**Orangeville Hydro Limited (Orangeville Hydro)**

**EB-2020-0046**

**February 22, 2021**

Please note, Orangeville 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*.

OEB staff has grouped its follow-up questions into two categories: “Substantive Questions” and “Questions Required to Complete the Record.”

1. **Substantive Questions**

**OEB Staff Follow-up Question #1**

**Ref:** (1) 2021 IRM Rate Generator Model, February 18, 2021

 (2) 2017 GA Analysis Workform, February 18, 2021

**Preamble:**

As per the above noted first reference, Orangeville Hydro is requesting clearance of the following amounts in this proceeding:

* Account 1588 $148,506
* Account 1589 $456,161

At the above noted second reference, Orangeville Hydro has recorded a 2017 principal adjustment to Account 1589 of a credit of $388,178. This amount relates to “Issue #1” which is discussed in questions further below.

OEB staff has calculated the following pro-forma Account 1589 balance in the following table, ignoring any carrying charge impacts:

**OEB Staff Table 6 –**

**Pro-forma Account 1589 Balance**

Requested Account 1589 balance $456,161

Add back Account 1589 2017 principal adjustment $388,178

Total $844,339

**Questions:**

1. Please confirm whether Orangeville Hydro would be “made whole” if the proposed balances of $148,506 for Account 1588 and $456,161 for Account 1589 were cleared in this proceeding.

Response

Orangeville Hydro would not be “made whole” if the proposed balances of $148,506 for Account 1588 and $456,161 for Account 1589 were cleared in this proceeding. This is because the $388,178 was subtracted from the 2017 principal adjustment amount.

1. If Orangeville Hydro would not be “made whole” if these balances were cleared, please clarify if it would be “made whole” if the 2017 principal adjustment to Account 1589 of a credit of $388,178 was hypothetically reversed in this proceeding, such that an Account 1588 balance of $148,506 and a pro-forma Account 1589 balance of $844,339 would be cleared. The calculation of the pro-forma Account 1589 balance is shown in OEB Staff Table 6.

Response

Orangeville Hydro agrees with this statement. If the 2017 credit principal adjustment of $388,178 was removed from the total 2017 principal adjustments, Orangeville Hydro would then be “made whole”.

1. Does Orangeville Hydro agree with OEB staff’s characterization of the pro-forma Account 1589 balance in OEB Staff Table 6? Please explain.

Response

Orangeville Hydro agrees with OEB staff’s characterization of the pro-forma Account 1589 balance in OEB Staff Table 6.

1. Does Orangeville Hydro agree that a key reason why the pro-forma Account 1589 balance of $844,339 is large may be due to the fact that the $388,178 component may be considered to be a permanent difference resulting from the incorrect reporting of Class A volumes to the IESO? This permanent difference is discussed further in a question below which addresses Issue #1.

Response

Orangeville Hydro agrees that the $388,178 is included in the $844,339 balance. At this time, the $388,178 component of this total is subject to a Compliance review by the OEB.

**OEB Staff Follow-up Question #2**

**Ref:** (1) 2017 GA Analysis Workform, February 18, 2021

 (2) February 18, 2021 Email from Orangeville Hydro (Appendix A to these questions)

 (3) 2021 IRM Rate Generator Model, February 18, 2021

**Preamble:**

At the above noted first reference, Orangeville Hydro has recorded a 2017 principal adjustment to Account 1589 of a credit of $388,178. This amount relates to “Issue #1” which is discussed in questions further below.

Based on a February 16, 2021 conference call and February 16, 2021 email, it is OEB staff’s understanding that upon receiving the IESO invoices in 2017, Orangeville Hydro recorded in its general ledger the IESO CT 148 $388k amount as follows:

**OEB Staff Table 7 –**

**Split of IESO CT 148**

Account 1588 $236k

Account 1589 $152k

Total $388k

It is OEB staff’s understanding that Orangeville Hydro has not yet claimed the $236k back from the IESO through CT 1142. There is a $0 amount incorporated to date into CT 1142 (i.e. Account 1588) as a respective portion of the above OEB Staff Table 7.

In the February 16, 2021 email, Orangeville Hydro further stated that “CT 1142 is the IESO settlement claim pertaining to RPP customer volumes only. OHL believes that the $236K belonging to the overall total of $388K from CT148 of the IESO invoice cannot be claimed through a CT 1142 claim.”

In the February 16, 2021 email, Orangeville Hydro agreed that the amounts listed in OEB Staff Table 7 are still sitting in its general ledger reflecting an Account 1588 balance of $236k and an Account 1589 balance of $152k. Orangeville Hydro indicated that a journal entry would be made in 2020 to record the following 2017 principal adjustment as follows:

Debit Account 1110 Other Accounts Receivable $388K

Credit Account 1588 ($236K)

Credit Account 1589 ($152K)

**Questions:**

1. Please confirm that the $236k amount shown in OEB Staff Table 7 is part of the “Transactions During 2017” at the above noted third reference of $32,386 for Account 1588 (cell AJ28). Please confirm that the $152k amount shown in OEB Staff Table 7 is part of the “Transactions During 2017” at the above noted third reference of $695,800 for Account 1589 (cell AJ29), instead of the $388k being entirely reflected as part of the $695,800 for Account 1589. If any of these items are not the case, please explain.

Response

As the $388k was paid as part of the IESO CT148 Orangeville Hydro agrees that the $236k amount shown in OEB Staff Table 7 is part of the “Transactions During 2017” at the above noted third reference of $32,386 for Account 1588 (cell AJ28). Orangeville Hydro also agrees that the $152k amount shown in OEB Staff Table 7 is part of the “Transactions During 2017” at the above noted third reference of $695,800 for Account 1589 (cell AJ29), instead of the $388k being entirely reflected as part of the $695,800 for Account 1589.

1. Please explain why Orangeville Hydro has recorded a 2017 principal adjustment to Account 1589 of a credit of $388,178 at the above noted first reference, given that:
	* The amounts shown in OEB Staff Table 7 are still sitting in Orangeville Hydro’s general ledger and there has been no CT 1142 claim made for the $236k portion.
	* Orangeville Hydro previously noted that it would make a 2017 principal adjustment to credit Account 1588 by $236k and credit Account 1589 by $152k.
	* As described at the above noted second reference, the $388k component will be subject to an OEB compliance review.

