

**London Hydro Inc.
EB-2020-0038
Responses to Staff Questions**

Please note, London Hydro 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: (1) Application, page 41 of 51
(2) Chapter 3 Filing Requirements, Appendix A, May 14, 2020
(3) Rate Generator Model, dated Jan 25 2021 – Tabs 3 and 4
(4) EB-2019-0052, Decision and Rate Order, April 16, 2020, pages 6 and 7

Preamble:

As noted in the first reference, London Hydro requested to dispose of the Account 1595 (2017) residual balance, a credit amount of \$189,610, in this proceeding.

At the second reference, the Chapter 3 Filing Requirements note that the residual balance in sub-accounts of 1595 are eligible for disposition two years after the expiry of the rate rider. As London Hydro's 2017 rate riders ended on April 30, 2018, the sub-account balance in Account 1595 (2017) would be eligible for disposition in the 2022 rate application, when audited December 31, 2020 balances would be available.

At the third reference, the Rate Generator Model shows that the Group 1 account balance inclusive of Account 1595 (2017) is a debit balance of \$2,717,953. Although it does not meet the materiality threshold, London Hydro proposes to dispose of its Group 1 balances.

At the fourth reference, the OEB notes in its 2020 IRM decision that it expects London Hydro will apply for disposition of all Group 1 account balances in its 2021 rate application, even if the disposition threshold is not met, given the passage of time since the last disposition. However, as noted, the OEB will make its final determination on this issue in the current proceeding.

Question(s):

- a. Please clarify whether London Hydro maintains its request to dispose of the Account 1595 (2017) residual balance in this proceeding. If so, please provide rationale.
- b. If London Hydro decides to withdraw the request to dispose of the Account 1595 (2017) residual balance in this proceeding, please confirm whether London Hydro maintains its position to dispose of all Group 1 accounts as it is still below the materiality threshold.
- c. Please confirm that London Hydro seeks to dispose of its Group 1 account balances on a final basis in this proceeding.

London Hydro Response

- a) London Hydro understands the Filing Requirements require the disposition of residual balances in 1595 account for each vintage year once, on a final basis. The account is eligible for disposition two years after the relevant rate rider expired and the account balance has been audited. London Hydro also understands the Continuity Schedule allows for the disposition of 1595 (2017) by providing the ability to select Yes in column BU for those accounts that are allowed for disposition. Since there were no transactions recorded on the account since December 2018 and the residual balance was audited, the account was considered for disposition.
- b) London Hydro understands the OEB will make the final determination of the disposition of the 1595 (2017) account. If the OEB requires London Hydro to withdraw the request of the disposition of the audited residual balance of 1595 (2017), then London Hydro will revise the IRM Rate Generator Model to exclude this balance from the disposition value. London Hydro confirms it wishes to dispose the Group 1 accounts regardless Account 1595 (2017) residual balance included or not.
- c) London Hydro confirms it seeks to dispose its Group 1 account balances on a final basis.

Staff Question-2

Ref: (1) Chapter 3 Filing Requirements, Appendix A, May 14, 2020
(2) Application, pages 38 and 39 of 51
(3) Rate Generator Model, dated Jan 25 2021 – Tab 3 (2018 principal adjustment to Account 1580 CBR class B)

Preamble:

At the first reference, the Chapter 3 Filing Requirements state that if 2018 rate riders end on April 30, 2019, the sub-account balance in 1595 (2018) would be eligible for disposition in the 2023 rate application, when audited 2021 balances would be available.

At the second reference, London Hydro proposes to dispose of the 2016 CBR B variance in Account 1595 (2018) with the 2017-2019 Account 1580 sub-account CBR class B in this proceeding. Since the 2016 CBR B balance was approved for disposition in the 2018 decision,¹ London Hydro transferred the 2016 CBR B balance to Account 1595 (2018) for disposition at a later time, but has not disposed of this balance.

London Hydro notes that it would not be appropriate to hold the 2016 CBR B variance, while disposing of the variances accumulating during subsequent years in 2017-2019 in this application. Table 11 of the Application shows that the 2016 CBR B variance (credit of \$138,800) when combined with the 2017-2019 CBR balance (credit of \$305,992) amounts to a total credit balance of \$444,792 for disposition.

At the third reference, London Hydro implemented this change in Tab 3 of the Rate Generator Model, by reversing the 2016 CBR B variance out from Account 1595 (2018) as a principal adjustment in the 2018 continuity schedule, and recorded the reverse balance to dispose of it into Account 1580 CBR Class B.

Tab 6.2a of the Rate Generator Model determined that 6.15% of the total CBR balance (credit of \$444,792) would be allocated to 53 transition customers who contributed towards the 2017-2019 CBR balance, while the remaining 93.85% of the total CBR B balance would be allocated to full year class B customers.

Question(s):

- a. Please explain why it is not appropriate to hold the 2016 CBR B variance in Account 1595 (2018) until this account is eligible to be disposed of in the 2023 rate application.

¹ EB-2017-0052, Decision and Rate Order, March 22, 2018

- b. Please confirm that the 2016 CBR B variance (credit of \$138,800) should be allocated to full year class B customers in 2016. Please also clarify whether any of the 53 transition customers (in Tab 6.2a of the Rate Generator Model) contributed to the 2016 CBR B variance.
- c. If London Hydro maintains its position to dispose of the 2016 CBR B variance with the 2017-2019 CBR balance in this application, please discuss the utility's views of disposing the entire 2016 CBR variance to class B customers separately through the DVA riders in Tab 6.2b.
- d. Please review Tabs 6.2a/b of the Rate Generator Model and confirm whether the utility determines that it is appropriate to adjust the total credit balance of \$444,792 in Tab 6.1a to exclude the 2016 CBR B variance amount. If so, please provide the calculations and applicable adjustment(s) to ensure that the 53 transition customers are allocated CBR payment amounts that reflect their contribution towards the 2017-2019 CBR B balances.

