

**Hearst Power Distribution Company Limited
EB-2019-0040**

Responses to interrogatories

Staff Question-1

Ref: IRM Model, Tab 1

In Tab 1 of the IRM Model (cell F45), Hearst Power indicated this it is fully embedded within Hydro One Networks’ distribution system. Please confirm whether this is correct or if Hearst Power is only partially embedded within Hydro One Networks’ distribution system as was indicated in Hearst Power’s 2019 rate application.

Hearst Power:

Hearst Power would be considered as partially embedded by the OEB, therefore the option in tab 1 of the model was revised accordingly.

Staff Question-2

Ref: IRM Model, Tab 6 and Tab 6.1GA

In Tab 6.1GA of the IRM Model, the Non-Metered Consumption for Current Class B Customers in column I shows a negative balance of 3,936,563 kWh for the Intermediate Service Class. Please confirm that this amount is correct by confirming that the kWh in columns E and G (that are pulled from the data input into Tab 6) are the correct total metered consumption amounts.

		Total Metered 2018 Consumption for Class A Customers that were Class A for the entire period GA balance accumulated	Total Metered 2018 Consumption for Customers that Transitioned Between Class A and B during the period GA balance accumulated	Non-RPP Metered Consumption for Current Class B Customers (Non-RPP Consumption excluding WMP, Class A and Transition Customers' Consumption)
	Total Metered Non-RPP 2018 Consumption excluding WMP			
	kWh	kWh	kWh	kWh
17 RESIDENTIAL SERVICE CLASSIFICATION	kWh	163,570	0	163,570
18 CLASSIFICATION	kWh	642,269	0	642,269
19 GENERAL SERVICE 50 TO 1,499 KW SERVICE CLASSIFICATION	kWh	14,363,453	7,979,258	6,384,195
20 INTERMEDIATE USER SERVICE CLASSIFICATION	kWh	19,994,465	15,562,485	(3,936,563)
21 SENTINEL LIGHTING SERVICE CLASSIFICATION	kWh	180	0	180
22 STREET LIGHTING SERVICE CLASSIFICATION	kWh	448,820	0	448,820
23 Total		35,612,757	23,541,743	3,702,471

Hearst Power:

The negative balance of 3,936,563 kwh is incorrect. It was due to having the same kWh and kW entered in box G30+31 and box G494+495 of tab “6. Class A Consumption

Data". The amount in box G494 and G495 was revised. Therefore, there is no negative balance in column I of tab 6.1GA.

Staff Question-3

Ref: Manager's Summary, page 12

Hearst Power confirmed that it complies with the new accounting policies and does not report any adjustments. The new accounting guidance was effective January 1, 2019 and to be implemented by August 31, 2019.

- a) Please confirm that Hearst Power implemented the accounting guidance by August 31, 2019. If not, please explain when the accounting guidance was implemented.

Hearst Power:

Hearst Power confirms that it had implemented the new accounting guidance by August 31, 2019.

In accordance with the Accounting Guidance on Accounts 1588 and 1589 where utilities are expected to consider the historical balances, Hearst confirms that it has gone back and applied the accounting practices to 2017 and 2018.

Hearst Power notes that it did make an adjustment for the year 2019 to the IESO in November 2019 due to Cost of Power adjustments. The adjustment is in the amount of \$24,307.25. Hearst Power states that no other adjustment was done.

- b) Please confirm that the accounting guidance was implemented retroactive to January 1, 2019. If not please explain when the retroactive implementation will be completed.

Hearst Power:

As indicated in a) Hearst Power confirms that it implemented the accounting guidance by August 31, 2019 and that it was retroactive back to 2017.

Staff Question-4

Ref: Manager's Summary, page 12

Hearst Power indicated that it does not report any adjustments as a result of the new accounting policies. *Q&A's for Accounting Guidance on Accounts 1588 and 1589 #28 and 29* set out certain expectations regarding the review of historical balances not disposed on a final basis.

- a) Please confirm that Hearst Power has reviewed its 2017 balance approved on an interim basis, in the context of the new accounting guidance.

Hearst Power:

Hearst Power reviewed the settlements for 2017 and 2018 under the new Accounting processes for account 1588 and 1589 and has made the following adjustment for both years:

- Year 2018 → Adjustment of \$11,300.17 in principal and -\$1,034.93 in carrying charges
- Year 2017 → Adjustment of -\$21,593.94 in principal and -\$146.69 in carrying charges

The settlement for the 2017 and 2018 revisions were submitted to the IESO on February 6, 2020.