Response

Orangeville Hydro attempted to process the OEB Accounting Guidance using an Adjusted Scenario, where volumes were included with correct Class A consumption based on how they were billed to the customer. This allowed the accounting guidance to remove the impact of any incorrect settlements with the IESO, which then provided corrected true-up amounts to be included in the GA workform. As the $388k adjustment actually related only to Global adjustment, the second step was to remove this amount from Account 1589 to be subject to a Compliance review.

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OEB staff agrees that the $388k is subject to the OEB compliance review, which is why a 2017 credit principal adjustment is required. However, OEB staff is unclear why Orangeville Hydro then made a 2017 principal adjustment of a credit to Account 1589 of $388k, instead of splitting it between Account 1588 and Account 1589. OEB staff is unclear because the $236k Account 1588 and $152k Account 1589 balances are still sitting in the GL, as opposed to being $388k in Account 1589 only. Also the “Transactions During 2017” amounts of $32,386 for Account 1588 and $695,800 for Account 1589 in Tab 3 of the IRM Rate Generator Model and the GAWF include $236k and $152k respectively, as opposed to being $388k in Account 1589 only. Please explain.

Further email from Fiona O’OConnell:

On page 5, to be clear I meant to say:

…However, OEB staff is unclear why Orangeville Hydro then made a 2017 principal adjustment of a credit to Account 1589 of $388k, instead of splitting it between Account 1588 *(credit of $236k)* and Account 1589 *(credit of $152k)*…

Response

Orangeville Hydro agrees that when the overpayment of $388k in CT148 took place, it was split between 1588 and 1589, as shown above. As discussed in OEB Staff Follow up Question #4a, the OEB Accounting Guidance was completed using an Adjusted Scenario, where consumed Class volumes were included and consumed Class A revenues were used. The overpayments in CT148 of $475,318.31 in July 2017 and $421,151.94 in August 2017 were removed from the CT 148 amounts to be allocated between 1588 and 1589 through the updated OEB Accounting Guidance, and the corrected CT147 amounts of $262,121.35 for July 2017 and $246,170.71 for August 2017 (see Table below from Appendix A) were added. This then provided a corrected true up amount for CT1142 and true up between Account 1588 and Account 1589. By completing the OEB Accounting Guidance this way, it removed the impact of the Issue #1 error. This is why Orangeville Hydro then included the $-388k as a principal adjustment to Account 1589 only.



1. Please explain Orangeville Hydro’s statement at the above noted second reference, that “by making these adjustments the impacts of Class A in the GA Workform were removed and provided an appropriate true up for CT1142 and CT148.”

Response

By completing the Accounting Guidance using an Adjusted Scenario, this allowed the accounting guidance to remove the impact of any incorrect settlements with the IESO, which then provided corrected true-up amounts to be included in the GA workform.

1. Please clarify whether and why Orangeville Hydro has incorporated in its requested balances for clearance (Account 1588 $148,506 and Account 1589 $456,161 as per the above noted third reference) true-ups relating to the amounts in OEB Staff Table 7. Please also consider Orangeville Hydro’s previous statements that the amounts in OEB Staff Table 7 are still sitting in its general ledger and have not yet been trued-up with the IESO, as well as noting that the $388k will be subject to an OEB compliance review.

Response

Orangeville Hydro has not incorporated the amounts in OEB Staff Table 7 into the requested balances for clearance (Account 1588 $148,506 and Account 1589 $456,161.

OEB Staff Follow-up Question February 23, 2021

Please see above follow-up questions.

**OEB Staff Follow-up Question #3**

**Ref:** (1) February 18, 2021 Email from Orangeville Hydro (Appendix A to these questions)

(2) EB-2018-0060, 2019 IRM Decision and Rate Order, March 28, 2019, page 11

(3) Staff Question-13

**Preamble:**

At the above noted first reference and third reference, Orangeville Hydro has described two issues in this proceeding, which OEB staff has labelled as “Issue #1” and “Issue #2”. Issue #1 has been characterized by OEB staff as follows:

Issue #1 was brought forward by Orangeville Hydro in its 2019 IRM application. For the months of July and August 2017, the IESO billed Orangeville Hydro the GA based on the kWh consumption of five Class A customers as if they were Class B customers (i.e. Class A volumes were understated and Class B volumes were overstated). Orangeville Hydro had failed to inform the IESO on a timely basis of the customers that had opted-in to Class A. The difference between the amount that Orangeville Hydro paid the IESO for GA and the amount Orangeville Hydro collected from the respective five customers for GA, for the months of July and August 2017, resulted in a debit amount of $386k. However, in the 2019 IRM decision, as per the above noted second reference, the OEB did not approve Orangeville Hydro’s request to recover $386k from its Class B customers, relating to a Class A GA administrative error.

The CT 148 $388k overpaid by Orangeville Hydro was not refunded by the IESO. However, a refund may have served to rectify Class B CT 148 amounts that were previously overpaid due to the reporting of zero Class A volumes for July and August 2017 which caused Class B volumes and CT 148 to be overstated over that period.

As per the above noted second reference, there is an outstanding recommendation for a compliance review from the OEB Inspection & Enforcement team regarding this 2017 $386k balance. The $386k amount has been updated to $388k in this proceeding, as explained at the above noted first reference. In accordance with page 20 of the OEB’s February 21, 2019 Accounting Guidance, Orangeville Hydro has updated this amount to reflect the actual GA IESO billed rate from the actual GA IESO posted rate.

In a February 9, 2021 teleconference, Orangeville Hydro explained that its preferred solution to Issue #1 would be for the IESO to credit the amount of $388k back to Orangeville Hydro. If this amount was credited by the IESO, Orangeville Hydro would not have to request specific recovery by the OEB of the $388k from its ratepayers.

**Questions:**

1. Please confirm that OEB staff’s understanding as described in the entire Preamble to this question is correct.

Response

Orangeville Hydro confirms this preamble is correct.