London Hydro Response

- a) London Hydro proposes to clear the audited CBR B variances for years 2016 to 2019 in full. The 2016 CBR B variance was transferred to a1595 holding account because the 2016 single year variance was not significant enough to produce a rate rider. Therefore, it is sensible to include the 2016 balance in the disposition together with variances accumulated in subsequent years and clear all historical balances.

Customers opt in and opt out from the ICI program and their consumption history has to be analysed for each year they contributed to the corresponding variance. During 2016 there were two transition customers, while in later years the number of transition customers have significantly increased. Many of the transition customers listed in this rate application were Class B during 2016. As they now are Class A customers, their portion of the CBR B variance has to be settled via direct settlement as properly calculated on Tab 6.2a. The longer the variance is carried in the Group 1 accounts, the longer the list of transition customers gets and the more cumbersome the disposition process becomes. Therefore, London Hydro respectfully requests to clear the full 2016-2019 CBR B balance as proposed within this rate application.

- b) Please note that the 2016 CBR B variance should not be allocated to the current Class B customer because some of the transition customers also contributed to this variance. The \$138,800 credit CBR B variance from Year 2016 should be allocated partially to those transition customers, who were Class B during 2016

and contributed to it, then the remainder of the variance should be allocated to the current set of Class B customers.

Tab 6.2a of the Rate Generator Model correctly determines that 6.15% of the total CBR balance accumulated during 2016-2019 is to be allocated to the 53 transition customers, who contributed towards the 2016-2019 CBR B balance while they were Class B customers. Most of these customers are Class A customers currently.

- c) London Hydro wishes to dispose the 2016 CBR B variance with the 2021 IRM rate application and maintains its position that it is best to dispose it together with the 2017-2019 CBR B balances. Many of the transition customers who were Class B in 2016, are now Class A customers, and they are entitled for their portion of the 2016 CBR B balance that they have contributed to during 2016. Tab 6 of the Rate Model properly summarizes the consumption for each transition customer in order to correctly allocate their portion of the CBR B balance on Tab 6.2a. Tab 6 summarizes consumption for all transition customers for Years 2016 to 2019, when they were Class B and when they were a Class A customer for a partial year in Table 3a. Tab 6 also summarizes 2016-2019 consumption in Table 3b for full-year Class A customers, including those transition customers who were a full year Class A for a particular year, according to the instructions of the Rate Generator Model.

If the 2016 CBR B balance would be disposed to the current Class B customers through a DVA rate rider, then all of those transition customers who were Class B in 2016 and are now Class A, would not receive their portion of the variance that they contributed to during Year 2016.

- d) London Hydro confirms it would not be appropriate to adjust the CBR B balance to exclude the 2016 CBR B variance amount. The only instance when it would be appropriate to dispose the 2016 CBR B balance to Class B customers only, if none of the transition customers who were Class B in 2016, would have transitioned to Class A during the years of 2017 to 2019. Please note that most of the 53 transition customer were Class B during 2016 and fully contributed to the 2016 variance, as well as to the 2017-2019 balance, during the months when they were Class B customers. Many of them are now Class A customers.

Staff Question-3

Ref: (1) EB-2018-0051, Decision and Rate Order, page 9
(2) Rate Generator Model, dated Jan 25 2021 – Tab 3 (2019 principal adjustment to Account 1584 and Account 1586 balances)

Preamble:

At the first reference, London Hydro was approved to recover the retail transmission revenue shortfall of \$7,484,188 by way of 18-month rate riders that ended on October 31, 2020. In the 2019 IRM decision, the OEB directed London Hydro to record the following entries in its general ledger and the corresponding Account 1595 (2019):

- A credit of \$3,799,265 to Account 1584 Retail Transmission Network Charge
- A credit of \$3,684,923 to Account 1586 Retail Transmission Connection Charge
- A debit of \$7,484,188 to Account 1595 (2019) principal effective April 30, 2019

The variance between the amounts approved for recovery and the amounts recovered was to be captured in the Account 1595 (2019) principal balance.

At the second reference, the 2019 continuity schedule included debit balance principal adjustments to Accounts 1584 and 1586, and a credit balance of \$8,302,809 recorded in Account 1595 (2019).

Question(s):

- a. Please confirm that the 2019 principal adjustments to Accounts 1584 and 1586 reflect a one-time reversal of the credit adjustments recorded in the 2018 general ledger, as noted in the 2019 decision.
- b. Please explain what the credit balance of \$8,302,809 recorded in the Account 1595 (2019) principal account includes. Please reconcile this amount with the debit balance of \$7,484,188, which should have been recorded in Account 1595 (2019) as per the 2019 decision.

London Hydro Response

- a) London Hydro confirms the 2019 principal adjustments to Accounts 1584 and 1586 reflect the approved \$7,484,188 in the Decision and Rate Order (EB-2018-0051), dated March 28, 2019. The amounts in Column BE of the Continuity Schedule represent a one-time debit entry of \$7,484,188 to Account 1595 (2019), a one-time credit entry for \$3,799,265 to Account 1584 and a one-time credit entry for \$3,684,923 to Account 1586.
- b) A debit balance of \$8,302,809 was recorded in Account 1595 (2019) principal amounts which consists of \$3,799,265 principal allocated from 1584 RSVA Retail Transmission Network Charge, \$3,684,923 principal allocated from 1586 RSVA Retail Transmission Connection Charge and \$818,621 principal from 1568 LRAMVA.

