

DEFERRAL AND VARIANCE ACCOUNTS

9-Staff-46

Ref: Exh 9 page 15, Extraordinary Event Costs
Ref: Decision EB-2014-0211 issued December 12, 2014

HHHI submitted a Z-factor application for recovery of cost related to the 2013 ice storm. The decision stated, “The Board has also considered the collection period over which the rate riders will be charged. Given the timing of this Decision and to allow sufficient time for the draft rate order process, the Board finds it appropriate to establish January 1, 2015 as the start date for the fixed rate riders. As a result, the Board directs Halton Hills Hydro to **recalculate the final balance to accrue interest until December 31, 2014** and calculate the rate riders based on a 22-month recovery period, to coincide with the October 31, 2016 end date proposed by Halton Hills Hydro.” The OEB approved rate riders to collect \$1,561,371.

In the current application, HHHI seeks additional recovery of \$18,637. HHHI states that it received additional invoices for legal and intervenor fees late in 2014. In addition, HHHI states that, “Additionally, the original application forecasted carrying charges up to October 31, 2014. However, the approval for disposition did not occur until January 2015 and as such, residual carrying charges in the amount of \$4,791 remained in USofA 1572 as at December 31, 2014.”

- a) Please confirm whether HHHI complied with the OEB direction in the EB-2014-0211 decision to recalculate interest on the balance until December 31, 2014 and to calculate rate riders.
- b) Please explain how the current request is consistent with the OEB’s direction in the EB-2014-0211 regarding recalculation of “the final balances”.

Response:

- a) HHHI has complied with the OEB direction in EB-2014-0211 to recalculate the interest on the balance until December 31, 2014 and the rate riders reflect the calculation. However, through the interrogatory process, HHHI determined that the additional carry charges calculated from November 1, 2014 to December 31, 2014 in the amount of \$3,778.46 were not transferred to the Deferral and Variance account 1595 sub-account. HHHI has transferred the additional carrying charges and corrected the residual balance requested in USofA 1572, including carrying charges to April 30, 2016. The revised proposed residual rate riders are shown in Table IRR - 81.

Table IRR - 81 : Revised Residual Z-Factor Rate Rider

Customer Class	2012 Cost of Service Base Revenue Requirement Approved	2012 Cost of Service Revenue Requirement % Approved	Proposed Z Factor Amount for Recovery per Customer Class	Customer Count @ June 30 2014	Proposed Recovery Amount per Customer	Proposed Recovery Amount per Month based on 6 Months Recovery Period
Residential	\$ 5,280,540	61.25%	\$ 9,101	19,547	\$ 0.47	\$ 0.08
General Service less than 50 kW	\$ 991,335	11.50%	\$ 1,708	1,680	\$ 1.02	\$ 0.17
General Service 50 kW to 999 kW	\$ 1,193,153	13.84%	\$ 2,056	192	\$ 10.71	\$ 1.79
General Service 1,000 kW to 4,999 kW	\$ 772,817	8.96%	\$ 1,332	13	\$ 102.46	\$ 17.08
Sentinel Lighting	\$ 25,175	0.29%	\$ 43	166	\$ 0.26	\$ 0.04
Street Lighting	\$ 341,198	3.96%	\$ 588	4,477	\$ 0.13	\$ 0.02
Un-metered Scattered Load	\$ 17,268	0.20%	\$ 30	148	\$ 0.20	\$ 0.03
TOTAL	\$ 8,621,486	100%	\$ 14,859	26,223		

- b) The Board request to recalculate the final balance was in relation to the addition of the November 1, 2014 to December 31, 2014 carrying charges and the revised 22 month (instead of 24 month) recovery period. HHHI completed this recalculation as per Board instructions. Additional legal and intervenor costs related directly to the ice-storm cost recovery were not available at the time.

The amounts incurred were related to the Z-Factor event for which the Board allowed final recovery of these prudently incurred costs. The additional legal and intervenor costs should be fully recoverable on the same basis.