1. If this is not the case, please explain.
2. Please explain whether it is fair to characterize the $388,178 as a permanent difference, meaning that:
	1. The $388,178 that was overpaid to the IESO in 2017 due to the incorrect reporting of Class A volumes to the IESO would have never occurred if Orangeville Hydro had notified the IESO of its new Class A customers in a timely manner or if the IESO had refunded Orangeville Hydro the $388k.

Response

Orangeville Hydro confirms this is correct.

* 1. No component of the $388k overpaid to the IESO in 2017 was reversed in subsequent invoices from the IESO as a receivable and therefore cannot be considered to be a timing difference.

Response

Orangeville Hydro confirms this is correct.

**OEB Staff Follow-up Question #4**

**Ref:** (1) 2021 IRM Rate Generator Model, February 18, 2021

(2) February 18, 2021 Email from Orangeville Hydro (Appendix A to these questions)

(3) Explanation of 1588 and 1589 Adjustments, February 18, 2021

**Preamble:**

As per the above noted first reference, Orangeville Hydro is requesting clearance of the following amounts in this proceeding:

* Account 1588 $148,506
* Account 1589 $456,161

At the above noted second reference, Orangeville Hydro has provided more detail regarding Issue #1, but it is not clear which scenario was utilized when generating the requested Account 1588 and Account 1589 balances for clearance.

At the above noted third reference, Orangeville Hydro provided some background for Issue #1 in the 1588 Tab, cell F13, but this differs from the background provided by Orangeville Hydro in the 1589 Tab, cell G13.

**Questions:**

1. Please clarify which scenario the requested balances for clearance (Account 1588 $148,506 and Account 1589 $456,161 as per the above noted first reference) represent:
2. “Adjusted Scenario” – for July and August 2017: Class A volumes used for Orangeville Hydro’s commodity revenues and Class A volumes used for Orangeville Hydro’s commodity expenses; or
3. “As It Happened GL Scenario” – for July and August 2017: Class A volumes used for Orangeville Hydro’s commodity revenues and Class B volumes used for Orangeville Hydro’s commodity expenses; or
4. Other Scenario [please describe]

Response

Orangeville Hydro used the Adjusted Scenario for July and August 2017: Class A volumes used for Orangeville Hydro’s commodity revenues and Class A volumes used for Orangeville Hydro’s commodity expenses.

1. Please provide a brief rationale for the scenario utilized by Orangeville Hydro.

Response

By using the Adjusted Scenario Orangeville Hydro was attempting to determine an appropriate Account 1588/Account 1589 true up, as well as an appropriate CT1142 true up amount, by re-creating the accounting guidance as if Issue #1 did not take place.

**OEB Staff Follow-up Question #5**

**Ref:** (1) February 18, 2021 Email from Orangeville Hydro (Appendix A to these questions)

(2) Staff Question-13 b)

(3) Explanation of 1588 and 1589 Adjustments, February 18, 2021

**Preamble:**

At the above noted first reference and second reference, Orangeville Hydro has described two issues in this proceeding, which OEB staff has labelled as “Issue #1” and “Issue #2”. Issue #2 has been characterized by OEB staff as follows:

Issue #2 is a similar issue to Issue #1, as it involves the incorrect reporting of Class A volumes to the IESO. Issue #2 was introduced in responses to OEB staff questions in the current proceeding. In a February 9, 2021 teleconference, Orangeville Hydro explained that, in its view, Issue #2 was resolved and did not require further exploration, which is why it was not previously explicitly brought forward to the OEB. Orangeville Hydro further stated that the IESO provided a summary and calculation of the differences between the original submission and what the corrected submission should be.

Orangeville Hydro did not submit Class A September 2017 to March 2018 data correctly. Orangeville Hydro incorrectly primarily used billed data instead of consumed data. Orangeville Hydro stated that this created a difference in settlements for these months. Orangeville Hydro stated that the corrected amount payable to the IESO was paid in August 2018 in the amount of $507k, adjusting for the portion of amounts due from September 2017 to December 2017, as shown in OEB Staff Table 8 below.

In a February 9, 2021 teleconference, Orangeville Hydro noted that even though it had submitted primarily billed data instead of consumed data to the IESO, this had no impact on the invoiced Class A IESO CT 147, as Orangeville Hydro was invoiced based on the peak demand factor. However, Orangeville Hydro also explained that since it submitted higher Class A volumes to the IESO (i.e. billed volumes were higher than consumed volumes), this caused the IESO to invoice Orangeville Hydro Class B GA for CT 148 in August 2018 for a higher net amount of $507k because Class B was previously underpaid. In the current proceeding, Orangeville Hydro is proposing to recover the net amount of $507k as part of Account 1588 and Account 1589, with breakdowns of this amount shown in OEB Staff Table 8, OEB Staff Table 9, and OEB Staff Table 10.

**OEB Staff Table 8 –**

**Breakdown of the Net Amount Payable to the IESO for 2017 and 2018 Consumption**

|  |  |  |
| --- | --- | --- |
| Year of Consumption | Amount | Description |
| 2017 | $614,934 | Payable to the IESO |
| 2018 | ($107,744) | Receivable from the IESO |
| Total | $507,190 | Net Payable to the IESO |

In a February 9, 2021 teleconference, Orangeville Hydro explained that the $615k amount payable to the IESO for 2017 consumption was large because for the month of October 2017 it had submitted an unusually large kWh amount to the IESO for Class A volumes, which later proved to be incorrect. The October 2017 amount is also shown at the above noted third reference.

Orangeville Hydro also explained that this large kWh amount was submitted for October 2017 because at the time the utility felt that this large amount would reflect proper consumed volumes for both September and October 2017. However, after further exploration, Orangeville Hydro noted that incorrect volumes were reported from September 2017 to March 2018, which generated the need for Orangeville Hydro to pay $507k to the IESO in August 2018, in order to reflect proper consumed volumes.

The $507k CT148 was paid by Orangeville Hydro to the IESO. This payment may have rectified Class B CT 148 amounts that were previously underpaid due to the reporting of unusually high Class A volumes throughout most of September 2017 to March 2018 which caused Class B volumes and CT 148 to be understated over that period.