Column BE reflects the above transactions in the Continuity Schedule. The Column Total on Row 45 is zero, which is the summary of the credit transactions

to Accounts 1584, 1586 and 1568 and the corresponding debit entry in Account 1595 (2019). Please note that the formula in the Continuity Schedule deducts the values entered into Column BE from the account balance.

London Hydro notes it updated Account 1595 (2019) in the Continuity Schedule with the recovery and carrying charge amounts during Year 2019, which were inadvertently not included in the original submission. London Hydro apologizes for this oversight.

Balance transferred into 1595 (2019):

	Principal	Interest	Total
1584 RSVA Transmission Network	\$ 3,799,265		\$ 3,799,265
1586 RSVA Transmission Connection	\$ 3,684,923		\$ 3,684,923
1568 LRAMVA	\$ 818,621	\$ 35,119	\$ 853,740
	\$ 8,302,809	\$ 35,119	\$ 8,337,928

Note 1. EB-2018-0051 Decision and Rate Order, March 28, 2019

Staff Question-4

- Ref: (1) EB-2018-0051, 2019 IRM proceeding, excel file: “London Hydro_Workbook_2018 RTSR_Corr_20181107” (Revised RTSR spreadsheet), Tab “2018 Full Corrected”
- (2) Rate Generator Model, dated Jan 25 2021 – Tab 10 (non-loss adjusted kW for GS 50-4999 kW class)
- (3) Rate Generator Model, dated Jan 25 2021 – Tab 20 (RTSR bill impact changes)

Preamble:

OEB staff compared the 2018 and 2019 volumes in the GS 50-4999 kW class and noted the following observations:

- At the first reference, the corrected 2018 non-loss adjusted billing determinants was a total of 3,763,315 kW comprised of:
 - i) 965,337 kW from the GS 50-4999 kW class
 - ii) 2,802,978 kW from the GS 50-4999 kW (interval metered) class

- At the second reference, the 2019 non-loss adjusted billing determinants was a total of 3,668,057 kW comprised of:
 - i) 128,689 kW from the GS 50-4999 kW class
 - ii) 3,539,368 kW from the GS 50-4999 kW (interval metered) class

At the third reference, Tab 20 of the Rate Generator Model indicates that an explanation is required in the Manager’s Summary, if the change in RTSR charges is greater than 4%.

Question(s):

- a. At Tab 10 of the Rate Generator Model, please explain the reason for the large decline in load in the GS 50-4999 kW class from 965,337 kW (in 2018) to 128,689 kW (in 2019).

- b. At Tab 20 of the Rate Generator Model, please explain the key driver(s) for the 4% change in RTSR – Network, and Connection and/or Line and Transformation Connection for the majority of the customer classes.

London Hydro Response

- a) In Year 2016, London Hydro had 799 non-interval customers within its General Service 50 to 4999 KW Service Classification (GS 50-4999 KW) and their billed demand totalled to 960,337 kW. The 2016 consumption statistics was used as billing determinants in the 2018 IRM rate application. In 2019, there were 36 non-interval customers in the GS 50-4999 KW class and their billed demand was 128,689 KW. The 2021 IRM rate application uses the 2019 billing statistics as billing determinants.

London Hydro gradually converted its non-interval meters for customers in the GS 50-4999 KW class to interval meters over the past few years, according to the amendment of Section 5.1.3 of the Distribution System Code which requires the installation of Metering Inside the Settlement Timeframe (MIST) meters. The demand for those converted customers is now included in the interval demand within the General Service 50 to 4,999 kW rate class.

Annual demand and customer statistics for the GS 50-4999 KW class:

Demand		2018 IRM	2019 IRM	2020 IRM	2021 IRM
Consumption Year		YR 2016	YR 2017	YR 2018	YR 2019
GS 50 To 4,999 kW Non-Interval	KW	960,337	638,950	393,009	128,689
GS 50 To 4,999 kW Interval	KW	2,802,978	3,086,886	3,365,349	3,539,368
	KW	3,763,315	3,725,836	3,758,358	3,668,057
Customer count					
GS 50 To 4,999 kW Non-Interval		799	541	267	36
GS 50 To 4,999 kW Interval		813	1,081	1,359	1,548
		1,612	1,622	1,626	1,584

- b) The retail RTSR rates are based on the forecasted wholesale RTSR costs considering the billing determinants for the given year.

Comparison of the current retail RTSR rates to the Forecasted retail RTSR rates:

	Retail volume	Network	Connection
Current retail RTSR rate - Residential	1,170,003,040	\$ 0.0074	\$ 0.0066
Proposed retail RTSR rate - Residential	1,134,475,223	\$ 0.0085	\$ 0.0063
Change	-3%	15%	-4%

There was an approximate 15% increase in retail network charge and 4% decrease in retail connection charge.

The current retail RTSR rates are based on the Forecasted wholesale RTSR costs in the 2020 IRM rate application. The proposed retail RTSR rates are based on the Forecasted wholesale RTSR costs in 2021 IRM rate application.

There was a 12% increase in the wholesale network service costs that is a combination of 19% increase in the OEB approved Uniform Transmission Rates (UTRs) and a 6% decrease in demand. This cost increase is reflected in the RTSR Network Service Rate increase for each customer class.

The Retail Transmission Connection Service costs had a 6% decline that is a combination of 1% net increase in the total UTR Transmission Connection Rate and the 6% decrease in demand. This rate change resulted in an average 4% decrease in RTSR Line and Transformation Connection Service Rate for each customer classes.

