

**Oakville Hydro Electricity Distribution Inc. (Oakville Hydro)**  
**2019 IRM Application**  
**EB-2018-0059**  
**Application Analysis**  
**October 19, 2018**

**Staff Question #1**

Please provide an explanation for the derivation of significant adjustments to Account 1588 (\$2,231,781 credit adjustment) and Account 1589 (\$1,253,804 debit adjustment) balances proposed for clearance in the 2019 DVA Continuity Schedule, as compared to the RRR 2.1.7 balances. Please see Table 1 below.

Table 1:

| Account 1588 Summary of Adjustments in 2019 DVA Continuity Schedule |                   |  |  |
|---|-------------------|--|--|
| 2016 Principal Adj  | -2,229,267        |  |  |
| 2016 Interest Adj   | -24,522           |  |  |
| 2017 Principal Adj  | 21,769            |  |  |
| 2017 Interest Adj   | 239               |  |  |
| Total Adjustments   | <u>-2,231,781</u> |  |  |
| Account 1589 Summary of Adjustments in 2019 DVA Continuity Schedule |                   |  |  |
| 2016 Principal Adj  | 1,744,327         |  |  |
| 2016 Interest Adj   | 19,188            |  |  |
| 2017 Principal Adj  | -504,165          |  |  |
| 2017 Interest Adj   | -5,546            |  |  |
|   | <u>1,253,804</u>  |  |  |

**Staff Question #2****Ref: GA analysis workform**

Please reconcile the adjustments in Table 1 above to certain amounts listed in the GA Analysis Workform, for both 2016 and 2017 transactions. For example, OEB staff needs further clarification on the following:

- a) On Sheet GA 2016, notes 3a and 3b represent accruals. Please clarify why the accrual in item 3a is not reversed on sheet "GA 2016".
- b) Please provide further explanation for items 2a and 2b (Note 5) in the GA 2016 and GA 2017 worksheets.
- c) Please describe why the same amount of -\$417,056 for IESO Bronte Error was recorded in both the GA 2016 and GA 2017 tabs.
- d) Please explain why a \$1.7M adjustment was recorded in GA 2016 worksheet with respect to a misallocation between Account 1588 and Account 1589, and why no adjustment was made in the GA 2017 worksheet.
- e) Please describe why \$458k of embedded generation charges was recorded in 2016, and why no adjustment was made in the GA 2017 worksheet.

- f) Please explain the adjustments in Note 5, items 8 and 9, of \$504k and \$486k that were made in the 2017 tab of the GA Workform.

**Staff Question #3**

**Ref: GA analysis workform**

Please clarify whether OEB regulatory accounting practices are being followed. For example, OEB staff needs further clarification on the following:

- a) Please describe whether there is a true-up being consistently done to actual GA.
- b) Please explain when Oakville Hydro started its practice of trueing-up kWh to actual kWh that flowed rather than using billed kWh. Please also describe how Oakville Hydro uses both billed data from its customer information system and unbilled data from its smart meters to calculate the true-up.
- c) Please clarify why Oakville Hydro stated that the entire amount of IESO Charge Type (CT) 148 initially is recorded in Account 1589, but then after calculating the RPP related GA costs, and transfers it “to” Account 1589 and “from” Account 1588, instead of vice versa.
- d) Please explain whether RPP settlement true-up claims made with the IESO in the period subsequent to the fiscal year for which disposition is being requested is reflected in the balances being requested for disposition.

**Staff Question #4**

**Ref: GA analysis workform, reconciling items 1a and 1b**

- a) Please confirm that there were no amounts recorded as reconciling items 1a (true-up of GA charges for prior year) for either 2016 or 2017 due to the fact that the applicant did not record any true-up adjustments in the general ledgers of those fiscal years. If this is not the case, please explain why there are no amounts reported for those reconciling items.
- b) Please confirm that the applicant has updated its RPP Settlement true-up procedures consistent with the OEB May 23, 2017 letter regarding the Guidance on the Disposition of Accounts 1588 and 1589, as well as the date these updated procedures were implemented.

**Staff Question #5****Ref: Continuity Schedule**

Appendix A of the 2019 Chapter 3 Filing Requirements states that distributors are expected to request disposition of residual balances in Account 1595 sub-accounts for each vintage year only once, on a final basis.

Please explain why Account 1595 (2014) credit balance of \$44,460 is being requested in this proceeding when the balance in Account 1595 (2014) was cleared on a final basis in the 2017 IRM proceeding (EB-2016-0097). Please update the IRM Rate Generator Model as needed.

