**Hydro 2000 Inc. (Hydro 2000 Inc.) EB-2018-0039**

**Responses to OEB Staff Follow-up Questions**

**March 18, 2019**

**Follow-up Question-1**

**Ref: Staff Question 5 and Hydro 2000’s Response**

Please review OEB Staff Question 5 dated February 8, 2019. Please note this question was not asking Hydro 2000 to remove the starting year of 2012 in the DVA continuity schedule. The question notes that Accounts 1595 (2009), 1595 (2010) and 1595 (2011) have already been removed from this year’s continuity schedule. Therefore, it’s not necessary or appropriate to enter any balances in these three sub-accounts into any cells in tab 3 continuity schedule. Also, the balances in sub-account 1595 (2012) should only be entered in row 31. Please make necessary corrections to the continuity schedule.

Hydro 2000: The amounts on line 31 now represents the balances for 2012 only.

**Follow-up Question-2**

**Ref: Staff Question 6 (1) & (2) and Hydro 2000’s Responses**

1. In response to Staff Question 6 (1), Hydro 2000 noted the adjustments were in relation to stranded meters and smart meters rate riders. Please provide details and calculations to illustrate how the values of these adjustments were determined.

Hydro 2000: We were accumulating the amounts collected in accounts 1995. In 2015, we realized that there were no debits in those 1595 because the amount approved to be recovered was determine by a formula. Amounts collected after this date were coded directly in revenues. Amounts collected until then were transferred to revenues. At the date of the transfer, the amounts collected were:

Smart meters $22,539

Stranded meters $10,769

Total $33,308

1. In response to Staff Question 6 (2), Hydro 2000 noted that there was a balance of $1,184 approved by OEB. Was this balance of $1,184 approved by the OEB for disposition in the Decision and Rate Order for 2016 rates? Was this a balance in account 1595 (2015) as entered in the continuity schedule? Please provide evidenced with the answers.

Hydro 2000: This amount was related to a year before 2012 which has been removed. By removing the amounts from older years, the variance was resolved.

**Follow-up Question-3**

**Ref: Staff Question 7**

In response to Staff Question 7, Hydro 2000 noted that the Group 1 balance sought is large and any option other than 4-year disposition period would result in bill impacts over 10%. Please use the Rate Generator Model to calculate bill impacts with 1-year disposition period and 3-year disposition period. For each scenario, please provide a summary table of the bill impacts by rate class.

Hydro 2000: Please see table below for the requested hypothetical scenarios.

1 Year

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Units | Sub-Total |  |  |  |  |  | Total |  |
|  |  | A |  | B |  | C |  | Total Bill |  |
|  |  | $ | % | $ | % | $ | % | $ | % |
| RESIDENTIAL | kWh | $1.65 | 5.69% | $12.37 | 32.30% | $13.26 | 28.15% | $13.75 | 11.68% |
| GS<50 | kWh | $0.50 | 1.19% | $29.10 | 44.29% | $31.25 | 35.65% | $32.36 | 11.82% |
| GS 50 TO 4,999 KW S Non-RPP (Other) | kW | $6.36 | 1.35% | $1,674.11 | 168.99% | $1,778.02 | 85.11% | $2,001.12 | 28.78% |
| STREET LIGHTING SERVICE CLASSIFICATION - RPP | kW | $45.27 | 1.39% | $2,052.21 | 53.35% | $2,167.57 | 42.79% | $2,412.33 | 11.14% |
| USL SERVICE CLASSIFICATION - Non-RPP (Other) | kWh | $1.06 | 1.36% | $6.22 | 7.53% | $6.61 | 7.63% | $7.38 | 5.10% |
| RESIDENTIAL - RPP | kWh | $3.20 | 13.32% | $6.25 | 23.05% | $6.50 | 21.96% | $6.78 | 13.37% |
| RESIDENTIAL - Non-RPP (Retailer) | kWh | $1.65 | 5.69% | $12.30 | 30.80% | $13.18 | 27.06% | $14.71 | 9.67% |
| RESIDENTIAL - Non-RPP (Retailer) | kWh | $3.20 | 13.32% | $6.23 | 22.59% | $6.48 | 21.55% | $7.27 | 11.81% |

