**Hydro 2000 Inc.**

**EB-2020-0028**

Please note, Hydro 2000 Inc. is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

**Staff Question-1**

**Ref: Manager’s Summary, p. 10**

In the Manager’s Summary, it states that Hydro 2000 confirms its distribution rates are fully fixed. However, in the same page, Hydro 2000 provides the following statement: “Hydro 2000 has not yet completed its transition to fully fixed residential rates. Hydro 2000 indicated in its 2020 Cost of Service application that it had two years remaining in its transition period, which would mean that the utility would go to fully fixed rates in this application”. Please explain the contradictory statements.

**Staff Question-2**

**Ref: Manager’s Summary, p. 12**

In the Manager’s Summary, it states “Since the threshold was met, Hydro 2000 is therefore not seeking disposal of its deferral and variance account in this proceeding”. OEB staff notes this may be an erroneous statement because the rest of the application indicates otherwise. Please confirm that Hydro 2000 is seeking disposal of its deferral and variance account in this proceeding.

**Staff Question-3**

**Ref: Manager’s Summary, p. 14**

In the Manager’s Summary, it states “GA rate riders calculated on an energy basis (kWh) (not applicable in this case)”. Please explain why it is not applicable.

**Staff-Question-4**

**Ref: Manager’s Summary, p. 14**

**Ref: DVA Continuity Schedule**

In the Manager’s Summary, it states that Hydro 2000’s balances up to Dec 31, 2016, were approved on a final basis in its 2020 cost of service application.[[1]](#footnote-1)

In Hydro 2000’s settlement proposal that was approved in its 2020 cost of service rate application, it states

With respect to accounts 1588 and 1589, OEB staff had identified a number of issues during the proceeding with the 2017 and 2018 balances in these two accounts and suggested further review was required before disposing of these balances. As agreed to by the parties, H2000 will not dispose of balances in this proceeding. Instead H2000 will be permitted to dispose the balance to December 31, 2016 and bring forward a request for approval and clearance of amounts post December 31, 2016 in its 2021 IRM application.

Table 21 of the settlement proposal and the attached DVA Continuity Schedule show $0 claim amounts for both accounts 1588 and 1589. The associated tariffs also do not appear to reflect the disposition of these two accounts.

1. Please confirm that the 2015 and 2016 Account 1588 and Account 1589 balances were not included for disposition in the 2020 cost of service rate application.
2. If confirmed, please update the DVA Continuity Schedule to start from the ending 2014 balances for accounts 1588 and 1589. Please ensure that the amounts pertaining to 2015 and 2016 agree to the Inspection Report filed in Hydro 2000’s 2020 cost of service proceeding for the inspection of Hydro 2000’s 2015 and 2016 account 1588 and 1589 balances.
3. If part a above is not confirmed, please reconcile the differences in the account 1588 and 1589 ending 2016 balances between the DVA Continuity Schedule included in Hydro 2000’s 2020 cost of service settlement proposal and the DVA Continuity Schedule in this proceeding.

**Staff Question-5**

**Ref: Manager’s Summary, p. 16**

The OEB’s February 21, 2019 Accounting Guidance for Account 1588 and Account 1589[[2]](#footnote-2) (Accounting Guidance) was effective January 1, 2019 and to be implemented by August 1, 2019. It appears that Hydro 2000 was not able to implement the Accounting Guidance in 2019, as the 2019 account 1588 and 1589 balances were recalculated after the year-end RRR 2019 balances were filed.

1. Please explain when Hydro 2000 implemented the Accounting Guidance.
2. Please provide a narrative of Hydro 2000’s current RPP settlement process with Hydro One and confirm that this process was used when recalculating the 2017 to 2019 account balances.
3. An Inspection Report for an inspection of Hydro 2000’s 2015 and 2016 account 1588 and 1589 balances was filed in Hydro 2000’s 2020 cost of service proceeding. The Inspection Report noted a number of findings. Please confirm that Hydro 2000 has addressed and resolved all these findings and have revised its accounting practice applicable to the recalculated 2017 balances onwards.
	1. For each finding, please explain how Hydro 2000 has addressed the finding applicable to the recalculated 2017 balances onward.
4. Please confirm that Hydro 2000 is requesting final disposition of its 2017 to 2019 account 1588 and 1589 balances.

**Staff Question-6**

**Ref: Manager’s Summary, p. 13, 16-17**

Table 5 shows the difference in Account 1588 and Account 1589 balances using Hydro 2000’s old method and that from the February 21, 2019 Accounting Guidance. Account 1588 has been revised by $407,756 and Account 1589 has been revised by $30,338.

Hydro 2000 notes differences were noted in the amounts claimed from Hydro One for GA in the RPP settlement. Differences were also noted in revenue and expense accounts.