- b) Please provide further details on the review that was completed, and any summary reports available (e.g. how the review was done).

Hearst Power:

Hearst Power attended the Accounting Guidance webinar training on April 3, 2019. Following the training session, Hearst Power submitted questions to the IESO and analyzed the end results and compared with the current true-up practices at Hearst Power. In the process, Hearst found that based on the new Accounting Guidance, the utility's true-up processes on the Global Adjustment were accurate but the true-up for the Cost of Power required revisions.

- c) Please confirm that there are no systemic issues with the Hearst Power's RPP settlement and related accounting processes noted during the review.

Hearst Power:

The Cost of Power true-up could be described as a "systemic issue" as it is a recurring process that is to be done every month and it is not an isolated process whereas it would be for only one specific month.

The process was realigned to comply with the new Accounting Guidance. Hearst Power notes that the adjustments required were immaterial.

- d) If not confirmed, please explain the systemic issues, describe and quantify any adjustments identified and provide an assessment on the materiality of the adjustments.

Hearst Power:

The Cost of Power true-up requires that Hearst Power settles with the IESO for the difference between the HOEP and the actual amount paid to Hydro One and the IESO (aka weighted average price).

Process: An estimate claim is sent using the HOEP pricing when completing the IESO settlement at the beginning of every month. The next month, a true-up is required to claim the difference between the HOEP pricing claimed in the estimate and the actual Cost of Power paid to Hydro One and the IESO.

<u>Date</u>	<u>Cost of Power true-up required adjustment</u>
Jan-19	\$ 8,293.80
Feb-19	\$ 3,093.95
Mar-19	\$ 3,523.15
Apr-19	\$ 4,982.87
May-19	\$ 1,905.49
Jun-19	\$ 1,685.40
Jul-19	-\$ 1,032.70
Aug-19	\$ 468.10
Sep-19	\$ 1,387.19
Total	\$ 24,307.25

Staff Question-5

Ref: Manager’s Summary, page 11

Hearst Power is seeking disposition if its 2018 Group 1 accounts. *Q&A’s for Accounting Guidance on Accounts 1588 and 1589 #28* discusses the expectation for final disposition requests.

- a) Please explain whether Hearst Power is seeking interim or final disposition for the 2018 balances.

Hearst Power:

Should Board Staff agree with Hearst Power’s application of the new Accounting Guidelines and revised balances, Hearst Power will seek final disposition of its 2018 balances.

- b) Please explain whether Hearst Power is seeking final disposition for its 2017 balances approved on an interim basis in its 2019 rate application.

Hearst Power:

Should Board Staff agree with Hearst Power’s application of the new Accounting Guidelines and revised balances, Hearst Power will seek final disposition of its 2017 balances.

Staff Question-6

Ref: Manager's Summary, page 17

It states "Global Adjustment revenue, which is billed directly to the non-RPP customers, is posted directly to account 4707 – Global Adjustment...". Please explain why GA revenues are posted into an expense account and not revenue accounts as per the Accounting Procedures Handbook.

Hearst Power:

Hearst Power confirms that there was an error in the application in that the following statement was incorrect:

"Global Adjustment revenue, which is billed directly to the non-RPP customers, is posted directly to account 4707 – Global Adjustment from the CIS system and accrued back to the appropriate month, via a monthly journal entry" .

The corrected statement should read:

*"Global Adjustment revenue, which is billed directly to the non-RPP customers, is posted directly to account **4006-4055** – Global Adjustment **sub accounts** from the CIS system and accrued back to the appropriate month, via a monthly journal entry"*

Staff Question-7

Ref: Manager's Summary, page 14, 22

- a) Regarding the second table on page 22, please confirm that this is for the May true-up, included in the July 4th submission. If not, please explain what consumption month the true-up is for.

Hearst Power:

Hearst Power confirms the above statement to be true.

- b) The "actual consumption" in the second table for the true-up is the same as the consumption used in the first table for the estimated June consumption. Please explain whether Hearst Power's process is to use the prior month's actual consumption (e.g. May) as the current's month estimated consumption (i.e. June).