9-Staff-47

Ref: Exh 2 pages 20 and 23

Ref: Exh 9 page 4

HHHI has calculated a balance of zero for Account 1575 as of the changeover date of January 1, 2015. OEB staff notes that HHHI had a credit of approximately \$6.7 Million in Account 1995 – Customer Contributions as of the changeover date. According to APH Article 510, under IFRS, customer contributions received subsequent to the transition date are recognized as deferred revenue. Customer contributions recognized prior to the transition date are not reclassified to deferred revenue as a result of electing the optional exemptions.(Emphasis added)

- a) Please confirm that HHHI has reviewed Article 510 in determining that account 1575 should have a zero balance as of the changeover date of January 1, 2015.
- b) If confirmed, please explain why there is a zero balance. If the balance is to be revised, please provide the calculation. While OEB staff has not identified any other impacts that should be captured in account 1575, for customer contributions, there may need to be an amount for the difference between HHHI's revised CGAAP based amount for customer contributions as of the changeover date, and the MIFRS based amount for customer contributions as of the same date.

Response:

- a) HHHI does not confirm that account 1575 should have a zero balance as of January 1, 2015. Please refer to Exhibit 2, Tab 1, page 2 and Exhibit 9, Tab 2 page 16 of the application for more information.
- b) As indicated in part (a) above, HHHI does not have a zero balance.

9-Staff-48

Ref: Exh 9 page 7

- a) HHHI has indicated that it does not perform regular true-ups of the 1st estimate to actual Global Adjustment rates (GA). Had HHHI trued up the balance proposed for disposition in this application, would the proposed allocations to the RPP and non-RPP change for the commodity accounts?
- b) Does HHHI true up the estimated split of RPP to non-RPP when settling power and GA charges with the IESO?

Response:

- a) HHHI has not trued up the balance proposed for disposition in this application between the 1st estimate and the actual Global Adjustment rates. The proposed allocations to the RPP and non-RPP would not change for the commodity accounts.
- b) HHHI does true up the estimated split of RPP to non-RPP when settling power and GA charges with the IESO.

9-Staff-49

Ref: Exh 9 page 13, IFRS Transition Costs

HHHI made changes to its capitalization and depreciation policies in 2012, and adopted IFRS in January 2015. HHHI has proposed disposition of \$732,684 for IFRS transition costs. This amount includes projected costs of \$15,000 for 2015 Bridge year.

- a) Why does HHHI believe that there would be further IFRS transition costs since it has been working on transition since 2010?
- b) Has HHHI received an invoice from the vendor for these costs yet?
- c) Please explain what these costs relate to, and if they are incremental costs.

Response:

- a) HHHI agrees that it has been working towards full IFRS transition since 2010. However, with the final step of producing IFRS financial statements for 2015, additional 2015 costs will be incurred. HHHI has projected the \$15,000 in 2015 for consultant work related to financial statements and the following additional issues:
 - RSVA adjustments
 - PP&E disposals
 - Capitalization of interest
- b) HHHI has incurred costs of approximately \$10,000 for which invoices have not been received yet.
- c) These costs are incremental. For details, please see part (a) above.

9-Staff-50

Ref: Exh 9 page 19

Ref: EDDVAR Tab 'Allocation of Balances'

- a) OEB staff notes that HHHI has calculated a separate rate rider for Account 1568. Since the amount for disposition is relatively small, there is no rate rider calculated for some of the rate classes. The disposition of this account can be combined with the Group 1 rate rider calculation as these accounts are allocated to the rate classes in the same manner. Please provide an alternative calculation for Group 1 Rate Riders excluding GA.
- b) HHHI has requested OEB's approval to establish several sub-accounts of Account 1595. OEB staff notes that the descriptions of the various Sub-accounts does not accurately reflect the various rate riders they would be tracking. Please provide Sub-account descriptions that accurately reflect the underlying rate riders.

Response:

- a) HHHI has provided revised calculations for all proposed Rate Riders based on revised Load Forecast Data and shown as Tables IRR - 82 to IRR - 85. Group 1 Rate Riders (excluding GA) and the LRAMVA claim amount (USofA 1568) have been combined as requested and shown in Table IRR - 82. A revised EDDVARR model has been filed through RESS.

