Halton Hills Hydro Inc.

OEB Staff Questions

EB-2019-0039

**Halton Hills Hydro Inc.**

**EB-2019-0039**

**Staff Question-1**

**Ref: Rate Generator Model, Tab 6. Class A Consumption Data**

The reported RRR amounts for class A consumption is 78,045,311 kWh which is also reflected in the 2018 GA Analysis Workform. The total amount of 82,236,411 kWh Halton Hills Hydro entered in the IRM Rate Generator Model on Tab 6. Class A Consumption Data do not reconcile.

Please explain why they do not reconcile or update the Rate Generator Model.

**Staff Question-2**

**Ref:** (1) Chapter 3 of the *Filing Requirements for Electricity Distribution Applications Rate Applications*, dated July 12, 2018, page 15

**Preamble:**

At the above noted first reference, it is stated that distributors must complete the GA Analysis Workform for each applicable fiscal year subsequent to the most recent year in which Accounts 1588 and 1589 were approved for disposition on a final basis by the OEB.

**Questions:**

1. Although Halton Hills Hydro has provided a GA Analysis Workform for 2018 balances, it also needs to provide a GA Analysis Workform for 2017 balances, including explanations of reconciling items. 2017 balances were approved on an interim basis in Halton Hills Hydro’s 2019 proceeding.[[1]](#footnote-1) The most recent year in which Accounts 1588 and 1589 were approved for disposition on a final basis related to 2016 balances in Halton Hills Hydro’s 2018 proceeding.[[2]](#footnote-2)
2. Please provide a revised 2017 GA Analysis Workform and explain any difference between the 2017 GA Analysis Workform described below.
3. Alternatively, please confirm that the OEB can rely on the 2017 GA Analysis Workform filed on January 10, 2019 in Halton Hills Hydro’s 2019 proceeding.[[3]](#footnote-3) If confirmed, please file this spreadsheet on the record of the current proceeding.
4. The Deferral and Variance Account (DVA) Continuity Schedule, or Tab 3 of the 2020 IRM Rate Generator Model, provided by Halton Hills Hydro needs to be updated to reflect the opening DVA balances in this schedule as the closing December 31, 2016 balances, instead of the closing December 31, 2017 balances. This update needs to be done as the 2017 balances were cleared on an interim basis and will be reviewed in this proceeding. As a result, additional columns in Tab 3 will need to be populated, as well as updates to Tab 1. Please refile the DVA Continuity Schedule accordingly.

**Staff Question-3**

**Ref:** (1) Manager’s Summary, Appendix G

(2) Manager’s Summary, Appendix C, Questions on Accounts 1588 & 1589, page 4, Q#12d)

(3) Manager’s Summary, Appendix C, Questions on Accounts 1588 & 1589, page 4, Q#12b)

(4) Manager’s Summary, Appendix C, Questions on Accounts 1588 & 1589, page 5, Q#13d)

(5) Accounting-Guidance-on-Accounts-1588-1589-QA-20190711, Q29

**Preamble:**

At the above noted first reference, Halton Hills Hydro stated the following:

HHHI has implemented the new accounting guidance related to USofA 1588 and 1589, including a review of historical balances. No further adjustments have been made to the account balances.

At the above noted second reference, Halton Hills Hydro responded to a question from the OEB’s “Appendix A GA Methodology Description Questions on Accounts 1588 & 1589”. This question asked whether Halton Hills Hydro trued up the initial recording of CT 148 in Accounts 1588 and 1589 based on estimated RPP/non-RPP consumption proportions to actuals based on actual RPP-non-RPP consumption proportions. Halton Hills Hydro stated the following:

In 2018, HHHI did not true up the initial recording of CT 148 as the variance was determined to be less than 1% at the time of the full year true-up. Please note that HHHI has updated the methodology for 2019.

At the above noted third reference, Halton Hills Hydro also indicated that it may not have a process in place for the true up of the GA related cost.

At the above noted fourth reference, Halton Hills Hydro confirmed that the allocation of charge type 148 has been trued up to actual proportion of RPP/non-RPP consumption in the GL, relating to 2017 balances.

At the above noted fifth reference, the OEB described what is considered to be a material adjustment that would require an adjustment to historical balances, when applicants are considering the new accounting guidance in the context of historical account balances.[[4]](#footnote-4) The OEB further stated that in the case where an adjustment affects both accounts, but only adjustments to one account is above the materiality threshold, the adjustment to both accounts must be made to ensure that the books are balanced upon making any adjustments.

