**Hydro Hawkesbury Inc.**

**EB-2020-0029**

## Staff Question-1

Ref: Tab 1 of the Rate Generator Model (Nov 18, 2020) – attached

 EB-2019-0042, Decision and Rate Order, page 9

In the 2020 rate proceeding, the OEB approved the interim disposition of the remaining 2018 Group 1 account balances, exclusive of Accounts 1588 and 1589. Furthermore, the OEB accepted Hydro Hawkesbury’s request to keep the disposition of its 2017 Group 1 balances interim and not to dispose of the 2018 balances in Accounts 1588 and 1589 at this time.

1. For the remaining 2017 and 2018 Group 1 DVA balances (exclusive of Accounts 1588 and 1589) that were approved on an interim basis, please confirm there were no changes in those balances. If confirmed, please revise the selection in Question 3 b. i) from “2016” to “2017”.

**HHI Response:** No changes have been made to Group 1 DVA balances (exclusive of Accounts 1588 and 1589) that were approved on an interim basis. Answer to Question 3 b. i) changed from “2016” to “2017”.

1. Please confirm whether the earliest vintage year in which there is a balance in Account 1595 is “2017”. If confirmed, please revise the selection in Question 4 from “2018” to “2017”.

**HHI Response:** The earliest vintage year in which there is a balance in Account 1595 is “2016”. Those amounts were approved in 2018. Answer to Question 4 changed from “2018” to “2016”. “2018” was the year in which they were transferred to Account 1595.

## Staff Question-2

Ref: Application, pages 17-18

At the above reference, Hydro Hawkesbury confirms that it is in compliance with the OEB’s February 21, 2019 accounting guidance related to Accounts 1588 and 1589. OEB staff noticed significant adjustments were booked in 2018 and 2019.

1. Please explain the nature of the changes that led to these substantial adjustments made to Accounts 1588 and 1589.

**HHI Response:** The most significant difference was for account 1589 in 2018, for which the difference is $1.3M. Under the old method, the GA charged to non-RPP clients for December 2017 was not factored in the unbilled revenue for 2017. Instead, it was factored in 2018.

At the end of 2018, the amount for December was considered in the unbilled revenue. The amount from December 2017 was $500,575. In previous years, there were always 12 charges every year. The GA paid to Hydro One and IESO for RPP clients for December 2017 was considered in 2018 for $714,966. Those 2 amounts total $1,215,541.

In the reports HHI was using, Class A and retailer clients were not all adequately identified. A review was done following your questions. Although the total kWh declared was correct, reclassifications have been made between RPP, Non-RPP Class A, and Non-RPP Class B.

The new form looks at kWh, RPP cos of power, and non-RPP cost of power VS dollar figures before.

The retailer’s stats were accounted for at year-end only.   Now it is done monthly.

The process below shows how HHI determines the kWh for non-RPP(GA applicable). All kWh’s are from HHI’s CIS and pulled under a stats maintenance program, and exported to a pivot table.

1. I gets all the kWh sold for a month (with and without line loss)
2. I then pull only the customer classes that generally are on RPP.
3. To get the RPP kWh only (since some of those RPP identified customers are with retailers), I remove the kWh sold by retailers with two reports that must match. ( a report showing the GA kWh charges for GA to retailers and a COP kWh to retailers).
4. Once these retailer’s kWh’s are accounted for, I deduct this from the RPP kWh.  This result is the total RPP customers kWh sold.
5. To get the non-RPP kWh.   I take all kWh to remove the RPP which are net of retailer’s kW’s, deduct the Class A kWh, and obtain the Non-RPP kWh

Our new way to account for Retailers kWh is more accurate with how we are now gathering the information.   Information sent to Judy Dec 1 and the response: the process to determine the non-RPP kWh seems reasonable.

