

From: [Manuela Ris-Schofield](#)
To: [Mark Rozic](#)
Cc: [Judy But](#); MichelPoulin@HydroHawkesbury.ca
Subject: Re: Hawkesbury's models
Date: Tuesday, November 12, 2019 4:47:29 PM
Attachments: [2020_GA_Analysis_Workform_Nov_12.xlsb](#)
[Response to 2020 OEBSTAFF EB-2019-0042 Revised Appendix A.pdf](#)
[2020-IRM-Rate-Generator-Model_Nov_12.xlsb](#)

Hi all,

Please find attached HHI's revised Appendix A which also includes HHI's explanation for the 1.4M balance in account 1588/1589 (last page of the PDF). We've also attached both the GA model and IRM model for your review.

If the OEB is satisfied with the reasons for the 1.4M balance in 1588/1589, HHI would like to have its 2019 DVA rates be declared interim so that it can go back to 2017 and recalculate its balance using the new accounting system that came into effect August 31, 2019.

Thanks

Manuela

On Mon, 11 Nov 2019 at 17:27, Mark Rozic <Mark.Rozic@oeb.ca> wrote:

Thanks Manuela,

Yes, the interim disposition would be dependent on receiving an adequate explanation for the 1.4M variance compared to RRR. Does the variance from RRR also mean that there is a variance compared to the audited financial statements as well i.e the disposition amount is 1.4M different compared to what the audit shows?

From: Manuela Ris-Schofield <manuela@tandemenergyservices.ca>

Sent: Monday, November 11, 2019 4:38 PM

To: Mark Rozic <Mark.Rozic@oeb.ca>

Cc: Judy But <Judy.But@oeb.ca>; MichelPoulin@HydroHawkesbury.ca

Subject: Re: Hawkesbury's models

Hi Mark,

Thanks for the alternative. It sounds like something that may work for both the OEB and the utility. Michel and Deloitte would just like to discuss the explanation for the 1.4M variance before they confirm the choice of interim rates.

Unfortunately Deloitte is unavailable for the rest of the day but we are scheduled to talk tomorrow morning. We know time is of the essence so we'll get back to you as quickly as possible.

Thanks again for proposing this alternative.

Manuela

On Mon, 11 Nov 2019 at 15:52, Mark Rozic <Mark.Rozic@oeb.ca> wrote:

Alternatively. We can support the interim disposition of the 2018 group 1 accounting balances

as part of the current proceeding with the evidence on record. So, If HH prefers to seek final disposition of the 2017 and 2018 balances as part of its next IRM, that is possible as well. That will avoid having HH have to rush through this analysis now. Is that something HH will want to consider?

From: Manuela Ris-Schofield <manuela@tandemenergyservices.ca>
Sent: Monday, November 11, 2019 1:55 PM
To: Mark Rozic <Mark.Rozic@oeb.ca>
Cc: Judy But <Judy.But@oeb.ca>; MichelPoulin@HydroHawkesbury.ca
Subject: Re: Hawkesbury's models

Thanks Mark,

As you know, HHI is a small utility and as such, relies on 3rd party services such as Deloitte to help with the accounting of deferral and variances. As mentioned, it will take approximately 4 days for Michel and Deloitte to recalculate the balances using the "August" method.

Judy had mentioned that no extension will be given past tomorrow. Given both these inflexible timelines, can you please advise us on the next steps?

thanks

Manuela

On Mon, 11 Nov 2019 at 13:41, Mark Rozic <Mark.Rozic@oeb.ca> wrote:

Thanks Manuela

It's my understanding that all utilities have been asked to do this, as is indicated in the instructions that you quoted in your original email i.e. ***The OEB expects that distributors will consider the accounting guidance in the context of their historical balances (i.e. pre January 1, 2019 that have not been disposed on a final basis).***

No utility will get final disposition without doing this. If a utility is not able to confirm at this time that they went back to their historical years that were disposed of on an interim basis and applied the new OEB guidance to those years, then they may still get approved for interim disposition of their 2018 DVA balances as part of their current proceeding, but will not get final disposition. Final disposition can only be given once the utility has demonstrated that it has applied the new OEB guidance to all years that have been disposed of on an interim basis.

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From: Manuela Ris-Schofield <manuela@tandemenergyservices.ca>
Sent: Monday, November 11, 2019 1:32 PM
To: Mark Rozic <Mark.Rozic@oeb.ca>
Cc: Judy But <Judy.But@oeb.ca>; MichelPoulin@HydroHawkesbury.ca

Subject: Re: Hawkesbury's models

Hi Mark,

Thank you for clarifying.

There was a misinterpretation of that particular question at out end mainly because of the specific guidance from the letter I quoted in my previous email.

When HHI was asked whether it went back to review previous years, we interpreted it as going back to make sure that the processes in place at the time (option b) was followed and that the balances were accurate. We did not interpret the question as going back to 2017 and 2018 and applying the August guidance retroactively. The misunderstanding is also be compounded by the fact that not all utilities, whose rates were approved on an interim basis in 2019, seemed to have been asked to do this calculation retroactively.