**Questions:**

1. OEB staff requires further clarification regarding Halton Hills Hydro’s statement that “it did not true up the initial recording of CT 148”. Does Halton Hills Hydro not have a process in place to true-up the GA related cost to ensure that the amounts reflected in Account 1588 are related to RPP GA costs and amounts in 1589 are related to only non-RPP GA costs? For example, were the kWh, kWh split, and GA rate trued-up to actuals? Please explain.
2. Please describe whether Halton Hills Hydro did not true up the initial recording of CT 148 in 2017, in addition to 2018. In Halton Hills Hydro’s response, please also incorporate its response noted at the above noted fourth reference (i.e. Q#13d on page 116/168 of PDF)
3. Please provide a high level analysis that supports Halton Hills Hydro’s assertion that “the variance was determined to be less than 1% at the time of the full year true-up” for both 2017 and 2018. Please also describe how Halton Hills Hydro has addressed the OEB’s *Accounts 1588 and 1589 Q&A’s* Q29 (at the above noted fifth reference). This analysis should also support Halton Hills Hydro’s assertions at the above noted first reference that:
4. The new accounting guidance has been implemented
5. Historical balances have been reviewed
6. No further adjustments have been made
7. Please confirm that the allocation of charge type 148 has been trued up to actual proportion of RPP/non-RPP consumption in the GL, relating to both 2017 and 2018 balances.

**Staff Question-4**

**Ref:** (1) Manager’s Summary, Appendix G

(2) Manager’s Summary, page 10

(3) Addendum to Filing Requirements For Electricity Distribution Rate Applications - 2020 Rate Applications, dated July 15, 2019, pages 12 & 13

**Preamble:**

At the above noted first reference, the Halton Hills Hydro stated the following:

HHHI has implemented the new accounting guidance related to USofA 1588 and 1589, including a review of historical balances. No further adjustments have been made to the account balances.

OEB staff notes that 2017 balances were approved on an interim basis in Halton Hills Hydro’s 2019 proceeding.[[5]](#footnote-5) At the above noted second reference, Halton Hills Hydro stated that it is requesting final disposition of its 2017 DVA balances.

At the above noted third reference, the OEB stated its expectations for final disposition requests of commodity pass-through account balances.

**Questions:**

1. Please confirm that Halton Hills Hydro is requesting disposition of both its 2017 and 2018 Group 1 DVA balances on a final basis. If this is not the case, please explain.
2. Please confirm that Halton Hills Hydro has completed its review of the new Accounting Guidance and that any required changes to the accounting for Account 1588 and Account 1589 have been implemented as it relates to its 2017 and 2018 historical balances. If this is not the case, please explain.
3. Please confirm that the new accounting guidance was implemented retroactive to January 1, 2017 and that this task was completed by August 31, 2019. If this is not the case, please explain.
4. Please confirm that there are no systemic issues with the Halton Hills Hydro’s RPP settlement and related accounting processes as it relates to its 2017 and 2018 historical balances.
5. If there are issues, please explain whether adjustments to Group 1 DVA balances that have yet to be disposed on a final basis have been quantified, including balances that have been cleared on an interim basis or not cleared at all in a prior proceeding.
6. If adjustments have not been quantified, please provide a timeline as to when the applicant expects any discrepancies to be resolved.

If material adjustments were identified, please provide the following for each adjustment:

Quantification and nature of the adjustment

The period in which the adjustment relates to (i.e. in relation to the flow of kWh)

Detailed explanation of the adjustment, including how it was identified, the reason for the adjustment, the impact to each of Accounts 1588 and 1589.

Show how it has been included as a principal adjustment to Account 1589 in the GA Analysis Workform and Account 1588 in Appendix A GA Methodology Description Questions on Accounts 1588 & 1589, Question 1

Describe the steps taken to include these adjustments in the DVA Continuity Schedule and balances requested for disposition in this proceeding. Please also provide the cells in the DVA Continuity Schedule where these adjustments were made.

**Staff Question-5**

Ref: (1) GA-Analysis-Workform-Instructions-20190715.docx

(2) Manager’s Summary, Appendix C, Questions on Accounts 1588 & 1589, page 1

**Preamble:**

At the above-noted first reference (Appendix A GA Methodology Description Questions on Accounts 1588 & 1589, or page 15 of the document), the table in Question 1 for Account 1588 requests the “Balance December 31, 2018”.

At the above-noted second reference, Halton Hills Hydro has provided an analysis of its 2018 Account 1588 balance.

**Questions:**

It appears that Halton Hills Hydro has filed the “Net Change in Principal Balance in the GL (i.e. Transactions in the Year)” for Account 1588 in the first row of this table:

1. Please confirm that the first line of this table or a credit of $102,160 represents the Account 1588 principal transactions in the general ledger for 2018, which ties to cell BD28 in the DVA Continuity Schedule. If this is not the case, please explain.
2. OEB staff notes that the last line of this table or a credit of $102,160 represents the Account 1588 principal transactions and $0 adjustments for 2018 in the DVA continuity schedule, which tie to the sum of cell BD28 and cell BF28 in the DVA continuity schedule. If this is not the case and there are principal adjustments, please explain.
3. OEB staff notes that there are no differences to explain in this table relating to 2018 balances. Please also repeat steps (a), and (b) for 2017 Account 1588 principal transactions, and file a similar table relating to 2017 balances, including an explanation of differences between a) and b).
4. If the revised table shows a material change in the assessment of the Account 1588 balance, please quantify and explain.

