

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5240
Cell: (416) 903-5240
Oded.Hubert@HydroOne.com

Oded Hubert

Vice President
Regulatory Affairs



BY COURIER

December 02, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON, M4P 1E4

Dear Ms. Walli:

EB-2016-0082 Hydro One Networks Inc.

**Distribution Rate Application – Former Service Areas of Woodstock Hydro Services Inc,
Norfolk Power Distribution Inc, Haldimand County Hydro Inc.**

Hydro One Networks Inc. (“**Hydro One**”) submitted a Distribution Rate Application on October 18, 2016 for each of the former service territories of Woodstock Hydro Services Inc, Norfolk Power Distribution Inc, and Haldimand County Hydro Inc. Subsequently, on November 25th 2016 Hydro One submitted updated excel models and Board Staff contacted Hydro One on November 28, 2016 seeking additional clarification. With this letter Hydro One is submitting responses to these questions along with three updated excel file attachments.

If further clarification or additional information is needed please feel free to contact us at Regulatory@HydroOne.com at any time.

Sincerely,

ORIGINAL SIGNED BY ODED HUBERT

Oded Hubert

Hydro One Networks Inc.

**Former Service Areas of Woodstock Hydro Services Inc., Norfolk Power, Haldimand
County Hydro Inc.**

Application Analysis (EB-2016-0082) – Follow-up, v2

On November 25th 2016, Hydro One Networks Inc. (“Hydro One”) provided updated continuity schedules for the former service areas of Haldimand County Hydro, Woodstock Hydro and Norfolk Power in accordance with the directions in Tab 3 of the Rate Generator Model as requested by OEB staff.

In an email dated November 28th 2016, OEB staff noted the following with respect to the updated schedules, and Hydro One’s responses are summarized below:

Haldimand County Hydro

Question 1

The 2013 OEB-approved amounts for disposition of the Group 1 Deferral and Variance Accounts (both principal and interest) have not been entered. These amounts were approved in EB-2012-0129.

The 2014 OEB-approved amounts for disposition of the Group 1 Deferral and Variance Accounts (both principal and interest) have not been entered. These amounts were approved in EB-2013-0134.

The continuity schedules do not include amounts for any transactions and group all balances under the adjustment columns. OEB staff notes that amounts approved for disposition should be reported in the appropriate columns and all account activity should be reported in the appropriate transaction columns.

Please update the continuity schedules to include these amounts as well as to populate the schedules to include the transactions related to all accounts.

Response

Two models have been completed to include all account activity in the appropriate transaction / adjustment column and any amounts approved for disposition in each of the respective years. In addition to the requested update, the models were corrected to include projected interest in 2016 for the December 31, 2015 principal balances of account 1595.

These models are attached with this response as follows:

1. Attachment 1_IRM_Haldimand_Excludes Embedded Dist_20161202
2. Attachment 2_IRM_Haldimand_Embedded Dist.Only_20161202

Question 2

In response to Question 2 of OEB staff's follow-up questions, Hydro One indicated that it discussed the balance of Account 1588 with former Haldimand County Hydro staff who were responsible for the accounting and reporting of these accounts prior to integration with Hydro One in 2016 and believes the amounts are appropriate.

OEB staff notes that the balance as at December 31, 2014 was a credit of \$245,839. As of December 31, 2015, the balance increased substantially to a credit of almost \$1.7 million. Please provide a quantitative analysis of this account including why the account balance increased significantly from 2014 to 2015 as well.

Response

In March 2014 Haldimand implemented an accounting change for the coding of the Global Adjustment ("GA") charge on the IESO invoice as per Article 490 of the OEB's Accounting Procedures Handbook. This accounting guidance was reviewed with LDCs by way of an OEB Webinar on February 26, 2014. Effective in 2014, Haldimand coded the GA charged on the IESO invoice for the RPP customer consumption to Power Charged and the non-RPP customer consumption to GA Charged. This RPP portion would offset the calculated GA on the monthly IESO Settlement filing on account of the RPP customer consumption.

Haldimand completed an accrual entry at each year-end to account for the GA to be charged on the unbilled portion of the RPP customer consumption which was to be coded to the Power Charged GL due to the accounting change implemented in 2014. In error this was posted to the GA Charged GL account at December 31, 2014. This error was discovered in June 2015 well after the 2014 audited financial statements were completed and the 2014 Trial Balance was filed as part of the OEB's RRR Annual filing due April 30, 2015. The incorrect GL coding did not affect the 2015 ending balances of the variance accounts as it was reversed as the 2014 unbilled revenue was subsequently billed in 2015. The following table shows the principal balances that should have been reported as at December 31, 2014.

Regulatory Asset Account	Incorrect Principal Balance as at December 31, 2014 (as reported in the April 30, 2015 RRR Submission)	Correct Principal Balance as at December 31, 2014
RSVA – Power	\$(245,839)	\$(1,622,073)
RSVA – Global Adjustment	\$(432,977)	\$ 943,257
Total	\$(678,816)	\$ (678,816)

The actual principal balance for RSVA-Power as at December 31, 2014, a credit balance of \$1,622,073, should be compared to the balance as at December 31, 2013, a credit balance of \$277,240.

The substantial increase in the credit balance from 2013 to 2014 can be attributed to Haldimand's change in accounting for the GA charged on the IESO invoice for the RPP customer consumption and the year-end accrual entry that is completed on account of unbilled for this RPP customer consumption. The January 2015 second estimate GA rate of \$61.61 / MWh is used to calculate the dollars associated with the 2014 unbilled RPP customer consumption (22,337,841 kWh x \$0.06161 = \$1,376,234 credit to Power) that is billed in January and February 2015. The February second estimate GA rate is unknown at time of entry so the January rate is used as an estimate. The entry is reversed in January and February 2015 respectively as each portion of the unbilled revenue is billed and claimed on the actual IESO settlement.

Woodstock

Question 3

The 2014 OEB-approved amount for the disposition of Account 1595 (2011) has not been entered for both principal and interest. Staff notes that the principle amount should be -\$18,667 and interest is \$34,873. This amount was approved in EB-2013-0182.

Please update the continuity schedule as required.

Response

The following continuity schedule has been updated as requested. In addition to the requested update, the model was corrected to include projected interest in 2016 for the December 31, 2015

Filed: 2016-12-02
EB-2016-0082
Application Analysis- Follow-Up
Page 4 of 4

principal balances of account 1595. The total claim per kWh calculated in the IRM model remains at \$0.0002, which is below the Board's pre-set disposition threshold.

It accompanies this response as: Attachment 3_IRM_Woodstock_20161202