At the above noted first reference, Orangeville Hydro provided a breakdown between Account 1588 and Account 1589 of the $615k that was payable to the IESO for 2017 consumption. This breakdown is also shown below in OEB Staff Table 9. The following amounts were shown as 2017 debit principal adjustments respectively for Account 1588 and Account 1589, as per the above noted third reference, which were also reversed as 2018 credit principal adjustments.

**OEB Staff Table 9 –**

**Actual Split of $615k Payable to the IESO for 2017 consumption**

Account 1588 $363,288

Account 1589 $251,646

Total $614,934

OEB staff has estimated the following breakdown between Account 1588 and Account 1589 of the $108k that was receivable from the IESO for 2018 consumption. The $108k receivable breakdown is shown below in OEB Staff Table 10. This breakdown has been estimated based on the same percentage splits in OEB Staff Table 9.

**OEB Staff Table 10 –**

**Estimated Split of $108k Receivable from the IESO for 2018 consumption**

Account 1588 ($63,653)

Account 1589 ($44,091)

Total ($107,744)

**Questions:**

1. Please confirm that OEB staff’s understanding as described in the entire Preamble to this question is correct.

Response

Orangeville Hydro agrees with the preamble above, with the exception of the one item noted in the following answer.

1. If this is not the case, please explain.

Response

Orangeville Hydro does not agree with the following statement made above: *In the current proceeding, Orangeville Hydro is proposing to recover the net amount of $507k as part of Account 1588 and Account 1589.*

The net amount of $507k has already been paid to the IESO as part of Orangeville Hydro’s August 2018 settlement, and therefore Orangeville Hydro is not requesting recovery of this balance.

OEB Staff Follow-up Question February 23, 2021

Please confirm whether Orangeville Hydro means that it is not requesting a specific amount of $507k for clearance; rather the $507k is embedded as part of the Account 1588 $148,506 and Account 1589 $456,161 balances requested for recovery in this proceeding. Please explain.

Response

Orangeville Hydro agrees that it is not requesting a specific amount of $507k for clearance; rather the $507k is embedded as part of the Account 1588 $148,506 and Account 1589 $456,161 balances requested for recovery in this proceeding.

1. Please update the amounts in OEB Staff Table 10 if Orangeville Hydro’s calculations are significantly different.

Response

Orangeville Hydro agrees with the method to calculate the balance in OEB Staff Table 10.

1. As per the above noted first reference, OEB staff is unclear whether Orangeville Hydro is trying to arrive at the same concluding number for both its labelled “perfect scenario” and “as it happened scenario” when it says that “2 versions of the accounting guidance” have been completed. OEB staff is also unclear why Orangeville Hydro stated that it is “adding in the dollar values” (presumably adding the $507k) as part of its labelled “perfect scenario”, since the “CT 148 amounts billed” would already include the $507k. Please explain.

Response

Orangeville Hydro ran the OEB Accounting Guidance using the Adjusted Scenario. Orangeville Hydro then re-ran the OEB Accounting Guidance adding back the $615k from the CT148 for September to December 2017. This then allowed comparison between the two scenarios and provided a breakdown of the $615k between 1588 and 1589 for this amount to be used for a principal adjustment in 2017 and reversed in 2018.

1. For Issue #2, is Orangeville Hydro of the view that it should be able to recover the $507k CT148 from its ratepayers because it may serve to rectify Class B CT 148 amounts that were previously underpaid due to the reporting of unusually high Class A volumes from September 2017 to March 2018 which caused Class B volumes and CT 148 to be understated over that period? Please explain.

Response

Orangeville Hydro is not of the view that it should be able to recover the $507k CT148 from its ratepayers because it may serve to rectify Class B CT 148 amounts that were previously underpaid due to the reporting of unusually high Class A volumes from September 2017 to March 2018 which caused Class B volumes and CT 148 to be understated over that period. Issue #2 was an error that began in 2017 and was corrected in 2018.

OEB Staff Follow-up Question February 23, 2021

Please see above follow-up questions.

Response

Orangeville Hydro agrees that it is not requesting a specific amount of $507k for clearance; rather the $507k is embedded as part of the Account 1588 $148,506 and Account 1589 $456,161 balances requested for recovery in this proceeding.

1. Similarly, for Issue #1, is Orangeville Hydro of the view that it should be able to recover the $388k CT148 from its ratepayers because it may serve to rectify Class B CT 148 amounts that were previously overpaid (but not refunded by the IESO) due to the reporting of zero Class A volumes for July and August 2017 which caused Class B volumes and CT 148 to be overstated over that period? Please explain.

Response

As previously explained, Orangeville Hydro understands that this $388k of Issue #1 should be dealt with through a review from the Enforcement and Inspection department, and at this time is not requesting to recover this amount from its ratepayers.

1. Please explain why Orangeville Hydro believes that Issue #2 is a “resolved” issue, as both Issue #1 and Issue #2 are generated from the same root problem which is incorrect reporting of Class A volumes to the IESO. Please also explain whether the only difference is that Issue #1 involved an overpayment to the IESO (which was not refunded by the IESO) and Issue #2 involved a net underpayment to the IESO (which was paid by Orangeville Hydro).

Response

Issue #1 and Issue #2 are fundamentally different issues. Issue #1 was created because the IESO did not recognize Orangeville Hydro’s Class A customers for July 2017 and August 2017, therefore Orangeville Hydro billed its customers as Class A, but the IESO did not bill Orangeville Hydro for any amount in CT147. By doing this, the IESO also billed a higher amount to Orangeville Hydro through CT148 as the GA rate for Class B was higher than Class A, creating the $388k difference. This amount has not been corrected, and has not been received from the IESO, therefore Orangeville Hydro was not “made whole”.

Issue #2 was created during a period that the IESO recognized Orangeville Hydro’s Class A customers, but because the incorrect consumption was provided for Class A volumes, this affected the CT148 amount billed, and did not affect CT147. The IESO trued this error up in 2018 through an increase in payable of CT148 of $507k, therefore this issue was a timing issue only, and has been corrected and paid to the IESO.