Table IRR - 82 : Revised Proposed Group 1 and USofA 1568 DVA Rate Rider by Class (excluding 1580, 1588 and 1589)

Rate Class	Units	kW / kWh	Allocated Balance	Rate Rider for Deferral/Variance Accounts
Residential	kWh	193,851,901	\$ (95,455)	\$ (0.0002)
General Service less than 50 kW	kWh	47,621,962	\$ (30,327)	\$ (0.0003)
General Service 50 to 999 kW	kW	391,807	\$ (67,717)	\$ (0.0864)
General Service 1,000 to 4,999 kW	kW	315,299	\$ (45,855)	\$ (0.0727)
Un-metered Scattered Load	kWh	932,138	\$ (383)	\$ (0.0002)
Sentinel Lighting	kW	633	\$ (191)	\$ (0.1509)
Street Lighting	kW	4,090	\$ (603)	\$ (0.0737)
Total			\$ (240,532)	

Table IRR - 83 : Revised Proposed USoA 1580 and 1588 DVA Rate Rider by Class - NON-WMP

Rate Class	Units	kW / kWh	Allocated Balance	Rate Rider for Deferral/Variance Accounts
Residential	kWh	193,851,901	\$ (132,759)	\$ (0.0003)
General Service less than 50 kW	kWh	47,621,962	\$ (32,614)	\$ (0.0003)
General Service 50 to 999 kW	kW	382,824	\$ (98,162)	\$ (0.1282)
General Service 1,000 to 4,999 kW	kW	315,299	\$ (80,034)	\$ (0.1269)
Un-metered Scattered Load	kWh	932,138	\$ (638)	\$ (0.0003)
Sentinel Lighting	kW	633	\$ (318)	\$ (0.2515)
Street Lighting	kW	4,090	\$ (1,005)	\$ (0.1228)
Total			\$ (345,530)	

Table IRR - 84 : Revised Proposed USoA 1589 DVA Rate Rider by Class - NON-WMP

Rate Class	Units	kW / kWh	Allocated Balance	Rate Rider for Deferral/Variance Accounts
Residential	kWh	7,807,284	\$ 19,816	\$ 0.0013
General Service less than 50 kW	kWh	8,645,659	\$ 21,944	\$ 0.0013
General Service 50 to 999 kW	kW	325,993	\$ 309,391	\$ 0.4745
General Service 1,000 to 4,999 kW	kW	328,644	\$ 309,175	\$ 0.4704
Un-metered Scattered Load	kWh	-	\$ -	\$ -
Sentinel Lighting	kW	1	\$ 1	\$ 0.5901
Street Lighting	kW	4,090	\$ 3,723	\$ 0.4552
Total			\$ 664,051	

Table IRR - 85 : Revised Proposed Group 2 DVA Rate Rider by Class

Rate Class	Units	Number of Customers / kW / kWh	Allocated Balance	Rate Rider for Deferral/Variance Accounts
Residential	Monthly	19,955	\$ 279,253	\$ 0.58
General Service less than 50 kW	kWh	47,621,962	\$ 68,602	\$ 0.0007
General Service 50 to 999 kW	kW	391,807	\$ 212,911	\$ 0.2717
General Service 1,000 to 4,999 kW	kW	315,299	\$ 168,348	\$ 0.2670
Un-metered Scattered Load	kWh	932,138	\$ 1,343	\$ 0.0007
Sentinel Lighting	kW	633	\$ 670	\$ 0.5289
Street Lighting	kW	4,090	\$ 2,113	\$ 0.2583
Total			\$ 733,239	

- b) HHHI would like to request the following sub-accounts for Account 1595 based on revised descriptions:
- 1595 Disposition and Recovery/Refund of Regulatory Balances, Sub-account Principal Balances Approved in (2016)
 - 1595 Disposition and Recovery/Refund of Regulatory Balances, Sub-account Carrying Charges Approved in (2016)
 - 1595 Disposition and Recovery/Refund of Regulatory Balances, Sub-account Carrying Charges for Net Principal Approved in (2016)
 - 1595 Disposition and Recovery/Refund of Regulatory Balances, Sub-account Recoveries on amounts Approved in (2016)

9-Energy Probe-43

Ref: Exhibit 9, Tab 2, Schedule 2, page 11

Has HHHI received the final verified 2014 results from the IESO as of the current time? If yes, please update the LRAM calculation to reflect these results.

Response:

Please see 4.0-VECC-27 part (a).