**Staff Question-6**

Ref: (1) 2018 GA Analysis Workform, November 25, 2019, cell K59

 (2) EB-2018-0037, March 28, 2019, 2019 IRM Decision and Order, Tariff Sheet

**Preamble:**
At the above noted first reference, Halton Hills Hydro calculated a line loss percentage of 3.3192.

At the above noted second reference, Halton Hills Hydro’s most recent tariff sheet shows a line loss percentage of 1.0560 (Total Loss Factor - Secondary Metered Customer < 5,000 kW).

**Questions:**

1. Please explain the large difference of 2.2632 between the above noted line loss percentages, as it does not appear to be reasonable.
2. Please refile all applicable evidence in this proceeding with updated numbers.

**Staff Question-7**

**Ref:** (1) EB-2018-0037 2019 IRM Rate Generator Model, Tab 3, March 28, 2019 cells BD28, BD29, BF28, BF29

(2) Reporting and Record Keeping Requirements (RRR) 2.1.7

 (3) Addendum to Filing Requirements For Electricity Distribution Rate Applications - 2020 Rate Applications, July 15, 2019, page 18

(4) EB-2018-0037 Staff Question-6, December 14, 2018

**Preamble:**

OEB staff has prepared the following table based on data provided at the above noted first reference and second reference. OEB staff notes that the percentage of the sum of Account 1588 2017 principal transactions plus adjustments, divided by 2017 cost of power is high at -3.0%.

**OEB Staff Table 1 – Analysis of Large 2017 Balance in Account 1588**



At the above noted third reference, the OEB described its expectations regarding material discrepancies for Account 1589.[[6]](#footnote-6) Although this reference relates to Account 1589, OEB staff has used the same materiality threshold of +/- 1% in analyzing the Account 1588 balance.

Although Halton Hills Hydro provided an analysis at the above noted fourth reference, OEB staff still requires further clarification.

**Questions:**

1. Please confirm whether Halton Hills Hydro is in agreement with OEB staff’s calculations in the above noted OEB Staff Table 1. If this is not the case, please explain.
2. Please provide additional analysis to support Halton Hills Hydro’s claim that the Account 1588 2017 balance should be cleared on a final basis in this proceeding, considering the high computed ratio of -3.0% noted in OEB Staff Table 1. A high level line loss variance analysis may also be helpful to support the claim.

**Staff Question-8**

Ref: (1) 2018 GA Analysis Workform, November 25, 2019

**Preamble:**

On line 5 “Significant Prior Period Billing Adjustments Recorded in Current Year”, the 2018 GA Analysis Workform shows a credit balance of $491,195 and the 2017 GA Analysis Workform shows a balance of $0 on this same line. On line 5 in the “Explanation” column, Halton Hills Hydro has included an explanation of “IESO Adjustments CT 148” in the 2018 GA Analysis Workform.

**Questions:**

1. Please provide a more enhanced explanation regarding this amount on line 5 of the 2018 GA Analysis Workform.
2. Please describe whether these amounts of a credit balance of $491,195 for 2018 also impacts Account 1588 and quantify these impacts.
3. Please explain in what years the above noted Account 1589 amount was recorded in Halton Hills Hydro’s general ledger, including any amounts also recorded in Account 1588.
4. Please explain whether the above noted Account 1589 amount, including also any impacts on Account 1588, should both be accrued as principal adjustments in 2018 in the DVA Continuity Schedule and then would be reversed in the following year.

**Staff Question-9**

Ref: (1) EB-2018-0037 2017 GA Analysis Workform, January 10, 2019

 (2) 2018 GA Analysis Workform, November 25, 2019

(3) EB-2018-0037 2019 IRM Rate Generator Model, Tab 3, March 28, 2019

(4) 2020 IRM Rate Generator Model, Tab 3, November 25, 2019

**Preamble:**

Halton Hills Hydro included the following items at the first above noted reference (2017 GA Analysis Workform), but similar adjustments were not noted at the second above noted reference (2018 GA Analysis Workform).