For that reason, even if the total kWh reported in 2017,2018,2019 may have some discrepancies in kWh for retailers (removed from RPP and added to non RPP).  Remember that the total kWh reported for those years with and without loss is accurate.  Furthermore, as an internal verification process, HHI every month will verify that bills produced are accurate.   Our billing department will input some data from customers bills in a spreadsheet to match the exact amount of the customer invoice.   This process is done for a few accounts by billing batches for the following customer classes. R-TOU, C-TOU, Unmetered, Sentinels and customers on TCP. Obviously, kWh being the main driven factor to bill the customers, if the loss factor (in the spreadsheeted or in our CIS) is different, we will identify immediately the discrepancy.

1. As a result of confirming that it has implemented the OEB’s February 21, 2019

accounting guidance, please confirm whether Hydro Hawkesbury is seeking final

disposition of its 2017 and 2018 Group 1 DVA account balances as part of the current proceeding.

**HHI Response:** Yes Hydro Hawkesbury is seeking final disposition of its 2017 and 2018 Group 1 DVA account balances as part of the current proceeding.

1. Please confirm whether Hydro Hawkesbury is requesting final disposition of its 2019 Group 1 DVA account balances in the current proceeding.

**HHI Response:** Yes Hydro Hawkesbury is requesting final disposition of its 2019 Group 1 DVA account balances in the current proceeding.

## Staff Question-3

Ref: HHI Response to OEB incomplete letter

 Excel attachment, “Impact of new methodology”

At page 4 of the incomplete letter, the OEB noted that 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. At page 6 of the incomplete letter, Hydro Hawkesbury was to report back on the findings of its analysis as part of its next IRM application, including the details of this internal review related to the significant balance in Account 1588.

In response, Hydro Hawkesbury stated that it 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 in the principal balance of $507,638 and in carrying charges of $6,107 in Account 1588. Furthermore, Hydro Hawkesbury noted:

* A reclassification of $202,427 between Accounts 1588 and 1589 has also been eliminated.
* For Account 1589, there was an increase of $652,878 in the principal balance and $23,533 in carrying charges.
* Those amounts correspond to the differences in column BW of Tab 3 of the Continuity Schedule in the IRM Rate Generator for Accounts 1588 and 1589.

Hydro Hawkesbury filed an excel attachment, “Impact of new methodology” to show how the reclassification of $202,427 between Accounts 1588 and 1589 was quantified.

An extract of the “Impact of new methodology” excel spreadsheet are provided for reference. OEB staff understands that the values under the “Differences” row refer to the principal adjustments for 2017, 2018 and 2019.

Principal adjustments:



The total 2017-2019 principal adjustment amount (inclusive of interest) is a credit balance of $513,744, and the reclassification of $202,427 is shown to be calculated based on the difference between ($716,171) and ($513,744).



1. Please clarify what is meant when a reclassification of $202,427 is eliminated.

**HHI Response:** HHI initially calculated the variances for account 1589 with the method they had been using historically. The result was different than the amount calculated with the GA Analysis Workform. HHI decided to adjust account 1589 to balance with the GA Analysis Workform and sent the difference to account 1588.

When HHI redid its calculation with the new OEB Model, the numbers from the models were used. No adjustments were made between 1588 and 1589.

1. What are the key reasons for the change in 2017, 2018 and 2019 transactions as a result of the implementation of the OEB accounting guidance?

**HHI Response:** See answers to questions 2a). Details about differences are provided.

1. Please confirm whether an amendment to RRR 2.1.7 for Accounts 1588 and 1589 in the DVA Continuity Schedule is required in order to reflect the elimination of the $202,427 reclassification amount. If yes, please confirm what change is required and OEB staff can assist in correcting the RRR 2.1.7 balances.

**HHI Response:** HHI thinks an amendment to RRR 2.1.7 should be made for accounts 1588 and 1589 to reflect the new numbers obtained with the new OEB methodology. HHI needs guidance on where to put the difference between the old and the latest methodology and asks the OEB for advice.

## Staff Question-4

Ref: Application, page 18

Typically, large balances are not expected for Account 1588 as it should only hold the variance between commodity costs based on actual line losses and commodity revenues calculated using values for line losses approved by the OEB in the utility’s last rebasing application.

