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

BY EMAIL

October 22, 2021

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

Dear Ms. Long:

Re: EB-2021-0033 Application for 2022 Rates

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Hydro One Networks Inc.'s responses to interrogatories are due by November 5, 2021, for the areas formerly served by Norfolk Power Distribution Inc., Haldimand County Hydro Inc., and Woodstock Hydro Services Inc.

Any questions relating to this letter should be directed to Kelli Benincasa at Kelli.Benincasa@oeb.ca or at 416-440-7624. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Kelli Benincasa

Kelli Benincasa
Incentive Rate Setting & Regulatory Accounting

Encl.

OEB Staff Interrogatories
Hydro One Networks Inc.
EB-2021-0033

Please note, Hydro One Networks Inc. (Hydro One) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories 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-1

Ref: Application Summary, Page 41 of 51

In the current application, Hydro One is seeking to recover LRAMVA balances associated with CDM savings achieved by the Acquired Utilities up to 2015 and the persistence of these historical savings up to 2020. Hydro One is not seeking recovery of any incremental savings from 2016 to the end of the Conservation First Framework. Please confirm whether Hydro One is planning to recover any incremental savings from 2016 to the end of the Conservation First Framework that are associated with the Acquired Utilities in a future proceeding. In the response, please confirm whether Hydro One is permanently forgoing any LRAMVA balances associated with incremental savings from 2016 to the end of the Conservation First Framework for the Acquired Utilities.

OEB Staff-2

Ref: (i) Application Summary, Pages 43 & 44 of 51
(ii) Appendix I.1, Sheet 6

Haldimand County Hydro last disposed of an LRAMVA balance and the associated carrying costs up to April 30, 2014, in EB-2013-0134. However, in the current proceeding, Hydro One is seeking to recover LRAMVA carrying charges associated with the Haldimand service area for the period of January 2011 to December 2021. Please comment on this overlapping period with respect to the Halimand service area carrying charges. In the response, please confirm whether Haldimand County Hydro disposed of all LRAMVA carrying charges up to April 30, 2014.

OEB Staff-3

Ref: (i) Application Summary, Pages 20, 46
(ii) EB-2021-0110, Exhibit L / Tab 1 / Schedule 2 / Pages 5-9

a) Given that the LRAMVA rate riders are proposed to continue to the end of 2023, how does this impact Hydro One's plan to harmonize the Acquired Utilities' rate classes effective January 1, 2023 into a new set of proposed rate classes for the Acquired Utilities (Acquired Urban Residential, Acquired Residential, etc.)?
   i. Please map the Acquired Utilities existing rate classes to the new set of rate classes proposed in Hydro One's 2023 rate application, if applicable.
   ii. How do these riders change in the 2023 proceeding, if at all, to accommodate that reclassification?

b) Hydro One indicated that disposition of the Group 2 balances in this proceeding means that Hydro One can effectively begin to dispose of the Group 2 balances to each of the Acquired Utilities' customers before rates are harmonized in 2023. Considering Hydro One's response to part a above regarding the LRAMVA rate riders continuing to the end of 2023, please explain whether Hydro One would be able dispose the Group 2 accounts specifically to the Acquired Utilities' customers in a similar manner as being proposed with the LRAMVA rate riders. Please explain why or why not.

OEB Staff-4

Please file an updated LRAMVA Workform, should any updates be required as a result of responses to OEB staff questions.

OEB Staff-5

Ref: (i) Application Summary, Pages 4, 9, 10, 13, 14, & 47
(ii) Appendix B, C and D, Sheet 11

Hydro One is proposing the following mitigation measure in this Application in order to minimize year-over year rate fluctuations by maintaining the RTSRs for Norfolk, Haldimand and Woodstock at the current 2021 rates, and by disposing of the LRAMVA balances over a two-year period.

a) Please confirm that bill mitigation would not be necessary if Hydro One were to dispose of the Acquired Utilities' Group 1 net credit balances in this proceeding, based on their allocated share..

b) Does Hydro One plan on accruing interest over the next year on the balances in accounts 1584 and 1586? If so, please discuss the appropriateness of doing so.

c) Hydro One's proposal will result in incremental costs being reflected in Accounts 1584 and 1586 that are solely attributable to Acquired Utilities' customers. Does Hydro One propose to dispose of those amounts to all of its customers (rather than just the Acquired Utilities customers) in a future proceeding, given its plan to consolidate Group 1 accounts? Please discuss from the perspective of cost causality and quantify this impact.
d) Please discuss the impacts of intergenerational inequity resulting from Hydro One's proposal.
e) Has Hydro One considered other ways to mitigate the impact of deferring disposition of Group 1 accounts (for example, forgoing the Price Cap Index increase, either in part or in full)?