Compare the wholesale (WS) RTSR costs, volumes and rates:

	Network WS Costs	Connection WS Costs	Network WS Volume	Connection WS volume	Network UTR	Conn. UTR	Line Conn. UTR	Trans.Conn. UTR
2020 IRM RA Tab 14	\$ 24,833,173	\$ 22,470,604	6,334,993	6,809,274	\$ 3.92	\$ 3.26	\$ 0.97	\$ 2.33
2021 IRM RA Tab 14	\$ 27,816,794	\$ 21,168,903	5,956,487	6,414,819	\$ 4.67	\$ 3.30	\$ 0.77	\$ 2.53
Change	12%	-6%	-6%	-6%	19%	1%	-21%	9%

Staff Question-5

- Ref: (1) GA Analysis Workform, Tabs GA 2017, 2018 and 2019
 (2) Rate Generator Model, dated Jan 25 2021 – Tabs 6 and 6.1a

Preamble:

OEB staff identified some discrepancies in the non-RPP class A and B consumption data noted in the GA Analysis Workform and Rate Generator Model:

Non-RPP Class A consumption		2019	2018	2017
Non-RPP Class A (GA workform)	a	544,777,057	560,302,675	380,970,588
Full year Class A customers, Tab 6	b	514,220,759	498,497,086	217,329,856
Partial year Class A customers, Tab 6.1a	c	32,891,622	51,210,806	158,964,812
Class A consumption (RGM)	d = b+c	547,112,381	549,707,892	376,294,668
Difference (kWh) – Line 1	a - d	(2,335,325)	10,594,783	4,675,920

Non-RPP Class B consumption		2019	2018	2017
Non-RPP Class B (GA workform)	e	1,005,812,115	1,047,215,826	1,228,789,380
Non-RPP Class B, Tab 6.1a	f	1,003,476,790	1,057,810,609	1,233,465,301
Difference (kWh) – Line 2	e-f	2,335,325	(10,594,783)	(4,675,921)

Question(s):

- a. Please explain why there is a difference in the 2017, 2018 and 2019 kWh consumption for non-RPP class A customers (at line 1) and non-RPP class B customers (at line 2) as shown above.
- b. Please clarify whether any revisions to either the GA Analysis Workform and Rate Generator Model are needed (specifically in Table 3a and 3b in Tab 6). If so, please indicate the change(s). If not, please explain.

London Hydro Response

- a) London Hydro developed a new customer specific detailed list for the Class A volumes in its new database for the 2021 IRM rate application on Tab 6 of the Rate Generator Model. The volumes on the GA Workform derived from the annual 2.1.5 PBR filings which were based on a summary report used in data collection for the RRR filings. The differences are due to the summary report used for the RRR filings does not accurately reflected the Class A kWh volumes, and at the time there was no method available to reconcile those totals. The new database is being developed to accommodate the process requirements in accordance with the new commodity accounting guidance. This new database now provides more details and more dynamic in nature, it will allow London Hydro to report the Class A kWh accurately, and verify the summary report to a customer specific detailed list.

The non-RPP Class B volumes are calculated by taking the total non-RPP kWh less Class A kWh. Since the Class A kWh were not accurate in the annual RRR, the same offsetting difference occurs in Class B non-RPP kWh when comparing the volumes on the GA Workform to Tab 6.1a in the Rate Generator Model.

- b) London Hydro confirms that the Class A volumes on Tabs 6, 6.1a and 6.2a of the Rate Generator Model are correct and reconciled to the customer specific detailed list developed in the new database. The GA and CBR balance allocations to transition customers are also correct. Therefore, no revisions required in the Rate Generator Model on Tab 6 Class A Consumption data.

The GA Analysis Workform uses the RRR filing information to validate the accuracy of the kWh quantities used to calculate the expected GA price variance in Account 1589 for the calendar year. The validation formulae compares the non-RPP Class B loss adjusted actual consumption with the non-RPP Class B metered kWh reported in the RRR 2.1.5 filing via a calculated loss factor. The reporting difference in Class A volumes, and the offsetting difference in non-RPP Class B volumes, under Note 2 of the GA Analysis Workform do not impact the non-RPP Class B volumes used in the analysis of the expected GA price variance under Note 4, and therefore, no revision required to this analysis.

Staff Question-6

Ref: (1) LRAMVA Workform, Tab 5
(2) EB-2016-0091, 2017 Decision and Rate Order, s 3.1.2 of settlement proposal, page 32 of 50

Preamble:

At the first reference, London Hydro included the persistence of 2011 to 2015 programs in 2017 in its LRAMVA balance.

At the second reference, the approved settlement proposal indicates that the LRAMVA threshold of 70,113,851 kWh was established based on forecast conservation savings from 2016 and 2017.

Question(s):

- a. Please provide rationale for claiming persistence of 2011-2015 savings in 2017, if the 2011 to 2015 actual program savings were already embedded in the 2017 load forecast.
- b. Please explain whether London Hydro agrees that it is appropriate to remove the persistence of 2011-2015 savings in 2017. If so, please remove the persisting lost revenue amounts in the applicable rows in Tab 5 (i.e. cells Y581 to AB585) and file a revised version of the LRAMVA Workform. If not, please explain.

London Hydro Response

- a) London Hydro notes the CDM adjustments to its 2017 COS load forecast as detailed in the reference below and therefore, the persistence from the 2011-2015 program savings should be included in the LRAMVA calculations.

In its original 2017 COS load forecast filing, London Hydro recognized the CDM persistence reductions for the periods of 2011 to 2014, 100% for 2015 and 2016 and 50% for 2017. In the settlement, the intervenors negotiated for London Hydro to discount persistence for 2011 to 2014, 0% for 2015 and 50% for 2016 in its load forecast.