**Staff Question #6****Ref: Continuity Schedule**

As per the 2019 IRM Process Orientation Webinar Q&A #1, July 23, 2018, the requirements for disposition of residual balances of Account 1595 sub-accounts include the following:

1. One year has passed since the sunset date of the rate rider recovery period.
2. The amounts are supported by audited balances.

The Account 1595 (2017) rate rider was in effect over a one-year period from January 1, 2017 to December 31, 2017.

- a) Explain why the Account 1595 (2017) debit balance of \$5,980 is being requested in this proceeding, when one year has not passed since the December 31, 2017 sunset date of the rate rider recovery period.
- b) In addition, explain why not all of the Account 1595 sub-account balances cleared in the 2017 IRM proceeding are correctly reflected in the 2019 DVA Continuity Schedule. If necessary, please update the 2019 continuity schedule.

**Staff Question #7**

**Ref: Tab 6.1a GA Allocation – cell D20 Total Non-RPP Class B consumption**

**Ref: Tab 6.2a CBR B\_Allocation – cell D20 Total Class B consumption less WMP**

OEB staff is unable to reconcile the data entered in cells D20 in Tab 6.1a and Tab 6.2a. Below is a table that staff prepared showing the “Validation of Data used in class B GA and CBR Allocations”. Staff notes a discrepancy for the 2017 consumption figure that is used in the “GA allocation” and “CBR B Allocation” of 2019 IRM rate model as below.

This tab allocates the GA balance to transition customers (i.e Class A customers who were former Class B customers and Class B customers who were former Class A customers) who contributed to the current GA balance. The tables below calculate specific amounts for each customer who made the change. The general GA rate rider to non-RPP customers is not to be charged to the transition customers that are allocated amounts in the table below. Consistent with prior decisions, distributors are generally expected to settle the amount through 12 equal adjustments to bills.

Year the Account 1589 GA Balance Last Disposed:

Allocation of total Non-RPP Consumption (kWh) between Current Class B and Class A/B Transition Customers

|  |              | Total         | 2017        | 2016        |
|--|--------------|---------------|-------------|-------------|
| Total Non-RPP Class B Consumption for Years During Balance Accumulation (Non-RPP Consumption LESS WMP Consumption and Consumption for Class A customers who were Class A for partial or full year) | A            | 1,435,880,263 | 759,847,587 | 676,032,677 |
| Transition Customers' Class B Consumption (i.e. full year or partial year)   | B            | 182,301,597   | 61,302,333  | 120,999,264 |
| <b>Transition Customers' Portion of Total Consumption</b>  | <b>C=B/A</b> | <b>12.70%</b> |             |             |

This tab allocates the CBR Class B balance to transition customers (i.e Class A customers who were former Class B customers and Class B customers who were former Class A customers) who contributed to the current CBR Class B balance. The tables below calculate specific amounts for each customer who made the change. The general CBR Class B rate rider is not to be charged to the transition customers that are allocated amounts in the table below. Consistent with prior decisions, distributors are generally expected to settle the amount through 12 equal adjustments to bills.

Please enter the Year the Account 1580 CBR Class B was Last Disposed:  (Note: Account 1580, Sub-account CBR Class B was established starting in 2015)

Allocation of total Consumption (kWh) between Class B and Class A/B Transition Customers

|  |              | Total         | 2017               | 2016               |
|--|--------------|---------------|--------------------|--------------------|
| Total Class B Consumption for Years During Balance Accumulation (Total Consumption LESS WMP Consumption and Consumption for Class A customers who were Class A for partial or full year) | A            | 1,435,880,263 | 759,847,587        | 676,032,677        |
| Transition Customers' Class B Consumption (i.e. full year or partial year)   | B            | 182,301,597   | 61,302,333         | 120,999,264        |
| <b>Transition Customers' Portion of Total Consumption</b>  | <b>C=B/A</b> | <b>12.70%</b> | <b>698,545,254</b> | <b>555,033,413</b> |