9-Energy Probe-44

**Ref: Exhibit 9, Tab 2, Schedule 2, page 10 &
 Exhibit 9, Tab 2, Schedule 3, page 15**

- a) What are the rate riders (by rate class) and the term of these rate riders approved by the Board in EB-2014-0211 for the Z-factor disposition amounts?
- b) Is HHHI requesting the Board approve recovery of the \$1,561,372 shown in Table 9-4 in this application or just the \$18,637 noted on page 15?
- c) In the EB-2014-0211 Decision the Board stated:
"The Board appreciates the concerns of Energy Probe regarding the customer growth expected by Halton Hills Hydro and approves a true-up mechanism for future disposition by the Board. The Board will not approve a true-up by rate class as proposed by Energy Probe. As a result, the Board directs Halton Hills Hydro to transfer the final balance from Account 1572 "Extraordinary Event Costs" to separate sub-accounts of Account 1595 applicable to principal and interest carrying charges. The use of Account 1595 "Disposition and Recovery of Regulatory Balances Control Account" will allow the difference between the approved claim and the amount collected from the fixed rate riders to be tracked."

Please confirm that HHHI has followed this direction and please provide a forecasted balance at the end of the rate rider disposition period based on actual recoveries in 2015 to date, along with the forecast for the remaining period of the rate rider based on the current forecast of customers and volumes included in this application.

Response:

- a) The rate riders approved by the Board in EB-2014-0211 for the Z-Factor disposition amounts are shown in Table IRR - 86 below. The recovery period is from January 1, 2015 to October 30, 2016.

Table IRR - 86 : Z-Factor Rate Riders (EB-2014-0211)

Customer Class	Rate per month
Residential	\$ 2.23
General Service less than 50 kW	\$ 4.87
General Service 50 kW to 999 kW	\$ 51.28
General Service 1,000 kW to 4,999 kW	\$ 490.55
Sentinel Lighting	\$ 1.25
Street Lighting	\$ 0.63
Un-metered Scattered Load	\$ 0.96

- b) HHHI has revised the requested recovery as a result of 9-Staff-46. Please refer to 9-Staff-46 for the revised amount.
- c) HHHI confirms it has followed the direction of the Board. Below, HHHI has provide the requested forecasted balance at the end of the rate rider disposition period based on actual recoveries in 2015 to

date, along with the forecast for the remaining period of the rate rider based on the current forecast of customers. The calculations are shown below in Table IRR - 87.

Table IRR - 87 : Current and Forecasted Rate Rider Recoveries

Customer Class	Z Factor Amount for Recovery per Customer Class	Proposed Z-Factor Amount for Recovery per Customer Class	Total Proposed Recovery	Recoveries to December 15, 2015	Forecasted 2016 Customer Numbers	Original Rate Rider	Forecasted additional recoveries based on original rate rider	Revised Residual Rate Rider Requested	Forecasted additional recoveries based residual rate rider	Forecasted Z-Factor Rate Rider Recovery
Residential	\$ 958,633	\$ 9,101	\$ 967,734	\$ 449,948	19,955	\$ 2.23	\$ 467,246	\$ 0.08	\$ 16,762	\$ 933,957
General Service less than 50 kW	\$ 179,968	\$ 1,708	\$ 181,676	\$ 89,626	1,696	\$ 4.87	\$ 86,725	\$ 0.17	\$ 3,027	\$ 179,378
General Service 50 kW to 999 kW	\$ 216,606	\$ 2,056	\$ 218,662	\$ 121,628	232	\$ 51.28	\$ 124,918	\$ 1.79	\$ 4,360	\$ 250,906
General Service 1,000 kW to 4,999 kW	\$ 140,298	\$ 1,332	\$ 141,630	\$ 68,056	14	\$ 490.55	\$ 72,111	\$ 17.08	\$ 2,511	\$ 142,677
Sentinel Lighting	\$ 4,570	\$ 43	\$ 4,613	\$ 2,293	176	\$ 1.25	\$ 2,310	\$ 0.04	\$ 74	\$ 4,677
Street Lighting	\$ 61,941	\$ 588	\$ 62,529	\$ 31,424	4,538	\$ 0.63	\$ 30,019	\$ 0.02	\$ 953	\$ 62,396
Un-metered Scattered Load	\$ 3,135	\$ 30	\$ 3,165	\$ 1,438	150	\$ 0.96	\$ 1,512	\$ 0.03	\$ 47	\$ 2,998
TOTAL	\$ 1,565,150	\$ 14,859	\$ 1,580,009	\$ 764,413	26,761		\$ 784,841		\$ 27,735	\$ 1,576,989