3 Year

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Units | Sub-Total |  |  |  |  |  | Total |  |
|  |  | A |  | B |  | C |  | Total Bill |  |
|  |  | $ | % | $ | % | $ | % | $ | % |
| RESIDENTIAL | kWh | $1.65 | 5.69% | $5.25 | 13.70% | $6.13 | 13.02% | $6.27 | 5.32% |
| GS<50 | kWh | $0.50 | 1.19% | $10.10 | 15.37% | $12.25 | 13.98% | $12.41 | 4.53% |
| GS 50 TO 4,999 KW S Non-RPP (Other) | kW | $6.36 | 1.35% | $560.06 | 56.53% | $663.97 | 31.78% | $742.24 | 10.67% |
| STREET LIGHTING SERVICE CLASSIFICATION - RPP | kW | $45.27 | 1.39% | $714.24 | 18.57% | $829.60 | 16.38% | $900.42 | 4.16% |
| USL SERVICE CLASSIFICATION - Non-RPP (Other) | kWh | $1.06 | 1.36% | $2.79 | 3.38% | $3.18 | 3.67% | $3.50 | 2.42% |
| RESIDENTIAL - RPP | kWh | $3.20 | 13.32% | $4.22 | 15.59% | $4.48 | 15.12% | $4.65 | 9.18% |
| RESIDENTIAL - Non-RPP (Retailer) | kWh | $1.65 | 5.69% | $5.17 | 12.95% | $6.06 | 12.43% | $6.66 | 4.38% |
| RESIDENTIAL - Non-RPP (Retailer) | kWh | $3.20 | 13.32% | $4.20 | 15.25% | $4.46 | 14.82% | $4.98 | 8.10% |

**Follow-up Question-4**

**Ref: 1595 Analysis Workform; Staff Question 8 and Hydro 2000’s Responses**

1. In response to Staff Question 8 (1) and (2), Hydro 2000 updated the 1595 Analysis Workform for Account 1595 (2015). In step 1, Hydro 2000 updated the Rate Rider Amounts in column G which resulted in updated Total Residual Balances in column J. The updated total Group 1 residual balance of $835 in Account 1595 (2015) cannot be reconciled with the continuity schedule (2017 year-end balances in Account 1595 (2015)). Please review and update the continuity schedule.

Hydro 2000: Principal approved was $30,036 less amount collected of $27,999 = $2,038 which equals cell BO34 in the continuity schedule. Approved carrying charges of $2,877 less carrying charges since approval of $1,310 = $1,566 which equals cell BS34 in the continuity schedule. $2,038 less $1,566 = $471 which equals cell BT34 in the continuity schedule. You might be looking at a previous version of the 1595 workform. I have different numbers in 4) below also.

1. For 1595 (2015), the table in step 1 indicates the variance in GA is greater than 10%. In this case, the entire residual balance in Group 1 accounts (including balance related to DVA rate rider and balance related to GA rate rider) need to be reconciled, not only the residual amount in GA account. Please check “Group 1 DVA Accounts” in step 2 to populate and complete the DVA reconciliation table.

Hydro 2000: Both categories were reconciled. See a copy attached.

1. In response to Staff Question 8 (3), Hydro 2000 noted that due to the change of general manager, the DVA rate riders were implemented 3 months after May 1st. Please confirm whether or not Hydro 2000 has a new internal control in place to ensure all the OEB-approved rates and rate riders are implemented on time. If not, please explain why not, and how Hydro 2000 plans to avoid the above mentioned mistake in future.

Hydro 2000: The former general manager has been replaced. The new general manager is making sure that the new rates are implemented on time.

1. In response to Staff Question 8 (3), (4) and (5), Hydro 2000 updated the 1595 Analysis Workform for Account 1595 (2016). In step 1, Hydro 2000 updated the Rate Rider Amounts in column G which resulted in updated Total Residual Balances in column J. The updated total Group 1 residual balance of $31,741 in Account 1595 (2016) cannot be reconciled with the continuity schedule (2017 year-end balances in Account 1595 (2016)). Please review and update the continuity schedule.

Hydro 2000: The total residual balance for 2016 is $30,277 which matches the continuity schedule in cell BT35. You might be looking at a previous version of the 1595 workform.

1. In response to Staff Question 8 (4) and (5), Hydro 2000 noted certain amounts have been reclassified between 1595 (2015) and 1595 (2016) and the continuity schedule has been corrected. Based on the review of the current version of the 1595 Analysis Workform and the Continuity Schedule, OEB staff cannot identify the adjustments/corrections mentioned in Hydro 2000’s responses. Please provide better description of the errors that Hydro 2000 identified and how the adjustments/corrections were made in the 1595 Workform and Continuity Schedule. (How the adjustments were calculated? Which cells were updated?)

Hydro 2000: An amount of $5,492.55 as been reclassified from 1595 (2015) (AT34) to 1595 (2016) (AT35). Carrying charges have also been reclassified.

**Follow-up Question-5**

**Ref: Rate Generator Model, Tab 16; Staff Question 10**

OEB staff notes that the question asked in Staff Question 10 was not answered clearly by Hydro 2000.

* Please confirm the number of transition years that the OEB approved in Hydro 2000’s 2016 rate application.
* How many years are currently left for the rate design transition for Hydro 2000? Please provide the reason why this is the correct number of years left.

Hydro 2000: Hydro 2000 confirms that it was approved for a disposition period of 5 years and that 3 years are left for the rate design transition.

***LRAMVA Questions***

**Follow-up Question-6**

**Ref: Staff Question-12 c)**

OEB staff understands that Hydro 2000 has calculated an LRAMVA debit balance of $16,872 as filed with the original application. Hydro 2000 has determined that this is a material amount, but it has chosen not dispose of this balance (or dispose of a potentially smaller amount by reducing the period of the claim) in order to mitigate further rate shock from its proposed disposition of Group 1 DVAs.

