**Staff Question-X**

**Ref: Staff Question 5**

In response to Staff Question,

1. 5a Hydro 2000 indicated that it revised its methodology for RPP settlements and microFits to use estimated amounts for the preceding month. Please confirm that Hydro 2000 performs an estimate to actual true-up for RPP settlements and microFits in subsequent months for both any price and quantity differences.

Correct for the RPP settlements. MicroFits are actual

1. 5b, it appears that Hydro 2000’s RPP settlement is based on retail consumption as consumption is derived from RPP revenues. In response to Staff Question 6, Hydro 2000 appears to be performing RPP settlements based on wholesale consumption. The OEB’s Feb. 21, 2019 Accounting Guidance on Accounts 1588 and 1589 requires RPP settlements to be done on wholesale consumption. Please clarify if Hydro 2000 is settling RPP based on wholesale or retail consumption.

Hydro 2000 is following the OEB’s Feb 21, 2019 Accounting Guidance on Accounts 1588 and 1589. Hydro 2000 is using the wholesale consumption.

1. 5b, Hydro 2000 only discussed the RPP revenues and HOEP portion of RPP settlements. Please confirm that Hydro 2000 is also settling the GA portion in RPP settlements.
   1. Please confirm that any GA estimate to actual price and quantity variances are trued-up in subsequent months.

Correct

1. 5c, Hydro 2000 indicated that it adapted its methodology to be aligned with the Feb. 21, 2019 Accounting Guidance in July 2019. Please confirm that the methodology was applied to account balances effective January 1, 2019.

Hydro 2000 started using the new methodology in July 2019 but redid all its calculations since January.

**Staff Question-X**

**Ref: Staff Question 4**

**Updated DVA Continuity Schedule**

In response to Staff Question 4, Hydro 2000 updated its DVA Continuity Schedule to start from 2014. Hydro 2000 states that the year-end balances in the DVA Continuity Schedule match the inspection report. In the revised DVA Continuity Schedule, the ending 2016 account 1588 and 1589 balances are different than that in the DVA Continuity Schedule filed in Hydro 2000’s 2020 Cost of Service (COS) settlement proposal. The differences are shown in the table below. The difference appears to be due to 2016 principal adjustments of ($139,307) and $63,710 for Accounts 1588 and 1589, respectively.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Updated DVA Continuity Schedule** | | **2020 COS DVA Continuity Schedule** | | **Difference** | |
|  | **Account 1588** | **Account 1589** | **Account 1588** | **Account 1589** | **Account 1588** | **Account 1589** |
| **Principal** | 65,187 | 113,142 | 204,494 | 49,433 | (139,307) | 63,709 |
| **Interest** | 296 | 3,255 | 3,193 | 1,184 | (2,898) | 2,071 |
| **Total** | 65,482 | 116,397 | 207,687 | 50,617 | (142,205) | 65,780 |

1. Please explain the differences between the two DVA Continuity Schedules.

Hydro 2000 had a general manager almost since its incorporation. In 2015 or 2016 he resigned. A new general manager was hired. She stayed at that position for a bit more than 1 year. Then, the actual general manager was hired. One of the reasons the second general manager was replaced was because she did many errors. The majority of those errors were corrected by the actual general manager in 2017 and 2018. The variances for 1588 and 1589 for 2015 and 2016 were inspected by OEB staff. At the beginning of the inspection, OEB staff tried to explain the reasons for the differences. Then, it was agreed between OEB inspectors and Hydro 2000 to recalculate the variances for those 2 years instead of explaining all the differences. Hydro 2000 recalculated the variances for the 24 months. OEB inspectors reviewed and agreed with the recalculated variances. The inspection report mentions some of the errors found. The amounts in the adjustments columns represents the differences between the variances calculated by the second general manager and the variances recalculated and approved by OEB inspectors.

1. If the 2016 ending balances in the 2020 COS DVA Continuity Schedule are not the appropriate ending balances, please explain why not.
   1. Please also show a how the 2016 ending balance is derived from the 2014 opening balances and how the transactions/adjustments reconcile to the Inspection Report of Hydro 2000’s Account 1588 and Account 1589 balances.

Because most errors were corrected in 2017 and 2018, Hydro 2000 was told by OEB inspectors to reverse those amounts in 2017. The balances at the end of 2019 matches the balances in Hydro 2000’s books.

**Staff Question-X**

**Ref: Staff Question 4**

**Updated DVA Continuity Schedule**

In the updated DVA Continuity Schedule, column BW shows the RRR to DVA Continuity Schedule variances for Account 1588 and Account 1589 to be ($407,757) and ($30,388), respectively.

1. Please confirm that all the adjustments from the Inspection Report have been recorded in the general ledger already.

The differences were timing differences. Adjustments have been made with Hydro One in 2017 and 2018. The balances at the end of 2019 reflect the balances after all adjustments per OEB inspection report.

1. If confirmed, please explain whether Hydro 2000 has recorded all the adjustments necessary for 2017 to 2019 in the general ledger balances.

Yes all adjustments have been recorded in 2017 to 2019.

1. If part b is confirmed, please explain why there would be RRR to DVA Continuity Schedule variances for accounts 1588 and 1589 if all adjustments have been made and the balances between the general ledger and DVA Continuity Schedule should be aligned.

The continuity schedule has been completed based on the inspection report for 2015 and 2016. For 2017, 2018 and 2019, the variances reported in the continuity schedule are based on the new methodology. Hydro 2000 agrees to remit the amounts per RRR.