1. Regarding the difference in RPP settlement relating to GA, please explain the reason for the difference. Please explain whether Hydro 2000 has already submitted these RPP settlement adjustments to Hydro One and whether the submissions have been processed already.
2. Regarding differences in revenue and expense accounts, please explain the reason for the difference.
3. Please explain whether there were any other systemic differences between Hydro 2000’s old methodology and the methodology in the February 21, 2019 Accounting Guidance.
4. Please breakdown the revisions for each account by year. Please also breakdown the revisions by type of revision, if readily available.

**Staff Question-7**

**Ref: Manager’s Summary, p.14**

As stated in Hydro 2000’s approved settlement proposal in its 2020 cost of service rate application “With respect to accounts 1588 and 1589, OEB staff had identified a number of issues during the proceeding with the 2017 and 2018 balances in these two accounts and suggested further review was required before disposing of these balances.” Please explain the issues identified and how Hydro 2000 has addressed each of the issues.

**Staff Question-8**

**Ref: Manager’s Summary, p. 14**

Hydro 2000 filed an Inspection Report on its 2015 and 2016 account 1588 and 1589 balances in its 2020 cost of service rate application. In the Inspection Report, Hydro 2000 recalculated the 2015 and 2016 account 1588 and 1589 balances.

1. For the 2017 to 2019 account 1588 and 1589 balances presented in this application, please explain whether the methodology used to calculate the 2015 and 2016 balances in the Inspection Report was used to calculate the 2017 to 2019 balances.
	1. If not, please explain why not.
	2. If the methodologies are different, please explain the differences between the methodology used for the 2015 and 2016 balances in the Inspection Report and that used for the 2017 to 2019 balances as shown in this proceeding.
2. Please explain whether the 2017 to 2019 balances that were brought forth for disposition in Hydro 2000’s 2020 cost of service rate application used Hydro 2000’s old methodology.
	1. If not, please explain how the methodology used for the 2017 to 2019 balances brought forth in Hydro 2000’s 2020 cost of service rate application differs from the methodology used to calculate the 2017 to 2019 balances as shown in this application.

**Staff Question-9**

**Ref: Manager’s Summary, p. 17**

In the Manager’s Summary, Hydro 2000’s auditor provided the following statement on Hydro 2000’s revised Account 1588 and Account 1589 balances “The adjustment made in 2020 to correct the existing variance account balances was deemed to be appropriate”. Please explain what level of assurance Hydro 2000’s auditor is providing. For example, has the auditor performed an audit or a review of the Account 1588 and Account 1589 balances? If a report is available from the auditors, please file it on the record of this proceeding.

**Staff Question-10**

**Ref: Manager’s Summary, p. 24**

In the Manager’s Summary, it states “Hydro 2000 has explored all rate mitigation tools at its disposal (e.g. exploring longer disposition period for its DVAs) and although it did somewhat lower the bill impacts, it did not reduce them enough to bring them under the 10% threshold”. Please provide a list of the rate mitigation strategies Hydro 2000 considered and the effect on the bill impacts it had.

**Staff-Question-11**

**Ref: DVA Continuity Schedule**

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. Based on RRR data filed for Hydro 2000 for Account 4705 Cost of Power, OEB staff calculates the annual net activity (i.e. transactions plus principal adjustments) from the DVA Continuity Schedule as a percentage of annual Account 4705 amounts to be as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Account 4705 ($)**  | **Net Activity in Account 1588 ($)** | **% of net activity compared to Account 4705** |
| 2017 |  $ 1,688,797  |  $ 13,796  | 0.8% |
| 2018 |  $ 621,818  |  $ 16,363  | 2.6% |
| 2019 |  $ 1,068,208  |  $ (5,926) | -0.6% |
| Cumulative  |  $ 3,378,824  |  $ 24,233  | 0.7% |

1. Please confirm whether the amounts reported in RRR for Account 4705 are accurate, as Hydro 2000 has indicated adjustments to revenue and expense accounts were required in relation to adjustments for Account 1588 and Account 1589.
2. If the Account 4705 amounts are not correct, please revise the calculation above.
3. For each year where the % of net activity compared to Account 4705 is greater than +/-1% (namely 2018, subject to any corrections made by Hydro 2000 to the table), please provide an explanation as to why the Account 1588 activity would be high in consideration of line losses.

**Staff Question – 12**

**Ref: GA Analysis Workform**

In the 2017 to 2019 GA Analysis Workforms, Hydro 2000 indicated that the RRR data used to calculate the loss factor is incorrect.

1. For each year, please provide the correct consumption data for the table in the GA Analysis Workform and recalculate the loss factor.
2. For each where the difference between the recalculated loss factor and the approved loss factor is greater than 1%, please reconcile the difference and provide an explanation for the high difference.
1. EB-2019-0041 [↑](#footnote-ref-1)
2. Accounting Procedures Handbook Update – Accounting Guidance Related to Pass-Through Commodity Accounts 1588 & 1589 [↑](#footnote-ref-2)