By deferring the disposition of the LRAMVA balance until its next COS application, it appears that Hydro 2000 is hoping to minimize rate shock, primarily for the GS 50-4999kW and Street lighting service classes.

1. Please confirm whether our current understanding is accurate. If not, please provide clarification.

Hydro 2000: Hydro 2000 confirms that Staff’s understanding it correct.

1. OEB staff identified some changes to the LRAMVA workform and tracked changes in red. It appears that the LRAMVA balance should be a debit of $20,411 subject to the following corrections below:
   * Correcting the input to 2014 Direct Install Lighting energy and demand savings (tab 4, row 439)
   * Updating projected carrying charges to April 30, 2019 (tab 6, with inputs in Table 6)

Please confirm whether you agree to the identified changes in the LRAMVA workform.

Please confirm whether or not Hydro 2000 agrees that the LRAMVA balance should be a debit of $20,411. If not, please confirm the correct LRAMVA balance.

Hydro 2000: Hydro 2000 has reviewed the changes and agrees with Staff’s revisions and also agrees that the revised balance sought for disposition is in the amount of $20,411.

**Follow-up Question-7**

**Ref: Staff Question-11 a)**

OEB staff compiled the following table to confirm the bill impacts, with and without LRAMVA disposition:

|  |  |  |
| --- | --- | --- |
|  | Bill impact without LRAMVA - Application | Bill impact with LRAMVA – Staff corrected  scenario (12 month disposition) |
| RESIDENTIAL SERVICE CLASSIFICATION – RPP (750 kWh) | 4.5% | 4.7% |
| GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP | 3.6% | 6.4% |
| GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other) | 8.5% | 8.7% |
| STREET LIGHTING SERVICE CLASSIFICATION - RPP | 3.3% | 12.0% |
| UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - Non-RPP (Other) | 2.1% | 2.1% |
| RESIDENTIAL SERVICE CLASSIFICATION – RPP (213 kWh) | 8.7% | 8.8% |
| RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer) | 3.8% | 3.9% |
| RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer) | 7.7% | 7.8% |

1. If LRAMVA were to be disposed of in this application, please confirm whether Hydro 2000 would propose disposition of the LRAMVA balance over a period of 12 months.
   1. If yes, please confirm accuracy of the bill impacts in the table above.

Hydro 2000: With revisions to the Group 1 accounts, the hypothetical bill impacts would be as such.

|  |  |  |
| --- | --- | --- |
|  | Bill impact without LRAMVA - Application | Bill impact with LRAMVA – Staff corrected  scenario (12 month disposition) |
| RESIDENTIAL SERVICE CLASSIFICATION – RPP (750 kWh) | 4.5% | 4.7% |
| GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP | 3.6% | 6.3% |
| GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other) | 8.5% | 8.6% |
| STREET LIGHTING SERVICE CLASSIFICATION - RPP | 3.3% | 11.8% |
| UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - Non-RPP (Other) | 2.1% | 2.1% |
| RESIDENTIAL SERVICE CLASSIFICATION – RPP (213 kWh) | 8.7% | 8.8% |
| RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer) | 3.8% | 3.9% |
| RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer) | 7.7% | 7.7% |

* 1. If Hydro 2000 believes that a longer disposition period is appropriate, please clarify whether Hydro 2000 has considered extending the disposition period to 24 (2 years), 36 months (3 years) or 48 months (4 years). Please confirm the impacts and please specify the period of disposition and show the revised bill impacts in the table above.

Hydro 2000: as explained, Hydro 2000 is not proposing to dispose of its balances in 1568 until it’s Cost of Service as such, it is not entertaining any particular disposition period.

1. Subject to the correction to the demand based billing determinants (as shown in OEB staff’s revisions to the IRM model) and responses to a) above, please confirm whether or not Hydro 2000 maintains its request to defer the disposition of the LRAMVA.
   1. If yes, please explain the specific bill impacts that are mitigated by deferring the LRAMVA disposition until cost of service.

Hydro 2000: see response above.

* 1. Please further explain why the disposition of the LRAMVA cannot be done in this proceeding, as the balance is considered to be significant already and may well accumulate to be a larger balance at COS.
  2. If Hydro 2000 wishes to change its position on deferring the LRAMVA, please confirm the LRAMVA amount requested for disposition and the proposed period of disposition for the LRAMVA.

Hydro 2000: Hydro 2000 maintain its position that given the magnitude of the balance in Group 1 ($294,701) which is sought to be disposed of and its effect on Hydro 2000’s relatively small customer base, its preference is to avoid adding an additional 20K to the disposition and revisit the impact of the disposition in its upcoming Cost of Service.

**Follow-up Question-8**

**Ref: Staff Question-12 b, i and ii)**

For the record, please file the IESO spreadsheets to support the inputs in the LRAMVA workform:

* 2011-2014 persistence report
* 2017 final verified results report

Hydro 2000: The two documents are attached to these responses.