**OEB Staff Follow-up Question #6**

**Ref:** (1) 2021 IRM Rate Generator Model, February 18, 2021

(2) February 18, 2021 Email from Orangeville Hydro (Appendix A to these questions)

(3) Explanation of 1588 and 1589 Adjustments, February 18, 2021

**Preamble:**

As per the above noted first reference, Orangeville Hydro is requesting clearance of the following amounts in this proceeding:

* Account 1588 $148,506
* Account 1589 $456,161

At the above noted second reference, Orangeville Hydro has provided more detail regarding Issue #2, but it is not clear which scenario was utilized when generating the requested Account 1588 and Account 1589 balances for clearance.

At the above noted third reference, Orangeville Hydro provided some background for Issue #2 in the 1588 Tab, cell F23, and in the 1589 Tab, cell G23.

**Questions:**

1. Please clarify which scenario the requested balances for clearance (Account 1588 $148,506 and Account 1589 $456,161 as per the above noted first reference) represent:
2. “Adjusted Scenario” – for September 2017 to March 2018: Class A volumes used for Orangeville Hydro’s commodity revenues on an accrual basis and Class A volumes used for Orangeville Hydro’s commodity expenses also on an accrual (i.e. consumption) basis; or
3. “As It Happened GL Scenario” – for September 2017 to March 2018: Class A volumes used for Orangeville Hydro’s commodity revenues on an accrual basis and Class A volumes used for Orangeville Hydro’s commodity expenses primarily on a billed basis; or
4. Other Scenario [please describe]

Response

Orangeville Hydro used the Adjusted Scenario for September 2017 to March 2018: Class A volumes used for Orangeville Hydro’s commodity revenues and Class A volumes used for Orangeville Hydro’s commodity expenses.

OEB Staff Follow-up Question February 23, 2021

Please confirm that Orangeville Hydro means that the Adjusted Scenario is “Class A volumes used for Orangeville Hydro’s commodity revenues on an accrual basis and Class A volumes used for Orangeville Hydro’s commodity expenses also on an accrual (i.e. consumption) basis” instead of “Class A volumes used for Orangeville Hydro’s commodity revenues and Class A volumes used for Orangeville Hydro’s commodity expenses”. Please explain.

Response

Orangeville Hydro agrees that that the Adjusted Scenario is “Class A volumes used for Orangeville Hydro’s commodity revenues on an accrual basis and Class A volumes used for Orangeville Hydro’s commodity expenses also on an accrual (i.e. consumption) basis”

1. Please provide a brief rationale for the scenario utilized by Orangeville Hydro.

Response

By using the Adjusted Scenario which removes any Class A GA impact, Orangeville Hydro was attempting to determine an appropriate Account 1588/Account 1589 true up, as well as an appropriate CT1142 true up amount, by re-creating the accounting guidance as if Issue #2 did not take place.

1. **Questions Required to Complete the Record**

**OEB Staff Follow-up Question #7**

**Ref:** (1) Staff Question #2

**Preamble:**

At the above noted first reference, Orangeville Hydro indicated that it was requesting interim disposition for 2018 and 2019 Account 1588 and Account 1589 balances and no disposition of 2017 Account 1588 and Account 1589 balances. Orangeville Hydro explained that due to the fact that it is waiting for the OEB to complete its compliance review, the utility felt it is prudent to not request disposition of 2017 balances in this proceeding.

However, in a February 2021 conference call, Orangeville Hydro agreed with OEB staff that it may be difficult to “skip” a year of clearing balances, even on a temporary basis, due to the interrelated principal adjustments from year to year.

**Questions:**

1. Please confirm that Orangeville Hydro is now requesting disposition of 2017, 2018, and 2019 Account 1588 and 1589 balances on an interim basis in this proceeding.

Response

Orangeville Hydro confirms it is requesting disposition of 2017, 2018, and 2019 Account 1588 and 1589 balances on an interim basis in this proceeding.

OEB Staff Follow-up Question February 23, 2021

Please also indicate whether Orangeville Hydro is requesting interim or final disposition of the remaining Group 1 DVA balances (i.e. those other than Account 1588 and Account 1589 balances) in this proceeding.

Response

Orangeville Hydro is requesting final disposition on the remaining Group 1 DVA balances (i.e. those other than Account 1588 and Account 1589 balances) in this proceeding.

1. If this is not the case, please explain.

**OEB Staff Follow-up Question #8**

**Ref:** (1) Staff Question #20

(2) 2021 IRM Rate Generator Model, February 18, 2021

**Preamble:**

At the above noted first reference, Orangeville Hydro provided an explanation for the variance in the RRR versus the 2019 balance (principal and interest) in the 2021 IRM Rate Generator Model. OEB Staff Table 11 below reflects data from the RRR 2.1.7 and an updated 2021 IRM Rate Generator Model, as per the above noted second reference.

**OEB Staff Table 11 –**

**Explanation of Variance in the RRR 2.1.7 Versus the Balance in the 2021 IRM Rate Generator Model – December 31, 2019**



**Questions:**

1. Please confirm whether Orangeville Hydro is in agreement with OEB staff’s calculations in the above noted OEB Staff Table 11, which explain the variance between the December 31, 2019 RRR 2.1.7 versus the balance in the 2021 IRM Rate Generator Model.

Response

Orangeville Hydro agrees with the above calculations, with the exception of one value. The 2018 Account 1588 Principal adjustment should be $-609,603, not $609,630, which then updates the Total variance for Account 1588 cell reference J above to -$406,946.

OEB Staff Follow-up Question February 23, 2021

Please indicate whether Orangeville Hydro means “not -$609,630” instead of “not $609,630”.

Response

Orangeville Hydro agrees the response should have been “not -$609,630”.

Corrected response:

“Orangeville Hydro agrees with the above calculations, with the exception of one value. The 2018 Account 1588 Principal adjustment should be $-609,603, not $-609,630, which then updates the Total variance for Account 1588 cell reference J above to -$406,946.”

1. If this is not the case, please explain, and update OEB Staff Table 11.

Response

Please see updated table below.