**Table 2 – Selected 2017 GA Analysis Workform Reconciling Items**

|  |  |  |  |
| --- | --- | --- | --- |
| **Line**  | **Item** | **Amount** | **Explanation provided by Halton Hills hydro** |
| 4 | Remove GA balances pertaining to Class A customers | $406,235 | See IRR3 response to Staff-2 |
| 6 | Differences in GA IESO posted rate and rate charged on IESO invoice  | ($347,717) | IESO GA Adjustments – non-RPP allocation (see IRR3 – response to Staff #1d) |
| 8 | Others as justified by distributor | ($1,439,853) | See response to Staff-6 |

**Questions:**

1. Please explain why amounts shown in Table 2 above relating to the 2017 GA Analysis Workform, driven by the same or similar underlying factors, were not reflected in the 2018 GA Analysis Workform.
2. OEB staff notes that the sum of line #4 and line #8 is an Account 1589 credit balance of $1,033,618 which was included as a “Principal Adjustment During 2017” in the 2019 IRM proceeding DVA Continuity Schedule. Please provide an explanation as to why this amount was not reversed as a “Principal Adjustment During 2018” in the 2020 current proceeding DVA Continuity Schedule, as well as excluded from the 2018 GA Analysis Workform.
3. An Account 1588 debit amount of $1,012,496 was included as a “Principal Adjustment During 2017” in the 2019 IRM proceeding DVA Continuity Schedule. Please provide an explanation as to why this amount was not reversed as a “Principal Adjustment During 2018” in the 2020 current proceeding DVA Continuity Schedule.
4. Please confirm that no principal adjustments were identified relating to 2018 balances. If this is not the case, please explain.

**Staff Question-10**

Ref: (1) Chapter 3 of the *Filing Requirements for Electricity Distribution Applications Rate Applications*, dated July 12, 2018, page 13

(2) Manager’s Summary, page 8

**Preamble:**

As per the above noted first reference, distributors that settle GA costs with Class A customers on the basis of actual GA prices, shall allocate no GA variance balance to these customers for the period that customers were designated Class A.

At the above noted second reference, Halton Hills Hydro stated that the “GA 1st estimate is applied consistently to billed and unbilled calculations for all rate classes.”

**Questions:**

1. Please confirm that the Class A customers were billed at the actual GA rate, versus the 1st estimate GA rate. If this is not the case, please explain.
2. Please also confirm that if Halton Hills Hydro settles GA costs with Class A customers on the basis of actual GA prices, it allocates no GA variance balance to these customers for the period that customers were designated Class A. If this is not the case, please explain.

## Staff Question-11

Ref: (1) Accounting-Guidance-on-Accounts-1588-1589-QA-20190711, Q22

 (2) Manager’s Summary, page 8

**Preamble:**

At the above-noted first reference, the OEB confirmed that the total volumes used in the RPP settlement process are based on wholesale volumes. The OEB noted that the IESO invoice is based on wholesale volumes, therefore, the RPP settlement is also to be completed based on wholesale volumes. However, the OEB stated that the proportions between the tiers and time of use periods are based on retail volumes.

At the above-noted second reference, Halton Hills Hydro makes some references to consumption and consumption comparisons. However, OEB staff requires further clarification regarding its settlement processes.

**Questions:**

1. Please confirm that Halton Hills Hydro has reflected the above noted OEB requirements in its settlement processes.
2. If this is the case, please describe which month and year these OEB requirements were made effective in Halton Hills Hydro’s settlement processes.
3. If this is not the case, please explain.

**Staff Question-12**

**Ref:** (1) Manager’s Summary, Appendix C, Questions on Accounts 1588 & 1589, page 3

(2) Accounting-Guidance-on-Accounts-1588-1589-QA-20190711, Q20

**Preamble:**

At the above noted first reference, Halton Hills Hydro described some of its RPP settlement processes.

At the above noted second reference, the OEB confirmed that the GA price used for RPP settlements should be the invoiced GA price. However, the OEB noted that the invoiced GA price should generally equal the posted price, except in some circumstances.

**Questions:**

1. Please confirm that Halton Hills Hydro performs true-ups based on the final actual posted GA rate.
2. Please also confirm that Halton Hills Hydro’s final RPP settlements are based on the invoiced GA price, versus the final posted GA rate.
3. If either of the above is not the case, please explain.
1. EB-2018-0037 [↑](#footnote-ref-1)
2. EB-2017-0045 [↑](#footnote-ref-2)
3. EB-2018-0037 [↑](#footnote-ref-3)
4. The materiality threshold to be used in assessing total adjustments to historical balances of each commodity account is as follows:

• Account 1589 – 0.5% of annual GA costs (Account 4707 Charges – Global Adjustment) from the year pertaining to the balance requested for disposition

• Account 1588 – 0.5% of annual Cost of Power (Account 4705 Power Purchased) from the year pertaining to the balance requested for disposition [↑](#footnote-ref-4)
5. EB-2018-0037 [↑](#footnote-ref-5)
6. Unexplained discrepancies should be calculated separately for each calendar year and any unexplained discrepancy for each year greater than +/- 1% of total annual IESO GA charges will be considered material. [↑](#footnote-ref-6)