Ontario Energy Board | Commission de l'énergie de l'Ontario

**BY E-MAIL**

October 13, 2021

Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: Milton Hydro Distribution Inc. (Milton Hydro)**
**Application for 2022 Electricity Distribution Rates**
**OEB Staff Interrogatories**
**Ontario Energy Board File Number: EB-2021-0042**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Milton Hydro and all intervenors have been copied on this filing.

Milton Hydro's responses to interrogatories are due by October 28, 2021.

Yours truly,

*Birgit M. Armstrong*

Birgit Armstrong
Project Advisor, Electricity Distribution: Incentive Rate Setting & Regulatory Accounting

Attach.

**Milton Hydro**

**EB-2021-0042**

**OEB Staff Interrogatories**

**October 13, 2021**

## OEB Staff-1

**Ref: Rate Generator Model, Tab 20, Bill Impacts**

OEB staff notes that Milton Hydro's IRM model shows a Non-RPP Retailer Average Price and Average IESO Wholesale Market Price of $0.1036 to calculate bill impacts for Non-RPP customers.

OEB staff has updated the pricing to reflect the correct amount of $0.1060, which represents the Wholesale Market Price used in the 2022 IRM model and has updated the bill impacts accordingly.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Sub-Total C - Delivery (including Sub-Total B)** | | | $ 1,539.11 | | | $ 1,562.84 | $ 23.73 | 1.54% |
| Wholesale Market Service Charge (WMSC) | $ 0.0034 | 51,875 | $ 176.38 | $ 0.0034 | 51,875 | $ 176.38 | $ - | 0.00% |
| Rural and Remote Rate Protection (RRRP) | $ 0.0005 | 51,875 | $ 25.94 | $ 0.0005 | 51,875 | $ 25.94 | $ - | 0.00% |
| Standard Supply Service Charge | $ 0.25 | 1 | $ 0.25 | $ 0.25 | 1 | $ 0.25 | $ - | 0.00% |
| Average IESO Wholesale Market Price | $ 0.1036 | 51,875 | $ 5,374.25 | $ 0.1036 | 51,875 | $ 5,374.25 | $ - | 0.00% |

a) Please confirm that the model included with these interrogatories reflects this update.

## OEB Staff-2

**Ref: Manager's Summary, page 20**

Milton Hydro indicated that it has improved its internal processes and internal controls as a result of its review of the OEB's accounting guidance. Please provide further discussion on the internal processes and internal controls put into place.

## OEB Staff-3

**Ref 1: Manager's Summary, page 18**

**Ref 2: IRM Rate Generator Model, Tab 3**
**Ref 3: 2021 IRM Rate Generator Model, Tab 3**

As indicated in Table 3 of the Manager's Summary, Milton Hydro has taken the original net principal transactions in Account 1588 – RSVA Power and made various principal adjustments. Per Table 3 and the 2022 IRM Rate Generator Model, Tab 3, original transactions were ($437,497) for 2019. Per Milton Hydro's 2021 Rate Generator Model, Tab 3 shows 2019 transactions in Account 1588 to be ($1,500,090) and there were no 2019 RRR to DVA Continuity Schedule Balance differences.

a) Please explain why the 2019 Account 1588 transactions have changed between the 2021 to 2022 Rate Generator Models.
b) Please explain the nature of the changes and why these changes were not separately identified as error corrections or principal adjustments, like those identified on pages 17-18 of the Manager Summary.