**OEB Staff Follow-up Question #9**

**Ref:** (1) Explanation of 1588 and 1589 Adjustments, February 18, 2021

(2) GA Analysis Workform, Principal Adjustments Tab, February 18, 2021

(3) EB-2019-0060, 2020 IRM Decision and Rate Order, April 16, 2020, page 9

(4) EB-2019-0060, 2020 IRM Rate Generator Model, February 19, 2020

**Preamble:**

**CT 148 True-Ups – 2016, 2017, 2018, 2019**

At the above noted first reference, Orangeville Hydro has recorded adjustments to Account 1588 and Account 1589 for CT 148 true-ups, as shown below in OEB Staff Table 12, OEB Staff Table 13, and OEB Staff Table 14. These amounts are quite different from the amounts filed in its November 2020 application.

After re-running the OEB’s February 21, 2019 Accounting Guidance in early 2020, Orangeville Hydro calculated a revised CT 148 true-up of $40,580 for 2016 consumption, which was posted in the 2020 GL, as also shown in OEB Staff Table 13 below. This amount reconciles to the Account 1588 and Account 1589 December 31, 2016 balances cleared by the OEB on a final basis in the 2020 IRM proceeding, as per the above noted third reference and fourth reference. The $40,580 amount also reconciles to the Account 1588 and Account 1589 2016 principal adjustments, at the above noted second reference.

Orangeville Hydro explained that it had made adjustments in its 2018 general ledger that pertained to settlements for 2016, 2017, and 2018. After re-running the OEB’s February 21, 2019 Accounting Guidance again in early 2021, these amounts were reversed in the 2020 general ledger because updated amounts were calculated.

It is OEB staff’s understanding that no CT 148 true-up amounts had been posted in either the 2016 or 2017 general ledger.

Orangeville Hydro also made an adjustment in its 2019 general ledger that pertained to settlements for 2019. After re-running the OEB’s February 21, 2019 Accounting Guidance in early 2021, this amount was reversed in the 2020 general ledger because an updated amount was calculated.

The reversals of CT 148 incorrect true-ups are shown in OEB Staff Table 12, with the accrual of CT 148 revised true-ups shown in OEB Staff Table 13.

In a February 9, 2021 teleconference, Orangeville Hydro confirmed that all true-ups that had been recorded in the general ledger historically had also been settled with the IESO.

**OEB Staff Table 12 – Reversal in the 2020 GL of CT 148 Incorrect True-ups**

**Credit to Account 1588 and Debit to Account 1589**

|  |  |
| --- | --- |
| **Amount** | **Description**  |
| ($21,304) | Reversal in the 2020 GL of incorrect true-up for 2016 consumption recorded in the 2018 GL |
| ($784,241)  | Reversal in the 2020 GL of incorrect true-up for 2017 consumption recorded in the 2018 GL |
| **($805,545)** | **Sub-total** *as per cell D37, Tab 1588 and offset in cell D37, Tab 1589, of the above noted first reference* |
| ($827,750)  | Reversal in the 2020 GL of incorrect true-up for 2018 consumption recorded in the 2018 GL *– as per a component of OEB Staff Table 14 below* |
| ($20,196) | Reversal in the 2020 GL of incorrect true-up for 2019 consumption recorded in the 2019 GL *as per cell D73, Tab 1588 and offset in cell D73, Tab 1589, of the above noted first reference* |
| **($1,653,491)** | **Total** |

**OEB Staff Table 13 – Accrual in the 2020 GL of IESO CT 148 Revised True-ups**

**Debit to Account 1588 and Credit to Account 1589**

|  |  |
| --- | --- |
| **Amount** | **Description**  |
| $40,580 | Revised true-up for 2016 consumption recorded in the 2020 GL *as per cells J19 and V19, Principal Adjustments Tab, of the above noted second reference* |
| $415,220[[1]](#footnote-1) | Revised true-up for 2017 consumption recorded in the 2020 GL *as per cell D13, Tab 1588 and offset in cell D13, Tab 1589, of the above noted first reference* |
| $849,609 | Revised true-up for 2018 consumption recorded in the 2020 GL – *as per a component of OEB Staff Table 14 below* |
| $87,052 | Revised true-up for 2019 consumption recorded in the 2020 GL *as per cell D63, Tab 1588 and offset in cell D63, Tab 1589, of the above noted first reference* |
| **$1,392,461** | **Total**  |

**OEB Staff Table 14 – Reversal and Accrual in the 2020 GL of CT 148 True-ups Relating to 2018 Consumption Only**

**Debit to Account 1588 and Credit to Account 1589**

|  |  |
| --- | --- |
| **Amount** | **Description**  |
| ($827,750) | Reversal in the 2020 GL of incorrect true-up for 2018 consumption recorded in the 2018 GL |
| $849,609 | Revised true-up for 2018 consumption recorded in the 2020 GL |
| $21,859 | Net difference for 2018 consumption recorded in the 2020 GL, *as per cell D38, Tab 1588 and offset in cell D38, Tab 1589, of the above noted first reference* |

**Questions:**

1. Please confirm that OEB staff’s understanding as described in the entire Preamble to this question is correct, including the footnotes.

Response

Orangeville Hydro confirms the entire preamble is correct, including the footnotes.

1. If this is not the case, please explain.

**OEB Staff Follow-up Question #10**

**Ref:** (1) Explanation of 1588 and 1589 Adjustments, February 18, 2021

(2) GA Analysis Workform, Principal Adjustments Tab, February 18, 2021

(3) EB-2019-0060, 2020 IRM Decision and Rate Order, April 16, 2020, page 9

(4) EB-2019-0060, 2020 IRM Rate Generator Model, February 19, 2020

**Preamble:**

**CT 1142 True-Ups – 2016, 2017, 2018, 2019**

At the above noted first reference, Orangeville Hydro has recorded adjustments to Account 1588 for CT 1142 true-ups, as shown below in OEB Staff Table 15 and OEB Staff Table 16. These amounts are quite different from the amounts filed in its November 2020 application.

After re-running the OEB’s February 21, 2019 Accounting Guidance in early 2020, Orangeville Hydro calculated a revised CT 1142 true-up of $4,140 for 2016 consumption, which was posted in the 2020 GL, as also shown in OEB Staff Table 16 below. This amount reconciles to the Account 1588 December 31, 2016 balance cleared by the OEB on a final basis in the 2020 IRM proceeding, as per the above noted third reference and fourth reference. The $4,140 amount also reconciles to the Account 1588 2016 principal adjustment, at the above noted second reference.