OEB Staff-6

Ref: Application Summary, Page15

Regarding Hydro One's proposed disposition approach for Group 1 balances,

a) Hydro One indicated that 2023 Rebasing application is the first application for both Hydro One Distribution and the Acquired Utilities, which introduces the opportunity to dispose Group 1 balances on a consolidated basis, without performing an allocation to Distribution and each of the Acquired Utilities. Please provide a high-level, approximate comparison of the 2020 Group 1 disposition related bill impacts to Distribution and each of Acquired Utilities using the consolidated approach and using an allocation approach.
b) Hydro One indicated that it intends to update the 2023 Rebasing application for audited 2021 Group 1 balances during the course of that proceeding. Hydro One further stated that in the event that Group 1 balances change based on 2021 audited transactions from a credit balance to a debit balance or a smaller credit balance, the combined disposition based on 2020 and 2021 audited balances would result in less volatility to rate payers.
    i. Given that there are 9 months of data for 2021 available, please confirm that net 2021 transactions to date have been debit transactions which would reduce the 2020 credit Group 1 balances. If not confirmed, please explain the basis for Hydro One's statement above.
c) Hydro One indicated that it receives one consolidated invoice for settlement of commodity, bulk transmission and wholesale settlements for all service territories. Please explain when Hydro One started to receive one consolidated bill for Hydro One Distribution and the Acquired Utilities.

OEB Staff-7

Ref: (i) Application Summary, Page 20
(ii) EB-2021-0110, Exhibit G / Tab 1 / Schedule 2 / Page 30

Hydro One is requesting to dispose of the Acquired Utilities' Group 2 2020 balances in this application. By disposing of the Group 2 balances in this proceeding, Hydro One can effectively begin to dispose of the Group 2 balances to each of the Acquired Utilities' customers before rates are harmonized in 2023.

a) The Acquired Utilities' Group 2 accounts are expected to remain effective until the Acquired Utilities rebase in 2023. Per Hydro One's 2023 rebasing application, the Acquired Utilities' Group 2 accounts are proposed to be continued in 2021. Please confirm that the Group 2 accounts for the Acquired Utilities would be discontinued effective January 1, 2023. If not confirmed, please explain why not.
b) If the Acquired Utilities' 2020 Group 2 balances are approved for disposition, there will still be 2021 and 2022 balances remaining to be disposed in the future. Please explain Hydro One's plan for the disposition of the 2021 and 2022 Group 2 balances remaining for the Acquired Utilities, including when it would be requested for disposition, and whether it would be disposed to the legacy ratepayers from the Acquired Utilities or all of Hydro One's ratepayers.
c) Please explain whether Hydro One is able to forecast the Acquired Utilities' Group 2 accounts for 2021 and 2022 with reasonable accuracy.
    i. If Hydro One is able to forecast the Group 2 accounts for 2021 and 2022 with reasonable accuracy, please provide the amounts for each account, by year.
    ii. In responding to all other OEB staff interrogatories regarding any Group 2 account, please provide a response that incorporates 2021 and 2022, as applicable.
    iii. Please provide Hydro One's position on the notion of disposing these forecasted balances in the current proceeding.
    iv. Please update the DVA Continuity Schedule as needed.