Based on RRR data filed for Hawkesbury Hydro for Account 4705 Cost of Power, OEB staff calculated, in the table below, the annual net activity (i.e. transactions plus principal adjustments) from the DVA Continuity Schedule as a percentage of annual Account 4705 to be as follows:



1. Please confirm this calculation or, if necessary, provide a revised calculation.

**HHI Response:** As mentioned in answer to question 2a), certain Class A and retailer clients were improperly classified.

For 2019 2 differences were noted while reviewing the data to answer these questions. In August 2019, the original settlement AQEW was entered incorrectly as 10,467,010 kWh instead of 11,450,638 kWh. This error affected the wholesale kWh purchased (RPP and non-RPP) in the settlement form which in turn affected the COP for RPP and non-RPP. In September 2019, the original settlement AQEW was entered incorrectly as 9,084,484 kWh instead of 9,951,129 kWh. These resulted in positive differences of $45,853 and $36,897.

HHI reviewed the models from 2017 to 2019 to reflect these corrections. HHI agrees with the balances for account 4705 from 2017 to 2019. The net activity in Account 1588 is now: 2019 – (44,820), 2018 – (86,329) and 2017 – (42,672).

HHI is not sure where the cumulative balances are coming for. Therefore, we can’t confirm the cumulative balances.

1. For year(s) where the percentage is greater than +/-1%, please provide an explanation as to why the sum of the transactions in Account 1588 is relatively large.

**HHI Response:** For 2017, 9 of the 12 months are above 1% (positive or negative). In total, the % is below 1%.

For 2018, there are 9 months above 1%, plus 1 at 0.95% and 1 at 0.99%.

For 2019, there is only 1 month above 1%.

2017 to 2019 have been recalculated using the same method. HHI can’t explain why the 2018 total is a bit above 1%.

## Staff Question-5

Ref: Application, pages 17-18

GA Analysis Workform

The following explanation was provided at Note 4 of the GA Analysis Workform:

“With the new method, recalculations have made remade [sic] for 2017, 2018 and 2019. Because the previous method was different, there is a shift between RPP and non-RPP. The numbers at the top of this spreadsheet are the numbers originally submitted. Because there was a change between RPP and non-RPP, this has an impact on the loss factor. The numbers at the top of this spreadsheet are protected. We are unable to change them.”

1. Based on Note 4 above, please describe the impact on the loss factor due to the reallocations between RPP and non-RPP. If the impacts are not demonstrated in the responses to Staff Question-6 b) and c), please discuss what has changed and why.

**HHI Response:** See answer to question 2a) for explanations of changes made. GA Analysis Workform has been updated. The only information not updated is in the protected section at the top. Total kWh are correct, but reclassifications need to be made between RPP, Non-RPP Class A, and Non-RPP Class B.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | 2017 |
|  | **Actual** | **Should be** | **Difference** |
|  |  |  |  |
| **Consumption data excluding for loss factor** |  |  |
|  |  |  |  |
| RPP |  60,851,387  |  60,774,021  |  (77,366) |
| Non-RPP Class A |  6,068,662  |  5,757,197  |  (311,465) |
| Non-RPP Class B |  72,037,036  |  72,425,867  |  388,831  |
|  |  |  |  |
| Total metered excluding WMP |  138,957,085  |  138,957,085  |  -  |
|  |  |  |  |
|  |  |  |  |
|  | 2018 |
|  | **Actual** | **Should be** | **Difference** |
|  |  |  |  |
| **Consumption data excluding for loss factor** |  |  |
|  |  |  |  |  |  |  |  |
| RPP |  64,445,530  |  64,481,561  |  36,031  |  |  |  |  |
| Non-RPP Class A |  15,041,117  |  13,396,041  |  (1,645,076) |  |  |  |  |
| Non-RPP Class B |  64,652,489  |  66,261,534  |  1,609,045  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Total metered excluding WMP |  144,139,136  |  144,139,136  |  -  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |
|  | 2019 |
|  | **Actual** | **Should be** | **Difference** |
|  |  |  |  |
| **Consumption data excluding for loss factor** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| RPP |  63,970,070  |  63,942,468  |  (27,602) |  |  |  |  |  |  |  |  |
| Non-RPP Class A |  13,264,976  |  12,608,218  |  (656,758) |  |  |  |  |  |  |  |  |
| Non-RPP Class B |  64,036,315  |  64,720,675  |  684,360  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Total metered excluding WMP |  141,271,361  |  141,271,361  |  -  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

After corrections are made, all differences will be less than 1%.