**Table 1 – confirmation of 2017 consumptions**

|   |           |            |               |   |
|---|-----------|------------|---------------|---|
| Total metered volume Excl WMP   | A         |            | 1,543,096,232 | Source I26 of tab 4. Billing Det. for Def-Var |
| Non-RPP excl WMP  | B         |            | 793,083,666   | Source C26 of tab 6.1 GA                      |
| Class A Full year   | C         |            | 52,688,197    | Source E26 of tab 6.1 GA                      |
| Class A Full Part year:   |           |            |               |   |
| While Class A   | D         | 64,005,989 |               | =+F-E   |
| While Class B   | E         | 61,302,333 |               | Source D21 of tab 6.1a GA Allocation          |
|   | F         |            | 125,308,322   | Source G26 of tab 6.1 GA                      |
| Total non-RPP excl WMP and full year volumes for class A customers who were class A for the full year, and the class A volumes who were class A part year | G= +B-C-D |            | 676,389,480   | Input in D20 of tab 6.1a GA Allocation        |
| Total Class B Customers excl WMP and Full year volumes for customers who were class A for full year, and the class A customers who were class A part year | H=+A-C-D  |            | 1,426,402,046 | Input in D20 of tab 6.2a CBR_B Allocation     |

a) Using Table 1, please provide a calculation for the 2016 consumptions and explain any discrepancies.

- b) Please confirm whether or not Oakville Hydro agrees with the updated quantities per the Table 1 calculations for 2016 and 2017. If not please explain why Oakville Hydro believes the values it used in its 2019 IRM Rate Generator Model are appropriate. Otherwise please update the 2019 IRM Rate Generator Model accordingly.

### Staff Question #8

Ref: Managers Summary – Page 9

- a) In Oakville Hydro's 2014 decision (EB-2013-0159), the base revenue requirement that was settled upon was \$35,586,668. In its current application, Oakville Hydro is using a revenue requirement of \$35,568,668 to calculate materiality. Please comment on the discrepancy and if necessary, update the materiality threshold.
- b) OEB staff re-performed the sum of "Table 4 – May 2018 Windstorm Costs" components included in the application and generated a total of \$188,014 of z-factor costs and not \$187,654, as stated the application. Please confirm the correct z-factor amount being requested for recover.
- c) Confirm the costs included in the Z-Factor amount are incremental costs (outside of the base upon which rates were derived).
- d) Confirm that the amounts are directly related to the Z-Factor event and if the wind storm event had not occurred, Oakville Hydro would not have incurred any of the costs.
- e) OEB staff has compiled the following analysis based on Oakville Hydro's previous decisions. Please confirm the calculations and information used in the table below, and that by adjusting the annual revenue requirement by the annual Price Cap IR adjustment since Oakville Hydro's last rebasing, that the materiality threshold would increase to \$189,237..

| Year              | Revenue Requirement | Price Cap | Revenue Requirement Updated for Price Cap | Materiality Threshold (%) | Materiality Threshold (\$) |
|-------------------|---------------------|-----------|---|---------------------------|----------------------------|
| 2014 OEB Approved | \$ 35,586,668       |           |   | 0.5%                      | \$ 177,933                 |
| 2015              | \$ 35,586,668       | 1.15%     | \$ 35,995,915                             | 0.5%                      | \$ 179,980                 |
| 2016              | \$ 35,995,915       | 1.65%     | \$ 36,589,847                             | 0.5%                      | \$ 182,949                 |
| 2017              | \$ 36,589,847       | 1.60%     | \$ 37,175,285                             | 0.5%                      | \$ 185,876                 |
| 2018              | \$ 37,175,285       | 0.90%     | \$ 37,509,862                             | 0.5%                      | \$ 187,549                 |
| 2019              | \$ 37,509,862       | 0.90%     | \$ 37,847,451                             | 0.5%                      | \$ 189,237                 |

- f) Provide a table with the total number of customers/connections from 2014 – 2018 (provide a forecast till the end of December 2018).

### Staff Question #9

Ref: Managers Summary – Z-factor Claim

- a) Indicate the cost categories and dollar amounts that have not been audited in relation to the restoration of power after wind storm.
- b) Indicate when all costs will be audited.

**Staff Question #10**

Ref: Managers Summary – Page 9

- a) Provide a copy of Oakville Hydro's Emergency Operations Plan.
- b) Discuss any deviations from Oakville Hydro's Emergency Operations Plan.
- c) Explain why Oakville Hydro did not engage the Canadian Electricity Association, GridSmart City and Veridian under the mutual aid agreement for assistance in the wind storm.
- d) Clarify whether Oakville Hydro paid any premium amounts to its third-party contractors.
- e) Provide a separate schedule (breakdown) of each Third Party Contractor invoice based on labour, materials, accommodations, meals, truck, other (provide explanation).
- f) Quantify the costs that would have been avoided from third party contractors had the support available under the mutual aid agreement been requested.