The removal of the CDM effect resulted in a higher volumetric denominator being applied to all customer classes thereby reducing calculated distribution rates. This results in London Hydro not being fairly compensated for revenue loss from CDM program persistence prior to 2016.

Hence London Hydro would suggest that the full CDM effect was removed from the 2017 load forecast in the Settlement, and therefore, the entire LRAMVA amount is valid including persistence from 2011 and onward as claimed.

Ref. Decision and Rate Order, EB-2016-0091, issued on March 23, 2017, Schedule A: Settlement Proposal, Tab 1 of 1 Settlement Agreement, Sec 3 Load Forecast, Cost Allocation and Rate Design, Page 26.

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“Full Settlement

The Parties accept the evidence of LH and its methodology used of the load forecast, customer forecast, loss factors and Conservation and Demand management (“CDM” adjustments after incorporating the following:

- An adjustment to change the 2015 CDM persistence to 0% reflected in updated load forecast;
- An adjustment to change the 2016 CDM persistence to 50% reflected in updated load forecast; and
- An addition of 15.5 Gown to billed kWh’s to reflect the trend of historical 2006-2015 CDM which is already included in the underlying forecast amount.”

Table 12: 2017 Test Year Billing Determinants (for Cost Allocation and Rate Design)

Rate Class	Application (A)		IR/TC Responses(B)		Variance (C) = (B) - (A)		Settlement (D)		Variance (E) = (D) - (B)	
	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW
Residential	1,068,671,798	0	1,069,466,426	0	794,628	0	1,080,124,093	0	10,657,667	0
GS<50	371,911,863	0	369,565,609	0	(2,346,254)	0	388,005,727	0	18,440,118	0
GS>50	1,486,650,047	3,778,018	1,471,000,883	3,751,052	(15,649,164)	(26,966)	1,483,228,611	3,782,233	12,227,727	31,181
GS>50 WMP	0	0	17,668,115	32,066	17,668,115	32,066	17,674,182	32,077	6,067	11
Cogen	34,191,555	65,844	10,913,365	72,320	(23,278,190)	6,476	10,938,724	72,320	25,358	0
Standby	0	154,800	23,359,835	154,800	23,359,835	0	23,414,113	154,800	54,279	0
Large User	82,923,505	159,628	88,987,425	171,301	6,063,920	11,673	95,045,673	182,963	6,058,248	11,662
Street Light	19,502,488	54,607	19,597,552	54,873	95,064	266	22,397,552	62,713	2,800,000	7,840
Sentinel Light	706,221	1,907	696,900	1,882	(9,321)	(25)	696,900	1,882	0	0
USL	5,464,035	0	5,414,248	0	(49,787)	0	5,414,248	0	0	0
Total	3,070,021,512	4,214,804	3,076,670,357	4,238,294	6,648,845	23,490	3,126,939,822	4,288,988	50,269,465	50,694

- b) As described in response to a), the persisting savings from the 2011-2015 program have not been embedded in London Hydro’s 2017 load forecast, and therefore, should be included in the LRAMVA calculations.

Staff Question-7

Ref: (1) Application, page 33 of 51

Preamble:

At the first reference, London Hydro indicated:

During Phase 1 of the implementation process London Hydro found that it required to make adjustments for the change in GA methodology. CT 148 transactions were reviewed, the RPP percentage was applied and the RPP related costs were calculated. CT 142 GA credit transactions for RPP consumption were also reviewed and compared against the RPP portion of CT 148 GA cost. The net difference was deemed material and allocated out from GA costs to power costs effectively landing in 1588. London Hydro also reviewed its historical balances in 2017 and 2018, for which it carries principal variances, and made the required adjustments, as well.

Based on the above, London Hydro stated that “material differences” were identified for both 2017 and 2018 between Accounts 1588 and 1589.”

Question(s):

- a. Please provide more detail, including a summary breakdown of the actual dollar amounts impacting Account 1588 and Account 1589 by year, as well as the nature of the adjustments.

London Hydro Response

- a) London Hydro made the following adjustments between Accounts 1588 and 1589 as a result from switching from method B to method A to book GA costs during phase 1 of the implementation process.

	<u>Year 2017</u>	<u>Year 2018</u>
CT 142 GA credit portion	\$ (151,839,211)	\$ (149,771,508)
CT 148 RPP portion	\$ 152,503,555	\$ 150,127,127
Net Impact	\$ 664,343	\$ 355,619

Under method B the full CT 148 was booked to 1589 and the portion of CT 142 equaling the GA credit related to RPP consumption was also credited into 1589.

During Phase 1 of the implementation process London Hydro moved the portion of CT 142 equaling the GA credit for RPP consumption to 1588 for 2017 and 2018.

London Hydro also calculated the RPP and non-RPP percentages for each month in 2017 and 2018 using a proration methodology that prorated the billed consumption over the days within the billing cycle and distributed those volumes between the billed months. Based on the RPP percentage, London Hydro allocated the portion of CT 148 related to RPP consumption from 1589 to 1588.

The net impact of these two adjustments is \$664,343 and \$355,619 for 2017 and 2018, respectively. The amounts are a debit to Account 1588 and a credit to Account 1589.

Staff Question-8

Ref: (1) Application, Table 10, page 35 of 51 (Account 1588)

(2) Rate Generator Model, dated Jan 25 2021, Tab 3 – Account 1588

Preamble:

London Hydro provided a summary of commodity balances for disposition after principal adjustments.

OEB staff notes some differences between Table 10 of the Application and the information contained in Tab 3 – Continuity Schedule of the Rate Generator Model. For example, the 2017-2019 opening balances in the Continuity Schedule have not been included in Table 10, and the “Principal Accumulated” column in Table 10 refer to the “Transactions” column of the Continuity Schedule.

