**Hydro 2000**

**Follow-up Questions #4**

**Follow-up #4 – Staff Question #1**

**Ref: Follow-up #3 – Staff Question 1bii**

In response to Follow-up #3 Staff Question 1b, Hydro 2000 has revised the accounts 1588 and 1589 2016 balances to agree to that in the Inspection Report. However, Hydro 2000 has also added the following principal adjustments:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Principal Adjustments** | |  |  |
|  | **2017** | **2018** | **2019** | **Total** |
| 1588 | $67,779 | ($784,478) | $188,173 | ($528,527) |
| 1589 | $34,139 | $2,997 | ($5,879) | $31,257 |

In response to Follow-up #3 Staff Question 1bii, Hydro 2000 stated “Hydro 2000 was told to put the differences in the adjustment columns in 2016 and to reverse it in the adjustment column in 2017”. The 2016 principal adjustments Hydro 2000 previously included (in the 20210224 version of the IRM Rate Generator) was $158,168 and $32,891 for accounts 1588 and 1589, respectively.

1. Please explain how the revised principal adjustments for 2017 to 2019 as shown in the table above totaling ($528,427) and $31,257 for accounts 1588 and 1589, respectively relate to the 2016 principal adjustments of $158,168 and $32,891 for accounts 1588 and 1589, respectively.

Errors were made in the RPP settlement with Hydro One in 2016 and 2017. Those errors were discovered by the new general manager who adjusted the settlements. Those adjustments were made in 2018 and 2019. Since these amounts were corrections of past years, they have been put in the adjustment columns.

The explanation to have an adjustment in the 2016 adjustment column and to reverse it in the 2017 adjustments was to match with the RRR. In the process of the 2021 IRM, Hydro 2000 was asked that the balance at the end of 2016 should match the inspection report. The balance per the inspection report did not match the RRR (to match the inspection report).

The adjustments of $158K and $32K to which you are referring, are adjustments on the variances on December 31, 2014 balances. During the inspection, there were also differences noted in 2015 and 2016.

1. Please confirm that the transactions for accounts 1588 and 1589 pertaining to 2017 as Hydro 2000 recalculated from the Illustrative Model is $13,796 and $2,065 for accounts 1588 and 1589, respectively as shown in the DVA Continuity Schedule.
   1. If confirmed, please explain why principal adjustments of $67,789 and $34,139 for accounts 1588 and 1589, respectively is required for 2017.

Yes $13K and $2K are the variances calculated with the new model. The majority of the differences relates to errors in the RPP settlement. These differences have been claimed to Hydro One for RPP adjustments.

* 1. If not confirmed, please provide the correct transactions for accounts 1588 and 1589 pertaining to 2017 as recalculated from the Illustrative Model.

N/A

1. Please confirm that the transactions for accounts 1588 and 1589 pertaining to 2018 as Hydro 2000 recalculated from the Illustrative Model is $16,363 and ($7,034) for accounts 1588 and 1589, respectively as shown in the DVA Continuity Schedule.
   1. If confirmed, please explain why principal adjustments of ($784,478) and $2,997 for accounts 1588 and 1589, respectively is required for 2018.

Yes the $16K and -$7K are the variances calculated with the new model. There were differences when calculating the variances with the new methodology. The majority of the differences were due to adjustments claimed to Hydro One for RPP settlement.

* 1. If not confirmed, please provide the correct transactions for accounts 1588 and 1589 pertaining to 2018 as recalculated from the Illustrative Model.

N/A

1. Please confirm that the transactions for accounts 1588 and 1589 pertaining to 2019 as Hydro 2000 recalculated from the Illustrative Model is ($5,926) and $6,886 for accounts 1588 and 1589, respectively as shown in the DVA Continuity Schedule.
   1. If confirmed, please explain why principal adjustments of $188,173 and $($5,879) for accounts 1588 and 1589, respectively is required for 2018.

Yes the $5K and -$6K are the variances calculated with the new model. There were differences when calculating the variances with the new methodology. The majority of the differences were due to adjustments claimed to Hydro One for RPP settlement.

* 1. If not confirmed, please provide the correct transactions for Account 1588 and 1589 pertaining to 2018 as recalculated from the Illustrative Model.

N/A

1. If parts b, c, d above are confirmed, please revise the DVA Continuity Schedule to remove the 2017 to 2019 principal adjustments as 2016 balance is per the Inspection Report and 2017 to 2019 amounts reflect only transactions pertaining to each of 2017, 2018 and 2019. That is, since the 2016 balances are already the adjusted balances per the Inspection Report, the 2017 to 2019 balances should not have any adjustments relating to the Inspection. Please revise the DVA Continuity Schedule as necessary.

The adjustments are necessary to match the RRR. The balances in the RRR represents the difference between the revenues and expenses. The energy revenues and expenses are equal for all those years.

1. If parts b,c,d above are not confirmed, please complete the following table using information provided in bii, cii, dii. Note that the total balance for disposition should agree to the “Closing Principal Balance as of Dec. 31, 2019” in the DVA Continuity Schedule. Please revise the DVA Continuity Schedule as necessary.

|  |  |  |
| --- | --- | --- |
|  | **Transactions for Disposition** | |
|  | **Account 1588** | **Account 1589** |
| 2016 | $204,494 | $49,433 |
| 2017 |  |  |
| 2018 |  |  |
| 2019 |  |  |
| **Total balance for disposition** |  |  |

N/A