**OEB Staff-3**

**Ref: GA Analysis Workform**

In the GA Analysis Workform, there are reconciling items for each year from 2016 to 2020 for the correction of allocation of GA charges based on actual Non-RPP volumes, which were recorded in 2021. There are also reconciling items for charge type (CT)148 true-ups (#1a and 1b) from 2017 to 2020.

a) Please confirm that the reconciling items to correct the allocation of GA charges do not include the CT148 true-ups identified in reconciling items 1a and 1b (i.e. there is no double counting). If not confirmed, please revise the evidence as necessary.
b) Please explain why CT 148 true-ups were identified starting in 2017, and not 2016.
c) Typically, CT148 true-ups are expected to result in equal and offsetting journal entries between Account 1588 and Account 1589 – RSVA GA as CT 148 is prorated between the two accounts. In the principal adjustment tab of the GA Analysis Workform, CT 148 true-ups have been identified for Account 1589 starting from 2017 to 2020. However, there are no equal and offsetting principal adjustments for Account 1588 from 2017 to 2020. Please explain why not and revise the evidence as necessary.

**OEB Staff-4**

**Ref 1: GA Analysis Workform**

**Ref 2: Manager's Summary, page 18**

Milton Hydro noted that it had incorrectly recorded charge type 102 from the IESO invoice to Account 4705 - Cost of Power instead of Account 4708 - Charges, WMS from 2016 to 2019. The principal adjustments to correct the error for Account 1588 are $1,062,593 in 2018 and ($1,062,593) in 2019. The principal adjustments to correct for the error for Account 1580, WMS are ($1,062,593) in 2018 and $1,062,593 in 2019. Please explain why the correcting journal entries made for 2018 fully offset the journal entries made in 2019 for both Accounts 1588 and 1580.

**OEB Staff-5**

**Ref 1: GA Analysis Workform**

In the GA Analysis Workform, the annual expected GA volume variances for 2016 to 2020 are $76,148, ($78,777), $50,349, $55,867, and $107,181, respectively. The approved loss factor has remained the same during the period. The expected GA volume variance have been debits, where wholesale consumption is greater than retail consumption adjusted for losses for every year except for 2017. Please explain why the expected GA volume variance for 2017 would be in a credit position.

**OEB Staff-6**

**Ref 1: IRM Rate Generator Model, Tab 3 – Account 1595 (2016)**
**Ref 2: EDVAAR Continuity Schedule Settlement Proposal_EB-2015-0089**

Tab 3, cells Q32 and V32 show a principal amount of ($3,366,491) and an interest amount of $83,372 transferred to Account 1595 (2016). The balances of Accounts 1550, 1551, 1580, 1584, 1586, 1588 and 1589 approved for disposition in 2016 amounted to $2,675,767 and $61,137, respectively (see below).

| Account Descriptions | Account Number | 2016 OEB-Approved Disposition during 2016 | 2016 Principal Adjustments1 during 2016 | 2016 Closing Principal Balance as of Dec 31, 2016 | 2016 Opening Interest Amounts as of Jan 1, 2016 | 2016 Interest Jan 1 to Dec 31, 2016 | 2016 OEB-Approved Disposition during 2016 |
|---|---|---|---|---|---|---|---|
| **Group 1 Accounts** | | | | | | | |
| LV Variance Account | 1550 | 626,861 | | 966,882 | 16,915 | 12,589 | 17,473 |
| Smart Metering Entity Charge Variance Account | 1551 | (17,151) | | (28,721) | (87) | (473) | (86) |
| RSVA - Wholesale Market Service Charge[5] | 1580 | (1,338,039) | (601,588) | (1,218,936) | (63,307) | (19,322) | (65,895) |
| Variance WMS – Sub-account CBR Class A[5] | 1580 | | | 0 | 0 | | |
| Variance WMS – Sub-account CBR Class B[5] | 1580 | | | 0 | 0 | | |
| RSVA - Retail Transmission Network Charge | 1584 | 1,622,825 | | (399,223) | 64,480 | 8,645 | 71,982 |
| RSVA - Retail Transmission Connection Charge | 1586 | 868,502 | | (192,746) | 32,970 | 4,566 | 37,598 |
| RSVA - Power[4] | 1588 | (1,257,424) | 1,056,748 | (1,261,448) | (70,193) | (36,301) | (70,503) |
| RSVA - Global Adjustment[4] | 1589 | 2,170,192 | (218,598) | 165,964 | 63,162 | 24,031 | 70,569 |
| Disposition and Recovery/Refund of Regulatory Balances (2015 and pre-2015)[3] | 1595 | | | (84,903) | 13,467 | (226) | |
| Disposition and Recovery/Refund of Regulatory Balances (2016)[3] | 1595 | (3,366,491) | | 1,086,607 | 0 | (2,558) | 83,372 |
| Disposition and Recovery/Refund of Regulatory Balances (2017)[3] | 1595 | | | 0 | 0 | | |
| Disposition and Recovery/Refund of Regulatory Balances (2018)[3] | 1595 | | | 0 | 0 | | |
| Disposition and Recovery/Refund of Regulatory Balances (2019)[3] | 1595 | | | 0 | 0 | | |
| Disposition and Recovery/Refund of Regulatory Balances (2020)[3] | 1595 | | | 0 | 0 | | |
| Disposition and Recovery/Refund of Regulatory Balances (2021)[3] | | | | | | | |
| *Not to be disposed of until two years after rate rider has expired and that balance has been audited.* *Refer to the Filing Requirements for disposition eligibility.* | 1595 | | | 0 | 0 | | |