Table 10 – Application

1588 RSVA Power

Year	Principal Accumulated	Change in Unbilled	C.Acc. Guid. Ph1 - 2019	C.Acc. Guid. Ph1 - 2020	C.Acc. Guid. Ph2 - 2020	Principal for disposition
Year 2017	\$ (755,160)	\$ 90,335	\$ 664,343	\$ 130,333	\$ (410,928)	\$ (281,077)
Year 2018	\$ 426,018	\$ (278,189)	\$ 355,619	\$ 195,021	\$ 33,549	\$ 732,018
Year 2019	\$ 1,353,041	\$ (298,899)	\$ (1,019,963)	\$ 495,848	\$ (40,867)	\$ 489,160
	\$ 1,023,899	\$ (486,753)	\$ -	\$ 821,202	\$ (418,246)	\$ 940,102

The opening principal balance as of January 1, 2017 in the Continuity Schedule shows (\$79,854) but they are not shown in Table 10. The subsequent opening balances (2018 and 2019) noted in the screenshots below were also not included in Table 10 above.

Tab 3 - 2017 continuity schedule

Account Number	2017				
	Opening Principal Amounts as of Jan 1, 2017	Transactions Debit / (Credit) during 2017	OEB-Approved Disposition during 2017	Principal Adjustments ¹ during 2017	Closing Principal Balance as of Dec 31, 2017
1550	0				0
1551	(47,846)	(24,854)	(24,551)		(48,150)
1580	(10,079,202)	(3,111,901)	(7,099,446)		(6,091,658)
1580	(185)	(0)			(185)
1580	686,542	(27,798)	816,554		(157,810)
1584	12,989	796,777	(227,019)		1,036,784
1586	(714,736)	(769,471)	(560,336)		(923,871)
1588	(79,854)	(755,160)	(372,517)	474,083	11,586
1589	(1,859,136)	2,901,221	(493,463)	(582,826)	952,723
1595	0				0
1595	0				0
1595	1,693,602	(1,587,537)			106,065
1595	0	4,036,014	6,948,407		(2,912,393)
1595	0				0

Tab 3 - 2018 continuity schedule

2018					
Account Number	Opening Principal Amounts as of Jan 1, 2018	Transactions Debit / (Credit) during 2018	OEB-Approved Disposition during 2018	Principal Adjustments ¹ during 2018	Closing Principal Balance as of Dec 31, 2018
1550	0				0
1551	(48,150)	(126,825)	(23,295)		(151,679)
1580	(6,091,658)	(352,295)	(2,979,756)		(3,464,196)
1580	(185)	3			(182)
1580	(157,810)	(54,611)	(130,012)	(128,765)	(211,175)
1584	1,036,784	4,465,513	240,008		5,262,289
1586	(923,871)	4,528,835	(154,400)		3,759,364
1588	11,586	426,018	292,663	306,000	450,941
1589	952,723	433,297	(1,365,673)	(1,166,931)	1,584,762
1595	0				0
1595	0				0
1595	106,065				106,065
1595	(2,912,393)	2,780,688			(131,706)
1595	0	2,379,124	4,120,465	128,765	(1,612,577)

Tab 3 - 2019 continuity schedule

2019					
Account Number	Opening Principal Amounts as of Jan 1, 2019	Transactions Debit / (Credit) during 2019	OEB-Approved Disposition during 2019	Principal Adjustments ¹ during 2019	Closing Principal Balance as of Dec 31, 2019
1550	0				0
1551	(151,679)	(31,134)			(182,813)
1580	(3,464,196)	(681,039)			(4,145,234)
1580	(182)	0			(182)
1580	(211,175)	(213,589)			(424,764)
1584	5,262,289	634,931	3,799,265		2,097,956
1586	3,759,364	(158,974)	3,684,923		(84,534)
1588	450,941	1,353,041		(863,881)	940,102
1589	1,584,762	2,094,580		899,721	4,579,063
1595	0				0
1595	0				0
1595	106,065				106,065
1595	(131,706)				(131,706)
1595	(1,612,577)	1,455,850			(156,727)

Question(s):

- a. Please explain how the 2017-2019 opening balances are accounted for in Table 10 and reconcile the adjustments in Table 10 to the information in the DVA Continuity Schedule of the Rate Generator Model.

London Hydro Response

- a) Table 10 is a visual summary of the commodity principal proposed for disposition with the applicable adjustments. It was not intended to replicate the Continuity Schedule, rather validate the claim for the commodity principal values.

Table 10 summarizes the transactions related only to 2017-2019 and groups the principal adjustments by nature to reconcile the balances proposed for disposition.

Column titled "Principal Accumulated" in Table 10 reflects the total of the g/l transactions in the year, not the opening balance. This table has no opening balance as it excludes all amounts that don't relate to the 2017-2019 period. The Column titled "Principal Accumulated" in Table 10 is equivalent with Column titled "Transactions Debit/(Credit) during Year" in the Continuity Schedule.

In Table 10, the rest of the columns reflect the principal adjustments required for each year to adjust the principal value for transactions that took place after year-end. The change in unbilled is the difference between the actual billing that took place in the following year versus the reversal of the accrual made. Column "Ph1 – 2019" shows the net impact of adjustments booked in 2019 during phase 1 of the commodity accounting guidance implementation, as explained in responses to Question 7 and Question 11. Column "Ph1 – 2020" shows the net impact of adjustments booked in 2020 during phase 1 of the commodity accounting guidance implementation. Column "Ph2 – 2020" shows the net impact of the final true-up adjustments booked in 2020 during phase 2 of the commodity accounting guidance implementation. The sum of these principal adjustments are reflected in Column "Principal Adjustments during Year" in the Continuity Schedule.