Orangeville Hydro explained that it had made adjustments in its 2018 general ledger that pertained to settlements for 2016, 2017, and 2018. After re-running the OEB’s February 21, 2019 Accounting Guidance again in early 2021, these amounts were reversed in the 2020 general ledger because updated amounts were calculated.

It is OEB staff’s understanding that no CT 1142 true-up amounts had been posted in either the 2016 or 2017 general ledger. However, it is not clear to OEB staff why a $21,149 amount has been reflected as an Account 1588 2017 principal adjustment in the current proceeding at the above noted first reference. OEB staff has determined that this matter does not need to be pursued further due to the immaterial nature of the $21,149 amount.

Orangeville Hydro also made an adjustment in its 2019 general ledger that pertained to settlements for 2019. After re-running the OEB’s February 21, 2019 Accounting Guidance in early 2021, this amount was reversed in the 2020 general ledger because an updated amount was calculated.

The reversals of CT 1142 incorrect true-ups are shown in OEB Staff Table 15, with the accrual of CT 1142 revised true-ups shown in OEB Staff Table 16.

In a February 16, 2021 teleconference, Orangeville Hydro noted a formula error in its spreadsheet, which caused the revised CT 1142 true-up for 2019 to be changed again.

In a February 9, 2021 teleconference, Orangeville Hydro confirmed that all true-ups that had been recorded in the general ledger historically had also been settled with the IESO.

**OEB Staff Table 15 – Reversal in the 2020 GL of IESO CT 1142 Incorrect True-ups**

**Net Debit to Account 1588**

|  |  |
| --- | --- |
| **Amount** | **Description**  |
| ($21,149) | Reversal in the 2020 GL of incorrect true-up for 2016 consumption recorded in the 2018 GL |
| $13,919 | Reversal in the 2020 GL of incorrect true-up for 2016 consumption recorded in the 2018 GL |
| $492,085 | Reversal in the 2020 GL of incorrect true-up for 2017 consumption recorded in the 2018 GL |
| ($558,296) | Reversal in the 2020 GL of incorrect true-up for 2018 consumption recorded in the 2018 GL |
| **($73,441)[[2]](#footnote-2)** | **Sub-total** *as per cell D45, Tab 1588, of the above noted first reference* |
| $357,206[[3]](#footnote-3) | Reversal in the 2020 GL of incorrect true-up for 2019 consumption recorded in the 2019 GL, *as per cell D72, Tab 1588, of the above noted first reference* |
| **$283,765** | **Total** |

**OEB Staff Table 16 – Accrual in the 2020 GL of IESO CT 1142 Revised True-ups**

**Net Credit to Account 1588**

|  |  |
| --- | --- |
| **Amount** | **Description**  |
| $4,140 | Revised true-up for 2016 consumption recorded in the 2020 GL *as per cell V20, Principal Adjustments Tab, of the above noted second reference* |
| ($149,896)[[4]](#footnote-4) | Revised true-up for 2017 consumption recorded in the 2020 GL, *as per cell D21, Tab 1588, of the above noted first reference* |
| $178,771 | Revised true-up for 2018 consumption recorded in the 2020 GL, *as per cell D46, Tab 1588, of the above noted first reference* |
| ($279,718)[[5]](#footnote-5) | Revised true-up for 2019 consumption recorded in the 2020 GL, *as per cell D70, Tab 1588, of the above noted first reference* |
| ($246,703) | Total  |

**Questions:**

1. Please confirm that OEB staff’s understanding as described in the entire Preamble to this question is correct, including the footnotes.

Response

Orangeville Hydro confirms this preamble is correct.

1. If this is not the case, please explain.

**OEB Staff Follow-up Question #11**

**Ref:** (1) Staff Question-3

**Preamble:**

At the above noted first reference, Orangeville Hydro stated the following:

Issues were identified with regards to the data used to complete the settlement as well as data used to complete the GA workform and related RRR reporting. For example, - the RPP and Non RPP Class B consumption being obtained from a report obtained from Orangeville Hydro’s billing system was originally incorrect, with some data not being included in the totals, or loss factors being applied incorrectly. Orangeville Hydro has corrected this reporting, and is now confident of its accuracy. This corrected data has been used through the process of this submission and completing the accounting guidance for balances of 2017-2019, and is therefore the reason there are additional adjustments being made to historical balances.

At the February 2, 2021 teleconference, Orangeville Hydro explained that no additional systemic issues were noted, other than those noted at the above noted first reference. Orangeville Hydro also confirmed that its customers were billed the correct loss factors, but it was Orangeville Hydro’s report from its billing system that included incorrect loss factors.

**Questions:**

1. Please confirm that OEB staff’s understanding as described in the entire Preamble to this question is correct.

Response

Orangeville Hydro confirms this preamble is correct.

1. If this is not the case, please explain.

**OEB Staff Follow-up Question #12**

**Ref:** Staff Question #1, Account 1580 Sub-account CBR Class A

**Preamble:**

As noted in Staff Question #1, distributors following the March 29, 2016 accounting guidance would have zero balance in sub-account CBR Class A. Orangeville Hydro reported a debit principal balance of $1,242 in sub-account CBR Class A.

**Question:**

1. Please confirm whether or not Orangeville Hydro has followed the above noted accounting guidance in its accounting process, and provide explanation for the non-zero balances in Account 1580 Sub-account CBR Class A.

Response

Currently Orangeville Hydro is following the OEB accounting guidance methodology, and billing customers the same amount as Orangeville Hydro is billed by the IESO, resulting in a zero balance each month in sub-account CBR Class A.

When Orangeville Hydro first began billing Class A customers, the Capacity Based Recovery Amount was being taken from the IESO website as opposed to the CT1350 amount on the IESO bill. This created small differences each month. The main contributor to this variance of $1,242 is due to Issue #1, where July and August 2017 Class A customers were not recognized by the IESO. Therefore CBR Class B was overstated for these two months and a variance was created of the difference between CT1350 and CT1351. Orangeville Hydro will remove the impact of Issue #1 in a similar manner as the $388k, and will review the remaining variance to correct the small difference. Please see table below for details.