Michel has looked into it and confirms that it will take roughly 4 days to go back to recalculate 2017/2018.

thanks

Manuela

On Mon, 11 Nov 2019 at 12:04, Mark Rozic <Mark.Rozic@oeb.ca> wrote:

Manuela,

On our call last week, I was asking whether HH has gone back to the previous years that were disposed of on an interim basis and applied the new OEB guidance to those years. The gentleman on the call confirmed that this was in fact done. Is this now not the case?

To answer your question, yes, the expectation is that HH go back to all years that have been disposed of on an interim basis and re-perform each settlement to determine if any adjustments are needed. In HH case, I believe it is only 2017 that was disposed of on an interim basis. So as part of their current application, they need to confirm that for both 2017 and 2018 they have gone back and re-performed each monthly settlement using the new OEB accounting guidance. They need to disclose the adjustments, if any, that result. If the adjustments are material, the expectation is that a principal adjustment is recorded in the 2018 continuity schedule (that captures both the 2017 and 2018 adjustments as a result of implementing the new OEB guidance).. If the adjustments that result are not material, they need to still disclose them (by year) in a table that compares them to the materiality threshold that the OEB disclosed in the FAQ's that the OEB provided after the release of the Feb 21, 2019 guidance.

Let me know if the above makes sense. IF you would like to have another call so that I can clarify further, Im open to that as well. Just propose a time that works for you.

Thanks

Mark.

From: Manuela Ris-Schofield <manuela@tandemenergyservices.ca>
Sent: Monday, November 11, 2019 11:45 AM
To: Judy But <Judy.But@oeb.ca>
Cc: MichelPoulin@HydroHawkesbury.ca; Mark Rozic <Mark.Rozic@oeb.ca>
Subject: Re: Hawkesbury's models

Hi Judy,

Before we file the answers to the IRs related to 1588//1589, could you confirm whether or not the OEB expects HHI to go back and apply the August guidelines to 2018 and 2017. Based on the instructions below, utilities are expected to go back to January 2019 at a minimum and earlier if possible. Michel has reviewed the information going back to 2017 under the old guidelines (option b from Appendix A) and also confirms that 2019 is compliant with the new guidelines as of August 2019.

Would you be able to confirm in writing the OEB's expectations with respect to applying the new guidance retroactively to 2017/2018. Doing so may take more time than expected and may cause further delays.

Thanks

Manuela

"The new guidance is effective January 1, 2019. Distributors are expected to implement the new guidance no later than August 31, 2019 retroactive to January 2019. In its July 2018 letter, the OEB suspended final disposition of Group 1 accounts until such time as the OEB developed further accounting guidance. The OEB expects that distributors will consider the accounting guidance in the context of their historical balances (i.e. pre January 1, 2019 that have not been disposed on a final basis)."

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On Fri, 8 Nov 2019 at 13:35, Judy But <Judy.But@oeb.ca> wrote:

Thanks Manuela for the update. We would like to receive your responses by end of day Tuesday.

Can you also confirm that you will address the \$1.4 million variance for 1588/1589 vs. RRR that Mark noted on the call?

Judy

From: Manuela Ris-Schofield <manuela@tandemenergyservices.ca>
Sent: Friday, November 8, 2019 12:09 PM

To: Judy But <Judy.But@oeb.ca>

Cc: Michelpoulin@HydroHawkesbury.ca; Mark Rozic <Mark.Rozic@oeb.ca>

Subject: Re: Hawkesbury's models

Hi Judy,

Hawkesbury is currently working with its auditors (Gerald from Deloitte) to ensure that Appendix A reflects the process that is being used and to ensure that it is compliant with the OEB's policies and guidance.

Unfortunately, we're not sure we'll be able to meet today's deadline. Therefore, we're asking for an extension until early next week.

We'll keep you posted if there are any changes or further delays.

thanks

Manuela

(on behalf of Michel Poulin)

On Tue, 5 Nov 2019 at 11:50, Judy But <Judy.But@oeb.ca> wrote:

Michel and Manuela:

Please see attached updated IRM rate generator and GA workform. These versions include i) revision to the 2018 2.1.7 RRR balance for 1580 sub-account CBR class B (tab 3 of IRM generator) and ii) revised class A volumes in the GA workform. Please use these models for your updates.

As there is still a variance of \$1.4 million between the year-end balances for Accounts 1588/89 and RRR, can you confirm whether the RRR balances for these accounts are accurate or whether they require updating as well? If the RRR balances for 1588/89 are correct as it stands in the DVA continuity, we will also need a detailed explanation on why there is a variance of \$1.4 million for both accounts against RRR. If RRR needs updating, we need it corrected as soon as possible.

If you can provide all your updates to Mark's questions by no later than Friday of this week, that would be greatly appreciated.

Thanks

Judy

Judy But, Analyst, Application Policy & Conservation, Applications Division

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