1. The Application states: “With the previous methodology, HHI was using its revenues and dividing them with the applicable RPP/TOU rates to obtain the number of kWh.” Please explain what is used now to obtain the number of kWh.
2. Please explain whether Hydro Hawkesbury’s systems can determine calendarized consumption.

**HHI Response:** HHI is billing all of its clients from the 1st day to the last day of the month.

1. The Application further states: “Class A and embedded generators clients were not considered with the previous methodology. IESO did a review of HHI’s process and methodology a few years ago. They agreed with the way HHI was making its calculations.”
2. Please confirm if the statement above means that Hawkesbury Hydro did not previously report Class A and embedded consumption to the IESO accurately.

**HHI Response:** The consumptions were reported to IESO correctly. They were not considered in the variances because the revenue and COP were the same for those clients. The same rates were used.

1. If the answer to question c) is yes, please explain what the impact of this issue was and confirm whether it has been resolved with the IESO.

**HHI Response:** N/A.

1. If the answer to question c) is no, please explain what the issue is with the previous methodology.

**HHI Response:** When calculating the kWh, HHI was considering only Class B non-RPP kWh. The difference was considered RPP. The total kWh used was correct.

1. Hawkesbury Hydro indicates that “energy purchases were also treated differently under the previous methodology.” Please explain how it was different.

**HHI Response:** The difference noted in c) impacted the COP, which was considered RPP vs. non-RPP.

## Staff Question-6

Ref: GA Analysis Workform, Tabs 2017, 2018 and 2019

 GA Analysis Workforms – filed in 2019 and 2020 IRM proceedings

 EB-2019-0042, Response to OEB Staff Questions (Oct 25, 2019), Question 9

In the GA Analysis Workform submitted in this proceeding, the approved loss factors for 2017, 2018 and 2019 were not provided. There also appears to be changes in billed kWh for non-RPP (class B) in the GA Analysis Workforms filed between the current and prior proceedings.

1. Please provide the approved loss factors for secondary metered customers <5,000 kW in all tabs of the GA Analysis Workform.

**HHI Response:** The approved loss factors were 1.0541 for 2017 and 1.0509 for 2018 and 2019.

1. OEB staff compiled the following table to show 2017 billed consumption for non-RPP class B customers and the calculated loss factor:

|  |  |  |
| --- | --- | --- |
| **Tab 2017 GA** |  | **2017** |
|  | Line | “Previous” GA Workform filed in 2019 IRM proceeding (kWh)Col. 1 | “Updated” GA Workform filed in 2021 IRM proceeding (kWh)Col. 2 |
| Billed kWh for non-RPP class B, including loss adjustment  | A | 76,122,606 | 77,369,799 |
| Actual kWh for non-RPP class B  | B | 72,037,036 | 72,037,036 |
| Calculated loss factor – A / B |  | 1.0567 | 1.074 |

1. At Line A, Columns 1 and 2, please explain why billed consumption for non-RPP class B customers increased from 76,122,606 kWh to 77,369,799 kWh in 2017.

**HHI Response:** Please see the answer to question 5a) and revised GA Analysis Workform.

1. If the updated figures in Column 2 are correct, please provide the supporting analysis to explain how the calculated loss factor of 1.074 is reasonable compared to the approved loss factor of 1.0541.