**Appendix A to OEB Staff Follow-up Questions dated February 22, 2021**

**February 18, 2021 Email from Orangeville Hydro**

**Explanations of Issue #1 and Issue #2**

**From:** Amy Long
**Sent:** Thursday, February 18, 2021 7:04 PM
**To:** Fiona O'Connell
**Cc:** Suzanne Presseault
**Subject:** Perfect PAS - Partially Adjusted Scenario

Hi Fiona, I hope these explanations helps to explain the most current version of the accounting guidance and corresponding models attached.

In 2017 Orangeville Hydro began billing Class A customers July 2017.  The IESO was not notified in the required manner therefore the IESO billed Orangeville Hydro for these customers consumption at Class B rates for the months of July and August 2017.  OHL also reported based on incorrect Class A consumption.  This gave rise two 2 distinct issues.

**Issue 1 adjustment of CT147 and CT148 for July and August 2017 Class A** – Issue 1 arose due to the IESO not being notified in the required manner, although Orangeville Hydro began billing Class A customers in July and August 2017.  This is made up of:

* a CT148 Class B GA overpaid amount to the IESO of $896,470.25 and
* a CT147 Class A GA unpaid amount to the IESO of $508,292.06.

See table below for details.



In the 2017 GA Workform Transactions in the Year, the Accounting Guidance and the IRM Rate Generator, these amounts pertaining to Class A had to be removed according to the May 20, 2020 GA Analysis Workform Instructions.

As the Accounting Guidance does not contemplate any GA balance pertaining to Class A to be recorded in Account 1589, OHL removed the overpayment of CT148 of $475,318.31 in July 2017 and $421,151.94 in August 2017 from the Accounting Guidance for 2017.  OHL splits CT148 between 1588 and 1589 using the accounting guidance when billed by the IESO, so these adjustments were also split appropriately between 1588 and 1589. The amounts that should have been paid for CT147 of $262,121.35 in July 2017 and $246,170.71 in August 2017 were added back to CT147 to adjust the GL to clear the Class A variance.  By making these adjustments the impacts of Class A in the GA Workform were removed and provided an appropriate true up for CT1142 and CT148.    This then left the overpayment of $388,178.19 to the IESO that needs to be removed from the IRM proceeding, as a principal adjustment to be dealt with as noted below through a Compliance proceeding.

In its EB-2018-0060, 2019 IRM Decision and Rate Order, March 28, 2019, page 11, the OEB stated the following:

*The OEB will not approve, in this proceeding, Orangeville Hydro’s request to recover $385,933 from its Class B customers, relating to the Class A GA administrative error discussed above. The consideration of this matter is beyond the scope of this proceeding as this issue pertains to the settlement of the GA which is a province wide charge. This matter should instead be addressed through a review of the legal and regulatory requirements associated with the GA and therefore this matter is being referred to the OEB’s compliance review process. Orangeville Hydro may bring this matter forward in a future rate proceeding, pending the conclusion of such review.*

Since that time, the review is still pending completion by the OEB’s Inspection and Enforcement department.

The net amount of $388,178.19 has replaced the $385,933 from EB-2018-0050, due to a change in calculation methods as required by the OEB Accounting Guidance of using actual GA billed rate as opposed to GA posted rate, and represents the adjustments of CT148 for Class A that OHL has made, pending a Compliance review.

**Issue 2 CT148 correction due to incorrect Class A reporting to IESO** - From September 2017 to December 2017 (and subsequently to March 2018), Orangeville Hydro submitted incorrect Class A volumes (mainly based on billed volumes), as opposed to consumed volumes.  Therefore the amount of CT148 Class B GA that was billed to Orangeville Hydro by the IESO throughout this period was incorrect.  The IESO termed this event as “Issue 847” and provided OHL with a corrected calculation of CT148 and subsequently billed Orangeville Hydro in August 2018 to correct the incorrect Class B settlement amounts in CT148.



The “Issue 2 CT148 correction due to incorrect Class A reporting to IESO” that was attributable to 2017 consumption was an amount payable of $614,934. As this amount is to be split between accounts 1588 and 1589, it was included in the accounting guidance to attribute properly the amounts between the two accounts.  This was done by completing 2 versions of the accounting guidance:

1. Accounting guidance in a perfect scenario.  This scenario included all of the actual consumption amounts, and the CT148 amounts billed, adding in the dollar values pertaining to Issue 847 as described above.
2. Accounting guidance as it happened in the G/L scenario.  This scenario included the flawed consumption amounts, and the CT148 amounts billed in the actual fiscal year.

The comparison of the two versions permits the correct allocation of the “CT148 correction due to incorrect Class A reporting to IESO” GA charges between 1588 and 1589.  These amounts are principal adjustments to both 1588 Energy and 1589 GA.



The correct amount to be adjusted is in the updated GA workform for $251,646 (changed from previous amount of $226,755).

In the 2018 GA Workform Transactions in the Year, the Accounting Guidance and the IRM Rate Generator, these amounts pertaining to 2017 Issue 2 had to be reversed, as the amounts were paid on the August 2018 invoice.  As the 2018 consumption impacts from January 2018 to March 2018, of Issue 2 were in the same fiscal year, no adjustments were made.

Please let us know when you would like to discuss.

Thanks,

Amy Long

1. This amount was updated in the February 18, 2021 version. On January 25, 2021 Orangeville Hydro reported this amount as $406,602 which was further updated on February 4, 2021 to $959,558. [↑](#footnote-ref-1)
2. On February 4, 2021, Orangeville Hydro provided this amount which was zero in previous versions. [↑](#footnote-ref-2)
3. This amount was updated in the February 18, 2021 version. Zero amounts were shown in previous versions of the above noted first reference. [↑](#footnote-ref-3)
4. This amount was updated in the February 18, 2021 version. On January 25, 2021 Orangeville Hydro reported this amount as a credit of $146,830 which was further updated on February 4, 2021 to a credit of $694,234. [↑](#footnote-ref-4)
5. This amount was updated in the February 18, 2021 version. A credit of $83,133 was shown in the February 4, 2021 version and January 25, 2021 version. [↑](#footnote-ref-5)