true up of RPP vs. non-RPP volumes or true up of the accrual expense based on the 2nd GA estimate to actual from the invoice received
 - 2) Unbilled revenue differences between the unbilled and actual billed amounts
 - 3) Accrual to actual differences in long term load transfers

Reconciling Items (cont)

Reconciling items may include:

- 4) GA balances pertaining to Class A customers must be excluded from the GA balance as the GA balance should only relate to Class B.
 - If any such balances pertaining to Class A exist, the distributor must also ensure that these amounts are excluded from the balance requested for disposition.
- 5) Significant prior period billing adjustments
- 6) Differences in the IESO posted actual GA rate and the rate that is charged on distributors' invoices pertaining to non-RPP kWh volumes
- 7) Any other items that cause differences between the GA analysis and the GL.



Materiality Threshold

- The GA Analysis is to be done on an annual basis for each year of the total balance requested for disposition.
- Reconciling items must be identified for each year as well.
- Any remaining, unexplained discrepancy will be assessed for materiality and could prompt further analysis before disposition is approved.
- Unexplained discrepancies greater than +/- 1% of the annual IESO GA charges assessed on an annual basis will be considered material.

Walkthrough of Example

- See example of workform in excel
- Note that the example uses simplified assumptions for illustrative purposes

Questions?