OEB Staff-8

Ref: Application Summary, Page 21

It states that the DVA Continuity Schedule starts in the year in which the Acquired Utilities integrated with Hydro One.

a) Please explain if Hydro One has the opening balance of each of the Acquired Utilities' Group 2 accounts since the balance that was last approved for disposition in the respective Acquired Utility's last cost of service proceeding.
b) If so, please provide the DVA Continuity Schedules starting from the last closing principal balances that were approved for disposition.
c) If the response to part a) is no, please explain whether Hydro One has previously confirmed that the opening account balances resulting in the cumulative 2020 balances appropriately reflect the last approved closing balances for each of the Acquired Utilities.

OEB Staff-9

Ref: (i) Appendix E.2
(ii) EB-2021-0110 - Exhibit G / Tab 1 / Schedule 1 / p.30

In Hydro One's 2023 rebasing application as per the second reference, Hydro One noted that Hydro One Distribution's 2020 Group 2 balances requested for disposition in that application only reflects Distribution balances and do not include the Acquired Utilities' balances. In the DVA Continuity Schedule of this proceeding, there are no balances for each of the Acquired Utilities for the following generic accounts.

- Account 1592, Sub-account CCA Changes, and
- Account 1522 Pension & OPEB Forecast Accrual versus Cash Payment Differential Carrying Charge, and related control and contra-accounts

a) Please explain why there are no balances for each of the Acquired Utilities for the accounts noted above.
b) Please provide the balances for the Account 1522 accounts for each year in which it is applicable and provide any supporting calculation.
c) For Account 1592, Sub-account CCA Changes, please provide the balances for each year. Please provide a calculation of the full revenue requirement for each year from 2018 to 2022 for each of the Acquired Utilities using the following two methods:
    i. The difference in CCA between the calculations embedded in each Acquired Utility's rates and what that calculation would have been had the Accelerated Investment Incentive Program (AIIP) rules been applied in its last rebasing application (i.e. based on approved capital additions)
    ii. The difference in CCA between the amounts claimed for each Acquired Utility in 2018 to 2020 and what the claims would have been had the AIIP program not been introduced (i.e. based on actual capital additions in the year).
d) Please update the DVA Continuity Schedules, as needed.

OEB Staff-10

Ref: Application Summary, Pages 22, 32-32

Please provide a breakdown of the costs in Norfolk and Woodstock's Account 1508, Deferred IFRS Transition Costs (debit balance of $129,745 and debit balance of $73,765, respectively), using the following table, for each year:

	Amount ($) for each year from 2011 to 2020	**Reasons why the costs recorded meet the criteria of one-time IFRS administrative incremental costs**
Professional accounting fees		
Professional legal fees		
Salaries, wages and benefits of staff added to support the transition to IFRS		
Associated staff training and development costs		
Costs related to system upgrades, or replacements or changes where IFRS was the major reason for conversion		
Other – describe		
Total		

OEB Staff-11

Ref: (i) Application Summary, Page 23-24, 28-29,33-34
(ii) Report of the OEB, Energy Retailer Services Charges, November 29, 2018 (EB-2015-0304)

For each of the Acquired Utilities' Account 1518 – RCVA Retail and Account 1548 - RCVA STR,

a) Please provide the amounts from last rebasing until 2016 for Tables 5, 7, 9, if available.
b) Please confirm that the calculations shown in Tables 5, 7 and 9 reflect updated energy retail service charges effective May 1, 2019 as well as the subsequent annual updates (in accordance with the OEB's Report in the second reference

above). If not, please explain and revise the calculations to reflect the appropriate energy retail service charges.

c) For Norfolk, Table 5 shows STR revenues and costs to be both debit amounts. Please explain why both STR revenues and costs are debit amounts.
d) For Haldimand (total debit balance of $341,435), Table 7 shows STR revenues and costs, Retail revenues and costs to all be debit amounts. Please explain why both revenue and costs are debit amounts.
    i. The balance in the two accounts would have been accumulated since 2013 (Haldimand last rebased in 2014 and disposed 2012 balances). From 2013 to 2016, the two accounts accumulated a balance of $320,120 (i.e. the total 2016 ending principal balance is $320,120). Total closing principal balance in 2020 is $321,065. Annual transactions from 2017 to 2020 have been below $15k (debits or credits) per Table 7. Please explain the significant balance accumulated from 2013 to 2016, as compared to annual transactions of under $15k from 2017 to 2020.

