



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL

October 5, 2020

Michel Poulin
Hydro Hawkesbury Inc.
850 Tupper St.
Hawkesbury, ON K6A 3S7
MichelPoulin@HydroHawkesbury.ca

Dear Mr. Poulin:

Re: EB-2020-0029 Hydro Hawkesbury Inc. - Application for 2021 Rates

A preliminary review of the application has identified that certain sections of the evidence supporting the application do not comply with the Ontario Energy Board's Filing Requirements¹ for incentive rate-setting applications and/or the associated spreadsheets, models and work forms. As a result, the Ontario Energy Board (OEB) is unable to process Hydro Hawkesbury Inc.'s (Hydro Hawkesbury) application at this time. The OEB will commence processing the application after the noted information is filed.

The missing information includes:

Chapter 3 Filing Requirement Reference (page #)	Description
Page 10 & Page 8 of 2020 IRM Decision ²	<p>The Filing Requirements state that the DVA Continuity Schedule, found on Tab 3 of the Rate Generator model, must be completed as part of the Application. Based on Tab 3 requirements in the Rate Generator Model, distributors are to complete the DVA Continuity Schedule starting with the year-end balance of Group 1 accounts that were last approved on a final basis.</p>
	<p>The Instructions Tab of the Rate Generator Model notes:</p> <p style="padding-left: 40px;">The continuity schedule will open starting from the year balances were last approved for disposition unless the last approved disposition was on an interim basis and there are changes to those balances. If that is the case, Tab 3 will open from the year of the last approved disposition on a final basis.</p> <p>As per the Decision in the 2020 IRM proceeding, Hawkesbury Hydro's 2017 Group 1 balances previously approved on an interim basis were to remain interim pending further review.</p> <p style="color: red;">In this Application, Hydro Hawkesbury provided January 1, 2018 to December 31, 2019 Group 1 balances in the DVA Continuity Schedule but did not start this schedule with its closing December 31, 2016 balances. The last year of final approved balances was not correctly selected in Tab 1 of the Rate Generator Model. As the DVA Continuity Schedule was not fully populated, Tab 3 of the Rate Generator Model is incomplete.</p> <p style="color: red;">Please refile the DVA Continuity Schedule, Tab 3, with opening DVA balances in this schedule as the closing December 31, 2016 balances, and ensure that any principal adjustments between the GA Analysis Workform and DVA Continuity Schedule match.</p> <p style="color: blue;">HHI Response: The DVA continuity Schedule has been adjusted. See attached IRM Rate Generator.</p>

Page 10	<p>Distributors must provide an explanation when the Group 1 account balances presented on the Tab 3 – Continuity Schedule of the Rate Generator model differ from the account balances in the trial balance as reported through the RRR (which have been pre-populated in the Tab 3 – Continuity Schedule of the Rate Generator model), and from the account balances as presented in the audited financial statements.</p> <p>Hawkesbury Hydro did not provide an explanation of variances between RRR and the Group 1 account balances for Accounts 1588 and 1589 in its Application. Please provide the explanations for Accounts 1588 and 1589.</p> <p>HHI Response: Hydro Hawkesbury Inc. recalculated its variances for 2017, 2018 and 2019 with the new OEB methodology based on the February 21, 2019 accounting guidance. Based on this new methodology, there was a reduction of \$507,638 of principal and \$6,107 of carrying charges in account 1588. A reclassification of \$202,427 between 1588 and 1589 has also been eliminated. ($-\\$507,638 - \\$6,107 - \\$202,427 = -\\$716,172$). For account 1589, there was an increase of \$652,878 in principal and \$23,533 in carrying charges. ($\\$652,878 + \\$23,533 + \\$202,427 = \\$878,838$). Those amounts correspond to the differences in column BW of 3. Continuity Schedule in the IRM Rate Generator for accounts 1588 and 1589.</p> <p>For account 1580, the variance (Column BV of 3. Continuity Schedule in the IRM Rate Generator) of \$67,092 includes the CBR Class B. Those amounts are pre-populated and can't be changed. The amount of \$51,646 is overstated because it includes items other than CBR Class B. The differences in column BW ($\\$9,262 + \\$42,384 = \\$51,646$) equals the amount presented in column BV for CBR Class B. The amounts presented in the continuity schedule for accounts 1580 are the correct amounts.</p>
---------	--

<p>Pages 13 and 14</p>	<p>A distributor must confirm as part of its application that it has fully implemented the OEB's February 21, 2019 accounting guidance related to commodity pass-through accounts, effective from January 1, 2019.</p> <p>In order to request final disposition of these historical balances as part of the current application, distributors must provide confirmation that these historical balances have been considered and provide a summary of the review performed. Distributors must also discuss the results of the review, whether any systemic issues were noted, and whether any material adjustments to the account balances have been recorded. A summary and description of each adjustment made to the historical balances must be provided in the application.</p> <p>In the 2020 IRM proceeding, Hawkesbury Hydro did not complete its review of 2017 and 2018 balances in the context of the new accounting guidance.</p> <p>In this Application, Hawkesbury Hydro states that the historical balances that have yet to be disposed on a final basis have been considered in the context of the February 21, 2019 accounting guidance. Hawkesbury Hydro along with its accountants/auditors Deloitte, confirmed that it is in compliance with the new policies that have come in effect on August 31, 2019. Based on the review, Accounts 1588 and 1589 have been recalculated from 2017 to 2019, but there are no principal adjustments recorded in the Global Adjustment (GA) Analysis Workform.</p> <p>Please refile the GA Analysis Workform with the inclusion of principal adjustments as required. If there are none, please explain why there are no principal adjustments identified on the GA Analysis Workform from 2017 to 2019.</p> <p>Hydro Hawkesbury has also not indicated whether final disposition of its Group 1 Account balances is being requested. Please clarify whether Hawkesbury Hydro is requesting final disposition of 2017-2019 Group 1 balances in this proceeding.</p> <p>HHI Response: Hydro Hawkesbury Inc. adopted the new OEB methodology based on the February 21, 2019 accounting guidance and recalculated its variances since 2017. The differences are mentioned in "B" and are also summarized in the attached document "B – Impact of new methodology". The differences have been recorded in the adjustment columns.</p> <p>The GA Analysis Workform has been updated.</p>
------------------------	---

<p>Pages 6 and 8 of 2020 IRM Decision</p>	<p>In light of the significant balance in Account 1588, Hydro Hawkesbury indicated in the 2020 IRM proceeding that it would be prudent to conduct a further review of the balances in Accounts 1588 and 1589 in the context of the OEB's February 21, 2019 accounting guidance. Hydro Hawkesbury also stated that it would seek disposition of these accounts in its 2021 IRM application upon completion of its review.</p> <p>As per the Decision in the 2020 IRM proceeding, the OEB stated at page 8 that "it agrees that Hydro Hawkesbury would benefit from having more time to review the accuracy of the Account 1588 balance, especially in the context of the OEB's new accounting guidance, to determine whether further adjustments would be required. The OEB expects that Hydro Hawkesbury will report back on the findings of its analysis as part of its next IRM application."</p> <p>In this Application, Hydro Hawkesbury did not provide the details of this internal review related to the significant balance in Account 1588. Please provide the detailed results of its analysis describing any necessary adjustments made, including the nature and timing of any re-allocations between Accounts 1588 and 1589 from 2017 to 2019.</p> <p>HHI Response: Hydro Hawkesbury Inc. adopted the new OEB methodology based on the February 21, 2019 accounting guidance and recalculated its variances since 2017. The differences are mentioned in "B" and are also summarized in the attached document "B – Impact of new methodology".</p>
---	--