**HHI Response:** Please see the answer to question 5a) and revised GA Analysis Workform.

1. OEB staff compiled the following table to show 2018 billed consumption for non-RPP class B customers and the calculated loss factor:

|  |  |  |
| --- | --- | --- |
| **Tab 2018 GA** |  | **2018** |
|  | Line | “Previous” GA Workform filed in 2020 IRM proceeding (kWh)Col. 1 | “Updated” GA Workform filed in 2021 IRM proceeding (kWh)Col. 2 |
| Billed kWh for non-RPP class B, including loss adjustment  | A | 69,699,047 | 69,416,007 |
| Actual kWh for non-RPP class B  | B | 66,297,565 | 64,652,489 |
| Class A volumes | C | 13,396,041 \* | 15,041,117 |
| Calculated loss factor – A / B |  | 1.051 | 1.074 |

\* revised in Response to OEB Staff Question #9 in 2020 IRM staff questions

1. At Line A, Columns 1 and 2, please explain why the billed consumption for non-RPP class B customers decreased from 69,699,047 kWh to 69,416,007 kWh in 2018.

**HHI Response:** Please see the answer to question 5a) and the revised GA Analysis Workform.

1. At Line C, Column 2, please confirm accuracy of the Class A volumes of 15,041,117 kWh in the GA Analysis Workform submitted in this proceeding.

**HHI Response:** Please see the answer to question 5a) and the revised GA Analysis Workform.

1. In the 2019 GA Tab, it appears that the difference between the calculated and approved loss factor is greater than 1% (i.e. 1.0632 – 1.0509). Please provide the supporting analysis to explain how the calculated loss factor of 1.0632 is reasonable compared to the approved loss factor of 1.0509.

**HHI Response:** Please see the answer to question 5a) and the revised GA Analysis Workform.

1. If any of the response(s) above require an amendment to the GA Workform or the Rate Generator Model, please indicate the change(s) required. Please confirm the changes needed, as OEB staff can assist with any required revisions to ensure the records are accurate.

**HHI Response:** GA Analysis Workform and Continuity Schedule have been updated

## Staff Question-7

Ref: Application, page 24, and LRAMVA Workform

 Tabs 3 and 4 of the Rate Generator Model (Nov 18, 2020) – attached

 EB-2017-0048, 2018 DVA Continuity Schedule, Tab 6

In the LRAMVA Workform, Hydro Hawkesbury calculated a credit balance of $749 comprised of incremental 2017 and 2018 lost revenues. However, Hydro Hawkesbury is requesting disposition of a total LRAMVA credit balance of $6,288 based on the December 31, 2020 balance for Account 1568 in the DVA Continuity Schedule.

1. Please confirm that the LRAMVA debit balance of $7,860 was disposed of in the 2018 COS proceeding or clarify if this is not the case.

**HHI Response:** See cell AU43 of tab 3. Continuity Schedule for the amount approved by OEB of $7,860.

1. Please confirm that Hydro Hawkesbury relied on the 2019 Participation & Cost (P&C) Report. If yes, please confirm that the net savings for 2018 are consistent with the reported results on the 2019 P&C Report.

**HHI Response:** HHI has used the 2018 verified final report from IESO as it was deemed final and verified, unlike the 2019 P&C report.

1. Please confirm whether Hydro Hawkesbury agrees to update Tab 4 of the Rate Generator Model to reflect the disposition of a credit balance of $749 based on the rate class allocations calculated in the LRAMVA Workform. If yes, please revise the correct rate class amounts in Tab 4 based on Tab 1 (Table 1-a) of the LRAMVA Workform. If not, please discuss.

**HHI Response:** Tab 3 has been updated to resolve the difference of $749. Tab 4 has also been updated to match Tab 3.

## Staff Question-8

Ref: Tabs 6, 6.1a and 6.2a of Rate Generator Model (Nov 18, 2020) – attached

 GA Analysis Workform, Tab 2019

OEB staff enabled the macros in Tab 6 of the Rate Generator Model to generate a table with columns for 2017 and 2018. As a complete version of this table was not generated in the Rate Generator Model filed by the utility, 2017 and 2018 data was not provided.