OEB Staff-12

Ref: Application Summary, Page 25

Regarding Norfolk's Account 1533 – Distribution Generation – Other Costs (debit balance of $379,263), the 2012 settlement proposal noted that parties agreed that Norfolk would track any expenditures in the Green Energy Act (GEA) related deferral account when expenditures are better known, and will be expected to establish the prudence of its expenditures at a later date.

a) Please provide a breakdown of the costs incurred by nature/type of cost and discuss the prudence of the costs incurred.
b) Please confirm that the costs incurred are associated with the expansions to connect renewable generation facilities and renewable enabling improvements, both as defined in the Distribution System Code, and are therefore, eligible to be recorded in the account as per the Accounting Procedures Handbook. If not confirmed, please explain.
c) For any capital costs incurred, please confirm that the amounts included in the account are the associated revenue requirement impacts. If not, please explain why not, and quantify the revenue requirement impacts.

OEB Staff-13

Ref: Application Summary, Pages 25, 31, 36

For each of the Acquired Utilities' Account 2405 – Revenue Difference Account – Pole Attachment Charge Variance Account, please provide the supporting calculation of the balances for each year from 2018 to 2020, and forecast the calculation for 2021 and 2022, if it can be reasonably done so.

OEB Staff-14

Ref: Application Summary, Page 27

Hydro One is requesting Haldimand's Account 1508, Sub-account Energy East Consultation Costs (debit balance of $5,575) for disposition. In the March 2015 Accounting Procedures Handbook Guidance, it states that "Materiality thresholds apply to the amounts recorded." Please explain how the amount in the account meets the materiality threshold. Please revise the DVA Continuity Schedule to remove the balance requested for disposition.

OEB Staff-15

Ref: Application Summary, Page 31

Hydro One is requesting Haldimand's Account 1576 - Accounting Changes Under CGAAP Balance (debit balance of $5,493) for disposition, which is a residual amount remaining after it was previously disposed. The OEB has not provided guidance that indicates residual balances are to be requested for disposition and has not historically done so. Please explain why Hydro One is requesting disposition of this residual balance. Please revise the DVA Continuity Schedule to remove the balance requested for disposition.

OEB Staff-16

Ref: (i) Appendix E.2
(ii) EB-2021-0110, Exhibit G / Tab 1 / Schedule 2 / Page 31
(iii) EB-2017-0370, Decision and Order, February 1, 2018

In the DVA Continuity Schedule for Haldimand, Account 1533 - Distribution Generation – Other –Provincial – Deferral Account has a credit balance of $1,084,440, which is not requested for disposition. In Haldimand's tariff, there is also a "Funding Adder for

Renewable Energy Generation - in effect until the effective date of the next cost of service based rate order". In the OEB's decision and order for 2018 renewable generation connection rate protection compensation amount, the OEB approved the discontinuation of the provincial funding for eligible investments for Haldimand. In this proceeding, Hydro One stated that it would record costs for the provincial portion of eligible investments in Account 1533 until such time as the credit is expected to be fully depleted.

a) With consideration of the above, please explain Hydro One's treatment of Haldimand's renewable energy generation.
b) Please explain how the funding adder and provincial funding amounts collected have been reflected in Haldimand's Group 2 accounts.
c) Please explain what the amount in Account 1533 represents, and provide a breakdown by type/nature of amount making up the balance.
d) Please explain Hydro One's plan for the prudence review and disposition of this account, including why it is not requested for disposition in this application.
e) In Hydro One's 2023 rebasing application, this account was not listed as being proposed to continue. Please explain why not.