a) Please explain the variance between the approved amounts (as shown in the continuity schedule filed as part of Milton Hydro's Settlement proposal EB-2015-0089) and the amounts reported in Account 1595 (2016) in the 2022 IRM Rate Generator Model.

## OEB Staff-7

**Ref 1: IRM Rate Generator Model, Tab 3 – Account 1595 (2017)**
**Ref 2: Decision and Order, EB-2016-0093, p. 11**

Tab 3, cells AA33 and AF33 show that Milton Hydro transferred a principal amount of $2,198,534 and an interest amount transferred to $49,893 into Account 1595 (2017). The balances of Accounts 1550, 1551, 1580, 1584, 1586, 1588 and 1589 approved for disposition in 2017 amounted to ($2,196,101) and ($49,408) respectively (see below).

| Account Descriptions | Account Number | 2017 OEB-Approved Disposition during 2017 | 2017 Principal Adjustments1 during 2017 | 2017 Closing Principal Balance as of Dec 31, 2017 | 2017 Opening Interest Amounts as of Jan 1, 2017 | 2017 Interest Jan 1 to Dec 31, 2017 | 2017 OEB-Approved Disposition during 2017 | 2017 Interest Adjustments1 during 2017 |
|---|---|---|---|---|---|---|---|---|
| **Group 1 Accounts** | | | | | | | | |
| LV Variance Account | 1550 | 388,200 | (80,394) | 739,146 | 12,031 | 9,919 | 5,135 | |
| Smart Metering Entity Charge Variance Account | 1551 | (16,597) | | (24,461) | (474) | (295) | (245) | |
| RSVA - Wholesale Market Service Charge[5] | 1580 | (650,899) | (965,693) | (1,297,883) | (16,735) | (3,372) | (6,959) | |
| Variance WMS – Sub-account CBR Class A[5] | 1580 | | | 0 | 0 | 39 | | (39) |
| Variance WMS – Sub-account CBR Class B[5] | 1580 | | (269,541) | (269,541) | 0 | | | (4,963) |
| RSVA - Retail Transmission Network Charge | 1584 | (244,354) | | (256,516) | 1,143 | (4,260) | (11,085) | |
| RSVA - Retail Transmission Connection Charge | 1586 | (185,261) | | (125,978) | (62) | (2,330) | (7,345) | |
| RSVA - Power[4] | 1588 | (1,647,749) | (157,634) | 341,738 | (35,991) | (20,998) | (23,857) | |
| RSVA - Global Adjustment[4] | 1589 | 160,559 | (421,084) | 697,904 | 16,624 | 3,612 | (5,052) | |
| Disposition and Recovery/Refund of Regulatory Balances (2015 and pre-2015)[3] | 1595 | | | (84,903) | 13,241 | (704) | | |
| Disposition and Recovery/Refund of Regulatory Balances (2016)[3] | 1595 | | | 82,602 | (85,930) | 5,107 | | |
| Disposition and Recovery/Refund of Regulatory Balances (2017)[3] | 1595 | 2,198,534 | | (600,483) | 0 | (6,505) | 49,893 | |
| Disposition and Recovery/Refund of Regulatory Balances (2018)[3] | 1595 | | | 0 | 0 | | | |
| Disposition and Recovery/Refund of Regulatory Balances (2019)[3] | 1595 | | | 0 | 0 | | | |
| Disposition and Recovery/Refund of Regulatory Balances (2020)[3] | 1595 | | | 0 | 0 | | | |
| Disposition and Recovery/Refund of Regulatory Balances (2021)[3] | | | | | | | | |
| *Not to be disposed of until two years after rate rider has expired and that balance has been audited.* *Refer to the Filing Requirements for disposition eligibility.* | 1595 | | | 0 | 0 | | | |