Hearst Power:

Hearst Power confirms it uses the prior month's actual consumption (i.e. May) as the current's month estimate consumption (i.e. June)

- i. If not, please explain why the consumption is the same for May and June.

N/A

- ii. If yes, please explain how this reconciles with the settlement description on page 14, where Hearst Power uses a top-down approach starting with monthly wholesale metering data, which would be different than the prior month's actual consumption.

Hearst Power:

Hearst Power uses top-down approach as detailed on page 44 for true-up submissions but for preliminary estimates, it uses the previous month's consumptions for the preliminary settlement to the IESO.

Staff Question-8

Ref: Manager's Summary, page 24

Under #4d, it states that the data used to determine the volume of RPP and non-RPP comes from the billing system reports and are actuals. It appears that there is no true-up for the CT 148 split between Accounts 1588 and 1589.

Hearst Power:

Hearst Power confirms that it misinterpreted the question #4d. The data used to determine the volume of RPP and non-RPP are the previous months actuals as in responses to Staff Questions #7. Therefore, the previous month's split between RPP and non-RPP is used as the estimate for the current month claim, where the split between RPP and non-RPP is unknown.

Hearst Power meant to say that it is using actuals for the utility true-up (i.e. May), which will be split between RPP and non-RPP used for estimate of the current month (i.e. June).

Using the June submission submitted on July 4th as an example, when Hearst Power files its initial submission, Hearst Power does not have the billing data for June yet and will not know the June RPP vs. non-RPP consumption split. Therefore, the GA RPP used in the settlement is an estimated amount and is trued-up in a later month.

- a) Please explain when Hearst Power receives its IESO and Hydro One invoices for the consumption month of June.

Hearst Power:

Hearst Power would receive the IESO invoice on the 15th and Hydro One usually between the 17th and 23rd of every month.

- b) At the time the invoices are received, please explain whether Hearst Power would have the actual June billing data to determine the RPP and non-RPP consumption split for CT 148.

Hearst Power:

Hearst Power confirms that it would not have the actual billing data on July 4th to submit the actual June data.

- c) If not, please explain what month's actual RPP and non-RPP billed consumption split is used for the June CT 148.

Hearst Power:

On the July 4th settlement, Hearst Power would have the actual RPP and non-RPP split for May only and would use this split as the true-up for May and the estimate for June preliminary

- d) If a prior month's RPP and non-RPP actual billed consumption split is used, please explain why there is no true-up needed.

Hearst Power:

As true-up is required. Hearst Power misunderstood the question on page 28 #4d.

- e) If a true-up is needed, please quantify the true-up for the 2018 Account 1588 and Account 1589 balances.

Hearst Power:

Hearst Power misunderstood/miscommunicated the response to #4d but confirms that balances in accounts 1588/1589 are not affected by this correction.

Staff Question-9

Ref: Manager's Summary, page 24

From Hearst Power's 2019 rate application, there is a principal adjustment to Account 1588 of (\$55,878) in 2017.

- a) Please confirm that of this adjustment, (\$33,083) was due to a correction to July 2017 and September 2017 consumption, and (\$22,794) was due to the December 2017 true-up that was recorded in January 2018.

Hearst Power:

Hearst Power confirms the above statement to be true.

- i. If not confirmed, please provide a breakdown of the adjustment.
N/A
- ii. Please confirm that these adjustments were recorded in the 2018 GL. If not, please explain which year each of the adjustments were recorded in.

Hearst Power:

The 2017 adjustments (\$33,083 + \$22,794) were recorded on the Dec 2017 GL, and the December 2017 true-up (\$22,794) was reversed in Jan 2018 GL, as indicated in the IRM 2018-0038 HPDC responses to OEB staff questions.

- b) In the current DVA Continuity Schedule for 2018 balances, there are no adjustments in the "Principal Adjustments during 2018" column for the reversal. The amount in the "Transactions" column should agree the total amount recorded in the GL for the year, which would include the adjustments recorded in 2018 as referenced in part a above. If the reversal has been included in the "Transactions" column, please separate it into the "Principal Adjustments" column. Otherwise, please explain where the reversal is recorded in the DVA Continuity Schedule.

Hearst Power:

As the reversal was included in the "Transactions" column, HPDC made the change as requested by the OEB to show the adjustment under the "Principal Adjustments" column.