OEB Staff-17

Ref: (i) Application Summary, p.35
(ii) EB-2010-0145, Exhibit 9 / Tab 4 / Schedule 4 / Page 1
(iii) December 2010, Accounting Procedures Handbook (APH) Frequently Asked Questions (FAQ)

Hydro One is requesting Woodstock's Account 1536 – Smart Grid Funding Adder Deferral Account (debit balance of $424,379) for disposition. Per the December 2010 APH FAQ #16,

- Account 1536 is to record revenue collected through a funding adder approved by the OEB related to smart grid development
- Account 1534 – Smart Grid Capital Deferral Account is to record investments related to smart grid demonstration projects and the cost of smart grid investments that are undertaken as part of a project to accommodate renewable generation
- Account 1535 – Smart Grid OM&A Deferral Account is to record operating, maintenance, amortization and administrative expenses directly related to the specific smart grid development activities. These activities are smart grid demonstration projects, smart grid studies and planning exercises, and smart

grid education and training.

a) Please indicate how long Woodstock's Smart Grid Funding Adder was effective for and how much was collected from the funding adder.
b) Please confirm that the Account 1536 balance includes costs incurred relating to smart grid, as well as the funding adder collected. If not confirmed, please explain why Account 1536 is in a debit position.
c) Please provide the calculation of the principal balance in Account 1536. If there are any capital or operating costs recorded in Account 1536, please show the revenue requirement calculation relating to smart meter costs incurred after 2009, offset by the adder collected.
d) Please confirm that any costs reflected in Account 1536 meet the definition of eligible costs as defined for Accounts 1534 and 1536 per the APH FAQ. If not, please remove the amounts associated with these costs from the account.
e) As noted by Hydro One, the OEB's decision on smart meters in Woodstock's 2011 cost of service proceeding indicated that the OEB expected distributors to file for a final prudence review, after the availability of audited costs.
   i. Please discuss the prudence of the costs incurred, including a comparison of post-2009 capital and OM&A costs per meter to historical capital and OM&A costs per meter.
   ii. Per the second reference, the funding adder which was approved was calculated to recover the 2010 smart meter costs. Please explain why there is a significant principal balance in the account even though a funding adder was collected by Woodstock.

OEB Staff-18

Ref: (i) Application Summary, p.37
(ii) Appendix E.2
(iii) EB-2011-0207, Decision and Order, March 22, 2012

Hydro One is requesting Woodstock's Account 1508, Sub-account Incremental Capital Module (ICM) (debit balance of $187,825) for disposition.

a) Please indicate the actual ICM costs incurred.
b) Please provide the annual calculation making up the balance in the sub-account, showing the calculation of the annual revenue requirement recalculated using actual costs and the revenues collected each year.
c) It states that the balance in the sub-account is net of annual drawdowns related to the amortization of Woodstock's capital contribution. Please clarify how this is done in the calculation of the sub-account balance provided in part b) above.
d) In reference to the revenue requirement calculation noted in part b) above, please confirm that the 2012 revenue requirement represents the full-year

revenue requirement as the half-year rule did not apply to Woodstock's ICM per the decision and order that approved the ICM.

e) Please confirm that the ICM assets are being added to Hydro One's rate base in its 2023 rebasing application and that a full year's depreciation was recorded in the first-year the ICM assets were placed in service. If not confirmed, please explain the basis in which depreciation was recorded and explain why a full year's depreciation was not used.

OEB Staff-19

Ref: Appendix G.1

Hydro One is requesting Woodstock's Account 1576 - Accounting Changes Under CGAAP Balance (credit balance of $2,230,892) for disposition.

a) The balance includes a return component of a credit of $106,233, based on a 5% weighted average cost of capital (WACC) per the OEB's 2021 cost of capital parameters. Woodstock's 2011 approved WACC was 6.74%. OEB staff notes that in other cases where Account 1576 has been approved for disposition (e.g. EB-2020-0041 and EB-2018-0079), a distributor's last approved WACC have been used to calculate the return component for Account 1576. Please explain why Hydro One has applied the OEB's 2021 WACC instead of Woodstock's last approved WACC to Account 1576.
b) It states that Woodstock has followed the Chapter 2 Filing Requirements for 2018 rebasers. Per the noted filing requirements, please identify and quantify the drivers of the change in closing net PP&E.
c) In Appendix G, Note 5 states that differences due to the adoption of MIFRS is to be recorded in Account 1575. Hydro One has noted this is not applicable to Hydro One. Please explain whether this account is not applicable because there was no differences identified upon adoption of IFRS, or for other reasons. If for other reasons, please explain.

OEB Staff-20

Please file all updated Excel files with Hydro One's interrogatory responses.