The net "Principal for disposition" in Table 10 shows the value that should be proposed for disposition in the Continuity Schedule in Column titled "Closing Principal Balances as of Dec 31, 2019 Adjusted for Disposition during 2020".

The Continuity Schedule reflects all transactions, dispositions and adjustments in a continuity fashion, and the closing principal adjusted for disposition reconciles to the "principal for disposition" value calculated in Table 10.

Staff Question-9

Ref: (1) Application, page 35 of 51

Preamble:

At the first reference, London Hydro stated:

“[...] London Hydro now applies the actual invoiced (paid) GA price in the settlement true-up calculation. Two months later the proportion of GA costs are also trueed-up based on the RPP/Non-RPP percentages calculated using the actual meter reads. London Hydro is working on separating the true-up of GA price from the volume true-up and submit this portion in the month following the initial submission. **London Hydro is committed to complete this final step of Phase 2 implementation by the end of the year**”. [emphasis added]

Question(s):

- a. Please confirm that the Phase 2 implementation of “The Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, issued on February 21, 2019”, was completed by year-end of 2020, as stated above.
- b. If not, please explain when the accounting guidance will be completed, and confirm whether there could be any subsequent adjustments to any prior year balances as a result.

London Hydro Response

- a) London Hydro confirms that the Phase 2 implementation of the Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, issued on February 21, 2019, was completed by the year-end of 2020.
- b) N/A

Staff Question-10

Ref: (1) 2021 GA Analysis Workform, Tabs 2017, 2018 and 2019

Preamble:

In the GA Analysis Workform, the description at line 6 labelled as “Differences in GA IESO Significant Prior Period Billing Adjustments Recorded in Current Year” includes the following adjustments:

- the 2017 GA Analysis Workform shows a credit balance of \$1,040,547
- the 2018 GA Analysis Workform shows a credit balance of \$139,914

Question(s):

- Please provide a more detailed explanation regarding these amounts on line 6 of both the 2017 GA Analysis Workform and the 2018 GA Analysis Workform.
- Please describe whether these amounts of a credit balance of \$1,040,547 for 2017 and a credit balance of \$139,914 for 2018 also impact Account 1588 and quantify these impacts.
- Please confirm in what years the above noted Account 1589 amounts were recorded in London Hydro’s general ledger, including any amounts also recorded in Account 1588.

London Hydro Response

- Line 6 of the GA Analysis Workform is titled “Differences in GA IESO posted rate and rate charged on IESO Invoice”. The amounts specified on Line 6 of Tab “GA 2017” and “GA 2018” represent the non-RPP portion amounts invoiced to London Hydro by the IESO for years prior to 2017 under CT 148 Global Adjustment. These charges do not relate to consumption in 2017 and 2018 but to earlier years, specifically 2011-2016, therefore, when examining the price variance for 2017 and 2018, they are reconciling items. The only explanation from the IESO in the PS or FS files is a month/year reference.
- The \$1,040,547 debit (in 2017) and the \$139,914 debit (in 2018) amounts are the non-RPP portion of the noted CT 148 GA prior period adjustments.

The \$1,336,794 debit (in 2017) and the \$215,747 debit (in 2018) are the RPP portion of the noted charges, which were allocated to 1588 during Phase 1 implementation of the accounting guidance. The allocated amounts form part of the “CT 148 RPP portion” value as illustrated in the response to question 7.

Adjustments included in CT 148 (MP from current month PS)	Amount in CT 148	Non-RPP Portion to 1589	RPP Portion to 1588
Adjustments billed by the IESO during 2017	\$ 2,377,342	\$ 1,040,547	\$ 1,336,794
Adjustments billed by the IESO during 2018	\$ 355,661	\$ 139,914	\$ 215,747

It is noted that the GA Workforms under Note 4 “Analysis of Expected GA Amount” calculates the price variance between the IESO published Final GA price and the First Estimate GA Price billed to customers. Note 5 compares the G/L transactions (net change in principal balance) to the expected GA price variance calculated in Note 4. Under Note 5, any items in the G/L transactions that do not represent the expected GA price variance in Note 4, are listed as reconciling items and deducted from the G/L transactions to arrive at the expected GA price variance. Since the CT 148 GA prior period adjustments noted in this question do not relate to the given year expected price variance, rather relate to prior periods and were booked to the G/L in the year when charged by the IESO, they need to be shown as a “deduction or credit” to the G/L transaction total when compared to the expected GA price variance. Therefore, the noted amounts do not represent a credit balance, rather represent the “deduction” of a GA cost in the comparison under Note 5.

- c) The noted prior year related GA amounts were recorded in the g/l during 2017 and 2018 in the months when the IESO charged London Hydro under CT 148. At that time, London Hydro employed method B for recording GA costs, therefore the full amounts were booked to Account 1589. During Phase 1 implementation of the Commodity Accounting Guidance in Year 2019, which involved the switch from Method B to Method A, the RPP portion of the noted GA amounts were allocated to 1588 as described in response to question 7.

Staff Question-11

Ref: (1) 2021 GA Analysis Workform, Tabs 2017, 2018 and 2019

Preamble:

In the GA Analysis Workform, the description at line 9 labelled as “New Comm Acctg Guidance - switch from Method B” includes the following adjustments:

- the 2017 GA Analysis Workform shows a credit balance of \$664,343
- the 2018 GA Analysis Workform shows a credit balance of \$355,619

At line 9 in the “Explanation” column, London Hydro included the same explanation in both the 2017 GA Analysis Workform and the 2018 GA Analysis Workform:

“CT 148 GA cost and CT 142 GA credit related to RPP portion, to be moved to 1588 per New Commodity Accounting Guidance - booked in 2019.”