9-Energy Probe-45

Ref: Exhibit 9, Tab 2, Schedule 3, pages 12-13

- a) What costs has HHHI actually incurred in 2015 for the transition to IFRS?
- b) Please explain why the system upgrade costs of \$424,403 have been expensed rather than capitalized. Please provide a detailed explanation of what these costs are for and how they have been calculated.
- c) Please confirm that none of these costs for system upgrades were included in the 2012 Board approved rate base in the last cost of service rebasing application. If this cannot be confirmed, please explain.

Response:

- a) Please refer to 9-Staff-49.
- b) The system upgrade costs were not expensed but were transferred to the Deferral and Variance Account -1508 Other Regulatory Assets –Sub Account, Deferral IFRS Transition Costs as they were for asset management program to allow for the componentization of assets. These costs are HHH labour and contractor costs for field work to create the asset management program.
- c) Confirmed.

9-Energy Probe-46

Ref: Exhibit 9, Tab 2, Schedule 3, pages 15-16

- a) Please explain why HHHI has asked for additional costs associated with the ice storm through account 1572, when the Board has already approved a rate rider in EB-2014-0211.
- b) Please explain why HHHI is proposing recovery of an amount of \$18,637 when this amount is less than the materiality threshold of \$65,000.
- c) Please confirm that the Board directed HHHI to recalculate the final balance to accrue interest until December 31, 2014 in the EB-2014-0211 Decision.
- d) Did HHHI follow the Board's direction as noted above? If yes, please explain why HHHI is now requesting residual carrying charges of \$4,791.
- e) Is HHHI aware of the Board approving the legal and intervenor costs associated with other Z factor applications through account 1572? If yes, please provide the details and references.

Response:

- a) Please refer to 9-Staff-46 part (b).
- b) Please refer to 9-Staff-46 part (b).
- c) Please refer to 9-Staff-46 part (a).
- d) Please refer to 9-Staff-46 part (a).
- e) HHHI is not aware of the Board approving the legal and intervenor costs associated with other Z-factor applications through account 1572.

9-Energy Probe-47

Ref: Exhibit 9, Tables 9-3, 9-11 and 9-13

Table 9-3 includes balances associated with account 1595, whereas Table 9-11 does not. Table 9-13 balances to Table 9-11, but says it includes balances in account 1595, but does not. Please reconcile and explain why the balances in account 1595 have not been included in the rate rider calculation in Table 9-13.

Response:

Table 9-3 represents the entire Deferral and Variance Accounts and their audited balances at December 31, 2014. Tables 9-11 and 9-13 only represent those accounts for which HHHI is requesting disposition. The amount for account 1595 sub-account (2014) is not included in Tables 9-11 and 9-13 as the rate rider associated with this sub-account was still being charged until April 30, 2015 and as such, was not ready for disposition approval.

9-Energy Probe-48

**Ref: Exhibit 9, Tab 3, Schedule 2, page 26 &
Exhibit 9, Tab 3, Schedule 3**

- a) On page 26 the evidence states that the LRAMVA is disposed of through rate riders based on kW or kWh. However, Table 9-17 shows the residential rate rider based on units of "monthly". Please reconcile.
- b) Please explain why HHHI is proposing a 2 year disposition period for the LRAMVA when that results in no benefit to residential customers.

Response:

- a) The EDDVAR model assigned the rate riders with only the Residential customer class being assigned a monthly rate rider and all other rate classes assigned a volumetric charge. However, as per 9-Staff-50, HHHI has combined the LRAMVA amount with the Group 1 accounts and all rate riders will be volumetric.
- b) HHHI requested a 2 year disposition period for the LRAMVA balance to maintain consistency among all the rate riders included in the application.

9-VECC-34

Reference: E9/T2/S3/pg.13

- a) Please provide a description of the \$424,403 in IT costs for IFRS transition. Please provide any documentation from the vendor which indicates that these charges are related to IFRS transition.

Response:

- a) Please refer to 9-Energy Probe-45 part (b).

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