a) OEB staff notes that the Decision and Order, EB-2016-0093, shows a principal amount of $188,940 and an interest amount of $2,935 in Account 1580 Sub-account CBR Class B. Please explain why Milton Hydro did not show this amount in the 2022 IRM Rate Generator.
b) Please explain the variance between the approved amount s (as shown in Decision and Order EB-2016-0093) and the amounts reported in Account 1595 (2017) in the 2022 IRM Rate Generator Model.

**OEB Staff-9**

**Ref 1: Manager's Summary, p. 45 – LV Service Rate Update**

Milton Hydro has request to adjust its Low Voltage service rates (LVSR) as part of its 2022 IRM application and noted the following justification:

> *In order to minimize the balance of its Account 1550 LV Variance Account, and to set its LVSRs to an appropriate level, Milton Hydro proposes to adjust the LVSRs annually by using the previous year's actual LV costs paid to its Host Distributor as the numerator dollar amount, and then allocate this amount to customer classes on the same basis as the Transmission Connection Charges, and then apply the previous year's Transmission Connection denominator volumes to calculate the LVSRs.*

a) Please confirm that Milton Hydro is planning to file a cost-of-service application for the 2023 rate year.
b) If a) is confirmed, has Milton Hydro considered updating the LVSRs as part of its rebasing application, in accordance with the OEB's typical practice for updating these charges? Please discuss.
c) Please quantify the anticipated incremental impact/variance on the total balances in account 1550 LV Variance Account (as of December 31, 2022) based on a) status quo of LVSRs and b) Milton Hydro's proposed updated LVSRs.
d) Please provide an estimate for the forecasted total Account 1550 balance up to December 31, 2022 (both with and without an update to the current LV charges) and calculate the incremental impact of an updated LVSR as a percentage of the December 31, 2022 balance.
e) Assuming Milton Hydro rebases its rates for 2023, this will be the final year under the IRM rate-setting method in the current term. Please discuss and rationalize why an adjustment to the LVSRs is only being proposed in this final year, rather than earlier in the IRM term, if the intent of Milton Hydro is to minimize the cumulative variances in Account 1550.

**OEB Staff-10**

**Ref 1: Manager's Summary, p. 45 – LV Service Rate Update Methodology**

Milton Hydro proposes to update the LVSRs annually by using the previous year's actual LV costs paid to its Host Distributor as the numerator dollar amount and allocate this amount to customer classes on the same basis as the Transmission Connection Charges, and then apply the previous year's Transmission Connection denominator volumes to calculate the LVSRs.

a) Please discuss what other methodologies, if any, were considered.
b) Please describe the advantages and disadvantages of each option discussed above.
c) Please explain why Milton Hydro did not use the most recent OEB-approved host distributor charges to calculate the numerator dollar amount.