Question(s):

- a. Please provide a more detailed explanation regarding these amounts on line 9 of both the 2017 and the 2018 GA Analysis Workforms.
- b. Please describe whether these amounts of a credit balance of \$664,343 for 2017 and a credit balance of \$355,619 for 2018 also impact Account 1588 and quantify these impacts.
- c. Please explain in what years the above noted Account 1589 amounts were recorded in London Hydro’s general ledger, including any amounts also recorded in Account 1588.

London Hydro Response

- a) London Hydro used method B to book the GA costs in 2017 and 2018. Under method B the full CT 148 was booked to 1589 and the portion of CT 142 equaling the GA credit related to RPP consumption was also credited into 1589.

As described in response to Question 7, London Hydro made the following adjustments between Accounts 1588 and 1589 as a result from switching from method B to method A to book GA costs.

	Year 2017	Year 2018
CT 142 GA credit portion	\$ (151,839,211)	\$ (149,771,508)
CT 148 RPP portion	\$ 152,503,555	\$ 150,127,127
Net Impact	\$ 664,343	\$ 355,619

During Phase 1 of the implementation process London Hydro moved the portion of CT 142 equaling the GA credit for RPP consumption to 1588 for 2017 and 2018.

London Hydro also calculated the RPP and non-RPP percentages for each month in 2017 and 2018 using a proration methodology that prorated the billed consumption over the days within the billing cycle and distributed those volumes between the billed months. Based on the RPP percentage, London Hydro allocated the portion of CT 148 related to RPP consumption from 1589 to 1588.

Line 9 of the GA Analysis Workform reflects the net impact which is a credit to Account 1589, for \$664,343 and \$355,619 for 2017 and 2018, respectively.

- b) The net impact of the adjustments, for CT 142 GA credit allocation and CT 148 RPP portion of GA costs, is a credit to Account 1589 and a debit to Account 1588. Tab “Principal Adjustments” in the GA Analysis Workform reflects the net impact in 1589 and 1588 for both 2017 and 2018. The principal adjustments columns in the Continuity Schedule also include these impacts for both Accounts 1588 and 1589.

- c) London Hydro booked the above adjustments in Year 2019 in its general ledger to Accounts 1588 and 1589.

Staff Question-12

- Ref: (1) Rate Generator Model, dated Jan 25 2021 (attachment)
(2) EB-2020-0251, Decision and Rate Order, December 17, 2020 ([link](#))
(3) EB-2020-0030, Decision and Rate Order, December 17, 2020 ([link](#))
(4) EB-2020-0288, Order, issued December 10, 2020, p. 3 ([link](#))
(5) EB-2020-0285, Decision and Rate Order, December 3, 2020 ([link](#))
(6) Letter, 2021 Inflation Factor, November 9, 2020 ([link](#))
(7) Letter, New Regulated Price Plan Prices Effective January 1, 2021, December 15, 2020 ([link](#))

Preamble:

Attached with OEB staff's questions is a revised Rate Generator Model (see first reference) with the following changes:

- Tab 11 – UTRs and 2021 Hydro One sub-tx rates were updated
 - Uniform Transmission Rates (see second reference):
 - Network Service Rate \$/kW 4.67
 - Line Connection Service Rate \$/kW 0.77
 - Transformation Connection Service Rate \$/kW 2.53
 - Hydro One Sub-Transmission Rates (see third reference):
 - Network Service Rate \$/kW 3.4778
 - Line Connection Service Rate \$/kW 0.8128
 - Transformation Connection Service Rate \$/kW 2.0458
- Tab 16 – Price escalator was updated with a placeholder value to 2.2%²
- Tab 17 – Regulatory charges and TOU pricing have been updated for Jan 1, 2021 rates
 - Specific service charge for access to the power poles – per pole/year (with the exception of wireless attachments) – approved on an Interim Basis, has been

² In light of the continued uncertainty regarding the COVID-19 pandemic, the OEB allowed utilities to elect the calculated IPI level per the OEB-approved methodology (offset by the applicable stretch factor and other adjustments for some plans) or a lower value. For the 2021 rate year, utilities also have the discretion to forego the inflationary increase entirely. The letter noted that utilities filing rate applications for May 1, 2021 shall make an election by February 5, 2021 (see sixth reference).

- maintained at \$44.50 (see forth reference)
 - Retailer service charges have been updated by the approved inflation factor of 2.2% (see fifth reference)
 - Time of Use (TOU) RPP prices have been updated per Table 3 of the OEB letter (see seventh reference)
- Tab 20 – Ontario Electricity Rebate has been updated to 21.2% (see seventh reference)

Please note there may be further updates before final issuance of the decision.

Question(s):

- a. Please confirm when London Hydro is intending to file their election for the IPI level used to determine the price cap IR adjustment for the 2021 rate year.
- b. Please confirm that London Hydro is in agreement with OEB staff updates to Rate Generator Model.
- c. Based on London Hydro's responses to these staff questions, please re-file all applicable model(s), workform(s) and/or appendices to reflect any revisions required.
- d. Please summarize all updates to the application, model(s) and/or appendices submitted in this proceeding.

London Hydro Response

- a) London Hydro filed its election for IPI level used to determine the price cap IR adjustment for the 2021 rate year on February 5, 2021.
- b) London Hydro confirms that it is in agreement with the updates to the Rate Generator Model.
- c) London Hydro re-filed the Rate Generator Model with the responses.
- d) List of updates in the refiled model:
 2021 IRM Rate Generator Model Jan-25-2021 - Updated
 Tab 3. Continuity Schedule –
 Cells BD36 and BI36 – Update 1595 (2019) recoveries and carrying charges in Year 2019