1. In Tab 6 of the Rate Generator Model, please provide the 2017 and 2018 data in Tables 3a and 3b.

**HHI Response:** Done as per previous IRM

1. Based on the response to Staff Question 6-c ii), please reconcile the difference between the 2019 Class A volumes of 11,544,609 kWh (in Tab 6 of Rate Generator Model) and 13,264,976 kWh (in Tab “2019 GA” of the GA Analysis Workform).
2. Please provide the 2017 and 2018 volumes in Tab 6.1a (pertaining to total non-RPP consumption, less WMP) and in Tab 6.2a (pertaining to total metered consumption, less WMP).

**HHI Response:** Models have been updated.

## Staff Question-9

Ref: Tabs 8 and 9 of Rate Generator Model (Nov 18, 2020) – attached

 EB-2017-0048, PILS Workform, Tab “T0 PILs, Tax Provision”

Hydro Hawkesbury calculated a tax sharing credit amount of $117 based on the decrease in the combined effective tax rate from 12.5% in 2018 to 12.2% in 2021.

1. Please explain the rationale for using an effective tax rate of 12.5% in 2018, when the approved effective tax rate was 15% in the 2018 PILs Workform.

**HHI Response:** Staff is correct in that the tax rate used in the 2018 CoS was 15%. As such, the revised model reflects the correct tax rate of 15%.

1. Please confirm whether Hydro Hawkesbury agrees to update the 2018 effective tax rate to 15% in Tab 8 of the Rate Generator Model. If yes, please confirm the revised tax sharing amount.

**HHI Response:** The revised Sharing of Tax Amount is -$1,120

1. Please provide the requested data in columns C through H in Tab 9 of the Rate Generator Model.

**HHI Response:** The model filed in conjunction with these responses has been updated accordingly

## Staff Question-10

Ref: Tab 3 of the Rate Generator Model (Nov 18, 2020) – attached

In Tab 3 of the Rate Generator Model, there are principal adjustments to Account 1595 (pre-2014 and 2015) balances in the 2018 rate year.

1. Please explain why Hydro Hawkesbury reflected the draw-down of Account 1595 balances in the principal adjustment column in the 2018 rate year.

**HHI Response:** Those amounts were disposed in 2018. They should not appear in the continuity schedule. The continuity schedule has been updated.

1. Please reflect the draw-down of Account 1595 (pre-2014 and 2015) balances in the transactions column of the applicable rate year(s) in the DVA Continuity Schedule, as appropriate.

**HHI Response:** Those amounts were disposed in 2018. They should not appear in the continuity schedule. The continuity schedule has been updated.

## Staff Question-11

Ref: Tab 20 of Rate Generator Model (Nov 18, 2020) – attached

RTSR – network charges have increased by more than 4% for certain customer classes, specifically for Residential, GS<50 kW, Unmetered Scattered Load. As noted in Tab 20 of the Rate Generator Model, an explanation is required in the Manager’s Summary if the change in RTSR charges is more than 4%.

1. Please discuss whether the increase from RTSR – network charges for the above-noted customer classes are mainly attributable to the update in 2020 UTRs effective December 17, 2019 (EB-2019-0043). If there are other factors, please discuss.

**HHI Response:** Yes all data entered comes from Hydro One and IESO’s invoices. No other factors accounted for.

## Staff Question-12

Ref: All models filed with 2021 IRM application

1. Based on Hydro Hawkesbury’s responses to the above questions, please re-file all applicable models (for example, Rate Generator Model, GA Workform and LRAMVA Workform as applicable) to reflect the updates. In the re-filed version of the Rate Generator Model in particular, please run through all tabs (tabs 1 to 20) to ensure that the rate riders are generated properly.

**HHI Response:** All revised models are being filed along with this application.

1. Please file the 2017 Final Verified Results Report and 2019 P&C Report as provided by the IESO to support Hydro Hawkesbury’s LRAMVA application.

**HHI Response:** The requested file is filed in conjunction with this application.