**Staff Question #11**

Ref: Managers Summary – Page 9

- a) Provide Oakville Hydro's annual Emergency Maintenance/adverse weather Capital and OM&A expense amounts (budgeted and included in rates, compared to actual expenditures), for the period 2014 and to-date.

**Staff Question #12**

Ref: Managers Summary – Page 9 – Incremental Labour Costs

Oakville Hydro states that it is applying for recovery of incremental labour costs.

- a) Provide a breakdown of all Oakville Hydro's internal labour costs applicable for the affected period using the following format.

| Department                                | Number of Eligible Employees | Regular Hours Worked | Total Regular Time Payments | Overtime Hours Worked | Total Overtime Payments |
|---|------------------------------|----------------------|-----------------------------|-----------------------|-------------------------|
| Management                                |                              |                      |                             |                       |                         |
| Other Non-Union Employees                 |                              |                      |                             |                       |                         |
| Subtotal Non-Union                        |                              |                      |                             |                       |                         |
| Union Employees:                          |                              |                      |                             |                       |                         |
| Operations                                |                              |                      |                             |                       |                         |
| Other                                     |                              |                      |                             |                       |                         |
| Subtotal Union                            |                              |                      |                             |                       |                         |
| Total Internal Labour for Affected Period |                              |                      |                             |                       |                         |
| Total Z-factor Labour Costs               |                              |                      |                             |                       |                         |

- b) Provide Oakville Hydro's policy with respect to overtime for its non-union employees and management.

**Staff Question #13****Ref: Managers Summary – Page 10**

Oakville Hydro indicates it assisted neighboring communities once power was restored to its customers.

- a) Discuss if Oakville Hydro charged a premium to assist other LDCs.

**Staff Question #14****Ref: Managers Summary – Page 8 and 10**

Oakville Hydro indicates that it has an “Alliance Agreement” with a large power line contracting firm that provided the additional support necessary to restore power quickly and safely to residents and businesses within Oakville Hydro’s service area. Oakville Hydro noted that the agreement allows for *Right of First Refusal* for storm and emergency assistance to Oakville Hydro.

- a) File the Alliance Agreement.
- b) Elaborate on the *Right of First Refusal* clause.

**Staff Question #15****Ref: Application, page 6,  
Tab 1 LRAMVA Summary**

In the application, Oakville Hydro states that it is requesting disposition of lost revenues associated with 2015. Oakville Hydro further explains that it is not requesting disposition of 2016 lost revenues as the amounts are subject to change in the 2017 final results report.

In Tab 1 of the LRAMVA workform, it appears from Table 1-b that an LRAMVA total of \$971,935 is calculated based on new lost revenues in 2013 and 2017, which is inclusive of carrying charges amounts on the 2013-2017 principal amount.

- a) Please confirm the years requested for disposition in the LRAMVA claim. Are you requesting to dispose of 2013 to 2015 lost revenue in the 2019 IRM application?
- b) If yes to a), please manually remove the lost revenue amounts related to the years that are not part of this LRAMVA disposition.

**Staff Question #16****Ref: Tab 2 LRAMVA Threshold  
2014 Settlement Agreement, Table 21, p. 38 of 51**

In Tab 2 of the LRAMVA workform, it appears that Oakville Hydro is using the 2014 LRAMVA threshold of 9,756,000 kWh from Table 22 of the 2014 Settlement Agreement as the basis of forecast savings to compare against actuals for the calculation of the LRAMVA.

- a) Please clarify what CDM adjustment amount was included in the 2014 load forecast, and what was the approved LRAMVA threshold equivalent?

- b) Please discuss appropriateness of using the incremental kWh CDM savings for 2014 as opposed to the cumulative total 2011 to 2014 forecast CDM savings (which is inclusive of prior year's savings persistence).

**Staff Question #17**

**Ref: Tab 6. Carrying Charges**

Oakville Hydro has not included interest amounts until the end of the year. The pre-filed evidence has included carrying charges up to the end of September 2018.

- a) Please update Table 6 with the interest rate for Q4 2018 based on the OEB's most recently approved prescribed interest rate for deferral and variance accounts.

**Staff Question #18**

- a) If Oakville Hydro made any changes to the LRAMVA work form as a result of its responses to interrogatories, please file an updated LRAMVA work form. Please confirm any changes to the LRAMVA workform in "Table A-2. Updates to LRAMVA Disposition (Tab 2)".